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KEWAL KIRAN CLOTHING LIMITED

(Incorporated as Kewal Kiran Apparels Private Limited on 30th January 1992 under the Companies Act, 1956 with Registration No. 11-65136. With effect from 1st December 2002, a group company called Kewal Kiran Clothing Private Limited was merged with Kewal Kiran Apparels Private Limited. With effect from 17th October 2003, Kewal Kiran Apparels Private Limited changed its name to Kewal Kiran Clothing Private Limited. With effect from 2nd November 2005, Kewal Kiran Clothing Private Limited became a public company under the name of Kewal Kiran Clothing Limited).

Registered Office: B-101 to 107, Synthofine Estate, Behind Virwani Industrial Estate, Goregaon (East), Mumbai 400 063

Tel: +91-22-2874-4433; Fax: +91-22-2874-8998;

Corporate Office: Kewal Kiran Estate, Behind Tirupati Udyog, 460/7 I. B. Patel Road, Near W.E. Highway, Goregaon (East), Mumbai - 400 063

Tel: +91-22-2681-4400; Fax: +91-22-2681-4444;

Web site: www.kewalkiran.com; **Email:** ipo@kewalkiran.com;

Contact Person/Compliance Officer: Mr. Abhijit B. Warange

PUBLIC ISSUE OF 3,100,000 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] MILLION (REFERRED TO AS THE "ISSUE"), BY KEWAL KIRAN CLOTHING LIMITED ("THE COMPANY" OR "ISSUER"). THE ISSUE WOULD CONSTITUTE 25.15% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

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

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

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE") and The National Stock Exchange of India Limited ("NSE"), by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to Qualified Institutional Buyers and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the section titled "Risk Factors" beginning on page 10 of this Draft Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares are proposed to be listed on The Bombay Stock Exchange Limited ("BSE") and The National Stock Exchange of India Limited ("NSE") and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares pursuant to letters dated [●] and [●], respectively. For purposes of this Issue, the Designated Stock Exchange is [●].

BOOK RUNNING LEAD MANAGER

ENAM
ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED
801, Dalamal Towers, Nariman Point,
Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Email: kkcl.ipo@enam.com
Website: www.enam.com

REGISTRAR TO THE ISSUE



INTIME SPECTRUM REGISTRY LIMITED
C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup West, Mumbai 400 078
Tel: +91 22 25960320
Fax: +91 22 2596 0329
Email: kewalkiran@intimespectrum.com
Website: www.intimespectrum.com

ISSUE PROGRAM

BID/ISSUE OPENS ON	●, 2006	BID/ISSUE CLOSES ON	●, 2006
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TABLE OF CONTENTS

INDEX	PAGE NO.
SECTION I : DEFINITIONS AND ABBREVIATIONS	2
Conventional/General Terms	3
Issue Related Terms	4
Industry/Company Related Terms	6
Abbreviations	7
SECTION II : RISK FACTORS	8
Certain Conventions; Use of Market Data	8
Forward-Looking Statements	9
Risk Factors	10
SECTION III: INTRODUCTION	23
Summary	23
Summary Financial Data	29
The Issue	34
General Information	35
Capital Structure	41
Objects Of The Issue	50
Issue Structure	63
Basis for Issue Price	66
Statement of Tax Benefits	68
SECTION IV : ABOUT THE ISSUER COMPANY	76
Industry	76
Our Business	83
History & Corporate Structure	103
Our Management	105
Promoters	117
Related Party Transactions	119
Dividend Policy	120
SECTION V : FINANCIAL STATEMENTS	121
Report Of Our Statutory Auditors	121
Restated Financial Statements	123
Group Companies & Partnership Firms	162
Changes in the Accounting Policies in the Last Three Years	169
Management Discussion and Analysis of Financial Condition and Results of the Operations	170
SECTION VI: LEGAL AND OTHER INFORMATION	187
Outstanding Litigations and Defaults	187
Material Developments	197
Government Approvals	198
SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES	204
SECTION VIII: ISSUE INFORMATION	212
Terms of the Issue	212
Issue Procedure	214
SECTION IX: TERMS OF THE ARTICLES OF ASSOCIATION	241
SECTION X: OTHER INFORMATION	258
Material Contracts And Documents For Inspection	258
Declaration	260

SECTION I : DEFINITIONS AND ABBREVIATIONS

Term	Description
“Kewal Kiran Clothing Limited”, the “Company”, “our Company”, “the Company”, “we” or “us”	Unless the context otherwise requires, refers to, Kewal Kiran Clothing Limited, a public limited company incorporated under the Companies Act, having its registered office at B-101 to 107, Synthofine Estate, Behind Virwani Industrial Estate, Goregaon (East), Mumbai 400 063
Promoters	The Promoters are: • Mr. Kewalchand Jain • Mr. Hemant Jain • Mr. Dinesh Jain • Mr. Vikas Jain, and • Mrs. Shantaben Pukhraj Jain j/w Mr. Kewalchand Pukhraj Jain j/w Mr. Hemant Pukhraj Jain (As trustees of P K Jain Family Holding Trust)
Promoter Group	As defined in Explanation II of Clause 6.8.3.2 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, Promoter Group includes: <u>Individuals & HUFs</u> • Mrs. Shantaben Pukhraj Jain • Pukhraj Karamchand Jain HUF • Ms. Veena Kewalchand Jain • Kewalchand Pukhraj Jain HUF • Mr. Pankaj Kewalchand Jain • Ms. Arpita Kewalchand Jain • Ms. Lata Hemant Jain • Hemant Pukhraj Jain HUF • Mr. Hitendra Hemant Jain • Ms. Krimika Hemant Jain • Ms. Sangeeta Dinesh Jain • Dinesh Pukhraj Jain HUF • Ms. Krushika Dinesh Jain • Ms. Nami Dinesh Jain • Master. Jay Dinesh Jain • Ms. Kesar Vikas Jain • Vikas Pukhraj Jain HUF • Master Yash Vikas Jain • Master Dhruv Vikas Jain • Ms. Meena L Chouhan <u>Firms & Trusts</u> • Kewal Kiran Enterprises • Kasturchand & Sons • Karamchand • P K Jain Family Holding Trust <u>Companies</u> • Kewal Kiran Realtors Private Limited • Kewal Kiran Retail India Private Limited • Kornerstone Retail Limited
Manufacturing Units	The Company's manufacturing units located at Goregaon (Mumbai), Dadar

Term	Description
	(Mumbai), Vapi (Gujarat) and Daman (Union Territory)

CONVENTIONAL/GENERAL TERMS

Term	Description
Articles/Articles of Association	Articles of Association of our Company
Auditors	The statutory auditors of our Company, being M/s. Jain & Trivedi, Chartered Accountants, and M/s. N A Shah Associates, Chartered Accountants
Board of Directors/ Board	The Board of Directors of our Company or a committee thereof
Companies Act or The Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Directors	The directors of our Company, unless otherwise specified
Equity Shares	Equity shares of our Company of face value of Rs. 10 each, unless otherwise specified in the context thereof
FCNR Account	Foreign Currency Non Resident Account
Factories Act	Factories Act, 1948 as amended from time to time
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Indian GAAP	Generally Accepted Accounting Principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company
Non Resident	A person who is not an NRI or an FII and is not a person resident in India
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
Negotiable Instruments Act	Negotiable Instruments Act, 1881 as amended from time to time
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000.
RBI	Reserve Bank of India, constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
Registered Office	The registered office of our Company, that is, B-101 to 107, Synthofine Estate, Behind Virwani Industrial Estate, Goregaon (East), Mumbai 400 063
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time

Term	Description
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India, constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines/SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from 27 th January 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time

ISSUE RELATED TERMS

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Banker(s) to the Issue	[●]
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for allotment in terms of this Draft Red Herring Prospectus
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue,, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building mechanism as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLM	Book Running Lead Manager to the Issue, in this case being Enam Financial Consultants Private Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLM and it shall be any price within the Price Band. Only Retail Individual Bidders are entitled to bid at Cut-off Price. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, following which the Board of Directors shall allot Equity Shares to successful Bidders.

Term	Description
Designated Stock Exchange	[•]
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies at least three days before the opening of the Issue. It will become a Prospectus after filing with the Registrar of Companies, after pricing and allocation.
Enam	Enam Financial Consultants Private Limited
Enam Securities	Enam Securities Private Limited
Escrow Account/ Escrow Collection Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened, in this case being [•]
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	The issue of 3,100,000 Equity Shares at the Issue Price under this Draft Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Draft Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Issue	The net issue of 3,100,000 Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating to Rs. [•]
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being at least 15% of the Net Issue, i.e. 465,000 Equity Shares of Rs. 10 each aggregating to Rs. [•] available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is more than 10% and is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price ("Floor Price") of Rs. [•] and the maximum price ("Cap Price") of Rs. [•] and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price

Term	Description
Prospectus	The Prospectus to be filed with the RoC in accordance with the provisions of Section 60 of the Companies Act containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds (subject to applicable laws) with minimum corpus of Rs. 250 million
QIB Portion	The portion of the Issue being a minimum of 50% of the Net Issue, i.e. 1,550,000 Equity Shares of Rs. 10 each aggregating to Rs. [●] available for allocation to QIBs, of which 5% shall be reserved for Mutual Funds
Registrar to the Issue/Registrar	Registrar to the Issue, in this case being Intime Spectrum Registry Limited having its registered office at C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West), Mumbai 400 078
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being at least 35% of the Net Issue, i.e. 1,085,000 Equity Shares of Rs. 10 each aggregating to Rs. [●] available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	Agreement to be entered into amongst our Company, the BRLM and the other members of the Syndicate, in relation to collection of Bids in the Issue
Syndicate Members	Enam and Enam Securities
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	Enam and Enam Securities
Underwriting Agreement	The Agreement between the Underwriters and the Company, to be entered into on or after the Pricing Date

INDUSTRY/COMPANY RELATED TERMS

Term	Description
ERP	Enterprise Resource Planning
GATT	General Agreement on Tariff and Trade
MBO	Multi Brand Outlets
NCS	National Chain Store
WTO	World Trade Organization

ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DGFT	Director General of Foreign Trade
EBDITA	Earning Before Depreciation, Interest, Tax and Amortization
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings per Equity Share
FIs	Financial Institutions
FIPB	Foreign Investment Promotion Board
FVCI	Foreign venture capital investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
FY/Fiscal	A period of 12-months ending 31 st March
GIR Number	General Index Registry Number
GoI	Government of India
HUF	Hindu Undivided Family
IPO	Initial public issue
j/w	Jointly with
MoU	Memorandum of Understanding
NAV	Net Asset Value
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent Account Number
P/E Ratio	Price Earning Ratio
PIO/Person of India Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
Rs./Rupees	Indian Rupees, the legal currency of the Republic of India
RoC	Registrar of Companies, Maharashtra at Mumbai
RONW	Return on Net Worth
SSI	Small Scale Industrial Unit
VCF	Venture Capital Funds registered with SEBI under SEBI (Venture Capital Funds) Regulations, 1996, as amended from time to time
USD/US\$	United States Dollar, being the legal currency of the United States of America

SECTION II : RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Draft Red Herring Prospectus, the terms “Kewal Kiran Clothing Limited”, “our Company”, “we”, “us” and “our” unless the context otherwise indicate or implies, refers to Kewal Kiran Clothing Limited, a public limited company incorporated under the Companies Act.

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

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and audited by our statutory auditors. Our fiscal year commences on April 1 and ends on March 31.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

The calculation of revenues by customer geography is based on the location of the specific customer entity for which services are performed, irrespective of the location where a billing invoice may be rendered.

For additional definitions, please refer to the section titled “Definitions and Abbreviations” on page 2 of this Draft Red Herring Prospectus. In the section titled “Main Provisions of the Articles of Association” on page 241 of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market and industry data used throughout this Draft Red Herring Prospectus have been obtained from publications available in the public domain and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy and our growth and expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, changes in the laws and regulations that apply to the Indian textile industry, including with respect to tax incentives and export benefits, adverse changes in foreign laws, increasing competition in and the conditions of the Indian and global textile industry, the prices we are able to obtain for our services, wage levels in India for employees, the loss of significant customers, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the textile industry.

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

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

For further discussion of factors that could cause our actual results to differ, please refer to the sub-section titled “Risk Factors” beginning on page 10 of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, any Syndicate Members nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

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

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

INTERNAL RISK FACTORS

Company Related Risks

1. ***There are litigations outstanding against our Company and our directors***

Our Company and certain of our directors are involved in certain civil, criminal, regulatory and taxation proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by trial or appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and results of operations.

A classification of the legal proceedings instituted against our Company and the monetary amount involved in these cases is given in the following table:

Type of litigation	Total number of pending cases	Remarks and amount involved
Central Excise	2	In a case pending before the Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate – Rs. 336,696/- along with interest and penalty. In a case pending before the Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate – Rs. 66,687/- along with interest and penalty.
Standards of Weights & Measures	1	In a case pending before the Inspector of Legal Metrology – Not quantifiable
Labour laws	2	In a case pending before the Employees State Insurance Court, Mumbai - Rs. 41,713/- In case pending before the 2nd Labour Court, Mumbai – Not quantifiable
Municipal Corporation	1	In a case pending before the Municipal Corporation of Greater Mumbai – Not quantifiable

Type of litigation	Total number of pending cases	Remarks and amount involved
Income-tax	5	In respect of case pertaining to Assessment Year 1997-98 – Nil In respect of case pertaining to Assessment Year 1999-2000 – Nil In respect of case pertaining to Assessment Year 2000-01 – Nil In respect of appeal pertaining to Assessment Year 2001-02 pending before the Income Tax Appellate Tribunal, Mumbai – Rs. 3,560,000 In respect of case pertaining to Assessment Year 2002-03 – Rs. 220,000

There are certain legal proceedings pending against Kewal Kiran Enterprises, a member of the Promoter Group, that are set out below:

Type of litigation	Total number of pending cases	Remarks and amount involved
Central Excise	2	In a case pending against Kewal Kiran Enterprises before Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate – Rs. 2,134,557/- along with interest and penalty. In a case pending against Kewal Kiran Enterprises before Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate – Rs. 428,530/- along with interest and penalty.
Standards of Weights & Measures	1	In a case pending against Kewal Kiran Enterprises before the Inspector of Legal Metrology – Not quantifiable
Income-tax	3	In respect of appeal pending before the Income Tax Appellate Tribunal pertaining to Assessment Year 1995-96 pending against Kewal Kiran Enterprises – Rs. 4,690,000. In respect of appeal pending before the Commissioner of Income Tax (Appeals) pertaining to Assessment Year 1999-2000 pending against Kewal Kiran Enterprises – Rs. 47,790,000. In respect of appeal pending before the Income Tax Appellate Tribunal pertaining to Assessment Year 2000-01 pending against Kewal Kiran Enterprises – Rs. 4,480,000.

There is a criminal case that is pending against one of our Promoters and whole-time directors, as described below. This case was filed by an ex-employee of our Company in counter to a criminal complaint filed by our Company against the employee.

Type of litigation	Total number of pending cases	Remarks and amount involved
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Type of litigation	Total number of pending cases	Remarks and amount involved
Criminal Cases	1	In a case pending against Mr. Vikas P. Jain in respect of unfair labour activities and pending before the Additional Chief Metropolitan 5th Court Bhoiwada Dadar (Mumbai) – Not quantifiable

There are certain criminal cases pending against our Independent Director, Dr. Prakash A. Mody which do not relate to our Company and were initiated against him prior to his date of joining the Board.

Type of litigation	Total number of pending cases	Remarks and amount involved
Criminal Cases	2	In a case pending before the High Court of Uttaranchal relating to defects in products – Not quantifiable. In a case pending before the High Court of Jharkhand relating to defects in products – Not quantifiable.

For more information regarding litigation, please refer to the section titled “Outstanding Litigations and Defaults” beginning on page 187 of this Draft Red Herring Prospectus.

2. ***Risk in relation to distribution channels***

The Company is engaged in the manufacture and sale of apparels. The Company sells apparels through distributors as well as through retailers. Our distribution channel consists of Branded Stores (K-Lounge), National Chain Stores and Multi Brand Outlets. Selection of the distribution channel in terms of combination of our own stores and other outlets, location of our own stores etc. may impact our business. Success of our business is highly dependent on optimizing retail locations. Failure in determining the right location can have an adverse impact on our business.

3. ***We have entered into certain transactions for which Central Government's prior approval was not obtained.***

The Company in previous year and in the current year has entered into transactions for purchase of Assets and raw material with Kewal Kiran Enterprises for which prior approval of Central Government u/s 297 of the Companies Act inadvertently was not obtained. The Company's application under section 621A of the Act is pending with the Regional Director, Department of Company Affairs. Failure to get such approval may attract penal provisions under the Companies Act.

4. ***Competition from Other Brands***

Our Company's business is driven by the value of our brands. The Company has four primary apparel brands, namely Killer, Lawman, Easies and Integrity and newly launched retail concept K-Lounge. Our Company faces competition from several other domestic and foreign brands present in the market as also new brands that may enter in the market in the future.

5. ***Most of our retail stores (present and proposed) are not on ownership basis but taken on contractual agreement basis***

A majority of our K-Lounge retail stores are not owned by us. We take property on lease which may not be renewed. We enter and will enter into franchisee or re-seller agreements with store owners under which we allow such stores to use our K-Lounge brand on the store owner agreeing to certain conditions, including sale of exclusively our products. The renewal or termination of the franchise agreement is dependent on the performance of the franchisee. Termination of our agreements with store owners, or disputes that may arise with store owners may result in closure of K-Lounge stores,

thus affecting our business operations and profitability.

6. *Our revenues are dependent on a limited number of wholesalers and retailers. The loss of our major wholesalers or retailers or a decrease in the volume of apparels they source from us may adversely affect our revenues and profitability.*

At present we derive a significant portion of our revenues from supplying and selling our apparels through various Multi Brand Outlets, National Chain Stores and retail stores across India. In the six months period ended 30th September 2005, our top ten customers contribute to about 36.88% of our sales. We expect that the percentage sales through our National Chain Stores and our retail stores, as proportion to our total sales, is likely to grow in the future.

Several of our retailers are Multi Brand Outlets ("MBO") and National Chain Stores ("NCS") that stock our products, as well as the products of our competitors. The number of apparels procured by these retailers vary from month to month since these retailers are not exclusive to us and they purchase apparels from us based on their sales estimates for the next season. There are a number of factors that impact customer demand from these retailers, which may not be predictable.

In addition, we may lose retailers due to various commercial reasons, including competition from our competitors. Our retailers may also decide to reduce the quantity of apparel sourced from us because of changing market conditions and other factors, internal and external, relating to their business. The loss of any of the major retailers or a decrease in the volume of the apparels they buy from us or decrease in the price of apparels may adversely affect our revenue and profitability.

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

While we deal with some of our buyers for the past many years, we do not have any long term contracts with them. Any change in the buying pattern of our buyers can adversely impact our business and profits. Further, in the absence of such long term contracts there can be no assurance that a particular buyer would continue to purchase apparel from us in the future.

8. *Raw materials including Fabric, which constitutes the largest component of our material costs, is sourced from external suppliers based on our assessment of periodic requirements*

We are dependent on external suppliers for the timely supply of raw materials. We procure our raw material from manufacturers and authorized distributors appointed by the manufacturers based on our requirement. We analyze the production requirement on a monthly basis; based on which we place orders to our suppliers. Fabric constitutes about 77% of our raw material cost. Fabric procurement constitutes a significant part of our cost and total lead time. Any delay in supply or non conformance to quality requirements by our suppliers or fluctuations in the prices of the same can impact our ability to meet our customer requirements and thus impact our profitability. Further, non-availability of required raw materials or any other item of production in desired quantity and quality at the right time may adversely affect our sales commitment and profitability.

9. *Our success depends upon our ability to manage our growth of business.*

Our Company has experienced growth in its business in past few years. However, maintaining such growth in future may create pressure on our management and other resources. Our success depends upon our ability to manage such growth effectively.

10. *Our failure to identify and understand evolving fashion trends and changing customer tastes and preferences may adversely affect our business.*

We strive to keep up to the changing fashion trends and also introduce new designs/apparels periodically to enhance our existing business and explore new business opportunities. In this regard, we cannot assure that all our new designs/apparels will gain buyer acceptance. Our failure to identify and

understand contemporary and evolving fashion trends could adversely affect our business.

11. *We operate only in selected segment of Apparels and one of our brands contributes to more than 50% of our revenues.*

We operate only in the men's wear segment of the readymade apparel business. Our leading brand "Killer" contributes about 55 % of our total revenues as per our last audited financial results. we are vulnerable to the changes in this segment and to any downfall in the sales of the above brand.

12. *Our business is seasonal in nature with the October-December quarter being our best quarter. Any substantial decrease in our sales during this quarter can have a material adverse impact on our financial performance.*

Our business exhibits seasonality due to the bunching up of festivals like Durga Puja, Diwali, Christmas, etc. in the third quarter of our financial year (October-December quarter), in which historically we have reported higher sales. Any substantial decrease in sales for the October-December quarter could have a material adverse effect on our financial condition and results of operations.

13. *Export obligation under the Import and Export policy*

The Company has imported and proposes to import machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). Under this scheme, our Company is required to achieve certain export performance based on concession availed on import duty. Any failure to fulfill export obligation will result in obligation on our Company to pay the customs duty saved alongwith interest. The Company's current contingent liability in this regard is Rs. 1.15 million.

14. *SSI Registration and benefits may cease to apply in respect of certain manufacturing units*

Some of the manufacturing units of our Company are registered as SSI Units. It may happen that some of the Units may not remain to continue to qualify as SSI units. If any of the units of our Company ceases to qualify as SSI, there may be reduction in period of sales tax exemption or withdrawal of exemption enjoyed by the unit which may impact our price and profitability.

15. *Contingent liabilities*

As on 31st December 2005, our contingent liabilities are as follows:

- a. Disputed demands in respect of income tax not acknowledged as debt - Rs. 3.78 million
- b. The Company has purchased capital assets under EPCG license against which the company has an export obligation. Contingent liability to the extent of duty saved, on not being able to able to fulfill the export obligation is Rs. 1.15 million
- c. Guarantee of Rs. 30 million given to bank as co-borrower for loan to Kornerstone Retail Limited
- d. Guarantees given by a bank on behalf of our Company amounting to Rs. 0.17 million
- e. Liability of Payment of Custom Duty in respect of unfulfilled export obligation against duty free advance license Rs. 0.31 million

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.

16. *Dependence on Key Management Team*

Our growth and success is highly dependant on the continuance and performance of our team of key managers. We may lose our key management team to our competitors. If one or more members of our management team are unable or unwilling to continue with our Company, we may find it difficult to replace such people and hence our business may be adversely affected.

17. *Failure to attract and retain talented professionals may impact our business.*

Our failure 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.

18. *We operate in a labour intensive industry which is governed by restrictive labour laws of India*

Apparel manufacturing is a labour intensive industry. We are constrained by the archaic labour laws of India which limit the flexibility of optimising the workforce. Because of this we may be reluctant to add workforce as and when required. this may lead to loss of business opportunities and hence adversely impact our future growth.

19. *Our manufacturing facilities are located in different states*

Our manufacturing facilities are located in Mumbai (Maharashtra), Daman (Union Territory) and Vapi (Gujarat). Any disruption in any one of these facilities due to any unforeseen adverse event may impact our production capability. These scattered facilities also impose a problem of managing logistics and day to day operations.

18. *A large portion of our premises and manufacturing locations are leased; the non renewal of such leases can adversely impact our business*

Some of our factory units are on lease. While the terms of the leases permit renewal, any non-renewal of the existing leases may force us to incur substantial expenditure in relocating our factories. This may lead to loss of business for the period during which the factories are being relocated.

Further, some units located at Goregaon (Mumbai) are leased to us by members of our Promoter Group. In case of any conflict of interest between our Company and the members of our Promoter Group, those leases may not be renewed and our business may be adversely affected.

19. *We have not registered the lease agreements in respect of certain properties.*

Certain lease agreements executed by our Company in relation to properties in which retail shops are situated, are not registered as per the provisions of the relevant state level stamp acts and/or are additionally not duly registered. Non-registration of these leases can attract legal action against our Company. It may also dilute our rights to enforce the terms of the lease which may have an adverse effect on our business.

20. *We have issued our Equity Shares in last one year at prices which may be less than the price discovered through book building in the instant issue*

On 12th October 2005, we issued bonus shares in the ratio 3:1 aggregating to 3,000,000 Equity Shares through capitalization of our general reserves. On 25th October 2005 we made a preferential issue of 4,760,000 Equity Shares at a price of Rs. 18/- each to the promoter group. On 16th November 2005 we made a preferential issue of 30,000 Equity Shares at a price of Rs 25/- each to the promoter group. On 16th December 2005, we made a preferential issue of 435,000 Equity Shares at a price of Rs. 225/- each to friends of the Promoters and business associates. The price at which preferential allotment of Equity shares were made may be lower than the issue price of this issue which will be determined through the book-building process.

For further details, please refer to the sub-section titled "Capital Structure" commencing from page 41 of this Draft Red Herring Prospectus.

21. *The main objects of some of our Promoter Group entities are apparel manufacturing*

Kewal Kiran Enterprises, one of our Promoter Group entities was engaged in apparel manufacturing and owns a manufacturing unit in Daman (Union Territory). For Further details on Kewal Kiran Enterprises, please refer to the section titled “Financial and Other Information of Group Companies/Partnership Firms” appearing on page 162 of this Draft Red Herring Prospectus.

Currently, Kewal Kiran Enterprises is non-operational since September 2005. However, if Kewal Kiran Enterprises or any other Promoter Group entities start operating or enters into the business of apparel manufacturing, it may lead to a conflict of interest between us and our Promoter Group entities.

22. *We have acquired the business of apparel manufacturing from our Promoter Group entities.*

Our Company has acquired businesses, assets and machinery from our Promoter Group entities in the past. The valuations of the same as appearing in our books may not necessarily reflect their intrinsic values.

23. *Related Party Transactions*

Our Company has entered into certain related party transactions as stated by the statutory auditors of our Company in their certificate and set out at page 148. In addition, the following related party transactions have been entered by our Company.

- The Company has recently sold its erstwhile subsidiaries Kewal Kiran Retail India Private Limited and Kornerstone Retail Limited to the Promoters and Promoters Group at cost value.
- The Company has agreed to transfer and assign the K-Value brand-name to the Promoter Group entity at nominal value.

24. *Under the loan agreements entered into by us with our lender, there are certain restrictions on us which may hamper our future business growth*

As per our current debt agreements with the Standard Chartered Bank, we are subject to certain restrictive covenants which require us to obtain the prior consent of Standard Chartered Bank before undertaking certain actions such as expansion/modernization/diversification of our business (other than incurring routine capital expenditure), altering our capital structure or revaluing our fixed assets, effecting any scheme of merger/amalgamation, undertaking guarantee obligations on behalf of certain related or third parties or entering into any hire purchase or lease arrangement during the currency of the loan. In case of our inability to obtain consent from our lender or any delay in obtaining the consent may force us to forego any business opportunity which may have adverse bearing on our future growth plan.

For further details, please refer to the section titled “Borrowings” appearing on page 95 of this Draft Red Herring Prospectus.

25. *Our company is yet to receive the registration of the change in name with Regulatory Authorities and Agencies*

The Company has on 2nd November 2005 converted from a private limited company to a public limited company. Some of the licenses and registrations obtained by our Company are still in the previous name. Though our Company has applied to all concerned regulatory authorities and agencies seeking change in the name, there can be no assurances as to when the change of name will be registered. Our business operations may be impacted till we receive the aforesaid registrations.

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

Our manufacturing facilities are subject to operational risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents etc. The occurrence of any of these risks could significantly affect our operating results. Although we take all possible precautions to minimize the risk of any significant operational problems at our facilities, our business may be adversely affected by any of the factors mentioned above.

27. Insurance coverage

Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business. We neither have any Directors and Officers (D&O) Insurance Policy nor any Keyman Insurance Policy.

28. Intellectual Property Rights

Our intellectual property essentially consists of trademarks and copyrights. Most of our Company's trademarks are registered in the name of Kewal Kiran & Co. since these registrations were procured before the conversion of Kewal Kiran & Co. into a private limited company. However, we have intimated the change in the status and name of the proprietors and we are in the process of amending the registrations to reflect our Company as the proprietor.

One of our applications for registration of the trademark "KILLER" in UAE was rejected on account of its being similar to the other mark registered in U A E.

We have filed several applications with registrar of trade marks to oppose the applications by other entities for registration of trademarks similar to our trademarks. .

29. We may infringe on the intellectual property rights of others

While we take care that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third party intellectual property rights which may force us to alter our branding, obtain licenses or significantly cease some portions of our business. We may also be susceptible to claims from third parties asserting infringement and other related claims.

Regardless of whether claims that we are infringing trademarks or other intellectual property rights have any merit, those claims could, inter alia:

- a. Adversely affect our relationships with current or future customers;
- b. Result in costly litigation;
- c. Divert management attention and resources;
- d. Subject us to significant liabilities;
- e. Require us to enter into royalty or licensing agreements; and/or
- f. Require us to cease certain activities.

Project Related Risks

30. Use of Issue proceeds for Retail business

We intend to use a significant part of the proceeds of the Issue for expansion of our retail business under our K-Lounge brand name. Our Company however does not have significant experience in the retailing business, as we have been engaged in apparel retailing since the past 18 months only.

31. Cannibalising of sales of other distribution channels

We intend to use a significant part of the proceeds of the Issue for expansion of our own stores under

the K-Lounge brand name. Hence, our own stores would compete with MBOs and National Chain Stores who are our customers for our distribution and wholesale arms.

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

We have not identified the location for our future manufacturing facilities. We have not yet entered into binding contracts for purchase of machinery as contemplated under the objects of the Issue. We have not yet entered into definitive agreements for a substantial portion of our planned expansion of our retail network, which we currently propose to fund by the net proceeds of the Issue. However, we have entered in to contractual agreements for some of the properties for our proposed retail network. Any increase in prices of the machinery or in the lease rentals or the property prices in respect of the proposed retail spaces, for which definitive agreements have not been entered, may adversely affect our estimates of project cost.

33. *Approvals for implementation of the Objects of the Issue*

The Company will require various statutory permissions and utility connections in relation to the implementation of the objects of the Issue. These include shops & establishments permissions, labour licenses, power, water and telephone connections, etc. If any of such permissions, licenses or utility connections are not received, or are received on unfavourable terms, it could adversely affect implementation of the objects of the Issue by our Company.

34. *Risk in relation to the Objects of the Issue*

The funds being raised through the Issue are proposed to be used for setting up of our own stores, expansion of manufacturing capacity & working capital requirements. We have estimated our total fund requirement internally and the project has not been appraised by any Bank or Financial Institution or any other agency. Deployment of funds is also at our discretion and is not subject to monitoring by any independent agency. In the absence of any monitoring agency, the deployment of funds is entirely at the discretion of the management.

35. *The Company has significant planned capital expenditure; its capital expenditure plans may not yield the intended benefits.*

The funds being raised through the Issue are proposed to be utilized towards certain capital expenditures described in the section titled "Objects of the Issue" commencing on page 50 of this Draft Red Herring Prospectus. Our Company operates in a competitive business environment and the capital expenditure plans of our Company may not yield the intended results and benefits.

Industry Related Risks

36. *Risk in relation to fashion industry*

We operate in branded fashion apparels. Our target segment is fashion conscious. Any failure on our part to keep abreast with the latest trends in the fashion industry may adversely affect our competitiveness and ability to deliver newer products.

37. *Merchandise obsolescence risk*

In our business of fashion, we face the risk of changing consumer preferences due to which our stock of unsold goods may not remain to be saleable.

38. *Our Company is operating in highly competitive environment.*

The presence of Indian and international branded apparels in the marketplace has created tremendous

competition in the textile industry and the dynamics of industry are also changing, consequent to such structural changes. This has resulted in stiff competition from domestic as well as global players. In such a competitive environment, our Company may face pressures from buyers such as delivery period, pricing; order size, product quality etc. Such pressures may put strain on the profit margins.

Other Risks

- 39. *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 and the Promoter Group will hold 71.32% of the post Issue equity capital. Our Articles confer certain rights on certain of our Promoters and the Promoter Group and these combined with other rights available under law, and in particular the Companies Act confer several rights to the Promoters and the Promoter Group as holders of a block of 71.32% of the shares in our Company. These rights can be exercised by the Promoters and the Promoter Group and their successors. Accordingly our Promoters and the Promoter Group 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.

- 40. *Any further issuance of Equity Shares by us or any sale of our Equity Shares by our Promoters may impact the market price of our Equity Shares***

Any further issuance of substantial amount of our Equity Shares or sale of our Equity Shares by our Promoters, adversely affect the market price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuance or sales might occur could also affect the market price of our Equity Shares.

- 41. *We have limited regulatory experience in managing corporate affairs in India***

Till recently we were running our business mainly through partnership firms and closely held private limited companies. Therefore we have limited regulatory experience in managing corporate disclosure and compliance requirements applicable to widely held listed companies in India and would have to acclimatise ourselves to the new corporate and regulatory environment.

EXTERNAL RISK FACTORS

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

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

The Government of India has instituted several policies to promote the growth of the Indian textile sector. These include interest rate subsidies, 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.

- 1.2 *Probable opposition to sourcing apparel 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 apparel from countries such as India. Any increase in such opposition can lead to non quantitative restrictions being imposed on export of apparel 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 geography exceed certain acceptable limits. Such restrictions can adversely impact our growth.

1.3 *If certain labour laws become applicable to us, our profitability may be adversely affected.*

India has stringent labour legislations that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Any change or modification in the existing labour laws may affect our flexibility in formulating labour related policies.

1.4 *Wage pressures in India may prevent our Company from sustaining its competitive advantage and may reduce its profit margins.*

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

2. *An economic downturn may negatively impair our Company's operating results.*

2.1 *Any temporary or permanent loss of equipment or systems, or any disruptions to basic infrastructure such as power and telecommunications would impede our ability to provide services to our customers and could expose us to liability claims.*

2.2 *Force majeure events, terrorist attacks and other acts of violence or war involving India, the United States or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, results of operations, financial conditions and cash flows.*

Certain events that are beyond our control, including the recent tsunami or seismically generated sea waves capable of considerable destruction, which affected several parts of South East Asia, including India and Sri Lanka on 26th December 2004 and terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on 11th September 2001 and New Delhi on 13th December 2001, and other acts of violence or war (including civil unrest, military activity and hostilities among neighbouring countries, such as between India and Pakistan), which may involve India, the United States or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could lower confidence in India. Any such event could adversely affect our financial performance or the market price of the Equity Shares.

2.3 *Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our Company's operations and cause its business to suffer.*

South Asia has, from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is higher due to recent terrorist incidents in India, recent troop mobilizations along the border, and the aggravated geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of

Indian companies, including the Equity Shares and on the market for our Company's services.

2.4 We may be subject to economic, regulatory, political and military uncertainties in India and surrounding countries.

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Government of India has pursued policies of economic liberalization, and has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy. We cannot assure you that the liberalization policies will continue. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

3. After this Issue, the price of the Equity Shares may be highly volatile, or an active trading market for the 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:

- a. Volatility in the Indian and global securities markets;
- b. Our results of operations and performance;
- c. Performance of our competitors, the Indian apparel manufacturing industry and the perception in the market about investments in the apparel manufacturing sector;
- d. Adverse media reports on our Company or the Indian apparel manufacturing industry;
- e. Changes in the estimates of our performance or recommendations by financial analysts;
- f. Significant developments in India's economic liberalization and deregulation policies; and
- g. 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.

NOTES TO RISK FACTORS

1. Public issue of 3,100,000 Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million (referred to as the "Issue").
2. The Issue would constitute 25.15% of the fully diluted post Issue paid-up capital of our Company. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to Qualified Institutional Buyers and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.
3. The net worth of our Company was Rs. 85.64 million as on 31st March 2005, and Rs. 130.52 million as of 30th September 2005, as per our restated financial statements under Indian GAAP.
4. The NAV per Equity Share of Rs. 10 each was Rs. 85.64 as on 31st March 2005, and Rs. 130.52 as on 30th September 2005, as per our restated financial statements under Indian GAAP.

5. The average cost of acquisition of Equity Shares of our Promoters are given in the following table:

Name of the Promoter	Average cost of acquisition of Equity Shares of our Promoters (in Rs.)
Mr. Kewalchand P. Jain	36.32
Mr. Hemant P. Jain	35.78
Mr. Dinesh P. Jain	34.81
Mr. Vikas P. Jain	34.81

6. Trading in Equity Shares of our Company shall be in dematerialized form only.
7. Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever.
8. Investors may contact the BRLM and the Syndicate Members for any complaints, information or clarification pertaining to the Issue. For contact details of the BRLM, please refer to the cover page of this Draft Red Herring Prospectus.
9. For details of our Related Party Transactions, please refer to Annexure 5 of the Auditors' Report dated 3rd December 2005 in "Section V : Financial Information" commencing on page 121 of this Draft Red Herring Prospectus.
10. In the event that the Issue is over-subscribed, the allocation shall be on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled "Basis of Allotment" on page 235 of this Draft Red Herring Prospectus).
11. Investors are advised to refer to the sub-section titled "Basis for Issue Price" on page 66 of this Draft Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY

We are one of India's leading manufacturers and marketers of branded apparels in the men's segment. We are in the business of designing, manufacturing, branding and selling of ready-made apparels and other accessories under our various brands. We have positioned our brands differently; depending on the segment we target. Our brands range from the high fashion premium segment such as 'Killer' for denim wear and 'Easies' for casual wear to the middle and economy segments through brands such as 'Lawman' and 'Integriti'.

A major portion of apparel apparels is manufactured at our in-house plants at Dadar (Mumbai), Goregoan (Mumbai), Vapi (Gujarat) and at Daman (Union Territory). Our distribution channel comprises of a mix of our own stores (K-Lounge) and a network of National Chain Stores (NCS) and Multi Brand Outlets (MBO). We are looking to further our presence in the growing Indian markets by rolling out our own exclusive stores and through our presence in various department store chains.

We are members of Clothing Manufacturers Association of India, founder members of Retailers Association of India. We are also registered as member exporter with Apparel Export Promotion Council.

Background & Evolution

Our Promoters have been associated with the apparel manufacturing business since 1980. Originally, two of our Promoters, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain entered into apparel manufacturing business through a partnership firm called M/s. Kewal Kiran & Co. Mr. Dinesh P. Jain and Mr. Vikas P. Jain were subsequently taken as partners in M/s. Kewal Kiran & Co. in 1994. Over a period of time, Kewal Kiran group comprised of various companies and firms. It was long felt need of the promoters to consolidate the business under single corporate umbrella to achieve the benefits of consolidation of marketing and manufacturing operations. Hence, the restructuring started with the conversion of the partnership firm, M/s. Kewal Kiran & Co. into a private limited company under Chapter IX of the Companies Act on 1st April 2000. This private limited company was called Kewal Kiran Clothing Private Limited. In January 1992, our Promoters incorporated another private limited company called Kewal Kiran Apparels Private Limited, which was also engaged in apparel manufacturing. Kewal Kiran Clothing Private Limited was merged into Kewal Kiran Apparels Private Limited with effect from 1st December 2002. To leverage the goodwill of their past business, the name of Kewal Kiran Apparels Private Limited was changed to Kewal Kiran Clothing Private Limited on 17th October 2003. On 1st April 2005 Kewal Kiran Clothing Private Limited acquired washing unit of Kewal Kiran Enterprises located at Vapi. On 2nd November 2005, Kewal Kiran Clothing Private Limited was converted into a public company and changed its name to Kewal Kiran Clothing Limited. Now we are an integrated apparel manufacturer with capability of designing, the manufacturing process encompassing cutting, body stitching, washing and ironing & finishing and marketing of branded men's wear apparel. We have 4 units with a total annual capacity of 2 million pieces.

We have been promoted by Mr. Kewal Jain, Mr. Hemant Jain, Mr. Dinesh Jain and Mr. Vikas Jain who have over 20 years of experience in this industry. Today we are amongst the large branded apparel manufacturers in India with sales also in Asia, Middle East and neighbouring countries. The company designs, manufactures and markets branded jeans, semi formal and casual wear for men. Product line includes jeans, shirts, T Shirts, jackets and trousers marketed under the Killer, Lawman, Easies and Integriti brands.

Our product line consists of :

- Jeans
- Denim Shirts
- Cotton Trousers
- Cotton Shirts
- Non-Cotton Shirts

- Non-Cotton Trousers
- Jackets
- Knitted T-Shirts and
- Accessories like bags, belts, caps, etc.

Our consolidated restated revenues for the year ended 31st March, 2005 was Rs. 268.42 million as compared to Rs. 253.90 million for the year ended 31st March 2004. Our consolidated restated profit after tax was Rs. 38.27 million for the year ended 31st March, 2005 as compared to Rs. 38.79 million for the year ended 31st March, 2004. We have registered a growth of 5.72% on our revenues*.

As per our proforma unaudited consolidated financial statements, our revenues for the year ended 31st March 2005, 2004 and 2003 are Rs. 754.96 million, Rs. 721.27 million and Rs. 559.21 million respectively. Our profit after tax for the year ended 31st March 2005, 2004 and 2003 are Rs. 97.47 million, Rs. 115.05 million and Rs. 56.76 million respectively. We have registered a CAGR of 14.33% and 23.54% for revenues and profit after tax respectively, from the year ended 31st March 2001 to the year ended 31st March 2005.

* For further details, please refer to the Proforma Unaudited Consolidated Financial Statements appearing on page 32 of this Draft Red Herring Prospectus.

We have recently been awarded the CNBC TV 18 and ICICI Bank “Emerging India Award” for the Best SME Company in the Textiles and Apparel Category (2005).

Our Strengths

Understanding the consumer

Understanding the consumer is one of the most important skills required to be successful in this business. Our promoters have over 25 years of experience in this field. We believe this helps us in understanding the consumer psyche and predicting future trends better.

Our designing skills

We have an in-house design team that constantly tries to predict new trends and fashion. In a season, the team works on over 500 designs, out of which a few are picked up to constitute the new season collection.

In house integrated unit

Our core competency lies in our manufacturing and design skills. Right from designing the apparel to sourcing of raw material to manufacturing of ready made apparels is carried out in-house. A portion of our production is sold directly through our exclusive stores. This helps us in controlling the inventory and production process. We believe that this has helped us in achieving optimal capacity utilization and at the same time keeping our costs low which eventually helps us in maintaining healthy margins.

Efficient Supply Chain Management

We procure our raw material from manufacturers and authorized distributors appointed by the manufacturers based on our requirement. We analyze the production requirement on a monthly basis; based on which we place orders to our suppliers. This helps us in minimizing our inventory of raw materials. This also helps us effectively servicing the requirement of our retailer's, distributor's and Multi brand outlet.

Distribution network

Our products are available in all parts of India. We are present in all the metros, mini-metros and large cities. We distribute our products through retailer's distributor's and multi-brand outlets. We have 66 distributors who supply our goods to more than 1000 retailers. We have our own retail store concept “K-Lounge”. As on 31st December, 2005 we have 27 K-Lounge stores and we are planning to have 143 outlets by 2008. We are also

present at 48 locations of National Chain Stores.

Technology

Most of our machinery is imported. This is done with a view to get the latest technology in the manufacturing process from the best available in the world. We have state of the art machinery imported from Japan, Italy, Spain and China. For example, we have latest finishing equipments like form finisher from Italy, Fashion Laser from GFK Spain etc. These modern machines also help us in maintaining high quality standards. We use technology that enables radical designs and latest innovations in creating new look and new trends. Technology has helped us in rolling out newer combinations like jeans crafted to look old, rock blast, stone blast, bleach wash, wrinkle free etc.

Our management team

We have a strong management team with many years of hands on experience in the apparel industry. Our promoter directors started on the shop floor and have gradually moved up. This understanding helps them in taking appropriate decisions.

We have also created a highly empowered team with industry specific knowledge in activities like cutting, stitching, washing and finishing for carrying out the day to day operations of our Company. We have also created a team of hands on managers in the second layers below top management.

Our Growth Strategy

Penetrate across different consumer segments and demographics through our brands

Our brands are created to cater to various socio-economic classes of the society. We have different brands catering to different consumer segments and demographics. We have different growth strategies for each of our brands. We plan to promote these brands further by opening exclusive brand stores. We also plan to sell eye-wear, watches and casual jewellery under the brand name "Killer". We plan to experiment with different styles through our "Lawman" brand. Through our "Integriti" brand we plan to introduce more products to cater to the mass segment.

Increase our reach through the launch of more K-Lounge outlets

We distribute our products through retailer, distributor and multi brand outlets. We have added one more distribution channel K-Lounge to penetrate the growing demand in the apparel segment. We plan to add 116 more stores across the country to our existing network of 27 stores in 21 cities. This would give us more brand visibility and better reach to our customers with a pan India presence. At the same time, these additional stores will help us expand our reach and serve additional customers in existing and new geographies, and help us with our growth plans. The region wise break up of the proposed K-Lounge stores will be as follows:

Year ending	North	South	West	East	Total
31 st March 2006	10	6	20	5	41
31 st March 2007	20	15	16	5	56
31 st March 2008	15	10	16	5	46

We intend to operate our chain of stores in the following style;

Particulars	2005	2006	2007	2008	Total
Company Owned, Company Operated	Nil	1	6	6	13
Company Leased, Franchisee Operated	3	3	15	5	26
Franchisee Leased/Owned, Franchisee Operated	4	30	35	35	104
Total	7	34	56	46	143

Introduction of more brands

At present we are present in only Men's' casual wear segment. Considering huge demand for Men's' formal wear, women's wear & kids wear we may introduce new brands in these categories.

Enter the women's wear market

Denim and casual apparels are extremely popular amongst women also. We will introduce women's denim wear and casual wear in our existing brands also.

Pursue inorganic growth opportunities

To upgrade & enhance our manufacturing and marketing capabilities we may acquire units/undertakings manufacturing woven or knitted apparels. We also may acquire brands having ready presence in the men's formal, women's wear and kids wear.

Our Apparel Brands

We have introduced four brands that we believe caters to different segments of the menswear market. Each of our brands is uniquely positioned to cater to different consumer segments. Collectively our brands cater to various age groups with varying needs like premium casuals/party wear, semi-premium office, semi-premium casuals, accessories etc.

Killer

Launched in 1989, "Killer" is the flagship brand of our Company contributing over 55% of our turnover as per the latest audited results. "Killer" is one of the leading brands in the premium men's' wear segment. This brand is targeted to the age group of 16 to 25 years. The product line of this brand includes jeans, shirts, jackets and accessories such as belts, bags and caps. The products in the brand are priced ranging from Rs.495 to Rs.1895. Killer Jeans is one of the largest selling denim brands in India.

Clothing Manufacturers Association of India (CMAI) has awarded "Killer" as the "Denim Brand of the Year" in 2001-02 and the "Brand Campaign of the Year" in 2001-02.

Lawman

We launched "Lawman" in 1998. This brand is targeted to the 18 to 28 age group, with a focus on denim and party/club wear. Lawman's product offerings include shirts, jackets, denims and cotton trousers priced between Rs.795 to Rs.1395. "Lawman" is positioned as a fashion brand.

Easies

"Easies" was launched in 1998. This brand is targeted to 25-40 office going age-group. The product offerings include formal and semi-formal apparel for men, priced between Rs.795 to Rs.1895. "Easies" is positioned as a brand for young executives.

Integriti

"Integriti" is the latest brand we introduced. Launched in 2002, Integriti's product offerings are formal shirts, T-shirts, jeans and cotton trousers priced between Rs.495 to Rs. 795. "Integriti" is positioned as a brand for the masses without compromising on the quality. This brand is primarily offered through MBOs.

Clothing Manufacturers Association of India (CMAI) has awarded "Integriti" as the "Casual Brand of the Year" in 2004-05.

Distribution Channels

We have a widely dispersed national distribution network comprising exclusive stores, department stores, retailers, and multi-brand outlets. We use both traditional channels like wholesalers and modern channels like National Chain Stores and exclusive stores to promote our products across India and other markets.

Region Wise Distribution Break Up

	North	South	East	West
No. of Distributor's	14	11	9	14
National Chain Stores	9	5	3	17
K – Lounge	4	3	5	15
TOTAL	27	19	17	46

Brand wise Distribution break up

	Killer	Lawman	Easies	Integriti
No. of Distributors	17	16	13	20
National Chain Stores	31	-	17	-
TOTAL	48	16	30	20

K Lounge

We have our own retail stores concept under the brand name “K Lounge”. These stores exclusively display and sell our brands. These stores are either self-owned or operated; or self owned and franchisee operated; or franchisee owned and franchisee operated. As on 31st December 2005, we have 27 stores operational in 21 cities of Mumbai, Ahmedabad, Vadodara, Surat, Pune, Nagpur, New Mumbai, Thane, Jabalpur, Lucknow, Jodhpur, Jaipur, New Delhi, Vishakapatnam, Hyderabad, Mangalore, Raipur, Bhubaneshwar, Kolkata, Bhilai and Bilaspur. To enhance visibility and to ensure maximum footfalls, K-Lounge stores are situated at high end malls and high streets of the major metros, mini metros and large cities with prominent locations.

Details of Operating Arrangement of Existing Own Retail Stores

Company Owned, Company Operated	Company Leased, Franchisee Operated	Franchisee Leased/Owned, Franchisee Operated
Dadar, Mumbai	- Vashi, Mumbai - Lower Parel, Mumbai - Mulund, Mumbai - New Delhi - Lucknow - Jaipur	- Ghod Dhod Road, Surat - Anand Mahal Road, Surat - R.C. Dutt Road, Baroda - Raopura, Baroda - Kanjur Marg, Mumbai - Kandivli, Mumbai - Bilaspur - Raipur - Bhilai - Vishakapatnam - Ahmedabad - Hyderabad - Jodhpur - Nagpur - Bhubaneshwar - Mangalore - Thane

		• Jabalpur • Kolkata • Pune
Total 1	Total 6	Total 20

Killer Exclusive Stores

Since Killer is our flagship brand as well as the largest contributor to our revenue, we have decided to also retail the brand through exclusive stores that would carry the look and feel of the brand.

We have two distribution deposes operated by the distributor in UAE which cater to markets of the Middle East and neighbouring countries.

Export possibilities

For the period ended on 30th September, 2005 we have earned 9% of our revenues for export of our brands

We are exporting our brands mainly to UAE. From UAE it is exported to other countries in Middle East and neighbouring countries. We have appointed wholesalers for our brand Killer, Lawman and Integrity. We are also selling our brand Easies in the Middle East market through the retail chain store "Splash".

We will also expand our presence to other markets soon.

SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the 6-month period ended 30th September 2005 and the Financial Years ended 31st March 2001, 31st March 2002, 31st March 2003, 31st March 2004, and 31st March 2005. The financial statements were audited and certified by M/s. Jain & Trivedi, Chartered Accountants upto the financial year ended 31st March 2005. For the 6-month period ended 30th September 2005, the financial statements were audited and certified jointly by M/s. Jain & Trivedi, Chartered Accountants, and M/s. N.A. Shah Associates, Chartered Accountants.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED
(Rs. in millions)

	Particulars	As at					
		30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
A	Fixed Assets						
	Gross Block	148.14	116.04	102.24	89.53	53.77	9.46
	Less: Accumulated Depreciation	44.02	37.40	26.60	16.93	7.15	1.71
	Net Block	104.12	78.65	75.64	72.61	46.62	7.74
	Less: Revaluation Reserve	-	-	-	-	-	-
	Capital Work In Progress	91.38	19.67	14.20	-	-	-
	Net block after adjustment of Revaluation Reserve	195.50	98.32	89.84	72.61	46.62	7.74
B	Investments	22.80	2.00	17.25	22.21	0.69	0.78
C	Deferred Tax Asset	0.43	0.15	1.48	3.70	-	-
D	Current Assets, Loans and Advances						
	Inventories	105.53	28.35	24.01	7.20	-	-
	Sundry Debtors	105.58	35.45	27.71	31.64	0.24	0.00
	Cash and Bank Balances	34.59	30.55	12.82	15.25	4.32	0.07
	Loans and Advances	94.62	97.98	35.05	17.21	1.33	49.80
		340.31	192.32	99.59	71.31	5.89	49.87
E	Liabilities and Provisions						
	Secured Loans	128.90	54.28	12.29	-	-	-
	Unsecured Loans	113.02	97.56	104.79	145.33	50.83	51.06
	Current Liabilities & Provisions	186.61	55.30	43.72	15.92	2.40	0.90
		428.52	207.14	160.81	161.26	53.23	51.96
F	Net Assets [A+B+C+D-E]	130.52	85.64	47.36	8.57	(0.03)	6.44
G.	Represented by:						
	Share Capital:						
	Issued, Subscribed and Paid Up	10.00	10.00	10.00	10.00	10.00	10.00
	Reserves and Surplus:						
	Profit and Loss Account	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)
	Less: Revaluation Reserve	-	-	-	-	-	-
		131.85	85.64	47.36	8.57	(0.03)	6.44
	Less: Miscellaneous Expenditure (to the extent not written off)	1.33	-	0.01	0.01	-	0.00
	Net Worth	130.52	85.64	47.36	8.57	(0.03)	6.44

STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED
(Rs. in millions)

Particulars	Financial Year / Period ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Income						
Sales & Services (Including Export Incentives)	346.40	262.66	225.27	36.84	0.24	0.04
Other Income	1.30	5.91	16.63	2.08	0.47	(0.06)
Increase / (decrease) in stock	38.85	(0.20)	11.99	2.17	-	(0.01)
	386.56	268.37	253.90	41.09	0.71	(0.03)
Expenditure						
Cost of Materials	191.47	81.55	81.91	9.22	-	-
Employees Cost	41.11	46.48	36.36	10.04	-	-
Other Manufacturing Expenses	26.50	28.74	27.25	3.41	0.06	0.16
Operating and Administrative Expenses	16.44	16.34	14.19	3.83	1.60	1.32
Selling and Distribution Expenses	30.50	27.19	16.54	1.76	-	-
Interest Expense	3.27	8.72	14.61	0.01	-	0.06
Depreciation	6.75	10.57	9.50	5.97	5.44	0.01
	316.03	219.58	200.36	34.25	7.09	1.55
Profit/(Loss) before Tax and Prior Period Item	70.53	48.79	53.54	6.84	(6.38)	(1.58)
Prior Period expenses	4.33	-	-	-	1.68	-
Profit/(Loss) before Tax	66.20	48.79	53.54	6.84	(8.06)	(1.58)
Provision for Taxes						
- Current taxes	24.30	10.75	12.25	0.38	-	-
- Deferred taxes	(1.73)	0.82	2.17	1.87	-	-
- Fringe Benefit Tax	0.30	-	-	-	-	-
- Pertaining to earlier year	-	(0.01)	0.62	(0.00)	-	0.02
Total	22.87	11.56	15.04	2.24	-	0.02
Profit/(Loss) for the year / period (A)	43.33	37.23	38.50	4.60	(8.06)	(1.60)

Particulars	Financial Year / Period ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
ADJUSTMENTS:						
Prior Period Items	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Excess / (short) provision of Income Tax relating to earlier year	-	0.01	(0.62)	(0.01)	-	0.60
Changes in Accounting policies	-	(1.83)	0.00	0.42	0.09	0.26
Deferred Tax Adjustment	1.46	0.51	0.05	(0.22)	-	-
Total of adjustments	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99
Net Profit after adjustments	46.21	38.28	38.79	4.10	(6.47)	(3.58)
Profit brought forward from Previous year (also refer note 6 to Annexure 5)	75.64	37.36	(1.43)	(10.03)	(3.56)	0.02
Profit brought forward on Amalgamation (also refer note 7 to Annexure 5)	-	-	-	0.96	-	-
Deferred Tax Liability as at 1 st April 2002				3.55		
Profit available for appropriation	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)
Appropriations						
Transfer to General reserve	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-
Tax on Dividend	-	-	-	-	-	-
Total	-	-	-	-	-	-
Balance carried forward to Balance sheet	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)

STATEMENT OF PROFORMA UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the proforma unaudited consolidated financial statements ('pro-forma information') of Kewal Kiran Clothing Limited ("KKCL" or the "Issuer Company") and its group entities. The pro-forma information has been presented so as to reflect the performance of the Issuer Company along with other entities whose business/substantial assets have been acquired/merged with the Issuer Company.

PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

(All amounts in Rs. Million)

	For the period / year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
INCOME						
Net Sales	425.68	754.96	721.27	559.21	457.89	441.93
EXPENDITURE						
(Increase)/Decrease in stock	(6.67)	14.67	12.19	0.57	(15.03)	23.00
Raw materials	205.03	347.55	344.16	272.78	213.21	253.44
Manufacturing Expenses	28.74	61.91	66.81	43.43	29.66	32.13
Administrative Expenses	17.55	28.52	24.80	27.26	17.23	16.02
Personnel Expenses	41.91	61.69	50.66	41.05	39.62	38.12
Selling Expenses	40.03	100.17	71.83	82.69	79.97	57.80
Insurance Premium for Partnership	0.00	14.05	14.05	14.05	14.05	14.05
EBITDA	99.08	155.75	161.15	78.51	49.12	53.38
Depreciation	7.23	14.96	14.86	14.90	16.91	11.18
EBIT	91.85	140.79	146.29	63.60	32.21	42.20
Other Income	5.60	15.68	28.87	14.15	10.57	9.78
	97.45	156.47	175.16	77.76	42.78	51.98
Interest	4.15	13.06	17.97	4.19	2.03	2.16
EBT	93.30	143.40	157.19	73.57	40.75	49.82
Tax	30.47	45.95	41.47	20.36	7.08	7.97
PAT	62.84	97.46	115.72	53.21	33.67	41.85
Prior period items	4.33	-	-	-	1.68	-
PAT after prior period items	58.50	97.46	115.72	53.21	31.99	41.85
Short / (Excess) provision for tax	-	(0.01)	0.67	-	-	0.02
Initial recognition of deferred tax	-	-	-	(3.55)	-	-
Net profit	58.50	97.47	115.05	56.76	31.99	41.84

PROFORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)
(All amounts in Rs. Million)

	As at					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Fixed Assets	201.76	118.65	100.53	92.86	99.66	62.29
Investments	57.91	9.35	58.04	52.65	8.39	8.40
Current Assets, Loans and Advances:						
Inventories	106.28	81.21	62.30	53.17	52.66	54.25
Sundry Debtors	108.30	86.71	103.29	63.46	41.99	24.57
Cash and Bank Balances	46.64	61.81	47.94	28.86	24.57	15.54
Loans and Advances	128.06	133.58	88.28	36.75	26.94	74.17
	389.28	363.31	301.80	182.23	146.16	168.53
Liabilities and Provisions:						
Secured Loans	128.89	109.02	91.45	51.70	10.23	7.92
Unsecured Loans	115.37	97.56	110.01	149.72	55.80	58.47
Current Liabilities & Provisions	209.12	129.08	100.84	56.25	29.99	30.71
Deferred Tax Liability	(0.43)	1.31	0.49	-1.68	0.00	0.00
	452.96	336.97	302.79	255.98	96.02	97.10
Net Worth	195.99	154.34	157.58	71.76	158.19	142.13
Represented by						
1. Share Capital (including partners capital)	75.47	75.83	116.30	68.98	167.25	143.13
2. Reserves (Net of Revaluation Reserves)	121.85	78.52	41.29	2.79	-9.06	-1.00
	197.32	154.34	157.59	71.77	158.19	142.13
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.33	0.00	0.01	0.01	0.00	0.00
Net Worth	195.99	154.34	157.58	71.76	158.19	142.13

* For further details on Notes to accounts, please refer to the Proforma Unaudited Consolidated Financial Statements appearing on page 32 of this Draft Red Herring Prospectus.

THE ISSUE

Equity Shares offered	
Issue	3,100,000 Equity Shares of face value Rs. 10 each, constituting 25.15% of the fully diluted post Issue paid-up capital of our Company
Comprising:	
Qualified Institutional Buyers Portion	Upto 1,550,000 Equity Shares of face value Rs. 10 each, constituting at the minimum 50% of the Issue (Allocation on a proportionate basis of which 5% shall be reserved for Mutual Funds)
Non Institutional Bidders Portion^(*)	At least 465,000 Equity Shares of face value Rs. 10 each, constituting at least 15% of the Issue (Allocation on a proportionate basis)
Retail Individual Bidders Portion	At least 1,085,000 Equity Shares of face value Rs. 10 each, constituting at least 35% of the Issue (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	9,225,000 Equity Shares of face value Rs. 10 each
Equity Shares outstanding after the Issue	12,325,000 Equity Shares of face value Rs. 10 each
Objects of the Issue	Please refer to section titled "Objects of the Issue" on page 50 of this Draft Red Herring Prospectus for additional information

(*) Under-subscription, if any, in the Non-Institutional and Retail categories would be allowed to be met with spill over inter-se from any other categories, at the sole discretion of the Company and the BRLM.

GENERAL INFORMATION

INCORPORATION AND CHANGE OF NAME

We were incorporated as Kewal Kiran Apparels Private Limited on 30th January 1992 under the Companies Act, 1956 having Registration No. 11-65136. With effect from 1st December 2002, a group company called Kewal Kiran Clothing Private Limited was merged with Kewal Kiran Apparels Private Limited. With effect from 17th October 2003, Kewal Kiran Apparels Private Limited changed its name to Kewal Kiran Clothing Private Limited. With effect from 2nd November 2005, Kewal Kiran Clothing Private Limited became a public company under the name of Kewal Kiran Clothing Limited.

REGISTRATION NUMBER: 11-65136

REGISTERED OFFICE

Kewal Kiran Clothing Limited
 B-101 to 107, Synthofine Estate,
 Behind Virwani Industrial Estate,
 Goregaon (East), Mumbai 400 063
 Tel: +91-22-2874-4433
 Fax: +91-22-2874-8998
 Web site: www.kewalkiran.com
 Email: ipo@kewalkiran.com

CORPORATE OFFICE

Kewal Kiran Clothing Limited
 Kewal Kiran Estate, Behind Tirupati Udyog ,
 460/7 I. B. Patel Road, Near W.E. Highway,
 Goregaon (East), Mumbai - 400 063
 Tel: +91-22-2681-4400
 Fax: +91-22-2681-4444
 Web site: www.kewalkiran.com
 Email: ipo@kewalkiran.com

ADDRESS OF ROC

The Registrar of Companies
 'Everest' Building, 100, Marine Drive,
 Mumbai - 400 002,
 Maharashtra
 Tel: +91-22-2281-2627/ 2281-2645
 Fax: +91-22-2281-1977

BOARD OF DIRECTORS

The Board of Directors of our Company currently comprises the following persons:

1.	Mr. Kewalchand P. Jain	Chairman & Managing Director
2.	Mr. Hemant P. Jain	Whole-time Director
3.	Mr. Dinesh P. Jain	Whole-time Director
4.	Mr. Vikas P. Jain	Whole-time Director
5.	Dr. Prakash A Mody	Independent Director
6.	Mr. Popatlal Sundesha	Independent Director
7.	Mr. Mrudul Inamdar	Independent Director

8.	Mr. Nimish Pandya	Independent Director
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For more details on our Directors, please refer to the sub-section titled “Our Management” on page 105 of this Draft Red Herring Prospectus.

CHAIRMAN AND MANAGING DIRECTOR

Mr. Kewalchand P. Jain is the Chairman and Managing Director of our Company.

CHIEF FINANCIAL OFFICER

Mr. Nikesh Jain
 Chief Financial Officer
 B-101, Synthofine Estate,
 Behind Virwani Industrial Estate,
 Goregaon (East), Mumbai 400 063
 Tel: +91-22-2874-4433
 Fax: +91-22-2874-8998
 Email: nikeshjain@killerjeans.com

COMPLIANCE OFFICER AND COMPANY SECRETARY

Mr. Abhijit Warange
 Company Secretary & Compliance Officer
 B-101, Synthofine Estate,
 Behind Virwani Industrial Estate,
 Goregaon (East), Mumbai 400 063
 Tel: +91-22-2874 4433
 Fax: +91-22-2874-8998
 Email: abhijitw@kewalkiran.com

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

LEGAL ADVISOR TO THE ISSUE

M/s. A.R.A. LAW
 Advocates & Solicitors
 Agra Building, 1st Floor,
 121, M.G. Road, Fort,
 Mumbai 400 023
 India
 Tel: +91 22 2263 1700
 Fax: +91 22 2263 1800
 Email: kkcl.ipo@aralaw.com

BANKERS TO THE COMPANY

Standard Chartered Bank
 23/25, M.G. Road, Fort,
 Mumbai 400 023
 India
 Tel: +91 22 2287 1944
 Fax: +91 22 2282 2219

BOOK RUNNING LEAD MANAGER**Enam Financial Consultants Private Limited**

801, Dalamal Towers,
Nariman Point
Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: Mr. Amit Maheshwari
Email: kkcl.ipo@enam.com
Website: www.enam.com

SYNDICATE MEMBER**Enam Securities Private Limited**

Khatau Building, 2nd Floor
44B Bank Street,
Off Shaheed Bhagat Singh Road,
Fort, Mumbai 400 063
Tel: +91 22 2267 7901
Fax: +91 22 2266 5613
Contact Person: Mr. M.Natarajan
Email: kkcl.ipo@enam.com
Website: www.enam.com

REGISTRAR TO THE ISSUE**Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078
Tel: +91 22 25960320
Fax: +91 22 2596 0329
Contact Person: Mr. Vishwas Addavar
Email: kewalkiran@intimespectrum.com
Website: www.intimespectrum.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

[•]

STATUTORY AUDITORS TO THE COMPANY**M/s. Jain & Trivedi**

Chartered Accountants
319/321, Narsi Natha Street,
2/4 Mody Chambers,
Masjid, Mumbai 400 009
Tel: +91 22 2342 4814
Fax: +91 22 23411 388

M/s. N.A. Shah Associates

Chartered Accountants
64, 65 & 84C, Mittal Tower,
Nariman Point, Mumbai 400 021
Tel: +91 22 5632 4425
Fax: +91 22 5632 4430

INTER SE ALLOCATION OF RESPONSIBILITIES OF THE BOOK RUNNING LEAD MANAGER (BRLM)

Since Enam is the sole BRLM for this Issue, they will be responsible for all the following activities:

- 1 Capital structuring with the relative components and formalities;
- 2 Due diligence of the Company's operations/management/business plans/legal documents etc.;
- 3 Drafting and Design of Issue Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI;
- 4 Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.;
- 5 Appointment of Registrar, Bankers, Printer and Advertising agency;
- 6 Institutional Marketing Strategy - Finalisation of the list of investors for one to one meetings in consultation with the Company;
- 7 Retail/Non-Institutional Marketing Strategy - Finalize centres for holding conference for brokers etc, Finalise media, marketing and PR strategy, Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material, Finalise Collection orders;
- 8 Managing the Book and Co-ordination with Stock Exchanges;
- 9 Pricing and QIB allocation;
- 10 The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and despatch of refunds to bidders;
- 11 The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business. BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the Issuer Company.

CREDIT RATING

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

TRUSTEES

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

MONITORING AGENCY

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

WITHDRAWAL OF THE ISSUE

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

BOOK BUILDING PROCESS

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

1. The Company.
2. The Book Running Lead Manager; and
3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange (s) and eligible to act as underwriters. The BRLM appoints the Syndicate Members.

The SEBI DIP Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to Qualified Institutional Buyers and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. We will comply with the SEBI DIP Guidelines for this Issue. In this regard, we have appointed the BRLM to procure subscriptions to the Issue.

The process of book building, under SEBI DIP Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI DIP Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section entitled "Terms of the Issue" on page 212 of this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- 1 Check whether he/she is eligible for bidding;
- 2 Bidder necessarily needs to have a demat account;
- 3 Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form; and
- 4 Ensure that the Bid cum Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to the section titled "Issue Procedure" on page 214 of this Draft Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Registrar number instead of Permanent Account Number as the Bid is liable to be rejected.

UNDERWRITING AGREEMENT

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

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
Enam Financial Consultants Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Contact Person: Mr. Amit Maheshwari Email: kkcl.ipo@enam.com Website: www.enam.com		
Enam Securities Private Limited Khatau Building, 2 nd Floor 44B Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai 400 063 Contact Person: Mr. M.Natarajan Tel: +91 22 2267 7901 Fax: +91 22 2266 5613		

The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange (s). Our IPO Committee, at their meeting held on [●], have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allotment to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters. The allocation to the QIBs shall be determined by the BRLM based on certain terms including prior commitment, investor quality, price aggression and earliness of bids.

CAPITAL STRUCTURE

Share capital as at the date of filing of the Draft Red Herring Prospectus with SEBI is set forth below.

		Nominal Value (Rs.)	Aggregate Value (Rs. Million)
A.	Authorised Capital*		
	20,000,000 Equity Shares of Rs. 10 each	200.00	200.00
B.	Issued, Subscribed and Paid-Up Capital before the Issue		
	9,225,000 Equity Shares of Rs. 10 each	92.25	92.25
C.	Present Issue to the Public in terms of this Draft Red Herring Prospectus		
	3,100,000 Equity Shares of Rs. 10 each	31.00	31.00
D.	Post Issue paid up Equity Share Capital		
	12,325,000 Equity Shares of Rs. 10 each	123.25	123.25
E.	Share Premium Account		
	Before the Issue	-	132.06
	After the Issue**	[•]	[•]

* Our Authorised Capital was increased from Rs. 0.5 million divided into 50,000 Equity Shares of Rs. 10 each to Rs. 10 million divided into 1,000,000 Equity Shares of Rs. 10 each vide shareholders resolution dated 10th November 1997. Further our Authorised Capital was increased to Rs. 200 million divided into 20,000,000 Equity Shares of Rs. 10 each vide shareholders' resolution dated 15th July 2005.

** The share premium account will be determined after finalisation of issue price through Book Building process.

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

Date of Allotment	Number of Equity Shares	Cumulative Equity Shares	Face Value per Equity Share (Rs.)	Issue price per Equity Share (Rs.)	Nature of payment of Consideration	Reasons for Allotment	Cumulative paid-up Capital (Rs. Mn.)	Cumulative Share Premium (Rs. Mn.)
30 th January 1992	20	20	10	10	Cash	Allotment to the subscribers to the memorandum	0.0002	-
31 st March 1992	880	900	10	10	Cash	Further Allotment	0.01	-
19 th January 1998	48,000	48,900	10	10	Cash	Further Allotment	0.49	-
10 th March 1999	951,100	1,000,000	10	10	Cash	Further Allotment	10.00	-
12 th October 2005	3,000,000	4,000,000	10	10	Bonus	Bonus in the ratio of 3:1	40.00	-
25 th October 2005*	4,760,000	8,760,000	10	18	Cash	Further allotment	87.60	38.08
16 th November 2005**	30,000	8,790,000	10	25	Cash	Further allotment	87.90	38.53

Date of Allotment	Number of Equity Shares	Cumulative Equity Shares	Face Value per Equity Share (Rs.)	Issue price per Equity Share (Rs.)	Nature of payment of Consideration	Reasons for Allotment	Cumulative paid-up Capital (Rs. Mn.)	Cumulative Share Premium (Rs. Mn.)
16 th December 2005	435,000	9,225,000	10	225	Cash	Preferential Allotment to friends and business associates	92.25	132.06

* The preferential allotment made on 25th October 2005 was entirely funded by the Promoters and Promoter Group through conversion of unsecured loans outstanding with the Company, as detailed below:

List of Unsecured Loans converted into Equity Share Capital on 25th October 2005

Sr. No.	Name of Allottee	Amount of Loan Converted (Rs. Mn.)	Issue Price (Rs.)	No. of Shares Allotted
1	Kewalchand P Jain	19.590	18	1,088,438
2	Hemant P Jain	19.300	18	1,072,238
3	Dinesh P Jain	19.270	18	1,070,437
4	Vikas P Jain	19.270	18	1,070,437
5	Shantaben P Jain	8.252	18	458,450
Total		85.680		4,760,000

** The preferential allotment made on 16th November 2005 was entirely funded by the Promoters through conversion of salaries payable by the Company, as detailed below:

List of Salary Payable converted to Equity Share Capital 16th November 2005

Sr. No.	Name of Allottee	Amount of Salary Converted (Rs. Mn.)	Issue Price (Rs.)	No. of Shares Allotted
1	Kewalchand P Jain	0.19	25	7,500
2	Hemant P Jain	0.19	25	7,500
3	Dinesh P Jain	0.19	25	7,500
4	Vikas P Jain	0.19	25	7,500
Total		0.75		30,000

2. Promoters Contribution and Lock-in:

In terms of SEBI Guidelines, the shareholding of Promoters would be locked-in for a period of three years as follows:

Name	Date of allotment/ acquisition	Date when made fully paid-up	Consideration	Number of Equity Shares	Face Value (Rs.)	Allotment Price/ Acquisition Price (Rs.)	% of the Post Issue paid-up capital	Lock-in period
Mr. Kewalchand P. Jain	12 th October 2005	12 th October 2005	Bonus	608,289	10	Nil	4.94	3 years
Mr. Hemant P. Jain	12 th October 2005	12 th October 2005	Bonus	608,288	10	Nil	4.94	3 years
Mr. Dinesh P. Jain	12 th October 2005	12 th October 2005	Bonus	624,212	10	Nil	5.07	3 years
Mr. Vikas P. Jain	12 th October 2005	12 th October 2005	Bonus	624,211	10	Nil	5.07	3 years

The Promoters have vide their letters dated 12th January 2006 given their consent for the lock-in as stated above. The minimum promoters' contribution shall be locked in for a period of three years beginning from the date of allotment in the public issue. Their balance pre-issue shareholding shall be locked-in for a period of one year from the date of allotment in the present issue. The following shares of the Promoters would be locked in for a period of one year;

Name	Date of allotment / acquisition	Date when made fully paid-up	Consideration	Number of Equity Shares	Face Value (Rs.)	Allotment Price/ Acquisition Price (Rs.)	% of the Post Issue paid-up capital	Lock-in period
Mr. Kewalchand P. Jain	12 th October 2005	12 th October 2005	Bonus	2,961	10	Nil	0.02%	1 year
Mr. Hemant P. Jain	12 th October 2005	12 th October 2005	Bonus	2,962	10	Nil	0.02%	1 year
Mr. Dinesh P. Jain	12 th October 2005	12 th October 2005	Bonus	3,038	10	Nil	0.03%	1 year
Mr. Vikas P. Jain	12 th October 2005	12 th October 2005	Bonus	3,039	10	Nil	0.03%	1 year
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	8 th January 2006	-	Gift from Promoters	6,153,000	10	Nil	49.92%	1 year
TOTAL	-	-	-	6,165,000	10	-	50.02%	1 year

Equity Shares held by any person other than Promoters, prior to the Issue, which are subject to lock in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to any other person holding Equity Shares which are locked-in, subject to continuation of lock-in in the hands of the transferee for the remaining period and compliance of SEBI Takeover Regulations, as applicable.

In terms of clause 4.16(b) of the SEBI Guidelines, Equity Shares held by the Promoters which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines may be transferred to and amongst the Promoters/Promoter Group or to a new promoter or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

The shares locked in by the Promoters are not pledged to any party. Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions.

3. Save and except the issuance of 3,000,000 Equity Shares on 12th October 2005 as bonus issue out of General Reserves, we have not capitalised our reserves till date.
4. Our Company, our Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person.
5. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of one (1) Equity Share while finalising the basis of allotment.

6. Top 10 Shareholders

Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them on the date of filing and 10 days prior to date of filing this Draft Red Herring Prospectus with SEBI is as follows:

- i) Top ten shareholders on the date of filing the Draft Red Herring Prospectus with SEBI (i.e. as on 16th January 2006).

Sr. No.	Name of the Shareholders	Number of Equity Shares On the date of filing	% of Pre Issue Equity Share Capital
1	Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain as trustees to the P K Jain Family Holdings Trust	6,153,000	66.70 %
2	Dinesh P. Jain	627,250	6.80 %
3	Vikas P. Jain	627,250	6.80 %
4	Kewalchand P. Jain	611,250	6.63 %
5	Hemant P. Jain	611,250	6.63 %
6	Pankaj G Rathod j/w Babita P Rathod	40,000	0.43 %
7	Pradeep G Rathod j/w Sangeeta P Rathod	40,000	0.43 %
8	Meena Mahavir Rathod	40,000	0.43 %
9	Rajat Ramesh Vora j/w Manoj B Shah j/w Rajeev J Lodaria	23,500	0.25 %
10	Fulchand Exports Private Limited	20,000	0.22 %
10	Fulchand Finance Private Limited	20,000	0.22 %
10	Pravin Champalal Rathod j/w Pramila P Rathod j/w Champalal J Rathod	20,000	0.22 %
10	Manish K. Vyas j/w Aarti M Vyas	20,000	0.22 %

- ii) Top ten shareholders 10 days prior to the date of filing the Draft Red Herring Prospectus with SEBI (i.e. as on 6th January 2006).

Sr. No.	Name of the Shareholders	Number of Equity Shares On the date of filing	% of Pre Issue Equity Share Capital
1	Kewalchand P. Jain j/w Veena K. Jain	1,095,938	11.88 %
2	Hemant P. Jain j/w Lata H. Jain	1,079,738	11.70 %
3	Dinesh P. Jain jointly with Sangeeta D. Jain	1,077,937	11.68 %
4	Vikas P. Jain jointly with Kesar V. Jain	1,077,937	11.68 %
5	Kewalchand P. Jain	967,500	10.49 %
6	Hemant P. Jain	953,100	10.33 %
7	Dinesh P. Jain	951,500	10.31 %
8	Vikas P. Jain	951,500	10.31 %
9	Shantaben P. Jain jointly with Kewalchand P. Jain	458,450	4.97 %
10	Pankaj G Rathod j/w Babita P Rathod	40,000	0.43 %
10	Pradeep G Rathod j/w Sangeeta P Rathod	40,000	0.43 %
10	Meena Mahavir Rathod	40,000	0.43 %

- iii) Our top ten shareholders and the number of Equity Shares held by them two years prior to date of filing of this Draft Red Herring Prospectus with SEBI (i.e. as on 16th January 2004) is as follows:

Sr. No.	Name of the Shareholder	No. of shares held	% of Pre-Issue Equity Share Capital
1.	Mr. Kewalchand P Jain	237,875	2.57%
2.	Mr. Hemant P Jain	238,275	2.58%
3.	Mr. Dinesh P Jain	237,875	2.57%
4.	Mr. Vikas P Jain	237,875	2.57%
5.	Mrs. Shantaben P Jain	4,100	0.04%
6.	Kewalchand P Jain HUF	4,000	0.04%
6.	Hemant P Jain HUF	4,000	0.04%
6.	Dinesh P Jain HUF	4,000	0.04%
6.	Vikas P Jain HUF	4,000	0.04%
6.	Pankaj Kewalchand Jain	4,000	0.04%
6.	Veena K Jain	4,000	0.04%
6.	Lata H Jain	4,000	0.04%
6.	Sangeeta D Jain	4,000	0.04%
6.	Kesar P Jain	4,000	0.04%
6.	Arpita K Jain	4,000	0.04%
6.	Hitendra H Jain	4,000	0.04%

7. Fulchand Exports Private Limited is the holder of 20,000 Equity Shares constituting 0.22% of our current share capital. Further, Fulchand Finance Private Limited is the holder of 20,000 Equity Shares constituting 0.22% of our current share capital. Mr. Popatlal Sundesha, independent director of our Company, is a director & shareholder of Fulchand Finance Private Limited. Relatives of Mr. Popatlal Sundesha are directors and shareholders of Fulchand Exports Private Limited.
8. P K Jain Family Holding Trust is a Promoter Group entity constituted for the benefit of members of the family of the Promoters. The trustees of P K Jain Family Holding Trust are Mrs. Shantaben P. Jain, Mr. Kewalchand P. Jain, Mr. Hemant P. Jain, Mr. Dinesh P. Jain and Mr. Vikas P. Jain. 6,153,000 Equity Shares of the Company constituting 66.70% of the pre-Issue share capital (i.e. 49.92% of the post-Issue share capital) are held by Mrs. Shantaben P. Jain, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain as trustees of P K Jain Family Holding Trust. These 6,153,000 Equity Shares have been gifted by the

Promoters to the P K Jain Family Holding Trust on 8th January 2006. For further details on the P K Jain Family Holding Trust please see the section titled “Financial and Other Information of Group Companies/Partnership Firms” at page 167 of this Draft Red Herring Prospectus.

9. Shareholding pattern of our Company before and after the Issue

Category	Pre-Issue		Post-Issue	
	No. of Shares	% holding	No. of Shares	% holding
Promoters				
Kewalchand P. Jain	611,250	6.63%	611,250	4.96%
Hemant P. Jain	611,250	6.63%	611,250	4.96%
Dinesh P. Jain	627,250	6.80%	627,250	5.09%
Vikas P. Jain	627,250	6.80%	627,250	5.09%
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	6,153,000	66.70%	6,153,000	49.92%
Sub-Total	8,630,000	93.56%	8,630,000	70.02%
Promoter Group #				
Veena K. Jain	16,000	0.17%	16,000	0.13%
Pankaj K. Jain	16,000	0.17%	16,000	0.13%
Kewalchand P. Jain(HUF)	16,000	0.17%	16,000	0.13%
Lata H. Jain	16,000	0.17%	16,000	0.13%
Hitendra H. Jain	16,000	0.17%	16,000	0.13%
Hemant P. Jain(HUF)	16,000	0.17%	16,000	0.13%
Sangeet D. Jain	16,000	0.17%	16,000	0.13%
Dinesh P. Jain(HUF)	16,000	0.17%	16,000	0.13%
Kesar V. Jain	16,000	0.17%	16,000	0.13%
Vikas P. Jain(HUF)	16,000	0.17%	16,000	0.13%
Sub-Total	160,000	1.70%	160,000	1.30%
Total Promoter Group Holding	8,790,000	95.26%	8,790,000	71.32%
Non-promoters				
Non-promoter Directors	Nil	Nil	Nil	Nil
Friends & Associates	435,000	4.72%	435,000	3.53%
Public	Nil	Nil	3,100,000	25.15%
Total Non-Promoter Holding	435,000	4.72%	3,535,000	28.68%
Total	9,225,000	100%	12,325,000	100%

Apart from the abovementioned list, the following entities forming part of the Promoter Group as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 do not hold any Equity Shares in the Issuer Company:

Promoter Group entities holding "nil" shares in the Company				
Shantaben Pukhraj Jain	Pukhraj Karamchand Jain HUF	Arpita K. Jain	Kremica H. Jain	Krishika D. Jain
Nami D. Jain	Jay D. Jain	Yash V. Jain	Dhruv V. Jain	Meena L. Chouhan
Kewal Kiran Enterprises	Kasturchand & Sons	Karamchand	Kewal Kiran Realtors Private Limited	Kewal Kiran Retail India Private Limited
Kornerstone Retail Limited				

The P K Jain Family Holding Trust holds 6,153,000 Equity Shares through its trustees Mrs. Shantaben P. Jain, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain.

10. None of our Promoters or members of our Promoter Group have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI, except as set forth in the following table:

Transferee	Transferor	Date of transaction	No. of Equity Shares	Face Value Rs.	Nature of transaction (Purchase/Sale)	Purchase/Sale Price (Rs.)
Mr. Kewalchand P. Jain	Arpita K. Jain	1 st August 2005	4,000	10	Purchase	40,000
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Kewalchand P. Jain	8 th January 2006	356,250	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Kewalchand P. Jain jointly with Veena K. Jain	8 th January 2006	1,095,938	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Hemant P. Jain	8 th January 2006	341,850	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Hemant P. Jain jointly with Lata H. Jain	8 th January 2006	1,079,738	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Dinesh P. Jain	8 th January 2006	324,250	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Dinesh P. Jain jointly with Sangeeta D. Jain	8 th January 2006	1,077,937	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Vikas P. Jain	8 th January 2006	324,250	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Vikas P. Jain jointly with Kesar V. Jain	8 th January 2006	1,077,937	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Shantaben P. Jain	8 th January 2006	16,400	10	Gift	Nil
Shantaben P. Jain j/w Kewalchand P. Jain j/w Hemant P. Jain	Shantaben P. Jain jointly with Kewalchand P. Jain	8 th January 2006	458,450	10	Gift	Nil

11. A Bidder cannot make a Bid for more than the number of Equity Shares Issued through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued in terms of this Draft Red Herring Prospectus have been listed.
13. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

14. Our Company, its Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.
15. In the case of over-subscription in all categories, at least 50% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to Qualified Institutional Buyers and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from any other categories at the sole discretion of the Company in consultation with the BRLM.
16. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
17. We have not raised any bridge loans against the proceeds of the Issue.
18. Our Company has not revalued its assets since inception.
19. Our Company has not made any public issue since its incorporation.
20. Our Company has not issued any shares for consideration other than cash.
21. As on the date of filing this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
22. As on the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares is Sixty-Three (63).
23. As per our loan agreements entered into by us with our lenders, we are required to obtain their consent prior to altering our capital structure. Accordingly, we have obtained consents of our lenders for the Issue, details of which are given below:

Name of the Lender	Date on which consent was sought	Date on which consent was obtained
Standard Chartered Bank	20 th December 2005	21 st December 2005

OBJECTS OF THE ISSUE

The Objects of the Issue is to raise capital for financing our capital expenditure in setting up new manufacturing facilities, expansion of our distribution network by opening additional exclusive outlets, building our corporate office, meet general corporate purposes and achieve the benefits of listing. We believe the listing of our Equity Shares will also enhance our brand image.

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

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us 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 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 may also change. This may include rescheduling of our capital expenditure programmes and increase or decrease the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of the Management. 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. The balance proceeds of the Issue, if any, will be used for general corporate purposes.

The details of the proceeds of the Issue are summarized in the table below:

Proceeds of Issue	Rs. million
Gross proceeds of the Issue	[●]
Issue related expenses	[●]
Net proceeds of the Issue	[●]

The following table summarizes the intended use of proceeds:

Intended Use	Estimated Use in Rs. million
Setting up exclusive outlets called K-Lounge across India	346.76
Setting up of a new manufacturing unit	323.99
Furnishing of Corporate Office	50.00
Total Capital Expenditure	720.75
Issue expenses	[●]
Total	[●]

The year-wise break-up of utilization of issue proceeds of the above mentioned capital expenditure program as estimated by the Management over the next three years is as stated below:

(in Rs. million)

	For the year ending 31 st March			
	2006	2007	2008	Total
Setting up exclusive outlets called K-Lounge across India	54.08	162.54	130.14	346.76
Setting up of a new manufacturing unit	-	323.99	-	323.99
Furnishing of Corporate Office	50.00	-	-	50.00
Sub-Total	104.08	486.53	130.14	720.75
Issue expenses	[●]	-	-	[●]
Total	[●]	486.53	130.14	[●]

Expenditure already incurred on the Objects of the Issue

The expenditure incurred on various projects up to the period ended on 31st December 2005 as certified by our

auditors M/s N.A. Shah Associates, Chartered Accountants and M/s Jain & Trivedi, Chartered Accountants pursuant to their certificate dated 12th January, 2006 was Rs. 63.39 million, as given in the table below:

Details of payments towards corporate office and K-Lounge stores

Corporate Office:

Particulars	Rs.
Furniture and Fixture	10,481,414
Building	9,648,580
Office Equipment	4,462,835
Computer	600,124
Total Payments	25,192,953

K-Lounge

Particulars	Dadar	Delhi	Ahmedabad (2)	Total
Buildings	16,462,106	-	12,567,948	29,030,054
Furniture & Fixture	41,73,547	1,341,381	1,302,397	6,817,325
Office Equipment	1,143,360	436,250	671,560	2,251,170
Computers	100,000	-	-	100,000
Total payments	21,879,013	1,777,631	14,541,905	38,198,549

Out of the above 4 stores, the stores at Dadar and New Delhi are already operational.

This expenditure has been presently funded through our internal accruals. We intend to utilize the Issue proceeds for replenishing the internal accruals to the extent of expenditure already incurred towards the above activities.

Details of Use of Proceeds

Setting up exclusive outlets called K-Lounge across India

We manufacture men's apparel like Killer, Lawman, Easies and Integriti which are retailed to the customer through our own stores, multi brand outlets and through department store chains. We have our own retail stores under the brand name "K-Lounge". These stores exclusively display and sell our brands. These stores are either self-owned or operated; or self owned and franchisee operated; or franchisee owned and franchisee operated. Currently, we have 27 stores operational in 21 cities. We believe that having our exclusive stores, gives us greater flexibility in displaying our merchandise. We are able to maintain all the stores with the same look and feel; which is in sync with the positioning of our brands. We believe the stores also allow us better inventory control along with a reduction in the distribution costs. We also plan to sell accessories like time wear, fashion jewellery and fragrances & other accessories through these stores. For details on K-Lounge, please refer to the section titled "Our Business" on page 83 of this Draft Red Herring Prospectus.

To promote our brands further, we intend setting up additional 116 exclusive retail outlets, in addition to the existing 27 retail outlets across the country called K-Lounge which will enable us to showcase and sell our entire range of products to our customers over the next three years as given below:

(all amounts in Rs. million, rounded-off)

Year ending	Number of Stores	Locations tied up	Area (Sq. Ft)	Leasehold/ Outright Purchase	Lease rent per month/ Cost	Deposit/ Consideration Paid
31 st March	3	Shop No. F-9, Treasure Island, 11 Tukoganj Main	1466	Lease Hold	0.06	0.05

2006		Road Indore				
		Sheetal Versa Arcade, Off C G Road, Ahmedabad	2434	Outright Purchase	13.15	12.35
		BRF 4 First Floor 10 Acres Ahmedabad City Mall, S G Road, Ahmedabad	1873	Lease Hold	0.08	0.25
31 st March 2007	14	City Centre Mall, Banjara Hills, Hyderabad	2100	Lease Hold	0.11	0.05
		10 Acers, Ahmedabad City Mall, Ahmedabad	1873	Lease Hold	0.08	0.05
		63,64,65,66 1st Floor Fun Republic, Gomtinagar, Lucknow	1479	Lease Hold	0.09	0.05
		G 40-41 TDI Mall-Agra	1312	Lease Hold	0.09	0.18
		G F 16 Grand Star City Mall, Jalandhar Fagwara Highway, Jalandhar	1084	Lease Hold	0.09	0.05
		240 1st Floor S.G. Road, Rajpath Club, Ahmedabad	1473	Lease Hold	0.10	0.05
		S208 South City Mall Prince Anwar Shah Road Kolkata	2415	Lease Hold	0.22	0.22
		104 Himalaya Mall, Ahmedabad	1530	Lease Hold	0.07	0.05
		Shop In Park North Mall, Rajabag, Shalimar Bag, Delhi	1027	Lease Hold	0.11	0.11
		F-10, Variety Mall Sitabuldi Nagpur	2154	Lease Hold	0.11	0.05
		13, 14 Indraprasth Multiplex 36, Lajpat Nagar, Maldaahiya, Varanasi	1361	Lease Hold	0.08	0.05
		F 31-32-33-34, Dindayal City Mall Gwalior	1693	Lease Hold	0.08	0.05
		Shop No. UG - 03, Upper Ground Floor, TDI Mall, Rajouri Garden, New Delhi.	990	Lease Hold	0.14	0.14
		MFS 9, First Floor, Nasik City Mall	1658.89	Lease Hold	0.07	0.05
31 st March 2008	13	TDI Mall, Sector 17, Chandigarh	854.42	Lease Hold	0.16	0.05
		TDI Mall, Jalandar	1705.96	Lease Hold	0.12	0.12
		Omaxe Mall Opp Park Plaza Ludhiana	1917.48	Lease Hold	0.15	0.05
		Omaxe Mall Beta II Greater Noida	2305.9	Lease Hold	0.13	0.05
		Omaxe Mall Beta II Greater Noida	1000	Lease Hold	0.06	0.05
		134/135/136 Wedding Mall Bhagwandas Fly Over Agra	1980	Lease Hold	0.11	0.05
		GF-15/16, The Celebration Mall, Mall Road, Amritsar	1886	Lease Hold	0.15	0.05
		G-20/21/22 Subhi Mall Forozepur Road, Ludhiana	1704	Lease Hold	0.10	0.05
		UGF-5, Wedding Mall, Mall Road Patiala	1826	Lease Hold	0.09	0.05
		304, 305 IInd Floor 150 Ft Ring Road Rajkot	1620	Lease Hold	0.07	0.05
		345, 346 IInd Floor Icchanath Road, opp Rajhans Theatre, Surat	1417	Lease Hold	0.10	0.05

		Shop No. SF-6, Omaxe Mall, Novelty Chowk, Amritsar	1693	Lease Hold	0.10	0.05
		101 Growel Plaza, Akurli Road, Kandivali (E) Mumbai 400 101	25824	Lease Hold	1.55	4.65
Total	30					

Note: As on 16th January, 2006, we have identified about 50 locations for setting up our retail outlets and have entered into contractual agreements/MoUs for 27 stores and definitive agreements for 3 stores.

These additional stores will help us expand our reach and serve additional customers in existing and new geographies, and help us with our growth plans. The region wise break up of the proposed K-Lounge stores will be as follows:

Year ending	North	South	West	East	Total
31 st March 2006	10	6	20	5	41
31 st March 2007	20	15	16	5	56
31 st March 2008	15	10	16	5	46

We intend to operate our chain of stores in the following style:

Particulars	2005	2006	2007	2008	Total
Company Owned, Company Operated	Nil	1	6	6	13
Company Leased, Franchisee Operated	3	3	15	5	26
Franchisee Leased/Owned, Franchisee Operated	4	30	35	35	104
Total	7	34	56	46	143

We intend to enter into definitive long-term lease, leave and license, out right purchase, conducting or other arrangement with the developers/property owners for planned new stores. We have already entered into preliminary contractual arrangements/sale deed with the developers/property owners for planned 30 new stores and paid the earnest security deposit aggregating to Rs. 6.74 million.

Since we do not own all of these premises in which our stores are located, but take them on various arrangements, security deposits are payable by us on entering into the commercial arrangement with the developers / property owners.

We estimate the total fund requirement excluding security deposits on our proposed 116 stores at Rs. 346.76 million. Store Capex includes electricals, lighting, air conditioning, interiors, furniture, fixtures, security systems, in-store IT systems, display equipment and other establishment related expenses. We enter into contracts with vendors for the supply of the same a few months before we expect the property to be handed over to us to operate our stores. Since these are standard equipment available from various vendors in India and overseas, we foresee no difficulty in sourcing the same even at a short notice. For the aforesaid retail outlets, we have not yet obtained any quotations from the suppliers and have not ordered for any of the equipments.

The break up of the total cost of Rs. 346.76 million and year wise schedule of implementation of the same is as given below:

(all amounts in Rs. million)

	For the year ending 31 st March			
	2006	2007	2008	Total
Store Capex				
• Purchase cost of the premises	35.00	-	-	35.00
• Furniture & Fixtures	10.60	90.30	72.30	173.20

• Electrical, lighting and Air-conditioning	4.24	36.12	28.92	69.28
• Security Systems	0.53	4.52	3.62	8.66
• Display Equipments	2.12	18.06	14.46	34.64
• Other Assets & Signage	1.59	13.55	10.85	25.99
Total	54.08	162.54	130.14	346.76

We have incurred an amount of Rs 38.20 million as on 31st December 2005 on our store capex:

Setting up a new manufacturing unit

Our Company designs, manufactures and markets branded jeans, semi-formal and casual wear for men. It is an integrated apparel manufacturer with the manufacturing process encompassing cutting, body stitching, washing and ironing & finishing. The Company has 4 units at Dadar (Mumbai), Goregaon (Mumbai), Vapi (Gujarat) and Daman (Union Territory) with a total annual capacity of 2 million pieces. We are planning to set up a new manufacturing facility for manufacturing of men's apparel to increase our total annual capacity to 4 million pieces by FY 2008.

This plant will employ more than 1000 personnel consisting of managers, officers, support staff and skilled/unskilled workers.

We propose to utilize this plant to manufacture the following key products:

- Jeans
- Denim Shirts
- Cotton Trousers
- Cotton Shirts
- Non-Cotton Shirts
- Non-Cotton Trousers
- Jackets
- Knitted T-Shirts
- Accessories like bags, belts, caps, etc.

Since we have not identified the location of the plant, we have not obtained any regulatory approvals from the Director of Industries for setting up of a unit for manufacturing apparels.

The estimated fund requirement for setting up the manufacturing facility is as follows:

(amounts in Rs. million)

Use	For the year ended 31 st March		
	2006	2007	Total
Land & Site Development	-	30.00	30.00
Building & Interiors	-	135.00	135.00
Plant & Machineries	-	138.99	138.99
Utilities	-	20.00	20.00
Total	-	323.99	323.99

Status of the manufacturing facility:

We are in the process of identifying the suitable location for setting up the manufacturing facility and the estimated purchase cost of the land of approx. 150,000 sq. ft. to be about Rs. 30 million.

Schedule of Implementation

Activity	Commencement date	Completion date
Finalization of Land Site	March 2006	May 2006
Civil Works	May 2006	September 2006
Placement of orders for plant and machinery	July 2006	September 2006
Delivery of plant and machinery	September 2006	October 2006
Installation and commissioning	October 2006	October 2006
Commencement of production	November 2006	

The details of the cost of the building are as follows:

(amounts in Rs. Millions)

Particulars	Amount
R C C Work	60.00
Plastering Work	15.00
Flooring	7.50
Electrical Fittings	22.50
Carpentry Work	30.00
Total	135.00

The major process and handling equipment for which we have received quotations from suppliers are as follows:

(Cost in Rs. million)

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
A	Sewing				
1	Duerkopp Adler Model: 540 Electronic Lockstitch Button stitch Machine.	2	0.80	E.H. Turel & Company	10 th December 2005
2	Duerkopp Adler Model: 530-211 Electronic Lockstitch Button stitch Machine	2	0.57	E.H. Turel & Company	10 th December 2005
3	Duerkopp Adler Model :510-211 Electronic Bar tack Machine	1	0.21	E.H. Turel & Company	10 th December 2005
4	GC6180 ME3 Single Needle Flatbed Lockstitch M/c With UTT complete Set	55	1.85	E.H. Turel & Company	10 th December 2005
5	GC 6240 B Double Needle Lockstitch Split Bar With Large	6	0.30	E.H. Turel & Company	10 th December 2005
6	GC 6170 Single Needle Lockstitch With Vertical Edge Trimmer	6	0.19	E.H. Turel & Company	10 th December 2005
7	Kansai Special Model: DFB-1404PSF Front Pocket Machine.	2	0.15	E.H. Turel & Company	10 th December 2005
8	Brother Model: DA 9270-7A Feed Off Arm Machine.	2	0.34	E.H. Turel & Company	10 th December 2005
9	Vi.Be.Mac Model: 1010V3DLC Automatic Pocket Designing Unit and Loader.	2	3.15	E.H. Turel & Company	10 th December 2005
10	Vi.Be.Mac Model: 2220CG104 Front Pocket Hemming Unit - Electric.	4	2.14	E.H. Turel & Company	10 th December 2005
11	Vi.Be.Mac Model: 2250 PLC Programmable Twin Needle Unit.	4	3.10	E.H. Turel & Company	10 th December 2005

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
12	Vi.Be.Mac Model: 1010VF1 Automatic "J" Stitch Machine.	2	3.98	E.H. Turel & Company	10 th December 2005
13	Vi.Be.Mac Model: 2261 H Feed of Arm Unit Complete of Puller	6	4.65	E.H. Turel & Company	10 th December 2005
14	Vi.Be.Mac Model: CG90 Overlock Unit + Auxiliary Puller-elec.motor.	4	2.83	E.H. Turel & Company	10 th December 2005
15	Vi.Be.Mac Model: 3022 CS Automatic Waistband Unit.	2	3.05	E.H. Turel & Company	10 th December 2005
16	Vi.Be.Mac Model: 3022BH Trouser Bottom Hemming Unit.	3	2.13	E.H. Turel & Company	10 th December 2005
17	Vi.Be.Mac Model: 3650 EV6 Automatic Belt Loop Unit.	3	6.30	E.H. Turel & Company	10 th December 2005
18	Duerkopp Adler Model :559 Electronic Eyelet Button Hole Machine Cpl. Set.	3	2.22	E.H. Turel & Company	10 th December 2005
19	Duerkopp Adler Model: 510-213 Electronic Bartack Machine.	3	0.72	E.H. Turel & Company	10 th December 2005
20	Typical Model : GC6180 ME3 Single Needle Flatbed Lockstitch M/c Complete Set	30	1.01	E.H. Turel & Company	10 th December 2005
21	Kansai Special Model : B 2000 C Loop Making Machine Complete Set.	2	0.15	E.H. Turel & Company	10 th December 2005
22	Kansai Special Model : W-8142-1Pocket Facing Machine Complete Set.	4	0.45	E.H. Turel & Company	10 th December 2005
23	Mitsubishi Model: LT2-224-BOB Two Needle Split Needle Bar Lockstitch	4	0.55	E.H. Turel & Company	10 th December 2005
24	Pegasus Model: M732-38 Five Thread Overlock Machine	4	0.19	E.H. Turel & Company	10 th December 2005
25	TSSM Model: TS-47 Pneumatic Snap Attaching Machine	2	0.09	E.H. Turel & Company	10 th December 2005
26	Vi.Be.Mac Model: 1010V3DLC Automatic Pocket Designing Unit and Loader.	1	1.57	E.H. Turel & Company	10 th December 2005
27	Vi.Be.Mac Model: 1010VF1 "J" Stitch Machine.	1	2.00	E.H. Turel & Company	10 th December 2005
28	Vi.Be.Mac Model: 2250 PLC Programmable Twin Needle Unit	4	3.10	E.H. Turel & Company	10 th December 2005

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
29	Vi.Be.Mac Model: 2261 H Feed of Arm Unit Complete of Puller	4	3.10	E.H. Turel & Company	10 th December 2005
30	Vi.Be.Mac Model: CG90 Overlock Unit + Auxiliary Puller-elec.motor.	4	2.84	E.H. Turel & Company	10 th December 2005
31	Vi.Be.Mac Model: 3022 CS Automatic Waistband Unit.	2	3.05	E.H. Turel & Company	10 th December 2005
32	Vi.Be.Mac Model: 3650 EV6 Automatic Belt Loop Unit.	2	4.20	E.H. Turel & Company	10 th December 2005
33	Vi.Be.Mac Model: 3022BH Trouser Bottom Hemming Unit.	4	2.83	E.H. Turel & Company	10 th December 2005
34	Duerkopp Adler Model: 510-213 Electronic Bar tack Machine	4	0.96	E.H. Turel & Company	10 th December 2005
35	Duerkopp Adler Model: 745-34 S Pocket Welting Machine.	3	2.98	E.H. Turel & Company	10 th December 2005
36	Duerkopp Adler Model: 559 Electronic Eyelet Button Hole Machine Cpl. Set.	4	2.96	E.H. Turel & Company	10 th December 2005
37	Duerkopp Adler Model: 530 Electronic Lockstitch Button stitch Machine.	3	0.85	E.H. Turel & Company	10 th December 2005
38	GC6180 ME3 Single Needle Flatbed Lockstitch M/c Complete Set	50	1.68	E.H. Turel & Company	10 th December 2005
39	GC 6240 B Double Needle Lockstitch Split Bar With Large Hook.	6	0.30	E.H. Turel & Company	10 th December 2005
40	GN 2000-5H Five Thread Overlock Machine.	2	0.07	E.H. Turel & Company	10 th December 2005
41	Kansai Special Model : B 2000 C Loop Making Machine Complete Set.	2	0.15	E.H. Turel & Company	10 th December 2005
42	Kansai Special Model : WX-8842-1 Pocket Facing Machine Complete set.	2	0.22	E.H. Turel & Company	10 th December 2005
	Total Sewing Machine Cost		73.98		
B	Washing Machine				
1	Front Loading type Garment Processing dyeing & Stone Washer, Model EDP 480 MPFT	7	18.41	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005
2	Drying Tumbler steam heated, 200 kg capacity Model GPD 200 FT Front loading type Garment	3	2.96	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
3	Front loading type Garment Processing and Dyeing Machine, 25 kg capacity	2	0.84	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005
4	Hydro Extractor 100kg. capacity, three point suspension type AISI 304	2	0.70	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005
5	Hydro Extractor, 25 Kg capacity, three point suspension type, AISI 304 quality, Model HE-25	1	0.15	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005
6	Drying Tumbler, 15 Kg capacity, steam heated, S.S. AISI 304 reversing inner drum, temperature control system, Model GPD-15	1	0.17	Stalwart Engineering Co. Pvt. Ltd.	8 th December 2005
7	Vertical brushing & Spraying mannequin	2	0.18	R S Enterprises	8 th December 2005
8	Horizontal brushing mannequin	10	0.68	R S Enterprises	8 th December 2005
9	Stainless steel spray booth with 4 mannequins along with water curtain, recycling water pump, spray gun and exhaust arrangement, Model SC4	1	0.21	R S Enterprises	8 th December 2005
10	Bench grinder with Laminated Top Table	10	0.09	R S Enterprises	8 th December 2005
11	ELGI Brand Air Compressors	2	0.25	R S Enterprises	8 th December 2005
12	IBR Steam Boilers	2	2.00	R S Enterprises	8 th December 2005
	Total Washing Machine Cost		26.64		
C	Cutting & Fusing Machines				
1	Macpi Model:717.00.0000 Full Genius CAD Package Complete With Software License Eco Mark, software License Free Style, Flash Cost and Autemark.	1	0.91	E.H. Turel & Company	10 th December 2005
2	Macpi Model: 720.00.0000 Digit Pen Complete With Software For Data Management and Special Transparent Sheet With A Close Net Of Invisible Points Detected By The Special Camera Placed ON the Tip Of Digit Pen	1	0.09	E.H. Turel & Company	10 th December 2005
3	Macpi Model: V. R. Plotter Genius Jet 200 S Inkjet Plotter With 2 HP Printing Head Available Print Area Of 180 cms	1	0.97	E.H. Turel & Company	10 th December 2005
4	Macpi Model: 865.13.160B Fully Automatic Spreading Machine For Roll Weight Upto 100 Kgs and Fabric Width Upto 160 Cms. Complete With Operator's Platform, Movable, Clamps Displaying and Updating Of Fabric	2	5.07	E.H. Turel & Company	10 th December 2005

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
5	Macpi Model: 825.13.1616 Air Blowing Table With 3 Rows Of Holes Complete With Toothed Belt, Basic Power Feedings, Cable Holder Chain And Paper Support	4	3.12	E.H. Turel & Company	10 th December 2005
6	Macpi Model :826.14.1602 Manual Guided Transfer Table Complete With Ground Rail And Toothed Belt.	2	0.41	E.H. Turel & Company	10 th December 2005
7	Macpi Model: 807.01.1800 Single Roll Loader From Ground To The Machine Complete With Transfer Device	1	0.30	E.H. Turel & Company	10 th December 2005
8	Macpi Model: 911.06.1816 Formulla "6" Automatic Cutter For Compressed Lay Thickness Upto 6 cms., Cutting Window Of 180 X 160 cms. And Cutting Speed of 100 mtr./min. Complete With Transfer Device	1	1.06	E.H. Turel & Company	10 th December 2005
9	Macpi Model: 333.07.0200 Automatic Fusing Machine Of Working Area Of 1000 X 700 mms.	1	1.92	E.H. Turel & Company	10 th December 2005
	Total cutting & fusing machine Cost		13.85		
	Embroidery machine				
1	GC 732-904-5 6 Head 9 Needle Embroidery machine complete set.	1	0.30	E.H. Turel & Company	10 th December 2005
2	GG 721-901 1 Head 9 Needle Embroidery machine complete set.	1	10.64	E.H. Turel & Company	10 th December 2005
	Pressing Section				
1	Macpi Model: 387.00 Electropneumatic Machine Steam Heated Machine With In Built Vacuum Unit, Timer For Vacuum And Pressing Time and Water Spray Gun.	1	0.60	E.H. Turel & Company	10 th December 2005
2	Macpi Model: 314.00 Form Finisher Complete With Complete Dummy For Shirts and Vests, Device For Shirts Side Stretching and Bottom Tension, Pair Of Round Clamps For Locking Of Shirts With Short Sleeves Steaming Brush Model 044 With Support and Adaption For Its Connection To The Dummy.	3	2.10	E.H. Turel & Company	10 th December 2005
3	Macpi Model: 127.01 Shirts Folding Table With 3 Shaping Heads and Iron Model 079.10	1	0.09	E.H. Turel & Company	10 th December 2005
4	Macpi Model: 167.702 Spot Removal Machine Complete With Two Guns For Cold Spot Removal and One Gun For Air/ Steam Spot Removing and Movable Swing Arm Made Of Stainless Steel.	1	0.06	E.H. Turel & Company	10 th December 2005
5	Macpi Model: 761.01 Machine For Leg Reversing Of Trousers / Jeans Single Head.	1	0.41	E.H. Turel & Company	10 th December 2005
6	Macpi Model: 321.10 Form Finisher for Jeans / Trousers without Pleats Complete With Pressing Device For Front Pockets & Fly Rear Waistband Holding Device Steaming and Pressing Legs Clamps	2	2.09	E.H. Turel & Company	10 th December 2005

Sr. No.	Particulars	No. of Units	Cost	Quotation Received from	Date of Quotation
7	Macpi Model: 167.701 Vacuum Ironing Table Complete With Universal Buck and Electric Steam Iron Model 074.30	3	0.14	E.H. Turel & Company	10 th December 2005
8	Macpi Model: 104.21.2093 Vacuum Ironing Table Complete With Special Trousers Legs Stretching Device And Electric Steam Iron Model 070.30	5	1.37	E.H. Turel & Company	10 th December 2005
9	Macpi Model: 104.21.2058 Vacuum Ironing Table Complete With Special Shape and Electric Steam Iron Model 070.30	2	0.45	E.H. Turel & Company	10 th December 2005
10	Macpi Model: 167.701 Vacuum Ironing Table Complete With Electric Steam Iron Model 074.30	1	0.04	E.H. Turel & Company	10 th December 2005
11	Macpi Model: 555.704.8118 Electropneumatic Pressing Machine Complete With Air Blowing Device Adaption For Iron and Electric Steam Iron Model 070.30	2	0.87	E.H. Turel & Company	10 th December 2005
12	Macpi Model: 555.704.0105 Electropneumatic Pressing Machine Complete With Air Blowing Device Flapper Screen And Programmer PT 4.	5	3.00	E.H. Turel & Company	10 th December 2005
13	Macpi Model: 555.704.0102 Electropneumatic Pressing Machine Complete With Air Blowing Device Adaption For Iron and Electric Steam Iron Model 074.30	6	2.28	E.H. Turel & Company	10 th December 2005
14	Macpi Model: 167.701 Vacuum Ironing Table Complete With Electric Steam Iron Model 074.30	2	0.08	E.H. Turel & Company	10 th December 2005
	Total Pressing Machine Cost		24.52		
	Total Machine Cost		138.99		

The details of the proposed utilities are as given below:

Cost of the utilities will vary from location to location. We estimate that approximate Rs. 20.00 million will be our approximate investment in Effluent Treatment Plant and Electrical Works.

Means of Finance:

We propose to finance the proposed expansion of our manufacturing facility entirely by way of equity.

Furnishing of Corporate Office

We have an registered office at B 101–107, Synthofine Estate, Goregaon East, Mumbai 400 063. There is a need for additional premises to house the Marketing, Design, Accounts and Secretarial, Human Resources and other administrative functions. Further, currently these business activities are managed from different premises. We believe that housing these corporate activities in one building would increase efficiencies in our operations. We expect to use approximately Rs. 50 million of the net proceeds of the Issue to furnish our Corporate Office at Kewal Kiran Estate, I. B. Patel Road, Goregaon (East), Mumbai 400 063.

We have already acquired about 14,130 sq feet of land along with building for office premises, vide purchase deed dated 28th January, 2004 from M/s. Shakti Enterprises, at CTS No. 460/7, I B Patel Road, Near Tirupati Estate, Goregaon East, Mumbai 400 063. We have already completed the Civil work in the premises for the new corporate office. Carpentry work is in final stage of finishing. We hope to complete the work by January 2006. The total cost required to furnish our corporate office is Rs. 50 million which is detailed below:

(Cost in Rs. million)

	For the year ending 31 st March			Total
	2006	2007	2008	
Furniture & Fixture	40.00	0.00	0.00	40.00
Office Equipments	9.00	0.00	0.00	9.00
Software	1.00	0.00	0.00	1.00
Total	50.00	0.00	0.00	50.00

We have incurred an amount of Rs. 25.19 million as on 31st December 2005 on our Corporate Office.

General Corporate Purposes

We intend to use the balance proceeds of the Issue, if any, for general corporate purposes, including but not restricted to working capital requirement and expansion of our operations domestically and/or internationally through organic or inorganic route, as may be available.

Benefits of Listing

We believe that the listing of our Equity Shares will enhance our visibility and brand name among our existing and potential customers. The Issue listing of our Equity Shares will also provide liquidity to our existing shareholders.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense (in Rs. million)
Lead management, underwriting commission*	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Registrars fee, legal fee, etc.)	[•]
Total estimated Issue expenses	[•]

* will be incorporated after finalization of Issue Price

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. GILT edged securities and other 'AAA+' rated interest bearing securities as may be approved by the Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment. We also intend to apply part of the proceeds of the Issue, pending utilization for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions. Should we utilize the funds towards temporary reduction in utilization of short term working capital facilities, we undertake that we would ensure consistent and timely availability of the issue proceeds so temporarily deposited in the working capital facilities to timely meet the fund requirement of the project.

Shortfall of funds

The shortfall in funds, if any, shall be met by internal accruals. As per our unconsolidated audited financial statements as of 30th September 2005 we had cash and bank balances of Rs. 34.59 million which can be utilized by us to meet any shortfall in the proceeds of the Issue. Also, as of 31st December 2005 we had unutilized working capital facility of Rs. 54.70 million against sanctioned limit of Rs. 55 million; which may be

utilised to bridge the shortfall, if any, over and above the generated internal accruals.

ISSUE STRUCTURE

The present issue of 3,100,000 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million, is being made through a 100% book building process.

Particulars	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity Shares (available for allocation)	At least 1,550,000 Equity Shares	Not more than 1,085,000 Equity Shares	At least 465,000 Equity Shares
Percentage of Issue size available for allocation	At least 50% (of which 5% shall be reserved for Mutual Funds) of Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders	Not more than 35% of Net Issue	At least 15% of Net Issue
Basis of Allocation or Allotment if respective category is oversubscribed.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 100,000	[●] number of Equity Shares and in multiples thereof
Maximum Bid	Not exceeding the size of the Issue subject to applicable limits.	Not exceeding the size of the Issue	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 100,000
Allotment Mode	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot/Market Lot	One Equity Share	One Equity Share	One Equity Share
Bidding lot	[●] Equity Shares	[●] Equity Shares	[●] Equity Shares

Particulars	QIBs	Non Institutional Bidders	Retail Individual Bidders
Who can Apply*	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million (subject to applicable law).	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 100,000 amount.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Money	10%	100%	100%

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

Withdrawal of this Issue

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

Bidding Period / Issue Period

BID / ISSUE OPENS ON	[]
BID / ISSUE CLOSES ON	[]

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

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

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

BASIS FOR ISSUE PRICE

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

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

QUALITATIVE FACTORS

For detailed discussion on the above factors, see “Our Business - Our Strengths” on page 83 of this Draft Red Herring Prospectus.

QUANTITATIVE FACTORS

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

1. Earning Per Share (EPS) (as adjusted for changes in capital)

Period	EPS (Rs.)	Weight
Year ended 31 st March, 2003	0.89	1
Year ended 31 st March, 2004	8.43	2
Year ended 31 st March, 2005	8.32	3
Weighted Average	7.12	

For the six month ended 30th September 2005, the EPS (not annualized) is Rs.10.04

As on the date of this Draft Red Herring Prospectus, the EPS on the basis of profits for the six month ended 30th September, 2005 and the current paid up equity share capital of Rs.92.25 million is Rs. 4.70.

Note:

- (i) The Earning per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments prior period items pertaining to the earlier years.
- (ii) The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

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

- a. Based on 6 months ended on 30th September 2005, EPS (Not annualized) of Rs. 10.04
- b. P/E based on year ended 31st March, 2005 is [●]
- c. P/E based on 6 months ended on 30th September, 2005 is [●]
- d. P/E on the basis of profits for the six month ended 30th September, 2005 and the current paid up equity share capital of Rs.92.25 million is [●]
- e. Industry P/E

- | | | | |
|------|--------------------|---|------|
| i) | Highest | - | 99.7 |
| ii) | Lowest | - | 6.5 |
| iii) | Industry Composite | - | 32.5 |

Source: "Capital Market" Vol. XX/22, 2nd-15th January 2006.

3. Return on Average Net Worth as per unconsolidated restated Indian GAAP financials:

Year	RONW %	Weight
Year ended 31 st March, 2003	48%	1
Year ended 31 st March, 2004	82%	2
Year ended 31 st March, 2005	45%	3
Weighted Average	57.83%	

For the six month ended 30th September, 2005, the Return on Average Net Worth is 35%.

Note: The return on average net worth has been computed on the basis of the profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments / regroupings pertaining to earlier years. Average net worth has been computed on closing net worth, as restated. Return is the profits/(losses), after taxes as restated.

4. Minimum Return on Increase Net Worth required to maintain pre-issue EPS is [●]

5. Net Asset Value per Equity Share

- | | |
|-------|---|
| (i) | as of 31 st March 2005: Rs. 85.64 |
| (ii) | as of 30 th September 2005: Rs. 130.52 |
| (iii) | After the Issue: [●] |
| (iv) | Issue Price: Rs. [●] |

(Issue Price per Share will be determined on conclusion of book building process)

Net Asset Value per Equity Share represents net worth, as restated divided by number of Equity Shares outstanding at the end of the period.

6. Comparison of Accounting Ratios:

	EPS (Rs.)	P/E	RONW (%)	NAV (Rs.)
Kewal Kiran Clothing Limited (as on 30 th September, 2005)	10.04	[●]	35	130.52
Industry Data				
Category:				
Peer Group				
Zodiac Clothing Co. Limited (as on 31 st March, 2005)	8.5	36.2	10.3	106.1
Provogue India Limited (as on 31 st March 2005)	4.4	46.14	27.1	64.5

Source: "Capital Market" Vol. XX/22, 2nd-15th January 2006.

7. The Issue Price is [●] times of the face value of the Equity Shares.

The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the following summary along with the section titled "Risk Factors" beginning on page 8, the financial statements included in this Draft Red Herring Prospectus and the section titled "Summary" beginning on page 23 of this Draft Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these factors and you may lose all or part of your investments.

AUDITORS' REPORT**STATEMENT OF TAX BENEFITS****December 3, 2005**

To
The Board of Directors
Kewal Kiran Clothing Limited
Mumbai

Sir

In connection with the proposed Initial Public Offering of the equity shares of your company, at your request we have prepared a note entailing the various benefits under the provisions of the Direct Taxes & Indirect Taxes (Income Tax, Wealth Tax, Gift Tax, Central Sales Tax) which are currently available to the Company as also to the shareholders of the Company.

We may mention that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. Our statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws we advise that each investor be advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We do not express any opinion or provide any assurance as to whether:

- (i) the Company or its share holders will continue to obtain these benefits in future; or
- (ii) the condition prescribed for availing the benefits have been / would be met with.

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

For N. A. Shah Associates
Chartered Accountants

Ashok Shah
Partner
Membership No. 100-030936
Place: Mumbai

For Jain & Trivedi
Chartered Accountants

Satish Trivedi
Partner
Membership No. 38317
Place: Mumbai

ANNEXURE TO STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO KEWAL KIRAN CLOTHING LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

The joint auditors for the company are N.A. Shah Associates, Chartered Accountants and Jain & Trivedi, Chartered Accountants who vide letter dated 3rd December, 2005 have stated the possible tax benefits available to Kewal Kiran Clothing Limited (Formerly known as Kewal Kiran Clothing Private Limited) (the "Company") and its shareholders under the current tax laws presently in force in India. They have stated that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed below are not exhaustive. Their statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and , the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. The auditors do not express any opinion or provide any assurance as to whether:

- (i) the Company or its share holders will continue to obtain these benefits in future; or
- (ii) the condition prescribed for availing the benefits have been / would be met with.

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

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Kewal Kiran Clothing Limited and its shareholders.

BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961.

1. Under Section 10(34) of the Act, dividend income (whether interim or final) in the hands of the company as distributed or paid by any other Company on or after April 2004 is completely exempt from tax in the hands of the Company.
2. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), the long term capital gains resulting on transfer of listed securities or units (not covered by section 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long term capital gain arising from transfer of an 'eligible Equity Share' in a company Purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 (both days inclusive) and held for a period of 12 months or more is exempt from tax under section 10(36) of the Act.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act,

the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10(38)) if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section. Where the long-term specified 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units (not covered by section 10(36) and section 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. As per the provisions of Section 112 of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. As per the provisions of section 10(38), long term capital gains arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction tax.
4. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
5. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by sections 10(36) and 10(38)), to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in

the manner prescribed in the said section.

8. 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 specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
3. In case of a shareholder being a non-resident Indian, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non resident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
4. In accordance with the provisions of Section 115G of the Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
5. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
6. As per the provisions of section 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
7. In accordance with and subject to the conditions and to the extent specified in Section 112 of the Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
8. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in

any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

9. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
10. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
11. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
12. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
13. 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 specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
14. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

BENEFITS AVAILABLE TO OTHER NON-RESIDENTS

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with and subject to the conditions and to the extent specified in Section 112 of the Act, tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
3. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in

any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

4. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
8. 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 specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
9. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FII')

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognised stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.
2. As per the provision of Section 90(2) of the Act, the provisions of the Act would prevail over the

provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

3. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
4. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
5. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10 (36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by sections 10 (36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

BENEFITS AVAILABLE TO MUTUAL FUNDS

1. In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES /FUNDS

1. In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

1. As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

BENEFITS AVAILABLE UNDER THE GIFT TAX ACT, 1958

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

BENEFIT TO THE COMPANY UNDER THE CENTRAL SALES TAX ACT, 1956

1. In accordance with and subject to the provisions of sub section 5 of section 8 of the Central Sales Tax

Act, 1956 and vide notification no. 5/4/87 - Fin (R&C)(1) & 5/4/87 - Fin (R&C)(2) dated 20.04.1987 read with notification no. 4/1/95-STD/133 dated 16th June 1997 issued by the Daman and Diu Gazette, the company is entitled for sales tax exemption on sales effected during interstate trade or commerce to a registered dealer or the Government, of goods manufactured, processed or assembled in the Union Territory of Daman & Diu for a period of 15 years from the date of first sale or from the date of first consignment/ branch transfer of goods manufactured, processed or assembled by such industry on or after its registration under the Central Sales Tax Act, 1956 i.e. upto 27th March 2013.

BENEFIT TO THE COMPANY UNDER THE DAMAN & DIU VALUE ADDED TAX RULES, 2005

1. As per Notification No. DMN/VAT/2005/05-06/25 dated 21st April 2005 issued by Daman & Diu Gazette, the company has been granted Entitlement Certificate for exemption from payment of Value Added Tax under Daman & Diu Value Added Tax Rules, 2005 up to 27th March 2013.

Note:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2005.
2. All the stated benefits are as per the current tax law and will be available only to the sole / first named holder in case the shares are held by joint holders.
3. 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, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her /its own tax advisor with respect to specific tax consequences of his / her /its participation in the scheme. The shareholder is also 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 precedent or may have a different interpretation on the benefits which an investor can avail.

SECTION IV : ABOUT THE ISSUER COMPANY

INDUSTRY

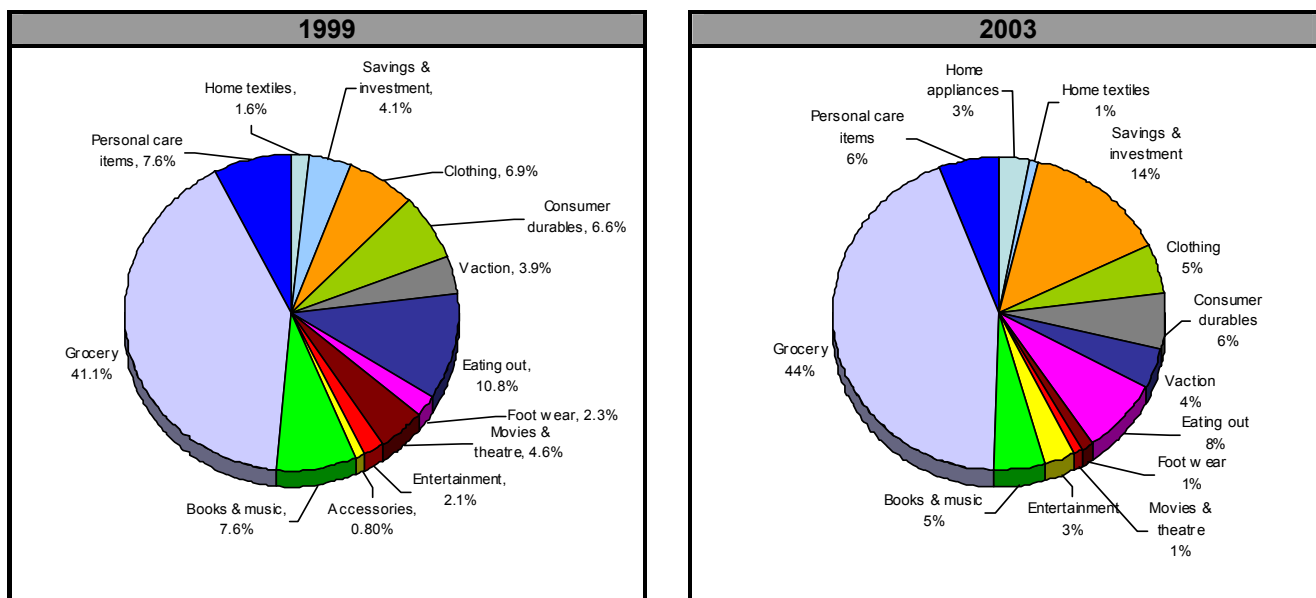
India is the 4th largest economy in the world in terms of Purchasing Power Parity (PPP), after USA, China and Japan. The economy has grown steadily since economic reforms were initiated in the early '90s. The GDP has averaged a growth of around 6% p.a. in the last 10 years and has picked up further momentum in the last few yrs, achieving between 6 and 8.4% growth. In 2003, India became the second fastest growing economy in the world with a growth rate of 8.2%. With the rising incomes, per capita GDP is slated to double by 2014. (Source: Images Yearbook Volume I No. II, dt. 31st December, 2005)

One of the key developments during India's growth path has been a favourable shift towards the services sector, which now accounts for almost 50% of the total GDP. This is being led by services such as IT, telecommunications, healthcare and retailing. The retail industry contributes roughly 30% to the Indian GDP. According to Images-KSA estimates, private final consumption in India was estimated at Rs. 16,900 bn (USD 375 bn) in 2003-2004. Of this retail sales contributed almost 55% of the total consumption expenditure i.e. Rs 9300 bn (USD 205 bn). Private consumption is expected to rise to approximately Rs18,500 bn by 2005-06. (Source: Images Yearbook Volume I No. II, dt. 31st December, 2005)

Shift in consumer consumption

The current economic boom has led to changing consumption patterns. Consumers are spending more as is visible from reduced savings. Savings and Investment have reduced from 14% to 4.1% of total consumer shopping basket from 1999 to 2003. Similarly, share of spend on groceries has decreased from 44% to 41.1%. On the other hand, share of spend on eating out, movies and clothing has increased. With rising income levels, there is a clear increase in spend towards aspirational and lifestyle products. Discretionary spending has witnessed a 16% rise in the urban and middle class. (Source: Images Yearbook Volume I No. II, dt. 31st December, 2005)

The Consumers' Shopping Basket



(Source: The Marketing Whitebook 2005, brought out by Businessworld)

Clothing is a beneficiary of this change in consumer spending pattern with spend on clothing increasing from 5% to 6.9% of the consumer's spend.

THE INDIAN APPAREL INDUSTRY

The Indian textile and apparel industry has been the traditional backbone of the economy for centuries. It accounts for 24% of all exports and is the second largest employer after agriculture. (Source: *Images Yearbook Volume I No. II, dt. 31st December, 2005*). The apparel sector is fragmented and largely consists of small players with average unit size of about 100 machines. There are very few large players reflecting the past fiscal and policy regime that protected small scale and provided them fiscal incentives.

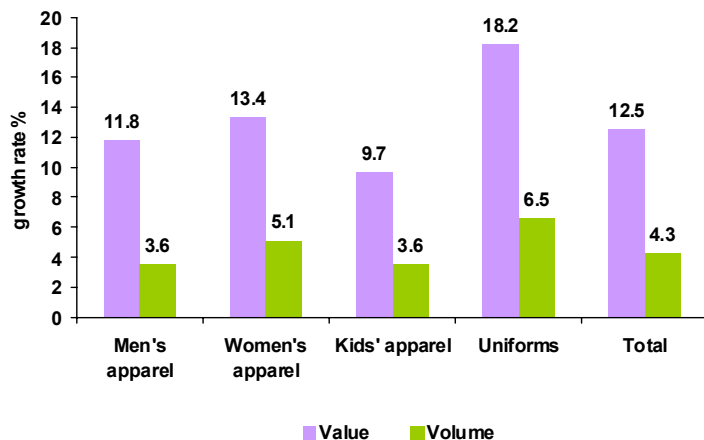
The domestic clothing, textiles and fashion accessories market is estimated to be Rs. 781 bn in 2004, an overall growth of 12.5 % over 2003 (Source: *Images Yearbook Volume I No. II, dt. 31st December, 2005*). Only about 13.6 percent of this market is fully organized.

Indian Apparel Market Size

	2003		2004	
	Volume (Mn Units)	Value (Rs in Bn)	Volume (Mn Units)	Value (Rs in Bn)
Men's apparel	1557	292	1613	326
Women's apparel	1430	233	1504	264
Kids' apparel	1223	114	1267	125
Uniforms	397	55	423	65
Total	4608	694	4807	781

(Source: *Images Yearbook Volume I No. II, dt. 31st December, 2005*)

Growth of the Indian Apparel Market



(Source: *Images Yearbook Volume I No. II, dt. 31st December, 2005*)

The Indian Apparel Market has grown by 12.5% in 2004 with volume growth at 4.3%, indicating better per unit realizations. Although the uniforms market has shown the maximum growth, in terms of value the menswear segment has the largest pie of the Indian apparel market with a share of 45%.

India's menswear market

Menswear market mainly comprises of shirts, trousers, suits, jackets, blazers, t-shirts etc. As evident, shirts and trousers contribute the 63% of the total menswear market.

	2003		2004	
	Volume (Mn Units)	Value (Rs in Bn)	Volume (Mn Units)	Value (Rs in Bn)

Shirts	313	95	323	108
Trousers	185	67	192	75
Suits, jackets, blazers	12	23	13	25
Casual Jackets	14	6	14	7
T-Shirts	80	17	83	19
Nightwear	77	12	79	13
Undergarments	380	18	396	19
Woollens - shawls/wrapons	13	3	13	3
Lungis, Dhotis & other forms of men's apparel	223	21	229	23
Total	1297	261	1342	292

(Source: Images Yearbook Volume I No. II, dt.31st December, 2005)

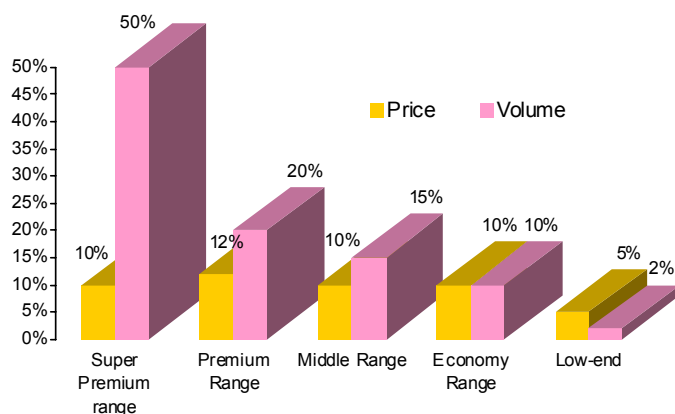
Denim/Jeans

Denim/Jeans is a segment valued at Rs. 19 bn. There is a huge potential for manufacturers in this segment, especially in the mid-price and economy segment as there are very few players. The premium segments are growing faster than the economy and lower end segments confirming the movement towards aspirational products and the growth of the premium segment.

Jeans Particulars	2002		2003		2004	
	Volume (Mn Units)	Value (Rs in mn)	Volume (Mn Units)	Value (Rs in mn)	Volume (Mn Units)	Value (Rs in mn)
Super Premium	0.02	50	0.03	100	0.06	200
Premium	1.2	1800	1.5	2250	1.9	2800
Middle	6.1	4600	7.05	5300	8.1	6100
Economy	13.8	5500	15.13	6050	16.6	6650
Low	15.8	3150	16.13	3200	16.4	3300
Total	36.92	15100	39.84	16900	43.06	19050

Source: Images Yearbook Volume I No. II, dt.31st December, 2005)

Jeans / Denims : YoY Growth 2002 -2204



(Source: Images Yearbook Volume I No. II, dt.31st December, 2005)

Readymade Segment

Over the years we have witnessed a gradual shift from tailor made garments to ready-made garments. Readymade garments account for 73% of the total apparel market, valued at approximately Rs 570 bn.

Proportion of readymade in Customer Segments

Category	Readymade(%)	Tailor made(%)
Men	63	37
Women	79	21
Kids	88	12
Total	73	27

(Source: Images Yearbook Volume I No. II, dt.31st December, 2005)

Definition for Women's wear readymades also includes Saris, and hence a lower proportion of tailor made as compared to men's wear.

However, a large portion of the above continues to be unbranded or in the unorganized sector.

Branded apparel segment

Within the readymade segment, there are branded and unbranded players. The average Indian is gradually getting brand conscious. The influence of international travel and media has helped in propagating fashion demands. About 4 mn Indians travelled abroad in 2003. By 2007, there would be about 67 mn cable and satellite homes. (Source: Images Yearbook Volume I No. II, dt.31st December, 2005). International brands like Levi's, Adidas, Tommy Hilfiger, Marks and Spencer, Umbro etc are easily available in India. Coupled with this, national brands like Park Avenue, Peter England, Wills Classic etc have also gained popularity.

Proportion of branded in different categories

Category	Share of branded (%)	Share of unbranded (%)
Men	33%	67%
Women	22%	78%
Kids	10%	90%

(Source: Images Yearbook Volume I No. II, dt.31st December, 2005)

Household income a key determinant of branded apparel

The household income is a key determinant of the spend on branded ready to wear (RTW) apparel sales. About 72% of the branded RTW apparel is purchased by households with an annual income of over Rs 225,000.

Spend on branded ready to wear apparel by income groups

Average household income	Rs bn
1000000+	40.0
225000-1000000	25.0
45000-225000	23.0
22000-45000	2.0
<22000	0.0
Total	90.0

(Source: Images Retail)

Reasons for growth of the Indian Apparel Sector

1. Ready to Stitch (RTS) to Ready to Wear (RTW)

From the readymade apparel manufacturer's perspective, the Indian market has been very inert towards shifting from RTS to RTW. Currently, nearly 25-30% of all clothing retailed is still tailor made. A major shift towards RTW was visible at the start of the 90's.

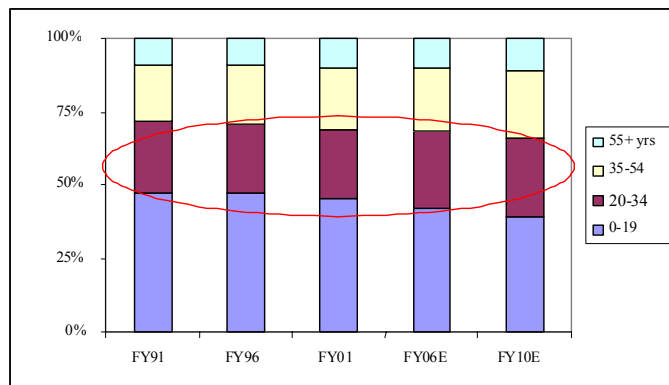
2. Increased brand consciousness

A consumer generally perceives wearing brands as a fashion statement and a recognition. One of the major reasons for the increased brands consciousness is the young population of India.

3. Changing Consumer Lifestyle & Preferences

Demographic changes - According to KSA Technopak, India has the largest young population in the world with over 867 mn people below 45 years of age. This means a higher current consumption spend vs. savings as a younger population has both, the ability and willingness to spend. A younger population tends to have higher aspirations, and will spend more as it enters the earning phase. Higher consumption is a direct booster for the retailing industry. Further, increase in consumer spends would be driven by nuclearisation of families, increasing population of working women and new job opportunities in emerging service sectors such as IT enabled services, retail & food services, entertainment, & financial services.

A larger number of households in urban India are getting added to the consuming class with growth in income levels. The number of households with income of over Rs 45,000 per annum is expected to grow from 17.4 mn in 1999-2000 to 44.8 mn by 2005-06 (Source: *The Marketing Whitebook 2003-04*, brought out by *Businessworld*).



Source: KSA Technopak

Changing lifestyles - The traditional large, joint-family set up in India, is slowly giving way to a nuclear family set up. This is more pronounced in urban India. This has resulted in a larger number of households, pushing up demand for consumer goods. With rising education levels, especially among women, there is an increase in the number of employed women, thus further increasing the consumer class and adding to disposable incomes of families. These have a direct impact on the overall consumption patterns and fuels further growth of organized retail.

Design and Quality - Design and quality are acquiring a lot of significance. There is a paradigm shift from the earlier trend where price was the overwhelming consideration.

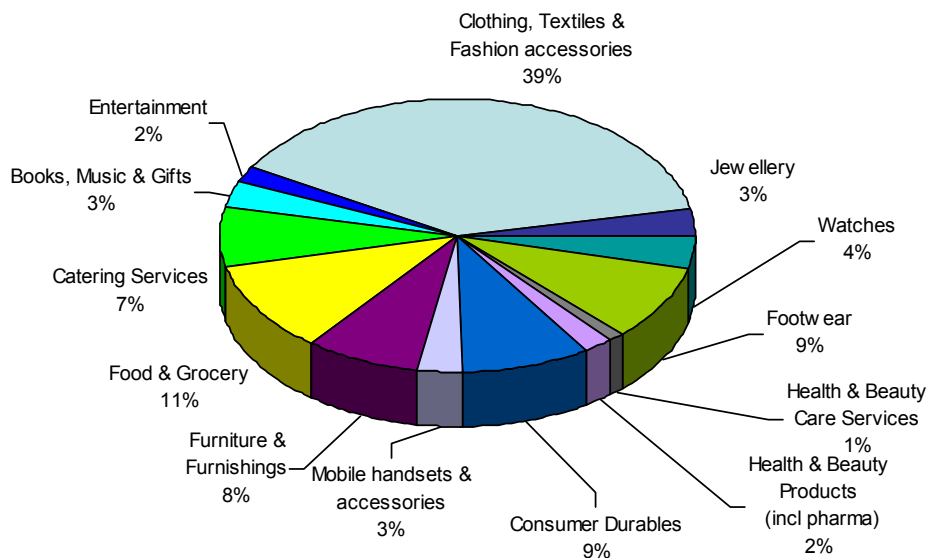
4. Mall development/Increased Retail Space

Around a decade ago there were no malls in India. The latter half of 1990s saw the arrival of new modern malls. At the end of 2004 there were 40 operational Malls in the country. KSA Technopak expects 200 large malls to be operational by 2006. Over 35-40 Mn square ft of new retail space is expected to be built in the next 12-24 months. Further by 2010, 600 malls occupying approximately 120 mn square ft are likely to be operational.

This rapid growth in quality retail space is facilitating organized retailing and thus further driving the growth in the apparel segment.

Apparel retailing is the largest segment of organized retailing in India making up for almost 39 percent of the total organized retailing business. (Source: India Retail Report 2005 - An Images - KSA Technopak Study)

The Organised Retailing Pie - 2004



(Source: India Retail Report 2005 - An Images - KSA Technopak Study)

Attributes required for success in the apparel business

- 1 Ability to predict fashion trends - This is one of the most important attributes to be successful. This ability helps the manufacturer to plan his designs accordingly, which helps in better inventory control. Hence understanding of the dynamic consumer tastes and preferences is important.
- 2 Creating brands - Creating a connect with the consumer for the brand through consistent leadership in fashion and quality is essential with a plethora of domestic brands and imminent entry of a larger number of international brands.
- 3 Distribution Network - A manufacturer uses different distribution channels to reach the consumer. A strong distribution network therefore is very important so as to penetrate across geographies.

Key challenges

As discussed earlier there is potential for growth of this sector. However there are certain issues that may impede this growth.

- 1 Availability of skilled manpower - The non availability of trained manpower, especially at the management level, poses a key risk. Further, as the apparel sector grows rapidly, there will be pressure on existing players as new entrants look for trained manpower at various levels.
- 2 Supply chain issues - Supply Chain Management (SCM) efficiencies are essential to apparel manufacturers to maintain and improve margins. SCM includes vendor management and logistics

management. Vendor selection is an important outcome of the sourcing process and a key to most efficient sourcing. Logistics management aims to get the goods from the vendor to the store in the shortest possible time thereby avoiding unnecessary stocking of goods. In India, both vendor management and logistics management are still underdeveloped. However, with growing size of operations, supply chain efficiencies will become a key differentiator of profitability.

- 3 Entry of international brands - International brands are looking at India as a large opportunity. We have already seen brands such as Guess, Diesel, Tommy Hilfiger set up their stores in India. With possible easing of FDI norms in retail, one would expect a larger number of international brands to enter India to retail their products. However, this is also an opportunity for players in India as this will not only expand the market, but with entry of international brands in the super premium category, upgrade consumers across the value chain.

OUR BUSINESS

We are one of India's leading manufacturers and marketers of branded apparels in the men's segment. We are in the business of designing, manufacturing, branding and selling of ready-made apparels and other accessories under our various brands. We have positioned our brands differently; depending on the segment we target. Our brands range from the high fashion premium segment such as 'Killer' for denim wear and 'Easies' for casual wear to the middle and economy segments through brands such as 'Lawman' and 'Integriti'.

A major portion of apparel is manufactured at our in-house plants at Dadar (Mumbai), Goregoan (Mumbai), Vapi (Gujarat) and at Daman (Union Territory). Our distribution channel comprises of a mix of our own stores (K-Lounge) and a network of National Chain Stores (NCS) and Multi Brand Outlets (MBO). We are looking to further our presence in the growing Indian markets by rolling out our own exclusive stores and through our presence in various department store chains.

We are members of Clothing Manufacturers Association of India, founder members of Retailers Association of India. We are also registered as member exporter with Apparel Export Promotion Council.

Background & Evolution

Our Promoters have been associated with the apparel manufacturing business since 1980. Originally, two of our Promoters, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain entered into apparel manufacturing business through a partnership firm called M/s. Kewal Kiran & Co. Mr. Dinesh P. Jain and Mr. Vikas P. Jain were subsequently taken as partners in M/s. Kewal Kiran & Co. in 1994. Over a period of time, Kewal Kiran group comprised of various companies and firms. It was long felt need of the promoters to consolidate the business under single corporate umbrella to achieve the benefits of consolidation of marketing and manufacturing operations. Hence, the restructuring started with the conversion of the partnership firm, M/s. Kewal Kiran & Co. into a private limited company under Chapter IX of the Companies Act on 1st April 2000. This private limited company was called Kewal Kiran Clothing Private Limited. In January 1992, our Promoters incorporated another private limited company called Kewal Kiran Apparels Private Limited, which was also engaged in apparel manufacturing. Kewal Kiran Clothing Private Limited was merged into Kewal Kiran Apparels Private Limited with effect from 1st December 2002. To leverage the goodwill of their past business, the name of Kewal Kiran Apparels Private Limited was changed to Kewal Kiran Clothing Private Limited on 17th October 2003. On 1st April, 2005 Kewal Kiran Clothing Private Limited acquired washing unit of Kewal Kiran Enterprises located at Vapi. On 2nd November 2005, Kewal Kiran Clothing Private Limited was converted into a public company and changed its name to Kewal Kiran Clothing Limited. Now we are an integrated apparel manufacturer with capability of designing, the manufacturing process encompassing cutting, body stitching, washing and ironing & finishing and marketing of branded men's wear apparel. We have 4 units with a total annual capacity of 2 million pieces.

We have been promoted by Mr. Kewal Jain, Mr. Hemant Jain, Mr. Dinesh Jain and Mr. Vikas Jain who have over 20 years of experience in this industry. Today we are amongst the large branded apparel manufacturers in India with sales also in Asia, Middle East and CIS. The company designs, manufactures and markets branded jeans, semi formal and casual wear for men. Product line includes jeans, shirts, T Shirts, jackets and trousers marketed under the Killer, Lawman, Easies and Integriti brands.

Our product line consists of :

- Jeans
- Denim Shirts
- Cotton Trousers
- Cotton Shirts
- Non-Cotton Shirts
- Non-Cotton Trousers
- Jackets
- Knitted T-Shirts and

- Accessories like bags, belts, caps, etc.

Our consolidated restated revenues for the year ended 31st March 2005 was Rs 268.42 million as compared to Rs. 253.90 million for the year ended 31st March 2004. Our consolidated restated profit after tax was Rs. 38.27 million for the year ended 31st March 2005 as compared to Rs. 38.79 million for the year ended 31st March 2004. We have registered a growth of 5.72% on our revenues*.

As per our proforma unaudited consolidated financial statements, our revenues for the year ended 31st March 2005, 2004 and 2003 are Rs. 754.96 million, Rs. 721.27 million and Rs. 559.21 million respectively. Our profit after tax for the year ended 31st March 2005, 2004 and 2003 are Rs. 97.47 million, Rs. 115.05 million and Rs. 56.76 million respectively. We have registered a CAGR of 14.33% and 23.54% for revenues and profit after tax respectively, from the year ended 31st March 2001 to the year ended 31st March 2005. For the period ended 30th September, 2005, our revenues and profit after tax are Rs. 425.68 million and Rs.58.50 million respectively. The Advertisement & Sales Promotion expenses for the year ended 31st March 2005 and 2004 were Rs. 86.69 million and Rs.57.87 million respectively.

* For further details, please refer to the Proforma Unaudited Consolidated Financial Statements appearing on page 32 of this Draft Red Herring Prospectus.

We have recently been awarded the CNBC TV 18 and ICICI Bank “Emerging India Award” for the Best SME Company in the Textiles and Apparel Category (2005).

Key Milestones

Year	Events
1989	Launch of killer
1994	Exporting of killer brand to U.A.E.
1998	Launch of Lawman
1998	Launch of easies
2002	3 rd IFA Award for most admired Fashion Campaign of the Year (KILLER JEANS)
2002	Golden Scale Trophy by CMAI for Denim Brand of the Year (KILLER JEANS)
2002	Launch of Integriti
2004	Launch of K- Lounge, our retail store concept
2005	CNBC TV 18 – ICICI Bank Award for Best SME company in Textile/Apparel Sector
2005	Golden Scale Trophy by CMAI for Casual Wear Brand of the Year (small & medium) INTEGRITI

Our Strengths

Understanding the consumer

Understanding the consumer is one of the most important skills required to be successful in this business. Our promoters have over 25 years of experience in this field. We believe this helps us in understanding the consumer psyche and predicting future trends better.

Our designing skills

We have an in-house design team that constantly tries to predict new trends and fashion. In a season, the team works on over 500 designs, out of which a few are picked up to constitute the new season collection.

In house integrated unit

Our core competency lies in our manufacturing and design skills. Right from designing the apparel to sourcing of raw material to manufacturing of ready made apparels is carried out in-house. A portion of our production is sold directly through our exclusive stores. This helps us in controlling the inventory and production process. We believe that this has helped us in achieving optimal capacity utilization and at the same time keeping our costs

low which eventually helps us in maintaining healthy margins.

Efficient Supply Chain Management

We procure our raw material from manufacturers and authorized distributors appointed by the manufacturers based on our requirement. We analyze the production requirement on a monthly basis; based on which we place orders to our suppliers. This helps us in minimizing our inventory of raw materials. This also helps us effectively servicing the requirement of our retailer's, distributor's and Multi brand outlet.

Distribution network

Our products are available in all parts of India. We are present in all the metros, mini-metros and large cities. We distribute our products through retailer's distributor's and multi-brand outlets. We have 66 distributors who supply our goods to more than 1000 retailers. We have our own retail store concept "K-Lounge". As on 31st December, 2005 we have 27 K-Lounge stores and we are planning to have 143 outlets by 2008. We are also present at 48 locations of National Chain Stores.

Technology

Most of our machinery is imported. This is done with a view to get the latest technology in the manufacturing process from the best available in the world. We have state of the art machinery imported from Japan, Italy, Spain and China. For example, we have latest finishing equipments like form finisher from Italy, Fashion Laser from GFK Spain etc. These modern machines also help us in maintaining high quality standards. We use technology that enables radical designs and latest innovations in creating new look and new trends. Technology has helped us in rolling out newer combinations like jeans crafted to look old, rock blast, stone blast, bleach wash, wrinkle free etc.

Our management team

We have a strong management team with many years of hands on experience in the apparel industry. Our promoter directors started on the shop floor and have gradually moved up. This understanding helps them in taking appropriate decisions.

We have also created a highly empowered team with industry specific knowledge in activities like cutting, stitching, washing and finishing for carrying out the day to day operations of our Company. We have also created a team of hands on managers in the second layers below top management. We also strongly believe in regularly training our managerial and supervisory staff in their respective jobs.

Our Growth Strategy

Penetrate across different consumer segments and demographics through our brands

Our brands are created to cater to various socio-economic classes of the society. We have different brands catering to different consumer segments and demographics. We have different growth strategies for each of our brands. We plan to promote these brands further by opening exclusive brand stores. We also plan to sell eye-wear, watches and casual jewellery under the brand name "Killer". We plan to experiment with different styles through our "Lawman" brand. Through our "Integriti" brand we plan to introduce more products to cater to the mass segment.

Increase our reach through the launch of more K-Lounge outlets

We distribute our products through retailer, distributor and multi brand outlets. We have added one more distribution channel K-Lounge to penetrate the growing demand in the apparel segment. We plan to add 116 more stores across the country to our existing network of 27 stores in 21 cities. This would give us more brand visibility and better reach to our customers with a pan India presence. At the same time, these additional stores will help us expand our reach and serve additional customers in existing and new geographies, and help us with

our growth plans. The region wise break up of the proposed K-Lounge stores will be as follows:

Year ending	North	South	West	East	Total
31 st March 2006	10	6	20	5	41
31 st March 2007	20	15	16	5	56
31 st March 2008	15	10	16	5	46

We intend to operate our chain of stores in the following style;

Particulars	2005	2006	2007	2008	Total
Company Owned, Company Operated	Nil	1	6	6	13
Company Leased, Franchisee Operated	3	3	15	5	26
Franchisee Leased/Owned, Franchisee Operated	4	30	35	35	104
Total	7	34	56	46	143

Introduction of more brands

Currently, we are present in only Men's' casual wear segment. Considering huge demand for Men's' formal wear, women's wear & kids wear we may introduce new brands in these categories.

Enter the women's wear market

Denim and casual apparels are extremely popular amongst women also. We will introduce women's denim wear and casual wear in our existing brands also.

Pursue inorganic growth opportunities

To upgrade & enhance our manufacturing and marketing capabilities we may acquire units/undertakings manufacturing woven or knitted apparels. We also may acquire brands having ready presence in the men's formal, women's wear and kids wear.

Business Overview

Our Company designs, manufactures and market branded jeans, semi-formal and casual wear for men. It is an integrated apparel manufacturer with the manufacturing process encompassing cutting, body stitching, washing and ironing & finishing. The company has 4 units with a total annual capacity of 2 million pieces. With our own R&D team and designers, we have endeavoured to introduce new styles, fits, finishes and fabrics to its stable. In a season, the team works on over 500 designs, out of which a few are picked up to constitute the new season collection.

Our Apparel Brands

We have introduced four brands that we believe caters to different segments of the menswear market. Each of our brands is uniquely positioned to cater to different consumer segments. Collectively our brands cater to various age groups with varying needs like premium casuals/party wear, semi-premium office, semi-premium casuals, accessories etc.

Killer

Launched in 1989, "Killer" is the flagship brand of our Company contributing over 55% of our turnover. "Killer" is one of the leading brands in the premium men's' wear segment. This brand is targeted to the age group of 16 to 25 years. The product line of this brand includes jeans, shirts, jackets and accessories such as belts, bags and

caps. The products in the brand are priced ranging from Rs.495 to Rs.1895. Killer Jeans is one of the largest selling denim brands in India.

Clothing Manufacturers Association of India (CMAI) has awarded “Killer” as the “Denim Brand of the Year” in 2001-02 and the “Brand Campaign of the Year” in 2001-02.

Lawman

We launched “Lawman” in 1998. This brand is targeted to the 18 to 28 age group, with a focus on denim and party/club wear. Lawman’s product offerings include shirts, jackets, denims and cotton trousers priced between Rs.795 to Rs.1395. “Lawman” is positioned as a fashion brand.

Easies

“Easies” was launched in 1998. This brand is targeted to 25-40 office going age-group. The product offerings include formal and semi-formal apparel for men, priced between Rs.795 to Rs.1895. “Easies” is positioned as a brand for young executives.

Integriti

“Integriti” is the latest brand we introduced. Launched in 2002, Integriti’s product offerings are formal shirts, T-shirts, jeans and cotton trousers priced between Rs.495 to Rs. 795. “Integriti” is positioned as a brand for the masses without compromising on the quality. This brand is primarily offered through MBOs.

Clothing Manufacturers Association of India (CMAI) has awarded “Integriti” as the “Casual Brand of the Year” in 2004-05.

Distribution Channels

We have a widely dispersed national distribution network comprising exclusive stores, department stores, retailers, and multi-brand outlets. We use both traditional channels like wholesalers and modern channels like National Chain Stores and exclusive stores to promote our products across India and other markets.

Region Wise Distribution Break Up

	North	South	East	West
No. of Distributor’s	14	11	9	14
National Chain Stores	9	5	3	17
K – Lounge	4	3	5	15
TOTAL	27	19	17	46

Brand wise Distribution break up

	Killer	Lawman	Easies	Integriti
No. of Distributors	17	16	13	20
National Chain Stores	31	-	17	-
TOTAL	48	16	30	20

K Lounge

We have our own retail stores concept under the brand name “K Lounge”. These stores exclusively display and sell our brands. These stores are either self-owned or operated; or self owned and franchisee operated; or

franchisee owned and franchisee operated. As on 31st December 2005, we have 27 stores operational in 21 cities of Mumbai, Ahmedabad, Vadodara, Surat, Pune, Nagpur, New Mumbai, Thane, Jabalpur, Lucknow, Jodhpur, Jaipur, New Delhi, Vishakapatnam, Hyderabad, Mangalore, Raipur, Bhubaneshwar, Kolkata, Bhilai and Bilaspur. To enhance visibility and to ensure maximum footfalls, K-Lounge stores are situated at high end malls and high streets of the major metros, mini metros and large cities with prominent locations.

Details of Operating Arrangement of Existing Own Retail Stores

Company Owned, Company Operated	Company Leased, Franchisee Operated	Franchisee Leased/Owned, Franchisee Operated
Dadar, Mumbai	- Vashi, Mumbai - Lower Parel, Mumbai - Mulund, Mumbai - New Delhi - Lucknow - Jaipur	- Ghod Dhod Road, Surat - Anand Mahal Road, Surat - R.C. Dutt Road, Baroda - Raopura, Baroda - Kanjur Marg, Mumbai - Kandivli, Mumbai - Bilaspur - Raipur - Bhilai - Vishakapatnam - Ahmedabad - Hyderabad - Jodhpur - Nagpur - Bhubaneshwar - Mangalore - Thane - Jabalpur - Kolkata - Pune
Total 1	Total 6	Total 20

List of K Lounge stores

K Lounge Stores are operational at Following Locations.

Sr.No.	Location
1	Unit No. 12, Hi-Street Phoenix, Sky Zone, Senapati Bapat Marg, Lower Parel, Mumbai
2	Nirmal Lifestyle, L.B.S. Marg, Mulund(West), Mumbai
3	Center-One, Vashi, Navi Mumbai
4	Shop No. 5, Kakadia Complex, Ghod-Dhod Road, Parle Point, Opp. Citibank, Surat: 395 007
5	Premier Chambers, Ground Floor, Opp. G.B. Office, R.C. Dutt Road, Baroda
6	9-A, Vaibhav Chambers, Budhwar Peth, Bajirao Road, Pune: 411 002
7	11-B, I.G.V.P, Pandri, Raipur-492 004
8	Citi Center Salt Lake, Kolkata
9	Daba Garden, Vishakapatnam
10	Akshar Complex, Near Shivrangani Char Rasta, Satellite Ahmedabad
11	341-A, Raghuleela Mega Mall, 1 st Floor, Behind Poisar Bus Depot, Kandivali (W), Mumbai: 400 067
12	Shop No. AG. 1/2, Rajeev Plaza, Near Bus Stand, Bilaspur: 495 001
13	Shop No. 3, Bhasin Arcade, Gorakpur, Jabalpur: 482 001

14	C/o Raymond Shop, G.E. Road, Near Chauhan Plaza, Bhilai: 490 023, Dist: Durg (C.G)
15	16, 17, 33, 34 H City Mall Kanjurmarg, Mumbai
16	2 UB Jawahar Nagar Bungalow Road Kamala Nagar Market New Delhi
17	G-3 6-3-349/20 Alpha Business Centre, Nagarjuna Circle, Banjara Hills, Hyderabad: 500 034
18	G-1, Sarveshwar Complex, Opp. G.E.B, Towar Char Rasta, Rao Pura, Baroda
19	Shop No. 4, 5, 6 & 7 Ground Floor, Devi Plaza, Opp Shriram Petrol Pump, Anand Mahal Road, Adajan, Surat: 395 009
20	Gaurav Towers, Malviya Nagar, Jaipur
21	347, 4 th B Road, Sadarpura, Jodhpur
22	301, Kothari Bhawan, WHC Road, Dharmapeth, Nagpur: 440 010
23	Plot No. 794, 1 st Floor, Dhawan Complex, Vani Vihar Square, Sahid Nagar, above Titan Showroom, Bhubaneswar: 751 007
24	Hotel Usha Building, Balamatta Road, Mangalore: 575001
25	Shop No. 214, Saharagunj, Shahnajaf Road, Hazratganj, Lucknow
26	Kailashnath Bldg, Opp New English School, Ram Maruti Rd, Thane (W)
27	Shop No 3, Devare House, B.S. Road, Dadar (West), Mumbai: 400028

We believe that having our exclusive stores, gives us greater flexibility in displaying our merchandise. We are able to maintain all the stores with the same look and feel. The stores' look and feel is in sync with the positioning of our brands. We believe the stores also allow us better inventory control along with a reduction in the distribution costs. To promote our brands further, we plan to launch about 116 outlets across the country over the next 3 years. We also plan to sell accessories like time wear, fashion jewellery and fragrances & other accessories through these stores.

For the period ended on September 05(6months), the sales to K-lounge as a proportion to the total sales is 8%.

Killer Exclusive Stores

Since Killer is our flagship brand as well as the largest contributor to our revenue, we have decided to also retail the brand through exclusive stores that would carry the look and feel of the brand.

Distribution depot operated by the distributor in UAE services the Middle East and neighbouring countries.

Export possibilities

For the period ended on 30th September, 2005 we have earned 9% of our revenues for export of our brands

We are exporting our brands mainly to UAE. From UAE it is exported to other countries in Middle East and neighbouring countries. We have appointed wholesalers for our brand Killer, Lawman and Integrity. We are also selling our brand Easies in the Middle East market through the retail chain store "Splash".

We will also expand our presence to other markets soon

Our Production Process

Our production processes are designed with special attention to quality and customer satisfaction.



Raw Material Sourcing

Fabric and other components such as zips, threads, buttons and chemicals are our main raw materials. We have authorized a few suppliers for each of the above-mentioned raw material categories to ensure quality

consistency. The fabric is sourced from leading mills in India. We also source the fabric from distributors appointed by the mills to reduce the delivery time and for effective inventory management. Average time taken for delivery is around a month from the mills. Each fabric sample is checked for quality standards; tear and tensile strength, colour fastness by our technicians in our in-house quality laboratory.

Other components like zippers, buttons, rivets, thread etc are either sourced from manufacturers in India or are imported. The average delivery time for these components is usually 10 days in India and 45 Days from overseas.

The chemicals used in our business include imported enzymes and dyes, which are sourced from authorized dealers in India. Since these stocks are readily available with most of the suppliers our inventory at the shop floor is low.

Production

The apparel manufacturing process is carried out after the orders from retailers and distributors are procured for different styles and designs for each brand. The entire production process encompassing cutting, stitching, washing, processing, finishing and packaging usually takes 20-30 days.

Cutting

After the fabric sample has been tested for quality by our technician, it is issued to for cutting at our Dadar (Mumbai), Goregaon (Mumbai) and Daman (Union Territory) facilities. Cutting being an integral part of apparel manufacturing, we use various machines such as automatic layering machines, power cutting machines and end cutters to ensure quality standards. We try to ensure that there is minimum wastage of the fabric during this process.

Stitching

Once the fabric is cut, it is stitched at our Dadar (Mumbai), Goregaon (Mumbai) and Daman (Union Territory) facilities. Most of the apparels are stitched by us. We also get around 20% of the stitching process outsourced from various job workers. The stitching process is carried out by both trained tailors as well as specialists that utilize various imported machines for different processes. For example, the pockets of the trouser are sewn on by automatic pocket setters from Durkopp Adler, Germany. There are also special machines for hemming the bottom of the trousers, affixing a double stitch on the side of the jeans as well as its pockets, loop attaching, interlocking and for affixing the two legs of the trousers.,

The manufacturing of trousers, jeans and shirts involves various processes and therefore requires a variety of machines. We have developed some of the attachment with the help of manufacturers in Japan and Europe to increase the productivity and improve quality.

Washing & Processing

Washing and processing of apparels is done at Vapi. Most of our apparels are pre-washed. Washing is an integral part in treating the denim. It gives a different look and feel to the fabric. Washing involves carrying out various chemical processes on the apparel. The various processes include desizing (starch removal), bleaching (colour removal), stone wash, sand blasting, over-dyeing, acid wash, fraying, surface painting and screen printing, dry cleaning and laser engraving.

Stone washes and enzyme washes are used to accelerate the abrasion or fading of a apparel by using stones in the wet processing cycle. This enables the denim to attain a faded look. Sand blasting is similar to stone or enzyme wash and also gives the faded look but to a localized area of the apparel rather than the whole apparel.

Over dyeing is a process of dyeing apparels that were already coloured in fabric or apparel form. Acid wash helps to decolorize the indigo of denim in a sharp contrast random pattern or overall smoothness. Destruction wash or

fraying is an extended or heavily abraded stone wash with enzymes and bleach that leaves the hems frayed and many nicks on the apparel. Surface and screen painting also give the denim a different look.

While different washes are integral for denims, we also use the processes on knit-wear and other fabrics to give a different look to the apparel. All the washing and processing is carried out internally thus giving us an edge and flexibility with our designs.

Finishing & Packaging

Once the apparels are washed, they are brought to the Daman (Union Territory) unit for finishing and packaging.

The process involves excess thread removal, ironing, removal of wrinkles and attaching of product, size and price labels. The entire finishing process is carried out with the help of the state of art machinery including form finishers. The form finishers presses the apparel in its shape by using suction and balloon method We also use duplex form finishers that facilitate the ballooning of two apparels at the same time and therefore help to speedup the process.

After the apparel undergoes the above-mentioned processes, it is ready to be packed and dispatched. We use double layered packing to ensure that apparels reach the retailers as crisp and well-ironed as they left the finishing process. The apparels are housed at our central warehouse in Daman (Union Territory), from where they are dispatched to the large format stores, distributors & K Lounge's through various national carriers.

Facilities

	Mumbai Units*	Daman Unit	Vapi Unit
Installed Capacity			
Apparels Stitching	1.4 mn pieces	0.4 mn pieces	--
Finishing	--	2.0 mn pieces	--
Washing	--		2 mn pieces
Address of Manufacturing Facilities	B- 107, B, 4-6 C 3-4, A 1 to 4 Synthofine Estate, Behind Virwani Industrial Estate, Goregaon (E), Mumbai – 400063. 71/73, Kasturchand Mill Compound Bhawani Shankar Cross Road Dadar(West), Mumbai – 400 028	697/5, Near Maharani Estate Somnath Road, Dabhel Daman – 396210	787/1, 40 Shed, 2nd Phase, G.I.D.C. , Vapi- 396195
Type of Facilities	Cutting & Stitching	Cutting, Stitching & Finishing	Washing
Type of Machinery	Cutting Machines, Lockstitch sewing machines, Pocket setters, Loop making machines, belt attaching machines, bottom hamming machines, interlocking machines, Eye Hole machines, leg reversing machine, placket making machine, Fusing machines, Collar making machines,	Cutting Machines, Lockstitch sewing machines, Pocket setters, Loop making machines, belt attaching machines, bottom hamming machines, interlocking machines, Eye Hole machines, leg reversing machine, placket making machine, Fusing machines, Steam Irons, Shirt Form Finishers, Trouser Form Finishers, Wrinkle Free Treatment Ovens, Button attaching machines for shirts, button attaching machines for jeans, tagging machines, steam boilers, water softening plant	Tumbler Washers, Hydro Extractors, Ovens, Leg Reversing machines, steam irons, Sand Blasting machine, Laser Engraver machines, Fraying grinders, Dry cleaning plant, steam Boilers, water softening plant, form balloons

Communication and IT Infrastructure

All our units are connected through dedicated lease lines and VPIN networks with back-up systems in place. The central servers are located at the corporate office. We are in the process of implementing an ERP software for our production and marketing activities. We are also planning to connect all our units through radio frequency network.

Research and Development

Design and product development is a very crucial step, a core team comprising of designers and R&D analysts works closely to design and develop new fabrics, apparels and accessories. The team works on over 500 designs for a season, out of which best designs are picked up to show case the new season. The designing and product development team works on designs for each brand; Killer, Easies, Lawman and Integrity, keeping in mind the uniqueness in positioning, product offering and target consumer for each brand

Intellectual Property

All our brand names are registered with the registrar of trademarks in India in class 25. In other class of products we have registered our brands or our registration is pending with registrar. We have also registered our three brands EASIES, INTEGRITI and LAWMAN in UAE. We have also applied for registration of KILLER brand in European community trademark. The same is accepted for publication. We have also obtained copy right for our trade marks.

Human Resources

We are design and production driven company employing large employee force of Designers, Cutters, Tailors, operators, helpers, marketing staff, accounts and support staff etc. We have been able to attract excellent talents due to our attractive compensation package coupled with benefits like Provident Fund, ESIC, retirement benefits etc. We have never lost a single man day due to employee unrest and none of our workers belong to a union.

We recognize the employee excellence and reward such excellence suitably. We also undertake regular performance and profile appraisal and adjust the employee salary accordingly.

Our employees are paid according to their abilities and we have designed a compensation package in tune with industry standards. Our employees are also entitled to all benefits as are required by law in India including retirement benefits like provident fund and gratuity. All employees earning up to Rs. 6,500/- per month are entitled to provident fund benefits as laid down by Indian Law.

In accordance with Indian Law, we also provide our employees with a gratuity consisting of a defined contribution retirement plan covering all eligible employees. For this purpose, we have taken a group gratuity policy with the life insurance corporation of India. The policy provides for lump sum payments to long term employees at retirement or upon termination of employment due to resignation, death or disability. The amount of lump sum is based on the employee's basic salary and years of employment.

Quality Initiatives

Our manufacturing processes undergo over 40 quality inspection checks. We are also working towards the ISO 9001-2000 quality certification with American Quality Assessors (India) Private Limited for our Daman (Union Territory) and Vapi (Gujarat) Unit.

Competition

In our industry we face competition from established Indian and International brands operating in India and other markets where we are present.

Corporate citizenship

Our Company has contributed in constructing and equipping a charitable hospital of 50 beds on Ranakpur Road in Pali District, Rajasthan. Our Whole-time directors are trustees of the Smt. Jatnobai Karamchandji Ratanparia Chaohan charitable trust and they are actively involved in management of the hospital. The hospital has received various accolades from state government and district administration in during draught relief operations in the year 2002-03.

Utilities

	Mumbai Units	Daman Unit	Vapi Unit	Corporate Office
Power (Connected Loan)	Goregaon – 310 KV Dadar – 50 KV	150 KV	250 KV	350 KV
Water Utilisation for commercial production	Water needed for only Human Consumption	Water needed for only Human Consumption	250 KL Per Day	Water needed for only Human Consumption
Effluent Disposal	No effluent treatment required as no discharge	No effluent treatment required as no discharge	Member of Common Effluent Treatment Plant put up by Vapi Waste and Effluent Management Co Ltd. We do primary treatment and release the effluent to the CET plant for further treatment.	No effluent treatment required as no discharge
Manpower				
Managerial Staff	8	5	3	43
Supervisory Staff	13	31	9	63
Support Services	15	49	26	20
Skilled & Unskilled Labour	477	313	97	0

Insurance

We insure our office premises, manufacturing premises, plant & machinery and equipments against fire, earthquake and related perils. We also maintain transit insurance for all outgoing finished goods for the transport by rail or road.

All our insurance relating to office premises, stock and plant and machinery contain “Agreed Bank Clauses” which provides that any payments made under such policies are made to certain banks that have provided financing for the same.

Our insurance policies are generally for one year term.

BORROWINGS

Details of Secured Loans outstanding as on 31st December 2005

Particulars	Sanctioned Limit	Outstanding as on December 31, 2005	Security	Interest
Working Capital Facility	Rs.55 million	Rs.0.37 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	8% p.a.
Term Loan	Rs.100 million	Rs.60 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	8.50% p.a.
Foreign Currency Demand Loan	USD 1 million	USD 1 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	7.80% or (6 Months LIBOR + 3.50%)

All the above facilities are from Standard Chartered Bank, Mumbai.

The restrictive covenants in the above said debt arrangements are as mentioned below:

1. Not to enter in to any scheme of merger, amalgamation, compromise or reconstruction or sell, lease or transfer all or substantial portion of its fixed and other assets without the prior written consent of the bank.
2. No to permit any change in the ownership or control of the borrower whereby the effective beneficial ownership or control of the borrower shall change, without the prior written consent of the bank.
3. No to effect any material change in the management of the business or shareholding pattern of the borrower, without the prior written notice to the bank.
4. Not to make any material amendment in the borrowers article and memorandum of association without the prior written notice to the bank.
5. Except without prior written notice to the bank, not to create, assume or incur any further indebtedness of a long term nature whether for borrowed money or otherwise, and not to assume guarantee, endorse or in any manner become directly or contingently liable for or in connection with the obligation of any person, firm or corporation except for transactions in the ordinary course of business.
6. The borrower shall not without the prior written consent of the bank transfer or create/allow to be created in any manner any charge, lien, hypothecation, mortgage, pledge or other encumbrances whatsoever on or create or allow to be created any interest in any of the said securities or any part thereof in favour of anyone other then the bank, without the prior written permission of the bank.
7. The borrower shall not assign or transfer any of its rights and/or obligations under this agreement except with the prior written permission of the Bank.

Property

The details of the properties occupied/used/owned by us are given below.

Sr. No.	Property	Details of Vendors/Owners	Consideration Rs. In Million	Nature of Title/Interest	Particulars	Type of Facility	Area
1.	Unit No B 107 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Factory	Super Built-up - 75 sq mtrs.
2.	Unit No B 004 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 1.55	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Factory	Super Built-up - 70 sq mtrs
3.	Unit No B 005 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 1.55	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Factory	Super Built-up - 70 sq mtrs
4.	Unit No B 006 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 1.55	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Factory	Super Built-up - 70 sq mtrs
5.	Unit No A 001 Synthofine Estate Goregaon East	Mr. Kewalchand P Jain	Monthly Rent 0.03	Leave and License	Mr. Kewalchand P Jain is the Chairman and Managing Director of the Company	Factory	Super Built-up - 142 sq mtrs
6.	Unit No A 002 Synthofine Estate Goregaon East	Mr. Vikas P Jain	Monthly Rent 0.02	Leave and License	Mr. Vikas P Jain is a Whole-time director of the Company	Factory	Super Built-up - 101 sq mtrs
7.	Unit No A 003 Synthofine Estate Goregaon East	Mr. Hemant P Jain	Monthly Rent 0.02	Leave and License	Mr. Hemant P Jain is a Whole-time director of the Company	Factory	Super Built-up - 101 sq mtrs
8.	Unit No A 004 Synthofine Estate Goregaon East	Mr. Dinesh P Jain	Monthly Rent 0.02	Leave and License	Mr. Dinesh P Jain is a Whole-time director of the Company	Factory	Super Built-up - 101 sq mtrs
9.	Unit No A 005 Synthofine Estate Goregaon East	Mr. Dinesh P Jain and Vikas P Jain	Monthly Rent 0.02	Leave and License	Mr. Dinesh P Jain and Mr. Vikas P Jain are Whole-time directors of the Company	Office	Super Built-up - 101 sq mtrs
10.	Unit No C 003 Synthofine Estate Goregaon East	Mr. Kewalchand P Jain and Mr. Hemant P Jain	Monthly Rent 0.02	Leave and License	Mr. Kewalchand P Jain is Chairman and Managing Director of the Company and Mr. Hemant P Jain is a Whole-time director of the Company	Factory	Super Built-up - 110 sq mtrs

Sr. No.	Property	Details of Vendors/Owners	Consideration Rs. In Million	Nature of Title/Interest	Particulars	Type of Facility	Area
11.	Unit No C 004 Synthofine Estate Goregaon East	Mr. Dinesh P Jain and Vikas P Jain	Monthly Rent 0.02	Leave and License	Mr. Dinesh P Jain and Mr. Vikas P Jain are Whole-time directors of the Company	Factory	Super Built-up - 110 sq mtrs
12.	73 Kastoorchand Mills Estate Bhawani Shankar X Road, Dadar (W), Mumbai 400 028	Kewalchand P Jain, Hemant P Jain, Dinesh P Jain and Vikas P Jain have perpetual tenancy rights in these premises.	None	Permitted use by way of perpetual tenancy rights	Mr. Kewalchand P Jain is Chairman & Managing Director and Mr. Hemant P Jain, Mr. Dinesh P Jain and Vikas P Jain are Whole-time directors of the Company.	Factory	1,012 sq. feet
13.	787/1, 40 Shed II Phase, GIDC, Vapi, 396195	Land - Gujarat Industrial Development Board Building - Kewal Kiran Enterprises	Purchase price 6.15	Lease of land Assignment cum Sale in respect of factory building	Kewal Kiran Enterprises assigned its leasehold right to the land, and sold its ownership rights to the building to the Company. Kewal Kiran Enterprises is a Promoter Group entity, of which the Whole-time directors and Promoters of the Company are the partners.	Factory	Land Area - 4,233 sq. mtrs. Factory shed area - Approx. 6,000 sq feet Factory bldg. area – 6,250 sq feet.
14.	Survey. No. 697/5 Somnath Road, Dabhel, Daman	M/s. Kasturchand & Sons	Purchase price 5.83	Purchase	M/s. Kasturchand & Sons is a Promoter Group entity, of which the Whole-time directors and Promoters of the Company are partners	Factory	Land Area - approx. 4,800 sq. mtrs. Factory bldg area - Approx. 25,000 sq feet
15.	Unit No B 103 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Godown	Super Built-up - 75 sq mtrs
16.	Unit No A 008 Synthofine Estate Goregaon East	Mr. Hemant P Jain and Mr. Kewalchand P Jain	Monthly rent 0.02	Leave and License	Mr. Kewalchand P Jain is Chairman and Managing Director of the Company and Mr. Hemant P Jain is Whole-time Director of the Company	Godown	Super Built-up - 74 sq mtrs

Sr. No.	Property	Details of Vendors/Owners	Consideration Rs. In Million	Nature of Title/Interest	Particulars	Type of Facility	Area
17.	Shop No. 1 at Shatrunjay Plaza, Ram Mandir Road Junction, S V Road, Mumbai 400 104	M/s Acme Metal Industries Private Limited and Swastik Developers	Purchase price 15.99	Purchase	This property has been leased by the Company to Kornerstone Retail Limited, one of the Promoter Group entities and erstwhile subsidiary of the Company.	Shop Premises	Ground Floor: Super Built Up – 1,708.06 sq ft Basement: Super Built-up - 823.5 sq ft
18.	Shop No. 2 at Shatrunjay Plaza, Ram Mandir Road Junction, S V Road, Mumbai 400 104	M/s Acme Metal Industries Private Limited and Swastik Developers	Purchase price 23.97	Purchase	This property has been leased by the Company to Kornerstone Retail Limited, one of the Promoter Group entities and erstwhile subsidiary of the Company.	Shop Premises	Ground Floor: Super Built-up – 2,717.26 sq ft Basement: Super Built-up - 986.06 sq ft
19.	Shop No. 3 at Shatrunjay Plaza, Ram Mandir Road Junction, S V Road, Mumbai 400 104	M/s Acme Metal Industries Private Limited and Swastik Developers	Purchase price 17.36	Purchase	This property has been leased by the Company to Kornerstone Retail Limited, one of the Promoter Group entities and erstwhile subsidiary of the Company.	Shop Premises	Ground Floor: Super Built-up – 1,827.83 sq ft Basement: Super Built Up - 942.46 sq ft
20.	Shop No. 4 at Shatrunjay Plaza, Ram Mandir Road Junction, S V Road, Mumbai 400 104	M/s Acme Metal Industries Private Limited and Swastik Developers	Purchase price 12.26	Purchase	This property has been leased by the Company to Kornerstone Retail Limited, one of the Promoter Group entities and erstwhile subsidiary of the Company.	Shop Premises	Ground Floor: Super Built-up – 1,169.03 sq ft Basement: Super Built Up - 861.09 sq ft
21.	Unit No B 101 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 0.26	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Office	Super Built-up – 51 sq mtrs
22.	Unit No B 102 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Office	Super Built-up - 75 sq mtrs

Sr. No.	Property	Details of Vendors/Owners	Consideration Rs. In Million	Nature of Title/Interest	Particulars	Type of Facility	Area
23.	Unit No B 104 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Office	Super Built-up - 75 sq mtrs
24.	Unit No B 105 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Office	Super Built-up - 75 sq mtrs
25.	Unit No B 106 Synthofine Estate Goregaon East	Synthofine Chemicals of India Ltd.	Purchase price 0.41	Ownership vide shareholding in Synthofine	Mr. Hemant P Jain, Whole-time Director of the Company is a director of Synthofine Chemicals of India Ltd.	Office	Super Built-up - 75 sq mtrs
26.	Building at CTS No. 460/7 at I B Patel Road, Goregaon East Mumbai	M/s. Shakti Enterprises	Purchase price 48.54	Purchase	-	Corporate Office	Plot Area - 1545.6 sq mtrs Super Built-up - 22,233 sq ft
27.	Residential Bldg known as Venlon House, Chala, Vapi	Kewal Kiran Enterprises	Purchase price 1.58	Purchase	Kewal Kiran Enterprises is a Promoter Group entity of which the Whole-time directors and Promoters of the Company are partners	Residential facility for employees	Built up - 7,644 sq ft containing 34 flats
28.	Flat No 203 at Royal Twins Chala, Vapi	Kewal Kiran Enterprises	Purchase price 0.82	Purchase	Kewal Kiran Enterprises is a Promoter Group entity of which the Whole-time directors and Promoters of the Company are partners	Company Guest House	1,510 sq ft
29.	Hi-Street Phoenix, Sky Zone, Senapati Bapat Marg, Lower Parel, Mumbai	The Phoenix Mills Ltd.	Monthly rent 0.21	Leave and License	-	Shop Premises	1,730 sq feet
30.	Nirmal Lifestyle, L.B.S. Marg, Mulund (West), Mumbai	Nirmal Life Style Ltd.	Monthly rent 0.12	Right to Use (Conducting Agreement)	-	Shop Premises	1,478 sq feet
31.	Center-One, Vashi	Fashion Lifestyle India Ltd.	Monthly rent 0.11	Leave and License	-	Shop Premises	1,840 sq. feet
32.	2 UB Jawahar Nagar Bungalow Road Kamala Nagar Market New Delhi	M/s Gurmukh Singh Agencies HUF	Monthly rent 0.26	Lease	-	Shop Premises	1,000 sq feet

Sr. No.	Property	Details of Vendors/Owners	Consideration Rs. In Million	Nature of Title/Interest	Particulars	Type of Facility	Area
33.	Shop No. 214, Saharagunj, Shahnajaf Road, Hazratganj, Lucknow	Sahara India Commercial Corporation Ltd.	Monthly rent 0.16	Leave and License	-	Shop Premises	2,343 sq feet
34.	Shop No. F-9, Treasure Island, 11 Tukoganj Main Road Indore	Entertainment World Developers Pvt. Ltd.	Monthly rent 0.06	Leave and License	-	Shop Premises	1,466 sq feet
35.	Shop No. BRF 4, 10 Acres, The City Mall, Ahmedabad	KB Mall Management Co. Ltd	Monthly rent 0.08	Leave and License	-	Shop Premises	1,873 sq ft.
36.	Sheetal Versa Arcade, Off C G Road, Ahmedabad	Shital Associates	Purchase price 13.15	Purchase	-	Shop Premises	2,434 sq feet
37.	Shop No 3, Devare House B S Road Dadar (W) Mumbai 400 028	Smt. Shantaben P Jain, Mr. Kewalchand P Jain and Mr. Hemant P Jain	Monthly rent 0.11	Leave and License	Mr. Kewalchand P Jain is Chairman and Managing Director of the Company. Mr. Hemant P Jain is Whole-time director of the Company. Smt. Shantaben P Jain is part of the Promoter Group and is related to the Promoters	Shop Premises	Super Built-up - 762 sq ft
38.	B 104, Devare House B S Road Dadar (W) Mumbai 400 028	Smt. Shantaben P Jain	Monthly rent 0.02	Leave and License	Smt. Shantaben P Jain is part of the Promoter Group and is related to the Promoters	Shop Premises	Super Built-up - 270 sq ft
39.	A 101, A 102 and B 103 Devare House B S Road Dadar (W) Mumbai 400 028	Smt. Shantabai Narayan Devare	Purchase price 13.04	Purchase	-	Shop Premises	Super Built-up - 1,932 sq ft
40.	Shop No. 3, Gaurav Towers I Malviya Nagar Jaipur 302017	Big Shoppers Pvt. Ltd.	Monthly rent 0.13	Lease	-	Shop Premises	1,584 Sq Ft.

We have signed Letters of Intent for proposed acquisition on lease or leave and license basis of the following properties:

Sr.No.	Location
1	City Centre Mall, Banjara Hills, Hyderabad
2	Lajpat Nagar Central II New Delhi
3	63,64,65,66 1st Floor Fun Republic, Gomtinagar, Lucknow
4	G 40-41 TDI Mall-Agra
5	G F 16 Grand Star City Mall, Jalandhar Fagwara Highway, Jalandhar
6	240 1st Floor S.G. Road, Rajpath Club, Ahmedabad
7	S208 South City Mall Prince Anwar Shah Road Kolkata
8	104 Himalaya Mall, Ahmedabad
9	Shop In Park North Mall, Rajabag, Shalimar Bag, Delhi
10	F-10, Variety Mall Sitabuldi Nagpur
11	13, 14 Indraprasth Multiplex 36, Lajpat Nagar, Maldahiya, Varanasi
12	F 31-32-33-34, Dindayal City Mall Gwalior
13	Shop No. UG - 03, Upper Ground Floor, TDI Mall, Rajouri Garden, New Delhi.
14	MFS 9, First Floor, Nasik City Mall
15	TDI Mall, Sector 17, Chandigarh
16	TDI Mall, Jalandar
17	Omaxe Mall Opp Park Plaza Ludhiana
18	Omaxe Mall Beta II Greater Noida
19	Omaxe Mall Beta II Greater Noida
20	134/135/136 Wedding Mall Bhagwandas Fly Over Agra
21	GF-15/16, The Celebration Mall, Mall Road, Amritsar
22	G-20/21/22 Subhi Mall Forozepur Road, Ludhiana
23	UGF-5, Wedding Mall, Mall Road Patiala
24	304, 305 IInd Floor 150 Ft Ring Road Rajkot
25	345, 346 IInd Floor Icchanath Road, opp Rajhans Theatre, Surat
26	SHOP no. SF-6, Omaxe Mall, Novelty Chowk, Amritsar
27	101 Growel Plaza, Akurli Road, Kandivali East, Mumbai

There is no property acquired by our Company or proposed to purchased or acquired by our Company other than as disclosed elsewhere in this Draft Red Herring Prospectus or proposed to be purchased or acquired, which is to be paid wholly or partly out of the proceeds of this Issue, or the purchase or acquisition of which has not been completed as on the date of filing this Draft Red Herring Prospectus with SEBI, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of our business, the contract not being made in contemplation of this Issue, nor this Issue in contemplation of the contract; or
- in respect of which the purchase money is not material.

TRADEMARKS OF THE COMPANY

The trademarks of the Company include Killer, Killer Jeans, Lawman, Easies, Integriti, K-Lounge and PG3. The Company also owns the K-Value trademark which is proposed to be transferred to the Promoter Group at no cost, since profits have not been generated upto date from the K-Value brand.

A number of the trademarks have been applied for registration in the name of Kewal Kiran & Co. and Kewal Kiran Apparels Private Limited. The Company is in the process of effecting a change of name of the owner of these trademark with the relevant authorities.

The Company regularly applies for registration of its brands, and several of these applications are pending with the Trademarks Registry. In one case, the Company's application for registration of the "Killer" brand in Class 28 has been opposed. Another of the Company's applications for registration of its mark "Killer" in U.A.E. was rejected on account of its being similar to the mark "Killer Loop" belonging to the Benetton Group S.P.A. The Company and the Benetton Group S.P.A. have filed notices of opposition to registration of each other's marks "Killer" and "Killer Loop" respectively. Applications by the Company for registration of the "ICE" trademark has also been opposed.

The Company also regularly files oppositions to applications by competitors and others for registration of brands similar to those of the Company. More than 40 oppositions have been filed by the Company in respect of brand registration applications for marks deceptively similar to our trade marks.

HISTORY & CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated as Kewal Kiran Apparels Private Limited on 30th January 1992. With effect from 1st December 2002, a group company called Kewal Kiran Clothing Private Limited was merged with Kewal Kiran Apparels Private Limited. With effect from 17th October 2003, Kewal Kiran Apparels Private Limited changed its name to Kewal Kiran Clothing Private Limited. With effect from 2nd November 2005, Kewal Kiran Clothing Private Limited became a public company under the name of Kewal Kiran Clothing Limited

HISTORY AND MAJOR EVENTS

A chronology of key events in our corporate history is set out below:

Year	Key Corporate Event
1980	Mr. Kewalchand P Jain and Mr. Hemant P Jain commenced apparel manufacturing business through a partnership firm called Keval Kiran & Company
1992	Incorporated as Kewal Kiran Apparels Private Limited on 30 th January 1992 with Mr. Kewalchand P Jain and Mr. Hemant P Jain as promoters.
1994	Mr. Dinesh P Jain and Mr. Vikas P Jain were admitted as partners in the firm of Kewal Kiran & Company
2002	The partnership firm, Keval Kiran & Company, was converted into a private limited company called Kewal Kiran Clothing Private Limited under Chapter IX of the Companies Act.
2002	Kewal Kiran Clothing Private Limited merged with Kewal Kiran Apparels Private Limited with w.e.f. 1 st December 2002 and Kewal Kiran Apparels Private Limited was the surviving entity
2003	Kewal Kiran Apparels Private Limited changed its name to Kewal Kiran Clothing Private Limited
2005	Kewal Kiran Clothing Private Limited was converted into a Public Limited Company and its name was changed to Kewal Kiran Clothing Limited w.e.f. 2 nd November 2005

MAIN OBJECTS OF THE COMPANY

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

“To carry on the business of manufacturers exporters, importers, buyers, sellers, stockists, distributors and/or dealer of all types of fabrics and readymade apparels & made-ups”.

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

CHANGES IN OUR MEMORANDUM OF ASSOCIATION

Since inception, the following changes have been made in our Memorandum of Association:

Sr. No.	Date of shareholder approval	Brief details of the changes
1	10 th November 1997	Authorised Capital was increased from Rs. 0.5 million to Rs. 10 million
3	17 th October 2003	Name of the company was changed from Kewal Kiran Apparels Pvt. Ltd. To Kewal Kiran Clothing Pvt. Ltd.
4	15 th July 2005	Authorised Capital was increased from Rs. 10 million to Rs. 200 million
5	2 nd November 2005	Name of the company was changed from Kewal Kiran Clothing Pvt. Ltd To Kewal Kiran Clothing Ltd.

OUR SUBSIDIARIES

We do not have any subsidiaries. We have transferred our shareholding in our erstwhile subsidiaries namely Kornerstone Retail Limited and Kewal Kiran Retail Private Limited to the Promoters and Promoter Group Entities at the cost price.

OTHER MATERIAL AGREEMENTS

As on the date of filing this Draft Red Herring Prospectus with SEBI, and except as set out below, we are not a party to any material contract:

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

Nature of Contract	Second Party	Particulars
Reseller Agreements	Agreements with franchisees of K-lounge	Company has entered in agreement with franchisees to sell our products in K-Lounge
Leave & Licensee as lessee	Agreements with Promoters for Factory Premises at Synthofine Estate.	Company has acquired factory premises on leave and license basis from promoter directors
Lease Agreements	Agreements for Lease of shops to operate K-Lounge Shops	Company has taken shops on lease to operate K-Lounge
Leave & License Agreement as lessor	Kornerstone Retail Limited	Company has given its property on Leave and License to Kornerstone Retail Limited.
Appointment letter of Chairman and Managing Director and Whole-time Directors	Kewalchand P Jain, Hemant P Jain, Dinesh P Jain Vikas P Jain	Appointment as Chairman and Managing Director and Whole-time directors
Appointment letters and Various Agreements for IPO	ENAM Financial Services Pvt. Ltd., ARA Law, Intime Spectrum Registry Limited	Merchant Bankers, Lawyers, Registrar to the IPO

OUR MANAGEMENT

Board of Directors

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

Name, Designation, Father's Name, Address, Occupation and Term (including Rotational status)	Nationality	Age (years)	Other Directorships
Mr. Kewalchand Pukhraj Jain Chairman & Managing Director s/o Late Mr. Pukhraj Karamchand Jain B-302, Bhawani Complex, B.S. Road, Dadar (W) Mumbai - 400 028 Industrialist Permanent Director	Indian	43	Kornerstone Retail Ltd. Kewal Kiran Retail India Pvt. Ltd. Kewal Kiran Realtors Pvt. Ltd.
Mr. Hemant Pukhraj Jain Whole-time Director s/o Late Mr. Pukhraj Karamchand Jain Flat No. 4, 4 th Floor Dadar Manish Market Co op Hsg. Ltd. S.B. Marg, Dadar (W) Mumbai: 400 028 Industrialist Rotational Director	Indian	41	Kornerstone Retail Ltd. Kewal Kiran Retail India Pvt. Ltd. Kewal Kiran Realtors Pvt. Ltd. Synthofine Chemicals of India Ltd.
Mr. Dinesh Pukhraj Jain Whole-time Director s/o Late Mr. Pukhraj Karamchand Jain B-302, Bhawani Complex, B.S. Road, Dadar (W) Mumbai - 400 028 Industrialist Rotational Director	Indian	36	Kornerstone Retail Ltd. Kewal Kiran Retail India Pvt. Ltd. Kewal Kiran Realtors Pvt. Ltd.
Mr. Vikas Pukhraj Jain Whole-time Director s/o Late Mr. Pukhraj Karamchand Jain B-302, Bhawani Complex, B.S. Road, Dadar (W) Mumbai - 400 028 Industrialist Rotational Director	Indian	35	Kornerstone Retail Ltd. Kewal Kiran Retail India Pvt. Ltd. Kewal Kiran Realtors Pvt. Ltd.

Name, Designation, Father's Name, Address, Occupation and Term (including Rotational status)	Nationality	Age (years)	Other Directorships
Dr. Prakash Amrut Mody Independent Director s/o Late Mr. Amrut Vithaldas Mody Mahalaxmi Chambers, 2 nd Floor, Bhulabhai Desai Road, Mumbai: 400 026 Industrialist Rotational Director	Indian	53	Unichem Laboratories Ltd Viramrut Investment Pvt. Ltd A.V.M Investment Pvt. Ltd M. Investment Pvt. Ltd Pranit Financing & Investment Co. Pvt. Ltd Chevy Investments & Finance Pvt. Ltd Niche Generics Ltd. U.K Unichem Do Brazil Unichem SA (Pty) Ltd, South Africa Unichem Pharmaceuticals (USA) Inc.
Mr. Popatlal Fulchand Sundesha Independent Director s/o Late Mr. Fulchand Fojmal Sundesha 221/222, Creative Industrial Estate 72, N.M. Joshi Marg, Lower Parel Mumbai: 400 011 Industrialist Rotational Director	Indian	60	Fulchand Finance Pvt. Ltd., Aksh Opti Fibre Limited, Aksh Broadband Limited Derivium Capital & Securities Pvt. Ltd. Apaksh Broadband Limited.
Mr. Nimish Gulabrai Pandya Independent Director s/o Mr. Gulabrai Atmaram Pandya 503B/504A, Neelkanth 5 th Floor, 98, Marine Drive Mumbai: 400 002 Lawyer Rotational director	Indian	52	Lipi Data Systems Pvt. Ltd. Aasia Trade Development Pvt. Ltd.
Mr. Mrudul Dattakumar Inamdar Independent Director s/o Late Mr. Dattakumar Shantilal Inamdar 11-13, Botawala Building, 2 nd Floor, Horniman Circle, Fort, Mumbai: 400 001 Chartered Accountant Rotational Director	Indian	49	Kanbans Consultancy Services Pvt. Ltd.

Pandya & Co. Advocates, in which Mr. Nimish Gulabrai Pandya is a partner and Bansil S. Mehta & Co., Chartered Accountants in which Mr. Mrudul Dattakumar Inamdar is a partner have in the past provided consultancy and other services to the Company and a few Promoter Group entities. In the opinion of the Company, these services are not to an extent that create any material association of the Company with either Mr. Nimish Gulabrai Pandya or Mr. Mrudul Dattakumar Inamdar and do not affect their independence.

Brief Biography of our Directors

Brief biographies of our directors are given below:

Mr. Kewalchand P Jain

He is Chairman and Managing Director of the company. Born in 1962, he decided to join his father in the business at early age after completing school. He learnt the business on the job and spearheaded the groups' foray in to branded apparel business. He was instrumental in settling up the first fully integrated manufacturing

plant of the company. He gives practical and effective solutions to the various technology related issues of apparel manufacturing. He heads the finance function of the company.

He is a Trustee of Smt. Jatnobai Karamchandji Ratanparia Chauhan Charitable Trust, involved in running a charitable hospital. He is also a treasurer of Shree Jain Vyapar Udyog Seva Sansthan.

Mr. Hemant P Jain

He is Whole-time Director of the company. Born in 1965, he also decided to join the family business at early age after completing school. He learnt the business on the job and leads the marketing initiatives of the company. He was instrumental in launching the new brands of the company. An avid traveller and field person, he keeps a keen eye on the latest trends in international men's' fashion. He is responsible for K Lounge Retail concept stores as well as marketing of Killer and Easies brand of the Company.

He is a Trustee of Smt. Jatnobai Karamchandji Ratanparia Chauhan Charitable Trust, involved in running a charitable hospital. He is also a member of Managing committee of Clothing Manufacturers Association of India.

Mr. Dinesh P Jain

He is Whole-time Director of the company. Born in 1969 he joined the business in 1990 and heads the manufacturing operations of the company. He is well versed in production and HR related issues. He is responsible for ensuring the optimum utilization of production facilities of the company.

He is a Trustee of Smt. Jatnobai Karamchandji Ratanparia Chauhan Charitable Trust, involved in running a charitable hospital. He is also a treasurer of Daman Industries Association.

Mr. Vikas P Jain

He is Whole-time Director of the Company. Born in 1970 he joined the group in 1992, after completing his graduation in commerce. He deals with the operations and distribution functions and also travels extensively to scouts for new technologies in apparel manufacturing. He is responsible for K Lounge Retail Concept along with Mr. Hemant Jain, as well as marketing of Integrity and Lawman brand of the Company.

He is a Trustee of Smt. Jatnobai Karamchandji Ratanparia Chauhan Charitable Trust, involved in running a charitable hospital

Mr. Popatlal F Sundesha

Mr. Popatlal Fulchand Sundesha, aged 60 years, is a reputed exporter of apparels and has a wide range of experience in the field of marketing, finance and general administration.

He has been awarded the National Export award by the President of India for outstanding performance in exports to non-quota countries in 1985-86. He has also received awards from the Apparels Export Promotion Council under various categories for six years.

Mr. Sundesha is also a Director of Fulchand Finance Pvt. Ltd., Aksh Opti Fibre Limited, Aksh Broadband Limited, Derivium Capital & Securities Pvt. Ltd. and Apaksh Broadband Limited.

Dr. Prakash A. Mody

Dr. Prakash Amrut Mody, aged 53 years, is the Chairman and Managing Director of Unichem Laboratories Limited. He has a rich experience in the field of marketing, research and production.

He is a doctorate (Ph.D.) in Organic Chemistry from the University of Mumbai. He has done his marketing management from Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He is also a Graduate Alumni of Harvard Business School having undergone the Owner Presidents' Management Program.

He was the Vice President of the Indian Pharmaceutical Association. He is also on the Executive Committee of the Indian Drug Manufacturers Association. He is a member of the Young Presidents' Organisation Inc, an international organization for young presidents. He is also a member of the Senate - SNDT Women's University and of Rotary Club of Bombay Mid-Town and is also involved in many other social activities.

He is the Chairman and Managing Director of Unichem Laboratories Ltd., and is also a director of Viramrut Investment Pvt. Ltd., A.V.M Investment Pvt. Ltd., M. Investment Pvt. Ltd., Pranit Financing & Investment Co. Pvt. Ltd., Chevy Investments & Finance Pvt. Ltd., Niche Generics Ltd. U.K, Unichem Do Brazil, Unichem SA (Pty) Ltd, South Africa, and Unichem Pharmaceuticals (USA) Inc.

Mr. Nimish G. Pandya

Mr. Nimish Gulabrai Pandya, aged 52 years, holds a Bachelor's Degree in Law from Bombay University. He is a member of the Bar Council of Maharashtra and was appointed as a Notary Public by the Government of Maharashtra in the year 1993.

He is a proprietor in Pandya & Co., Advocates and specializes in mergers and acquisitions. Besides, his career in law, he has been actively involved in many spiritual and social activities and has been a Member of Council of Management of Sri Sathya Sai Trust, Maharashtra. He is also a prominent member of the International Faculty of Personality Development Courses based on Human Values.

He is also a director of Lipi Data Systems Pvt. Ltd. and Aasia Trade Development Pvt. Ltd.

A prolific speaker, a dramatist and an ardent social worker, he has dedicated himself to the cause of Education in Human Values for children all over the world.

Mr. Mrudul Inamdar

Mr. Mrudul Inamdar, aged 49 years, is a fellow member of the Institute of Chartered Accountants of India and a partner in M/s. Bansi Mehta and Company, a reputed Chartered Accountancy firms in Mumbai.

He has been practicing for over 24 years in the field of Corporate and Individual taxation; with special emphasis on representation before Income-tax appellate authorities at all levels; Tax Audits; Tax and Legal Due Diligence and Corporate Tax planning.

He is also a director of Kanbans Consultancy Services Pvt. Ltd.

Borrowings Powers of the Directors

The Directors of the Company have, at the extraordinary general meeting of the shareholders held on 12th November 2005, been empowered to borrow pursuant to Section 293(1)(d) of the act to the extent of Rs. 1,000 million at any one time and to create charge and other security interest over the immoveable and moveable assets of the Company pursuant to Section 293(1)(a) of the Act.

Terms and Conditions of Appointment of Managing Director and Whole-time Directors***Terms and conditions of appointment & remuneration of Mr. Kewalchand P. Jain***

Mr. Kewalchand P. Jain was appointed as Whole-time Director of our Company for a period of five years with effect from 1st April 2005 till 31st March 2010. Mr. Kewalchand Jain was re-designated as the Chairman and Managing Director with effect from 3rd December 2005. The appointment, re-designation and remuneration of Mr. Kewalchand Jain have been ratified and confirmed by the Company at its Extraordinary General Meeting held on 9th December 2005. The members approved payment of remuneration to Mr. Kewalchand P. Jain as set out below, subject to an overall cost to the Company not exceeding Rs. 250,000 per month:

Salary: Rs.200,000 per month.

Perquisites: Gratuity at a rate no exceeding half month's salary for each completed year of services, payable at the end of the tenure or retirement or resignation.

Encashment of leave, bonus and allowances as per the Company policy rules;

Medical reimbursement in India or abroad as per Company policy and/or rules and/or medical insurance premium;

Use of Company's car with driver for official and personal purposes, two telephones at residence and two mobile phones;

Any other allowances, perquisites, benefits and facilities as may be approved by the Board of Directors from time to time.

The said remuneration will be paid for a term not exceeding 3 years w.e.f. 3rd November, 2005 in accordance with the provisions of schedule XIII to the Companies Act, 1956.

Terms and conditions of appointment & remuneration of Mr. Hemant P. Jain

Mr. Hemant P. Jain was appointed as Whole-time Director of our Company for a period of Five years with effect from 1st April 2005 till 31st March 2010. Mr. Hemant Jain's appointment as Whole-time Director and the remuneration payable to him were ratified and approved and confirmed by the Company at the Extraordinary General Meeting held on 9th December 2005. The members approved payment of remuneration to Mr. Hemant P. Jain as set out below, subject to an overall cost to the Company not exceeding Rs. 250,000 per month:

Salary: Rs. 200,000 per month.

Perquisites: Gratuity at a rate no exceeding half month's salary for each completed year of services, payable at the end of the tenure or retirement or resignation.

Encashment of leave, bonus and allowances as per the Company policy rules;

Medical reimbursement in India or abroad as per Company policy and/or rules and/or medical insurance premium;

Use of Company's car with driver for official and personal purposes, two telephones at residence and two mobile phones;

Any other allowances, perquisites, benefits and facilities as may be approved by the Board of Directors from time to time.

The said remuneration will be paid for a term not exceeding 3 years w.e.f. 3rd November, 2005 in accordance with the provisions of schedule XIII to the Companies Act, 1956.

Terms and conditions of appointment & remuneration of Mr. Dinesh P. Jain

Mr. Dinesh P. Jain was appointed as Whole-time Director of our Company for a period of Five years with effect from 1st April 2005 till 31st March 2010. Mr. Dinesh Jain's appointment as Whole-time Director and the remuneration payable to him were ratified and approved and confirmed by the Company at the Extraordinary General Meeting held on 9th December 2005. The members approved payment of remuneration to Mr. Dinesh P. Jain as set out below, subject to an overall cost to the Company not exceeding Rs. 250,000 per month:

Salary: Rs.200,000 per month.

Perquisites: Gratuity at a rate no exceeding half month's salary for each completed year of services, payable at the end of the tenure or retirement or resignation.

Encashment of leave, bonus and allowances as per the Company policy rules;

Medical reimbursement in India or abroad as per Company policy and/or rules and/or medical insurance premium;

Use of Company's car with driver for official and personal purposes, two telephones at residence and two mobile phones;

Any other allowances, perquisites, benefits and facilities as may be approved by the Board of Directors from time to time.

The said remuneration will be paid for a term not exceeding 3 years w.e.f. 3rd November, 2005 in accordance with the provisions of schedule XIII to the Companies Act, 1956.

Terms and conditions of appointment & remuneration of Mr. Vikas P. Jain

Mr. Vikas P. Jain was appointed as Whole-time Director of our Company for a period of Five years with effect from 1st April 2005 till 31st March 2010. Mr. Vikas Jain's appointment as Whole-time Director and the remuneration payable to him were ratified and approved and confirmed by the Company at the Extraordinary General Meeting held on 9th December 2005. The members approved payment of remuneration to Mr. Vikas P. Jain as set out below, subject to an overall cost to the Company not exceeding Rs. 250,000 per month:

Salary: Rs. 200,000 per month.

Perquisites: Gratuity at a rate no exceeding half month's salary for each completed year of services, payable at the end of the tenure or retirement or resignation.

Encashment of leave, bonus and allowances as per the Company policy rules;

Medical reimbursement in India or abroad as per Company policy and/or rules and/or medical insurance premium;

Use of Company's car with driver for official and personal purposes, two telephones at residence and two mobile phones;

Any other allowances, perquisites, benefits and facilities as may be approved by the Board of Directors from time to time.

The said remuneration will be paid for a term not exceeding 3 years w.e.f. 3rd November, 2005 in accordance with the provisions of schedule XIII to the Companies Act, 1956.

REMUNERATION PAID TO NON-EXECUTIVE INDEPENDENT DIRECTORS:

Non executive independent directors are not entitled to any remuneration other than the sitting fees for attending meetings of the Board or any Committee meetings of the Company.

CORPORATE GOVERNANCE

We are committed to good corporate governance norms.

Audit Committee

Our Board has constituted the Audit Committee in the meeting held on 14th November 2005. The powers of the

Audit Committee include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders,

shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Currently Audit Committee consists of the following Directors:

- (i) Mr. Mrudul Dattakumar Inamdar - Chairman
- (ii) Mr. Nimish Gulabrai Pandya - Member
- (iii) Mr. Popatlal Fulchand Sundesha - Member

All the members of the Audit Committee are Non-Executive and Independent Directors.

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We have complied with provisions of clause 49 of the listing agreement in respect to the appointment of independent Directors to our Board and the constitution of the Investor Grievances Committee. We undertake to adopt the Corporate Governance Code in accordance with Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to obtaining the listing approval of the Stock Exchanges.

Remuneration Committee

The Board of Directors of the Company have at their meeting held on 14th November 2005 constituted a Remuneration Committee comprising:

- (i) Mr. Nimish Gulabrai Pandya - Chairman
- (ii) Dr. Prakash Amrut Mody - Member
- (iii) Mr. Popatlal Fulchand Sundesha - Member

The Remuneration Committee has powers to determine the remuneration payable to managerial personnel in accordance with Section 269 read with Schedule XIII of the Companies Act, 1956 and any increments thereof. The Remuneration Committee has the powers to execute any documents or papers in connection with or in relation to payment of remuneration to the managerial personnel of the Company.

Shareholders/Investor Grievance Committee

The Board of Directors of the Company have at their meeting held on 3rd December 2005 constituted a Shareholders/Investors Grievance Committee comprising:

- (i) Mr. Nimish G. Pandya - Chairman
- (ii) Mr. Kewalchand P. Jain - Member
- (iii) Mr. Hemant P. Jain - Member

The Shareholders and Investors Grievance Committee is required to redress shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. and do all such acts, things or deeds incidental thereto.

Shareholding of Directors

As per the Articles of Association of the company, the directors are not required to hold any qualification shares. Details of the shareholdings of our Directors in our Company as on the date of filing this Draft Red Herring Prospectus are given in the following table:

Name of the Director	No. of Equity Shares held	As a % of Pre-Issue paid up capital
Mr. Kewalchand P. Jain	611,250	6.62
Mr. Hemant P. Jain	611,250	6.62
Mr. Dinesh P. Jain	627,250	6.80
Mr. Vikas P. Jain	627,250	6.80

Interest of Directors

Our directors have no other interest in our Company save and except:

- (a) The remuneration paid to our managing director and Whole-time directors, and
- (b) Rentals receivable from the Company in respect of property leased by our managing director and Whole-time directors to the Company, as detailed below:

Name of Director	Nature of Interests	Amount payable (Monthly)	Nature of Interest	Amount payable (Monthly)
Kewalchand P Jain	Salary	Rs. 250,000 Maximum	As lessor - rent	Rs. 78,000
Hemant P Jain	Salary	Rs. 250,000 Maximum	As lessor - rent	Rs. 68,000
Dinesh P Jain	Salary	Rs. 250,000 Maximum	As lessor - rent	Rs. 41,000
Vikas P Jain	Salary	Rs. 250,000 Maximum	As lessor - rent	Rs. 41,000

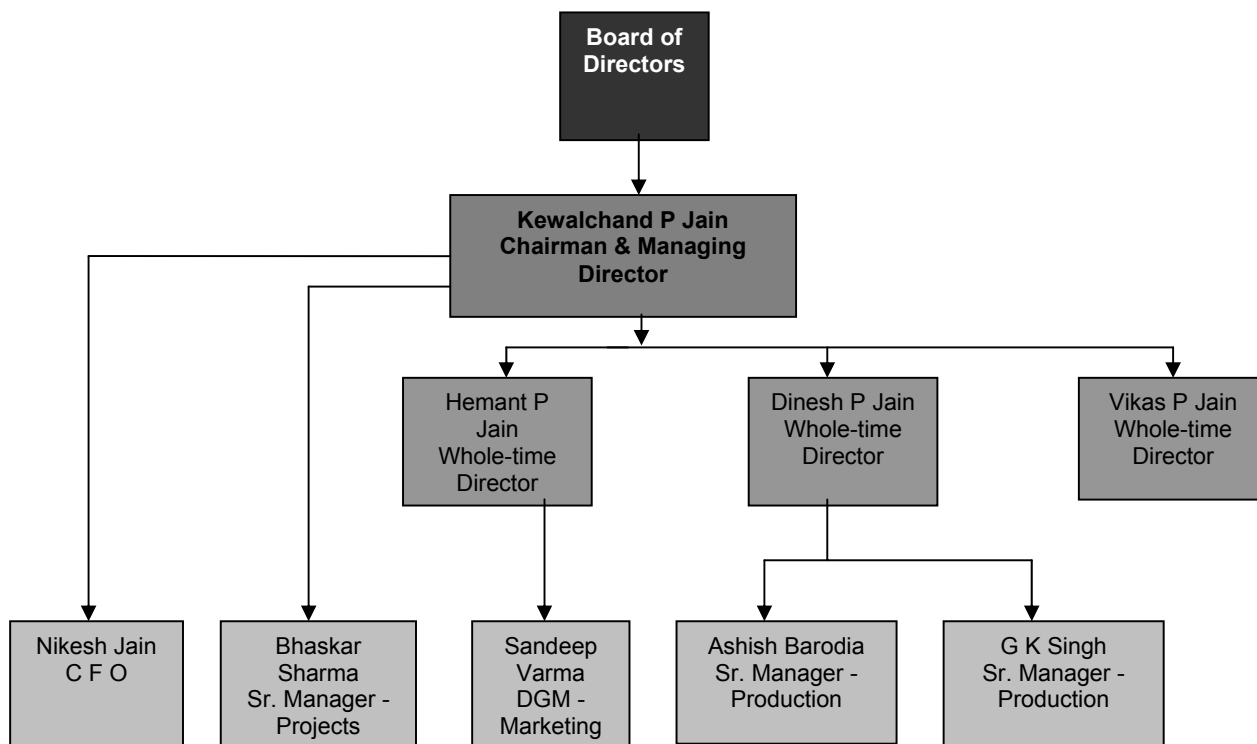
Change in Board of Directors

Details of change in our Board of Directors in last three years are given below:

Name of the Director	Date of appointment	Date of intimation to RoC	Date of cessation	Reason
Dr. Prakash A. Mody	14 th November 2005	21 st November 2005	Not Applicable	Appointed as Additional Director of the Company
Mr. Popatlal F. Sundesha	14 th November 2005	21 st November 2005	Not Applicable	Appointed as Additional Director of the Company
Mr. Nimish G. Pandya	14 th November 2005	21 st November 2005	Not Applicable	Appointed as Additional Director of the Company
Mr. Mrudul D. Inamdar	14 th November 2005	21 st November 2005	Not Applicable	Appointed as Additional Director of the Company

MANAGEMENT ORGANISATION STRUCTURE

Our management organisation structure of our Company is given in the following diagram:



KEY MANAGERIAL PERSONNEL

Brief Biographies of our all Key Managerial Personnel other than our Executive Directors are given below. Please refer to sub-section "Brief Biographies of our Directors" on page no. 106 of this Draft Red Herring Prospectus for brief biographies of our Executive Directors.

Top Management Personnel

Mr. Kewalchand P Jain – Chairman & Managing Director
Mr. Hemant P Jain – Whole-time Director
Mr. Dinesh P Jain – Whole-time Director
Mr. Vikas P Jain – Whole-time Director

Other Key Managerial Personnel

1. Mr. Nikesh K Jain, 37 Years, is Chief Financial Officer of our Company. He has been with us since 1993. He is a Bachelor in Commerce from Gujarat University and Associate Member of the Institute of Chartered Accountants of India.

He has more than 13 years experience in the field of accounts, finance and taxation. His experience at our Company has been across functions such as Finance, Accounts, HR & Administration, Legal, Compliances, Information Technology, Advertisements and active participation in building strategic management.

He was paid gross remuneration of Rs. 915,000 on cost to company basis during last financial year.

2. Mr. Sandeep R Varma, 36 Years, is Deputy General Manager – Marketing of our Company. He has been with us since 1994. He is a Bachelor in Science from Punjab University and MBA in Marketing from M L Sukhadia University, Udaipur.

He has more than 12 years experience in the field of Marketing, distribution and advertising. He is instrumental in settling up various channels of Distribution. Before joining us he has worked with Blow Plast India Ltd.

He was paid gross remuneration of Rs. 688,000 on cost to company basis during last financial year.

3. Mr. G K Singh, 35 Years is Sr. Manager - Production of our Company. He has been with us since 1994. He has more than 15 years experience in the field of apparel processing. Before joining us he has worked with various apparel processors.

He was paid gross remuneration of Rs. 525,000 on cost to company basis during last financial year.

4. Mr. Ashish Barodia, 33 Years is Sr. Manager - Production of our Company. He has been with us since 1995. He holds Diploma in Mechanical Engineering from Mumbai University & Diploma in Business Management from N M Institute of Management studies.

He has more then 10 years experience in Apparel Manufacturing industry. Before joining us he has worked with Creative Outerwear Ltd.

He was paid gross remuneration of Rs. 463,000 on cost to company basis during last financial year.

5. Mr. Bhaskar Sharma, 47 Years, is Sr. Manager – Projects of our Company. He has been with us since November 1997. He is a Bachelor in Engineering (Electrical).

He has more than 25 years experience in the Project Setup, maintenance, and utility management. Prior to joining us he has worked with Indian navy for 20 Years and Kasa Syncotex Ltd. for 2 Years.

He was paid gross remuneration of Rs. 350,000 on cost to company basis during last financial year.

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

Shareholding of Our Key Managerial Personnel in our Company

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. No key managerial personnel hold any Equity Shares in our Company.

Bonus or Profit Sharing Plan for Our Key Managerial Personnel

There is no bonus or profit sharing plan with our key managerial personnel save and except the bonus paid under the Payment of Bonus Act, 1972 to the key managerial personnel.

Interest of Key Managerial Personnel

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.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Draft Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in our Key Managerial Personnel during the last one year

There are no changes in the Key Managerial Personnel during last one year.

Other benefits to our Key Managerial Personnel

There is no other benefit payable to our Key Managerial Personnel other than listed above

PROMOTERS

BACKGROUND OF THE PROMOTERS

Individual Promoters

Details of our individual promoters are given in the following table:

Photo	Particulars
	Mr. Kewalchand Pukhraj Jain, 43 years, Chairman & Managing Director, is one of the founder promoters of our Company. For further details, please refer to the section "Brief Biography of our Directors" appearing on page 106 of this Draft Red Herring Prospectus. Passport No: B 3499739 Driving License Number: 81/C/46216
	Mr. Hemant Pukhraj Jain, 41 years, Whole-time Director, is one of the founder promoters of our Company. For further details, please refer to the section "Brief Biography of our Directors" appearing on page 106 of this Draft Red Herring Prospectus. Passport No: Z 1590936 Driving License Number: 82/C/36940
	Mr. Dinesh Pukhraj Jain, 36 years, Whole-time Director, is one of the founder promoters of our Company. For further details, please refer to the section "Brief Biography of our Directors" appearing on page 106 of this Draft Red Herring Prospectus. Passport No: F 5234139 Driving License Number: 86/C/30639
	Mr. Vikas Pukhraj Jain, 35 years, Whole-time Director, is one of the founder promoters of our Company. For further details, please refer to the section "Brief Biography of our Directors" appearing on page 106 of this Draft Red Herring Prospectus. Passport No: F 1461171 Driving License Number: 89/19725/BOM/C

We undertake that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters will be submitted to the BSE and NSE at the time of filing this Draft Red Herring Prospectus with these Stock Exchanges.

INTEREST OF PROMOTERS

Our Promoters have no other interest in our Company save and except:

- (i) The remuneration paid to them,
- (ii) Their shareholding in our Company,
- (iii) Leases of properties by the Promoters to the Company, as described below:

Name of Promoter	Date of Lease	Description of Property	Tenure of Lease	Monthly Rent Rs. million
Mr. Kewalchand P. Jain	1 st March 2004	Unit A001, Synthofine Estate, Goregaon (East)	33 Months	0.03
Mr. Vikas P. Jain	1 st March 2004	Unit A002, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Hemant P. Jain	1 st March 2004	Unit A003, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Dinesh P. Jain	1 st March 2004	Unit A004, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Dinesh P. Jain and Mr. Vikas P. Jain	1 st March 2004	Unit A005, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Kewalchand P. Jain and Mr. Hemant P. Jain	1 st March 2004	Unit C003, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Dinesh P. Jain and Mr. Vikas P. Jain	1 st March 2004	Unit C004, Synthofine Estate, Goregaon (East)	33 Months	0.02
Mr. Hemant P. Jain and Mr. Kewalchand P. Jain	1 st April 2005	Unit A008, Synthofine Estate, Goregaon (East)	30 Months	0.02
Mr. Kewalchand P. Jain and others	N.A.	73 Kastoorchand Mills Estate, Dadar (West)	N.A.	N.A.
Mrs. Shantaben P. Jain	1 st December 2005	Flat No 104, Devare House, B S Road, Dadar (W)	60 Months	0.02
Mrs. Shantaben P. Jain, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain	1 st December 2005	Shop No. 3, Devare House, B S Road, Dadar (W)	60 Months	0.11

RELATED PARTY TRANSACTIONS

Please refer to Annexure XVII to the Auditor's Report dated 3rd December 2005 dealing with the Related Party Transactions of our Company and set out at page 148 of this Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

No dividends have been paid by our Company during the last five fiscal years.

SECTION V : FINANCIAL STATEMENTS

FINANCIAL STATEMENTS (RESTATED), AS PER INDIAN GAAP OF KEWAL KIRAN CLOTHING LIMITED FOR THE 6-MONTH PERIOD ENDED 30th SEPTEMBER 2005 AND THE FINANCIAL YEARS ENDED 31st MARCH 2005, 31st MARCH 2004, 31st MARCH 2003, 31st MARCH 2002 AND 31st MARCH 2001

To:

The Board of Directors

Kewal Kiran Clothing Limited
(formerly known as Kewal Kiran Clothing Private Limited)
Mumbai-400063

Re: Public Issue of Kewal Kiran Clothing Limited

Dear Sirs,

- A. 1. We have examined the annexed unconsolidated financial information of Kewal Kiran Clothing Limited ("the Company") (Formerly known as Kewal Kiran Clothing Private Limited), for the five financial years ended March 31, 2005 and six months period ended September 30, 2005 being the last date to which the accounts of the company are made up and audited. The financial information is based on the accounts audited by M/s. Jain & Trivedi, Chartered Accountants, Mumbai, for the five financial years ended March 31, 2005 and M/s. N.A. Shah Associates, Chartered Accountants, Mumbai and M/s. Jain & Trivedi, Chartered Accountants, Mumbai, jointly for the six months period ended September 30, 2005 and as approved by the Board of Directors of the Company, for the purpose of disclosure in the Offer Document being issued by the company in connection with the Public Issue of Equity Shares in the Company.
2. In accordance with the requirements of:
 - a. Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ("the Act");
 - b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended vide circular No.11 on August 14, 2003 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and
 - c. Our terms of reference with the company dated November 3, 2005 requesting us to carry out work in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at March 31, 2001, 2002, 2003, 2004, 2005, and six months period ended September 30, 2005 are as set out in Annexure 1 to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4, 5 & 6 to this report.

We report that the restated profits and restated losses of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005, and six months period ended September 30, 2005 are as set out in Annexure 2 to this report. These profits and losses have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4, 5 & 6 to this report.

We report that the restated cash flows of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and six months period ended September 30, 2005 are as set out in Annexure 3 to this report. These cash flows have been arrived at after making such adjustments/restatements and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4, 5 & 6 to this report.

3. The company has not paid any dividend on Equity Shares in any of the years / period mentioned above.

B. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document:

- i. Accounting ratios as appearing in Annexure 7 to this report.
- ii. Capitalization statement as at September 30, 2005 as appearing in Annexure 8 to this report.
- iii. Statement of tax shelters as appearing in Annexure 9 to this report.
- iv. Statement of Details of Other Income as appearing in Annexure 10 to this report
- v. Statement of Details of Secured loans as appearing in Annexure 11 to this report
- vi. Statement of Details of Unsecured loans as appearing in Annexure 12 to this report
- vii. Statement of Details of Debtors as appearing in Annexure 13 to this report
- viii. Statement of Details of Loans & Advances as appearing in Annexure 14 to this report
- ix. Statement of Details of Investments as appearing in Annexure 15 to this report
- x. Statement of Contingent Liabilities enclosed as Annexure 16 to this report
- xi. Statement of Related Party Transactions enclosed as Annexure 17 to this report

C. 1. In our opinion the above financial information of the Company as stated in Para A & B above read with significant accounting policies and notes attached to Annexure 4, 5 & 6 to this report, after making adjustments/restatements and re-grouping as considered appropriate, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

D. 1. We have examined the accounts of Kewal Kiran Retail India Private Limited ('KKRIPL') a subsidiary of the company (effective May 31, 2004), for the financial year ended March 31, 2005 and for the period April 1, 2005 to August 6, 2005 i.e. the date on which it ceased to be the subsidiary of the company. These accounts have been prepared and approved by its Board of Directors.

We have examined the accounts of Kornerstone Retail Private Limited ('KRPL') a subsidiary of the company (effective April 10, 2005) for the half year ended September 30, 2005 being the last being the last day to which the accounts of KRPL have been prepared and approved by its Board of Directors.

The accounts of subsidiary companies KKRIPL and KRPL have been audited and reported by the Joint Auditors N. A. Shah Associates.

2. The financial statements of the above-mentioned subsidiary company have been consolidated by the Company's management into the Company's restated summary financial statements as appearing in Annexure 18 and 19, read with Notes to consolidation as appearing in Annexure 20 to this report.

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

For **N.A. Shah Associates**
Chartered Accountants

Sandeep Shah
Partner
Membership No.: 100-037381

Place: Mumbai
Date: 3rd December, 2005

For **Jain & Trivedi**
Chartered Accountants

Satish C. Trivedi
Partner
Membership No.: 38317

Annexure 1
STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED
(Rs. in millions)

	Particulars	As at					
		30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
A	Fixed Assets						
	Gross Block	148.14	116.04	102.24	89.53	53.77	9.46
	Less: Accumulated Depreciation	44.02	37.40	26.60	16.93	7.15	1.71
	Net Block	104.12	78.65	75.64	72.61	46.62	7.74
	Less: Revaluation Reserve	-	-	-	-	-	-
	Capital Work In Progress	91.38	19.67	14.20	-	-	-
	Net block after adjustment of Revaluation Reserve	195.50	98.32	89.84	72.61	46.62	7.74
B	Investments	22.80	2.00	17.25	22.21	0.69	0.78
C	Deferred Tax Asset	0.43	0.15	1.48	3.70	-	-
D	Current Assets, Loans and Advances						
	Inventories	105.53	28.35	24.01	7.20	-	-
	Sundry Debtors	105.58	35.45	27.71	31.64	0.24	0.00
	Cash and Bank Balances	34.59	30.55	12.82	15.25	4.32	0.07
	Loans and Advances	94.62	97.98	35.05	17.21	1.33	49.80
		340.31	192.32	99.59	71.31	5.89	49.87
E	Liabilities and Provisions						
	Secured Loans	128.90	54.28	12.29	-	-	-
	Unsecured Loans	113.02	97.56	104.79	145.33	50.83	51.06
	Current Liabilities & Provisions	186.61	55.30	43.72	15.92	2.40	0.90
		428.52	207.14	160.81	161.26	53.23	51.96
F	Net Assets [A+B+C+D-E]	130.52	85.64	47.36	8.57	(0.03)	6.44
G.	Represented by:						
	Share Capital:						
	Issued, Subscribed and Paid Up	10.00	10.00	10.00	10.00	10.00	10.00
	Reserves and Surplus:						
	Profit and Loss Account	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)
	Less: Revaluation Reserve	-	-	-	-	-	-
		131.85	85.64	47.36	8.57	(0.03)	6.44
	Less: Miscellaneous Expenditure (to the extent not written off)	1.33	-	0.01	0.01	-	0.00
	Net Worth	130.52	85.64	47.36	8.57	(0.03)	6.44

Annexure 2

STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. in millions)

Particulars	Financial Year / Period ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Income						
Sales & Services (Including Export Incentives)	346.40	262.66	225.27	36.84	0.24	0.04
Other Income	1.30	5.91	16.63	2.08	0.47	(0.06)
Increase / (decrease) in stock	38.85	(0.20)	11.99	2.17	-	(0.01)
	386.56	268.37	253.90	41.09	0.71	(0.03)
Expenditure						
Cost of Materials	191.47	81.55	81.91	9.22	-	-
Employees Cost	41.11	46.48	36.36	10.04	-	-
Other Manufacturing Expenses	26.50	28.74	27.25	3.41	0.06	0.16
Operating and Administrative Expenses	16.44	16.34	14.19	3.83	1.60	1.32
Selling and Distribution Expenses	30.50	27.19	16.54	1.76	-	-
Interest Expense	3.27	8.72	14.61	0.01	-	0.06
Depreciation	6.75	10.57	9.50	5.97	5.44	0.01
	316.03	219.58	200.36	34.25	7.09	1.55
Profit/(Loss) before Tax and Prior Period Item	70.53	48.79	53.54	6.84	(6.38)	(1.58)
Prior Period expenses	4.33	-	-	-	1.68	-
Profit/(Loss) before Tax	66.20	48.79	53.54	6.84	(8.06)	(1.58)
Provision for Taxes						
- Current taxes	24.30	10.75	12.25	0.38	-	-
- Deferred taxes	(1.73)	0.82	2.17	1.87	-	-
- Fringe Benefit Tax	0.30	-	-	-	-	-
- Pertaining to earlier year	-	(0.01)	0.62	(0.00)	-	0.02
Total	22.87	11.56	15.04	2.24	-	0.02
Profit/(Loss) for the year / period (A)	43.33	37.23	38.50	4.60	(8.06)	(1.60)

Particulars	Financial Year / Period ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
ADJUSTMENTS:						
Prior Period Items	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Excess / (short) provision of Income Tax relating to earlier year	-	0.01	(0.62)	(0.01)	-	0.60
Changes in Accounting policies	-	(1.83)	0.00	0.42	0.09	0.26
Deferred Tax Adjustment	1.46	0.51	0.05	(0.22)	-	-
Total of adjustments	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99
Net Profit after adjustments	46.21	38.28	38.79	4.10	(6.47)	(3.58)
Profit brought forward from Previous year (also refer note 6 to Annexure 5)	75.64	37.36	(1.43)	(10.03)	(3.56)	0.02
Profit brought forward on Amalgamation (also refer note 7 to Annexure 5)	-	-	-	0.96	-	-
Deferred Tax Liability as at 1 st April 2002				3.55		
Profit available for appropriation	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)
Appropriations						
Transfer to General reserve	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-
Tax on Dividend	-	-	-	-	-	-
Total	-	-	-	-	-	-
Balance carried forward to Balance sheet	121.85	75.64	37.36	(1.43)	(10.03)	(3.56)

Annexure 3
STATEMENT OF CASH FLOWS FROM THE RESTATED FINANCIAL STATEMENTS
(Rs. in millions)

Particulars	For the Period											
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001						
CASH FLOWS FROM OPERATING ACTIVITIES												
Net Profit after Adjustment	46.21	38.28	38.79	4.10	(6.47)	(3.58)						
Adjusted for:												
Depreciation	6.75	10.83	9.78	6.27	5.44	1.13						
Preliminary expenses	-	0.01	0.00	0.00	0.00	0.00						
Prov. for diminution in value of investment	-	-	(0.42)	0.07	0.09	0.26						
Provision for taxes	24.32	12.08	14.47	2.02	-	0.62						
Interest expense	3.27	8.72	14.61	0.01	-	0.06						
Income from Investing Activities	(1.23)	33.12	(5.89)	25.75	(16.41)	22.03	(1.52)	6.85	(0.46)	5.08	0.06	2.13
Operating Profit /(Loss) before working capital changes	79.33	64.03	60.82	10.95	(1.39)	(1.46)						
Adjustment for (Increase)/decrease in:												
Debtors	(70.13)	(7.74)	3.93	(14.86)	(0.24)	0.07						
Loans & Advances	(17.31)	(27.95)	(1.49)	8.82	(0.24)	0.33						
Inventories	(77.18)	(4.34)	(16.80)	0.72	-	0.01						
Current Liabilities & Provisions	80.01	(84.61)	1.45	(38.58)	13.63	(0.73)	2.17	(3.15)	1.49	1.02	(1.12)	(0.70)
Cash generated from Operations	(5.28)	25.45	60.09	7.80	(0.37)	(2.16)						
Tax Paid (Net of Refund)	(18.78)	(11.79)	(13.89)	(0.32)	(0.01)	(0.82)						
Net Cash Flow from Operating Activities	(24.06)	13.66	46.21	7.48	(0.38)	(2.98)						
CASH FLOWS FROM INVESTING ACTIVITIES												
(Purchase)/sale of Fixed Assets(net)	(75.51)	(19.31)	(13.50)	(1.09)	(1.71)	(1.37)						
(Purchase)/Sale of investments (net)	2.00	18.11	(9.95)	(19.25)	-	0.08						
Dividend on Investments	-	-	1.10	0.03	0.03	0.03						
Income/Loss from Share Trading	-	-	15.06	(1.88)	-	(1.28)						
Loans (given)/received back (net)	13.55	(23.80)	(0.56)	(12.50)	6.11	3.89						
Interest on Loans given	0.95	3.03	2.06	1.03	0.43	2.65						
Consideration paid on												

acquisition of business												
- for Fixed Assets		-		-		-		(12.33)		-		-
- for Current Assets		-		-		-		(13.72)		-		-
Net Cash Flow from Investing Activities		(59.00)		(21.96)		(5.78)		(59.71)		4.85		3.99
CASH FLOWS FROM FINANCING ACTIVITIES												
Net Adjustment on amalgamation		-		-		-		4.59		-		-
Proceeds from Long Term Borrowings(net)		91.73		(4.36)		8.65		-		-		-
Proceeds from Short Borrowings(net)		(1.66)		39.11		(36.90)		58.59		(0.23)		(5.50)
Interest Paid		(1.64)		(8.72)		(14.61)		(0.01)		-		(0.06)
Expenses for increase of authorised share capital		(1.33)		-		-		-		-		-
Net Cash Flow from Financing Activities		87.10		26.03		(42.85)		63.17		(0.23)		(5.56)
Net increase/(decrease) in cash and cash equivalents		4.04		17.73		(2.43)		10.94		4.25		(4.54)
Cash and equivalents at beginning of the period		30.55		12.82		15.25		4.31		0.07		4.62
Cash and equivalents at end of the period		34.59		30.55		12.82		15.25		4.32		0.07

Annexure 4**SCHEDULES ANNEXED TO AND FORMING PART OF RESTATED ACCOUNTS FOR FIVE FINANCIAL YEARS ENDED 31st MARCH 2005 AND SIX MONTHS ENDED 30th SEPTEMBER 2005****BACKGROUND**

Kewal Kiran Apparels Private Limited was incorporated on 30th January 1992.

Pursuant to the order of the Hon'ble High Court of Bombay, dated 18th August 2003 and received on 24th September 2003, Kewal Kiran Clothing Private Limited a company formed from the erstwhile partnership firm Keval Kiran & Co. under part IX of the Companies Act, 1956 was amalgamated with Kewal Kiran Apparels Private Limited with effect from 1st December 2002 being the appointed date.

Kewal Kiran Apparels Private Limited acquired the business of Kasturchand & Sons a partnership firm with effect from 1st February 2003.

Subsequently, the name of Kewal Kiran Apparels Private Limited was changed to Kewal Kiran Clothing Private Limited on 17th October 2003.

Status of Kewal Kiran Clothing Private Limited was converted to a public company on 2nd November 2005 and is now known as Kewal Kiran Clothing Limited

Pursuant to the merger and acquisition of business, the financial statements for the year ended 31st March 2003 and subsequent period represent the combined operations of three entities.

SIGNIFICANT ACCOUNTING POLICIES**1. BASIS OF ACCOUNTING:**

The Accounts have been prepared on accrual basis and under the historical cost convention, unless otherwise stated in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

2. FIXED ASSETS:

Fixed assets are stated at cost less depreciation and/or at recoverable value in case of impairment, if any. The cost of fixed assets includes interest on borrowing attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date.

Capital works in progress are carried at cost comprising direct cost, related incidental expenses and attributable interest.

3. DEPRECIATION/AMORTISATION:

a) Depreciation is provided on written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

b) Software is amortized over a period of three years on straight-line basis.

4. IMPAIRMENT:

Impairment loss is recognized whenever the carrying amount of the asset is in excess of its recoverable amount and the same is recognized as expenses in the statement of profit and loss and the carrying amount of the asset is reduced to its recoverable amount.

5. INVESTMENTS:

Long-term investments are valued at cost, less provision for permanent diminution in the value of investment. Current Investments are valued at cost or market value whichever is lower.

6. INVENTORY VALUATION:

- a) Raw material, packing material and consumables are valued at cost
- b) Work-in-process and finished products are valued at lower of cost and net realizable value
- c) Unserviceable/damaged finished goods are valued at net realizable value.
- d) Cost is ascertained on specific identification method and includes appropriate production overheads in case of work-in-process and finished goods.

7. REVENUE RECOGNITION:

- a) Sales are recognized when significant risks and rewards of ownership of the goods have passed to the buyer that coincides with delivery and are recorded net of trade discounts, rebates, and excise duties. Sales do not include inter divisional transfers.
- b) Sale of service is recognized after rendering of services.
- c) Export incentives under the Duty Drawback Scheme are recognized on accrual basis in the year of export.
- d) Interest income is recognized on accrual basis and Dividend income is accounted for when the right to receive payment is established.

8. FOREIGN EXCHANGE TRANSACTION:

Income and expenses in foreign currency are converted at rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and the resulting exchange differences are recognized in the profit and loss account.

9. RETIREMENT BENEFITS:

Retirement benefits are dealt with in the following manner:

- a) Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognized funds.
- b) Payment for present liability of future payment of gratuity is made to an approved gratuity fund, which fully covers the said liability under Cash Accumulation Policy of Life Insurance Corporation of India (LIC). The additional liability arising out of the difference between the actuarial valuation and the fund balance with the LIC, if any, is accrued at the year-end.
- c) Liability for leave encashment is determined arithmetically and provided on accrual basis

10. BORROWING COST:

Borrowing cost attributable to acquisition, construction or production of qualifying assets is capitalized as part of the cost of those assets, till the month in which asset is ready for use.

11. ACCOUNTING FOR TAXES ON INCOME:

Income tax expenses for the year comprises of current tax and deferred tax. Current tax provision has been determined on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax is recognized for all timing differences, subject to consideration of prudence, applying tax rates that have been substantively enacted by the Balance Sheet date.

12. PROVISIONS AND CONTINGENT LIABILITIES:

Provisions are recognised when the company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation.

13. OPERATING LEASE:

Lease arrangements where risks and rewards incident to ownership of an asset substantially vests with the lessor are classified as operating lease.

Rental income and expense on assets given or obtained under operating lease arrangements are recognized on a straight-line basis over the term of relevant lease.

Annexure 5
SCHEDULES ANNEXED TO AND FORMING PART OF RESTATED ACCOUNTS FOR FIVE FINANCIAL YEARS ENDED 31st MARCH 2005 AND SIX MONTHS ENDED 30th SEPTEMBER 2005.
ADJUSTMENTS

Adjustments have been made to the net profit as per statutory financial statements in the following circumstances:

- to apply accounting policies consistently across the periods presented and
- to record the effect of material facts which have become known subsequent to the preparation of the statutory financial statements of earlier periods, and which result in changes to significant estimates made in those statutory financial statements, in accordance with the facts known at that time.

The adjustments are as follows:

Particulars	For the year ended					
	30 th September 2005	2004-05	2003-04	2002-03	2001-02	2000-01
Prior period Items:						
Impact of change in depreciation policy in 2001-02 (see note 1 below)	-	-	-	-	(1.68)	1.13
Impact of change in depreciation policy in 2005-06 (see note 2 below)	(4.33)	0.25	0.28	0.30	-	-
	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Changes in Accounting Policy:						
Impact of provision for Gratuity (see note 3 below)	-	(1.83)	0.42	0.36	-	-
Impact of Restatement of Investments (see note 4 below)	-	-	(0.42)	0.07	0.09	0.26
		(1.83)	-	0.42	0.09	0.26
Excess / (short) provision for tax relating to earlier years	-	0.01	(0.62)	(0.01)	-	0.60
Impact of above mentioned changes on Deferred Tax (see note 5 below)	1.46	0.51	0.05	(0.22)	-	-
Total	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99

NOTES TO ADJUSTMENTS

1. Up to financial year ended 31st March 2001 the company was not providing depreciation on any of the fixed assets except computers. From year ended 31st March 2002 onwards the company started providing depreciation on all its fixed assets. Consequently, the company provided depreciation on fixed assets with retrospective effect for earlier years and the same was disclosed under the head "Prior Period Expenses" in the Profit & Loss Account for the year ended 31st March 2002. The effect for the same has been restated above.

2. A property acquired by the erstwhile firm Keval Kiran & Company was shown as an investment (at cost) in Balance Sheet of the said firm. The company acquired the same at the time of merger and continued to show the same as Investment (at cost). The said property has been regrouped under fixed assets in the financial statements for the period ended 30th September 2005 and depreciated on a retrospective basis from the year of purchase by the erstwhile firm Keval Kiran & Company. The depreciation relating to earlier years is disclosed as a prior period expense in the Profit & Loss Account for the year ended 30th September 2005. The effect for the same has been restated above.
3. Up to year ended 31st March 2004 the company had not provided for gratuity liability towards its employees. Subsequently, in financial statements for the year ended 31st March 2005 the company has provided for gratuity liability towards its employees on the basis of actuarial valuation. The said gratuity liability has been restated above on a reasonable basis.
4. The company valued its short term investments at cost instead of lower of cost or market value as prescribed in AS-13, Accounting for Investments. Accordingly, the same has been restated above in line with requirements of AS-13, Accounting for Investments.
5. Deferred tax has been restated to give effect of the above mentioned restatements.
6. Adjustments to the tune of Rs.0.57 million relating to years prior to year ended 31st March 2001 have been reduced from the opening Profit brought forward for year ended 31st March 2001.
7. Profit & Loss account balance of the amalgamating company is after adjustments on account of opening depreciation & gratuity aggregating to Rs.2.75 million relating to business of the amalgamated entity.

Annexure 6
SCHEDULES ANNEXED TO AND FORMING PART OF RESTATED ACCOUNTS FOR FIVE FINANCIAL YEARS ENDED 31st MARCH 2005 AND SIX MONTHS ENDED 30th SEPTEMBER 2005
NOTES TO ACCOUNTS

1. The Hon'ble High Court of Bombay approved, vide its order dated 18th August 2003 the scheme of Amalgamation for the merger of Kewal Kiran Clothing Pvt. Ltd (the "transferor company") formed from the erstwhile partnership firm Keval Kiran & Co. under part IX of the Companies Act, 1956, with Kewal Kiran Apparels Pvt. Ltd., presently known as Kewal Kiran Clothing Pvt. Ltd. (the "transferee Company"). The relevant particulars relating to the merger and the companies are given hereunder:
 - a. The amalgamation was in the nature of merger;
 - b. The appointed date of merger as per the scheme of amalgamation was 1st December 2002.
 - c. The effective date of the merger was the date at which the certified copies of the Orders of the Hon'ble High Court of Bombay were filed with the Registrar of Companies, Mumbai i.e. 24th September 2003 and
 - d. The method of accounting adopted by the Company to effect the merger in accordance with Accounting Standard 14 is the "Pooling of Interest Method", considering the amalgamation is in the nature of merger.
2. The company has fulfilled its export obligation with regards to advance license. However, the Custom authorities have yet to discharge the obligation under the said license.
3. The impact of adjustments/regroupings on profit have been included in profit & loss account under the head Reserves and Surplus in the statement of assets and liabilities.
4. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities is adequate and not in excess of the amount reasonably necessary.
5. The Company in previous year had entered into transactions for purchase of Assets and raw material with Firms for which prior approval of Central Government u/s 297 of the Companies Act inadvertently was not obtained. The company's application u/s section 621A of the Act is pending with the Government.
6. **Segment Reporting:**
 - a) **Primary Segment:**

The company is primarily engaged in single business segment of manufacturing apparels and is managed as one business unit for its various service offerings, which are governed by a similar set of risks and returns.

b) Secondary Segment (By Geographical Segment):
(Rs. in million)

Particulars	30 th September 2005	2004-05	2003-04	2002-03	2001-02	2000-01
Sales and Services Income (Net of Excise duty)						
- India	315.57	238.96	200.16	34.03	0.24	0.04
- Outside	29.42	22.23	24.10	2.48	-	-
Total	344.99	261.19	224.26	36.51	0.24	0.04

In view of the interwoven / intermix nature of business and manufacturing facility, other information is not ascertainable.

7. Information on related party disclosures as per Accounting Standard 18 (AS-18) on Related Party Disclosures is given in Annexure 17.

8. Operating Lease Arrangements:

(a) As lessee:

(Rs. in million)

	30 th September 2005	2004-05	2003-04	2002-03
Paid during the year	3.73	4.96	0.91	0.04
Due not later than one year	14.86	8.37	2.89	0.15
Due later than one year but not later than five years	108.90	92.41	4.90	0.59
Later than five years	21.45	7.75	-	-
Total	148.94	113.49	8.70	0.77

The above figures include:

- Lease rentals calculated based on estimated date of commencement of lease in cases where the agreements have been entered into but the date of commencement of lease is dependent on the date of construction/renovation of premises.
- Lease rentals for a lease the period of which is dependent on the occurrence of an event, the date of which is not ascertainable beyond five years. Hence the lease rentals are considered up to a period of five years only.

(b) As lessor:

The company has leased certain premises under operating lease arrangements. Lease rent in respect of these leases will be recognized in the profit and loss account as follows:

(Rs. in million)

	30 th September 2005
Due not later than one year	7.20
Due later than one year but not later than five years	21.60
Later than five years	-
Total	28.80

Note: The above-mentioned lease rent is calculated on the basis of estimated date of commencement of lease

9. Earnings per Share (Restated) is calculated as under:

		30 th September 2005	2004-05	2003-04	2002-03	2001-02	2000-01
Net Profit / (Loss) after Tax (millions)	Rs.	46.21	38.28	38.79	4.10	(6.47)	(3.58)
Weighted average number of Equity Shares	Nos.	4,603,298	4,603,298	4,603,298	4,603,298	4,603,298	4,603,298
Basic & Diluted Earning per share	Rs.	10.04	8.32	8.43	0.89	(1.41)	(0.78)

Note:

- a) The company has issued bonus shares in the ratio 3:1 on 12th October 2005.
- b) The company has converted unsecured loans of Rs. 85.68 million outstanding on 25th October 2005 to Equity Shares by allotting 4,760,000 shares as preferential allotment.
- c) The company issued 30,000 shares of Rs.10 each at a premium of Rs.15 on 16th November 2005.
- d) For the purpose of calculation of weighted average number of Equity Shares the bonus shares as also the bonus element in preferential issue has been considered.
- e) Earnings per share for the six months period ended 30th September 2005 is non-annualized.

10. Deferred Tax:

In view of the Accounting Standard 22 issued by Institute of Chartered Accountants of India, the significant component and classification of deferred tax liability/asset on account of timing difference comprises of the following:

(Rs. in million)

	30 th September 2005	2004-05	2003-04	2002-03
Deferred Tax Asset:				
Merger Expenses	0.05	0.06	0.09	-
Depreciation	0.38	0.09	0.89	1.57
Gratuity	-	-	0.66	0.51
Carried forward loss under Income tax	-	-	-	1.48
Provision for diminution in value of Investment	-	-	-	0.15
	0.43	0.15	1.64	3.71
Deferred Tax Liability:				
Provision for diminution in value of Investment	-	-	0.15	-
Net deferred tax asset / (liability)	0.43	0.15	1.49	3.71

11. Figures for the year ended 31st March 2003 comprise of the amalgamated entity and hence not comparable.
12. Figures for the period ended 30th September 2005 comprise figures for six months only and hence not comparable.
13. Figures for the previous years have been regrouped / rearranged wherever considered necessary.

Annexure 7
ACCOUNTING RATIOS

Particulars	Financial Year / Period ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Earnings per share (EPS) (Rs.) (see note 3 below)	10.04	8.32	8.43	0.89	(1.41)	(0.78)
Weighted Average Number of Equity shares outstanding during the year / period for calculation of EPS as above.	4,603,298	4,603,298	4,603,298	4,603,298	4,603,298	4,603,298
Return on Net worth (%)	35%	45%	82%	48%	N.A	N.A
Net Asset value per share (Rs.)	130.52	85.64	47.36	8.57	(0.03)	6.44

Notes:

- The ratios have been computed as below:

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit Attributable to Equity Share Holders}}{\text{Weighted Avg. no. of Equity shares outstanding during the year}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit After tax}}{\text{Net Worth excluding Revaluation Reserve at the end of the year}}$$

$$\text{Net Asset Value per Share (Rs.)} = \frac{\text{Net Worth the end of the year}}{\text{Number of Equity shares outstanding at the end of the year}}$$

- The above ratios have been computed on the basis of adjusted profits/losses for the respective years as per the statement of Profits and Losses, as restated.
- Earnings per share is computed in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

Note:

- The company has issued bonus shares in the ratio 3:1 on 12th October 2005.
 - The company has converted unsecured loans of Rs. 85.68 million outstanding on 25th October 2005 to Equity Shares by allotting 4,760,000 shares as preferential allotment.
 - The company issued 30,000 shares of Rs.10 each at a premium of Rs.15 on 16th November 2005.
 - For the purpose of calculation of weighted average number of Equity Shares the bonus shares as also the bonus element in preferential issue has been considered.
 - Earnings per share for the six months period ended 30th September 2005 is non annualized.
- Figures for the year ended 31st March 2003 and onwards comprise figures of the amalgamated entity and business acquired and are not comparable

Annexure 8
CAPITALISATION STATEMENT

(Rs. in millions)

	Pre Issue as at 30 th September 2005
Debt	
Short-term Debt (Refer Note 1)	1,91.91
Long-term Debt (A)	50.00
Total Debt	2,41.91
Shareholders' Funds	
Share Capital	10.00
Reserves including Restatement Reserves (after adjustment of Miscellaneous Expenditure to the extent not written-off)	120.52
Total Shareholders' Funds (B)	130.52
Long Term Debt (A) / Shareholders' Funds (B)	0.38

Note:

- As informed by management, short-term debts are debts repayable within 12 months.
- Share Capital and Reserves (Post Issue) can be calculated only on conclusion of the Book Building Process

Annexure 9
STATEMENT OF TAX SHELTERS

(Rs. in millions)

Particulars	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Normal Tax Rates	33.66%	36.59%	35.88%	36.75%	35.70%	39.55%
Tax on Long term capital gains (listed securities without indexation)	11.22%	10.46%	10.25%	10.50%	10.20%	11.30%
Profit / (Loss) before tax as per books (A)	70.53	48.79	53.54	6.84	(6.38)	(1.58)
Income chargeable as Long Term Capital Gains (B)	-	2.86	0.90	-	-	-
Profit / (Loss) chargeable at Normal Tax Rates (C) = (A - B)	70.53	45.93	52.64	6.84	(6.38)	(1.58)
Tax on Profit / (Loss) at Normal Rates	23.74	16.81	18.88	2.51	-	-
Tax on Long term capital Gains	-	0.30	0.09	-	-	-
Tax at actual rate on book profits	23.74	16.51	18.79	2.51	-	-
Adjustments:						
<i>Permanent Differences:</i>						
Deduction u/s 80 HHC	-	-	1.16	-	-	-
Deduction u/s 80 IA	-	15.04	10.94	-	-	-
Dividend u/s 10 (33)	-	-	0.62	-	0.03	0.03
Sundry balance written off	(0.20)	-	-	-	-	-
Others	(0.58)	(0.05)	(0.05)	(0.02)	-	(0.03)
<i>Total Permanent Difference (D)</i>	(0.78)	14.99	12.67	(0.02)	0.03	0.28
<i>Timing Differences:</i>						
Difference between tax depreciation and book depreciation	(0.79)	2.47	3.01	1.87	(2.18)	(0.00)
Profit / (Loss) on sale of fixed assets	(0.06)	(0.00)	0.10	-	-	-
Others	0.03	0.06	(0.24)	(0.00)	-	-
Business Loss carried forward	-	-	-	-	(4.23)	-
Speculation Loss carried forward	-	-	-	(0.52)	-	(2.76)
<i>Total Timing Difference (E)</i>	(0.82)	2.53	2.87	1.35	(6.40)	(3.04)
Net Adjustment (D + E)	(1.60)	17.52	15.54	1.34	(6.38)	(2.76)
Tax Saving Thereon	(0.54)	6.41	5.58	0.49	(2.28)	(1.09)
Adjusted Profit / (Loss) (F) = (C - D - E)	72.13	28.41	37.10	5.50	-	1.18
Bought Forward Losses Adjusted (G)	-	-	3.28	4.50	-	-
Profit / (Loss) as per Income Tax Returns (H) = (F - G)	72.13	28.41	33.82	1.00	-	1.18
Long Term Capital Gains as per Income Tax Returns (I)	-	2.86	0.90	-	-	-
Tax at Normal Rates	24.28	10.40	12.13	0.37	-	0.47
Tax on Long Term Capital Gains	-	0.30	0.09	-	-	-
Tax as per Income Tax Returns/Assessment Order	24.28	10.70	12.22	0.37	-	0.47

Notes:

1. The figures in the above statement for the period ended 30th September 2005 are provisional and would be finalized at the year end
2. The figures for all other years are as per the Returns of Income filed or assessment orders wherever assessment is complete.

Annexure 10
STATEMENT OF OTHER INCOME

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Interest on Loans given	0.32	2.22	1.70	0.69	0.12	2.26
Interest on Fixed Deposits	0.95	0.77	0.31	0.34	0.31	0.39
Dividend Income	-	-	1.10	0.03	0.03	0.03
Service charges for laboratory usage	-	-	-	0.48	-	-
Profit on Sale of Assets	-	-	0.20	-	-	-
Profit on sale of Investments	-	2.86	0.46	0.99	-	-
Income from Share Trading	-	-	12.69	(0.55)	-	(2.74)
Others	0.03	0.06	0.17	0.09	0.02	-
Total	1.30	5.91	16.63	2.08	0.47	(0.06)

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable

Annexure 11
STATEMENT OF SECURED LOANS

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
From ICICI Home Finance Co Ltd	2.00	4.29	8.65	-	-	-
From Standard Chartered Bank						
– Overdraft	32.87	49.99	3.64	-	-	-
– Term Loan	50.00	-	-	-	-	-
– Foreign Currency Demand Loan	44.02	-	-	-	-	-
Total	128.90	54.28	12.29	-	-	-

Note:

1. Loan from ICICI Home Finance Co Ltd. is secured against mortgage of immovable property for which the loan is taken
2. Loans from Standard Chartered Bank are secured by lien on deposits in favour of bank, mortgage of commercial property, stock and receivables and personal guarantee of Directors.

DETAILS OF SECURED LOANS OUTSTANDING AS ON 30TH SEPTEMBER 2005

Particulars	Name of bank/ institution	Sanctioned Limit	Outstanding as on 30 th September 2005	Security	Interest	Repayment Schedule
Home Loan	ICICI Home Finance Co Ltd	Rs.9 million	Rs.2.00 million	Secured by mortgage on Immovable Property.	RPLR less 2.25 % p.a.	24 equated monthly instalments. Interest is payable as and when due.
Working Capital Facility	Standard Chartered Bank	Rs.55 million	Rs.32.87 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	8% p.a.	Not Applicable
Term Loan	Standard Chartered Bank	Rs.100 million	Rs.50 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	8.50% p.a.	60 equated monthly instalments after full disbursement of facility. Interest is payable as and when due.
Foreign Currency Demand Loan	Standard Chartered Bank	USD 1 million	USD 1 million	Primary Security - stock and receivable, Collateral Security - Lien on Deposits in favour of Bank, mortgage of commercial property, Personal guarantee of Directors.	7.80% or (6 Months LIBOR + 3.50%)	Valid for six months for each tranche (renewal up to twelve months) with single bullet repayment of principal and interest at the end of term.

Annexure 12
STATEMENT OF UNSECURED LOANS

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
From Promoters/Directors	69.27	82.02	96.81	140.11	50.83	51.06
From Others	43.75	15.54	7.98	5.22	-	-
Total	113.02	97.56	104.79	145.33	50.83	51.06
The above include unsecured loans taken from the following Related Parties						
Key Management Personnel	69.27	82.02	96.81	140.11	50.83	51.06
Relatives/Others	43.75	15.54	7.98	5.22	-	-
Total	113.02	97.56	104.79	145.33	50.83	51.06

KEY MANAGEMENT PERSONNEL:
Promoters/Directors:

Kewalchand P Jain
 Hemant P Jain
 Dinesh P Jain
 Vikas P Jain

RELATIVES / OTHERS:
Relatives:

Shantaben P Jain
 Veena K. Jain
 Lata H. Jain
 Sangita D. Jain
 Kesar V. Jain
 Pankaj K. Jain
 Hitendra K. Jain
 Arpita P. Jain

Others:

Pukhraj K. Jain (HUF)
 Kewalchand P. Jain (HUF)
 Hemant P. Jain (HUF)
 Dinesh P. Jain (HUF)
 Vikas P. Jain (HUF)

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable

Annexure 13
STATEMENT OF DEBTORS

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Considered Good						
Debts outstanding for a period exceeding six months	3.12	4.99	4.23	1.53	-	-
Other Debts	102.46	30.46	23.48	30.11	0.24	-
Total	105.58	35.45	27.71	31.64	0.24	-
The above includes the following Related Parties Debtors						
Kasturchand & Sons	-	-	0.10	-	-	-
Kewal Kiran Enterprises	4.10	1.51	0.95	14.08	-	-
Total	4.10	1.51	1.05	14.08	-	-

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable

Annexure 14
STATEMENT OF LOANS & ADVANCES

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Advances recoverable in Cash or in kind for value to be received	32.40	23.91	3.26	1.71	0.24	42.60
Advance tax and TDS	45.22	26.44	15.27	1.38	1.06	1.04
Employee loans and advances	1.47	1.38	0.85	0.79	-	-
Loans given to others	0.82	37.05	13.05	12.50	-	6.11
Security/Other deposits	14.70	9.18	2.63	0.83	0.04	0.04
Total	94.62	97.98	35.05	17.21	1.33	49.80
The above includes the following Related Parties Loans & Advances						
Advances recoverable in Cash or in kind for value to be received						
Kasturchand & Sons	-	-	0.01	0.07	-	-
Kewal Kiran Enterprises	7.22	19.50	0.78	-	-	-
Kesar V Jain	-	-	-	0.01	-	-
Kewalchand P Jain	-	-	-	0.10	-	-
Lata H Jain	-	-	-	0.01	-	-
Sangeeta D Jain	-	-	-	0.01	-	-
Shantaben P Jain	-	-	-	0.01	-	-
Veena K Jain	-	-	-	0.01	-	-
Total	7.22	19.50	0.78	0.19	-	-
Loans given to others						
Kornerstone Retail Pvt. Ltd.	-	22.80	-	-	-	-
Total	-	22.80	-	-	-	-

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable.

Annexure 15
STATEMENT OF INVESTMENTS

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Short Term investments						
Shares	-	-	-	1.96	0.69	0.78
(Market Value)	(-)	(-)	(-)	(2.42)	(0.81)	(0.80)
Mutual Funds	-	-	15.25	20.25	-	-
(NAV's)	(-)	(-)	(18.48)	(21.86)	(-)	(-)
Equity share application money						
Kewal Kiran Retail India Pvt. Ltd.	-	-	2.00	-	-	-
Investment in Subsidiaries						
Kewal Kiran Retail India Pvt. Ltd. (95% holding)	-	2.00	-	-	-	-
Kornerstone Retail Pvt Ltd. (76% holding)	22.80	-	-	-	-	-
Total	22.80	2.00	17.25	22.21	0.69	0.78

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable.

Annexure 16

STATEMENT OF CONTINGENT LIABILITIES

(Rs. in millions)

Particulars	Financial Period / Year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Unexecuted contracts on capital accounts	7.44	2.27	-	-	-	-
Claims against the company not acknowledged as debts	3.78	0.22	3.63	-	-	-
Export Obligation against EPCG License	1.15	-	-	-	-	-
Guarantor for subsidiary	30.00	-	-	-	-	-
Bank Guarantees	0.17	-	-	-	-	-
Total	42.55	2.49	3.63	-	-	-

Note:

Figures for the period ended 31st March 2003 and onwards comprise figures of the amalgamated entity and are not comparable.

Annexure 17

STATEMENT OF RELATED PARTY TRANSACTIONS

Information as per AS-18 (Accounting Standard 18 on Related Party Disclosures) is given below:

 i. **For the year ended 31st March 2002**

 (a) **Name of the enterprises having same Key Management Personnel and/or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year:**

 Kewal Kiran Enterprises
 Keval Kiran & Co.
 Kasturchand & Sons
 Karamchand

 (b) **Key Management Personnel**

 Kewalchand P. Jain
 Hemant P. Jain
 Dinesh P. Jain
 Vikas P. Jain

(Rs. in million)

(c) Nature of Transaction	Refer to (a) above	Refer to (b) above
Loans taken	-	1.83
Repayment of Loans taken	-	2.06
Outstanding Balance as on 31/03/02		
Unsecured Loans	-	50.83

 ii. **For the year ended 31st March 2003**

 (a) **Subsidiary**

Kewal Kiran Clothing Pvt. Ltd. (ceased to be subsidiary on account of amalgamation with the company)

 (b) **Name of the enterprises having same Key Management Personnel and/or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year:**

 Kewal Kiran Enterprises
 Keval Kiran & Co.
 Kasturchand & Sons
 Karamchand

 (c) **Relatives / Other concerns of key Management Personnel with whom the company has entered into transactions**

 Shantaben P Jain
 Veena K. Jain
 Lata H. Jain
 Sangita D. Jain
 Kesar V. Jain
 Pukhraj K. Jain (HUF)
 Kewalchand P. Jain (HUF)

Hemant P. Jain (HUF)

(d) Key Management Personnel

 Kewalchand P. Jain
 Hemant P. Jain
 Dinesh P. Jain
 Vikas P. Jain

(Rs. in million)

(e) Nature of Transaction	Refer to (a) above	Refer to (b) above	Refer to (c) above	Refer to (d) above
Service Charges received	-	19.58	-	-
Washing charges paid	-	1.04	-	-
Purchase of Goods	-	2.79	-	-
Maintenance charges for premises	-	-	-	0.29
Loans taken	-	-	35.05	104.99
Repayment of Loans taken	-	-	29.85	15.71
Interest paid	-	-	0.30	-
Shares purchased	-	-	0.01	0.09
Consideration for acquisition of business	-	26.05	-	-
Reimbursement of Advertisement expense	-	1.21	-	-
Other receivables	-	0.07	0.03	0.26
Outstanding Balance as on 31/03/03				
Unsecured Loans	-	-	5.22	140.11
Sundry Creditors	-	2.44	-	0.13
Sundry Debtors	-	14.09	-	-
Loans and Advances	-	0.07	0.03	0.10

iii. For the year ended 31st March 2004
(a) Name of the enterprises having same Key Management Personnel and/or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year:

 Kewal Kiran Enterprises
 Kasturchand & Sons
 Karamchand
 Kewal Kiran Retail India Private Limited

(b) Relatives / Other concerns of key Management Personnel with whom the company has entered into transactions

 Shantaben P Jain
 Veena K. Jain
 Lata H. Jain
 Sangita D. Jain
 Kesar V. Jain
 Pukhraj K. Jain (HUF)
 Kewalchand P. Jain (HUF)
 Hemant P. Jain (HUF)
 Dinesh P. Jain (HUF)
 Vikas P. Jain (HUF)

(c) Key Management Personnel

Kewalchand P. Jain
 Hemant P. Jain
 Dinesh P. Jain
 Vikas P. Jain

(Rs. in million)

(d) Nature of Transaction	Refer to (a) above	Refer to (b) above	Refer to (c) above
Service Charges received	65.93	-	-
Utility charges received	0.10	-	-
Washing charges paid	8.13	-	-
Rent paid	-	-	1.85
Loans taken	-	3.42	6.31
Repayment of Loans taken	-	1.19	62.07
Interest paid	-	0.62	13.97
Reimbursement of Advertisement expense	12.58	-	-
Purchase of Goods	0.05	-	-
Share Application Money	2.00	-	-
Outstanding Balance as on 31/03/04			
Unsecured Loans	-	7.98	96.81
Sundry Creditors	2.44	-	-
Sundry Debtors	1.82	-	-
Share Application Money	2.00	-	-

iv. For the year ended 31st March 2005

(a) Subsidiary

Kewal Kiran Retail India Private Limited

(b) Name of the enterprises having same Key Management Personnel and/or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year:

Kewal Kiran Enterprises
 Kasturchand & Sons
 Karamchand
 Kewal Kiran Realtors Private Limited
 Kornerstone Retail Private Limited

(c) Relatives / Other concerns of key Management Personnel with whom the company has entered into transactions

Shantaben P Jain
 Veena K. Jain
 Lata H. Jain
 Sangita D. Jain
 Kesar V. Jain
 Pankaj K. Jain
 Hitendra H. Jain
 Arpita K. Jain
 Pukhraj K. Jain (HUF)

Kewalchand P. Jain (HUF)
 Hemant P. Jain (HUF)
 Dinesh P. Jain (HUF)
 Vikas P. Jain (HUF)

(d) Key Management Personnel

Kewalchand P. Jain
 Hemant P. Jain
 Dinesh P. Jain
 Vikas P. Jain

(Rs. in million)

(e) Nature of Transaction	Refer to (a) above	Refer to (b) above	Refer to (c) above	Refer to (d) above
Service Charges received	-	66.42	-	-
Washing charges paid	-	10.09	-	-
Rent paid	-	-	-	1.85
Loans taken	-	-	8.17	66.05
Repayment of Loans taken	-	-	1.68	86.68
Interest paid	-	-	1.18	6.57
Managerial Remuneration	-	-	-	4.80
Loans granted	-	22.80	-	-
Purchase of Assets	-	3.00	-	-
Advance given for acquisition of assets	-	19.50	-	-
Payment for Assignment of leasehold rights	1.44	-	-	-
Reimbursement of Professional fees	0.41	-	-	-
Reimbursement of Advertisement expense	-	20.55	-	-
Purchase of Goods	-	0.34	-	-
Investment in Equity Shares	2.00	-	-	-
Outstanding Balance as on 31/03/05				
Unsecured Loans	-	-	15.54	82.02
Sundry Creditors	0.41	2.75	-	2.82
Sundry Debtors	-	1.51	-	-
Loans and Advances	-	42.30	-	-

v. For the period ended 30th September 2005

(a) Subsidiary

Kewal Kiran Retail India Private Limited (ceased to be a subsidiary during the period)
 Kornerstone Retail Private Limited

(b) Name of the enterprises having same Key Management Personnel and/or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year:

Kewal Kiran Enterprises
 Kasturchand & Sons
 Karamchand
 Kewal Kiran Realtors Private Limited

(c) Relatives / Other concerns of key Management Personnel with whom the company has entered into transactions

Shantaben P Jain
 Veena K. Jain
 Lata H. Jain
 Sangita D. Jain
 Kesar V. Jain
 Pankaj K. Jain
 Hitendra H. Jain
 Arpita K. Jain
 Pukhraj K. Jain (HUF)
 Kewalchand P. Jain (HUF)
 Hemant P. Jain (HUF)
 Dinesh P. Jain (HUF)
 Vikas P. Jain (HUF)

(d) Key Management Personnel

Kewalchand P. Jain
 Hemant P. Jain
 Dinesh P. Jain
 Vikas P. Jain

(Rs. in million)

(e) Nature of Transaction	Refer to (a) above	Refer to (b) above	Refer to (c) above	Refer to (d) above
Service Charges received	-	6.97	-	-
Miscellaneous Purchase	0.09	-	-	-
Adjustment of Advance for purchase of Assets	-	18.75	-	-
Investment in Equity Shares	22.80	-	-	-
Sale of Equity shares of Subsidiary	-	-	-	2.00
Reimbursement received for Advertisement expenses	-	6.16	-	-
Security deposit Accepted	4.80	-	-	-
Rent paid	-	-	-	2.09
Loans taken	-	-	34.33	75.36
Repayment of Loans taken	-	-	6.13	88.11
Managerial Remuneration	-	-	-	4.80
Outstanding Balance as on 30/09/05				
Unsecured Loans	-	-	43.75	69.27
Sundry Creditors	4.80	-	-	2.82
Sundry Debtors	-	4.09	-	-
Loans and Advances	-	7.22	-	-

vi. Notes:

- Related Parties: The enterprises mentioned above have Key Management Personnel and /or their relatives in common with the reporting enterprise.
- Related parties are as identified by management and relied upon by the auditors.

Annexure 18
STATEMENT OF CONSOLIDATED RESTATED ASSETS AND LIABILITIES

(Rs. in millions)

	Particulars	As at					
		September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
A	Goodwill on consolidation	5.11	-	-	-	-	-
B	Fixed Assets						
	Gross Block	169.81	116.04	102.24	89.53	53.77	9.46
	Less: Accumulated Depreciation	44.73	37.40	26.60	16.93	7.15	1.71
	Net Block	125.08	78.65	75.64	72.61	46.62	7.74
	Capital Work In Progress	91.38	19.67	14.20	-	-	-
		216.46	98.32	89.84	72.61	46.62	7.74
C	Investments	-	-	17.25	22.20	0.69	0.78
D	Deferred Tax Asset	0.66	0.15	1.48	3.70	-	-
E	Current Assets, Loans & Advances						
	Inventories	107.11	28.35	24.01	7.20	-	-
	Sundry Debtors	105.60	35.45	27.71	31.64	0.24	0.00
	Cash and Bank Balances	37.48	30.69	12.82	15.25	4.32	0.07
	Loans and Advances	96.87	99.50	35.05	17.21	1.33	49.80
		347.05	193.99	99.59	71.31	5.89	49.87
F	Liabilities and Provisions						
	Secured Loans	138.75	54.28	12.29	-	-	-
	Unsecured Loans	113.08	97.74	104.79	145.33	50.83	51.06
	Current Liabilities & Provisions	183.10	54.92	43.72	15.92	2.40	0.90
		434.93	206.94	160.80	161.25	53.23	51.96
G	Minority Interest						
	Share capital	0.48	0.10	-	-	-	-
	Reserves	4.69	(0.00)	-	-	-	-
		5.17	0.10	-	-	-	-
H	Net Worth [A+B+C+D+E-F-G]	129.19	85.43	47.36	8.57	(0.03)	6.44
	Represented by:						
	Share Capital:						
	Issued, Subscribed and Paid Up	10.00	10.00	10.00	10.00	10.00	10.00
	Reserves and Surplus:						
	Profit and Loss Account	120.52	75.63	37.36	(1.42)	(10.03)	(3.56)
		130.52	85.63	47.36	8.58	(0.03)	6.44
	Less: Miscellaneous Expenditure (to the extent not written off)	1.33	0.20	0.01	0.01	-	0.00
	Net Worth	129.19	85.43	47.36	8.57	(0.03)	6.44

Annexure 19
STATEMENT OF CONSOLIDATED RESTATED PROFIT AND LOSS

(Rs. In millions)

Particulars	Financial Year / Period ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Income						
Sales & Service (Including Export Incentives)	360.40	262.66	225.27	36.84	0.24	0.04
Other Income	1.62	5.96	16.63	2.08	0.47	(0.06)
Increase / (decrease) in stock	40.43	(0.20)	11.99	2.17	-	(0.01)
	402.45	268.42	253.90	41.09	0.71	(0.03)
Expenditure						
Cost of Materials	191.47	81.55	81.91	9.22	-	-
Purchase of Finished Goods	13.82	-	-	-	-	-
Employees Cost	42.50	46.49	36.36	10.04	-	-
Other Manufacturing Expenses	26.50	28.74	27.25	3.41	0.06	0.16
Operating and Administrative Expenses	17.97	16.37	14.19	3.83	1.60	1.32
Selling and Distribution Expenses	30.64	27.19	16.54	1.76	-	-
Interest Expense	3.50	8.72	14.61	0.01	-	0.06
Depreciation	7.46	10.57	9.50	5.97	5.44	0.01
	333.86	219.62	200.36	34.23	7.09	1.55
Profit/(Loss) before Tax and Prior Period Item	68.59	48.79	53.54	6.84	(6.38)	(1.58)
Prior Period expenses	4.33	-	-	-	1.68	-
Profit/(Loss) before Tax	66.25	48.79	53.54	6.84	(8.06)	(1.58)
Provision for taxation						
- Current taxes	24.32	10.77	12.25	0.38	-	-
- Deferred taxes	(1.97)	0.82	2.17	1.87	-	-
- Fringe Benefit Tax	0.30	-	-	-	-	-
- Pertaining to earlier year	-	(0.01)	0.62	-	-	0.02
Total	22.65	11.58	15.04	2.24	-	0.02
Profit/(Loss) for the year (A)	41.60	37.21	38.50	4.60	(8.06)	(1.60)
ADJUSTMENTS:						
Prior Period Items	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Excess /(short) provision of Income Tax relating to earlier year provisions	-	0.01	(0.62)	(0.01)	-	0.60
Changes in Accounting policies	-	(1.83)	0.00	0.42	0.09	0.26
Deferred Tax Adjustment	1.46	0.51	0.05	(0.22)	-	-
Total of adjustments	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99
Net Profit after adjustments	44.47	38.27	38.79	4.10	(6.47)	(3.58)
Profit brought forward from Previous year (also refer note 6 to Annexure 5)	75.63	37.36	(1.43)	(10.03)	(3.56)	0.02
Profit brought forward on Amalgamation (also refer note 7 to Annexure 5)	-	-	-	0.96	-	-
Deferred Tax Liability as at 01.04.2002	-	-	-	3.55	-	-
	120.10	75.63	37.36	(1.43)	(10.03)	(3.56)
Minority Interest	(0.42)	(0.00)	-	-	-	-

Particulars	Financial Year / Period ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Profit available for appropriation	120.52	75.63	37.36	(1.43)	(10.03)	(3.56)
Appropriations						
Transfer to General reserve	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-
interim Dividend	-	-	-	-	-	-
Tax on Dividend	-	-	-	-	-	-
Total	-	-	-	-	-	-
Balance carried forward to Balance sheet	120.52	75.63	37.36	(1.43)	(10.03)	(3.56)

Annexure 20**NOTES TO CONSOLIDATED RESTATED STATEMENT OF ASSETS AND LIABILITIES AND CONSOLIDATED RESTATED STATEMENT OF PROFIT AND LOSS, AS RESTATED**

1. The consolidated summary restated statements of Assets and Liabilities and Profit and Loss ('consolidated summary statements') include financial statements of Kewal Kiran Clothing Limited (formerly known as Kewal Kiran Clothing Private Limited) ('Parent company') and its Subsidiary Kewal Kiran Retail India Private Limited (KKRIPL) and Kornerstone Retail Private Limited (KRPL).
2. The parent company holds 95.24% of paid-up equity share capital of KKRIPL. The financial results of the company have been consolidated from May 31, 2004 i.e. the date of acquisition of subsidiary by the parent company till August 6, 2005 i.e. the date on which it ceased to be the subsidiary of the company. The loss of Rs. 0.20 million as per AS-21 on sale of investment in subsidiary has been adjusted against Other Income for the half year ended September 30, 2005.
3. KRPL was incorporated on March 22, 2005 and became subsidiary of the company w.e.f. April 10, 2005. The parent company holds 76% of the paid-up equity share capital of KRPL. The financial results of KRPL from the date of incorporation till September 30, 2005 have been consolidated.
4. These consolidated summary statements are prepared solely for the purpose of their inclusion in the offer document, in accordance with the principles and procedures prescribed by Accounting Standard 21 –“Consolidated Financial Statements” ('AS-21') issued by the Institute of Chartered Accountants of India ('ICAI') for the purpose of preparation and presentation of consolidated financial statements.
5. The consolidated summary statements have been extracted by the management based on the restated financial statements of the parent Company (refer Annexure 1 and 2) and its subsidiaries for the respective years.
6. The restated financial statements of the Parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits in full. The amounts shown in respect of accumulated reserves comprise the amount of the relevant reserves as per the Balance Sheet of the Parent Company and its share in the post acquisition increase / decrease in the relevant reserves / accumulated deficit of its subsidiaries.
7. The Consolidated Summary Statements are prepared using uniform accounting policies across the group.

STATEMENT OF TAX BENEFITS

Statement of Possible Tax Benefits Available to the Company and its Shareholders

Please refer to the Auditors Statement of the Tax Benefits set out at page 68 of the Draft Red Herring Prospectus.

STATEMENT OF PROFORMA UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the proforma unaudited consolidated Financial Statements ('pro-forma information') of Kewal Kiran Clothing Limited ('KKCL' or 'the Issuer Company') and its group entities. The pro-forma information has been presented so as to reflect the performance of the Issuer Company along with other entities whose business / substantial assets have been acquired / merged with the issuer company.

PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

(Rs. in Million)

	For the period / year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
INCOME						
Net Sales	425.68	754.96	721.27	559.21	457.89	441.93
EXPENDITURE						
(Increase)/Decrease in stock	(6.67)	14.67	12.19	0.57	(15.03)	23.00
Raw materials	205.03	347.55	344.16	272.78	213.21	253.44
Manufacturing Expenses	28.74	61.91	66.81	43.43	29.66	32.13
Administrative Expenses	17.55	28.52	24.80	27.26	17.23	16.02
Personnel Expenses	41.91	61.69	50.66	41.05	39.62	38.12
Selling Expenses	40.03	100.17	71.83	82.69	79.97	57.80
Insurance Premium for Partnership	0.00	14.05	14.05	14.05	14.05	14.05
EBITDA	99.08	155.75	161.15	78.51	49.12	53.38
Depreciation	7.23	14.96	14.86	14.90	16.91	11.18
EBIT	91.85	140.79	146.29	63.60	32.21	42.20
Other Income	5.60	15.68	28.87	14.15	10.57	9.78
	97.45	156.47	175.16	77.76	42.78	51.98
Interest	4.15	13.06	17.97	4.19	2.03	2.16
EBT	93.30	143.40	157.19	73.57	40.75	49.82
Tax	30.47	45.95	41.47	20.36	7.08	7.97
PAT	62.84	97.46	115.72	53.21	33.67	41.85
Prior period items	4.33	-	-	-	1.68	-
PAT after prior period items	58.50	97.46	115.72	53.21	31.99	41.85
Short / (Excess) provision for tax	-	(0.01)	0.67	-	-	0.02
Initial recognition of deferred tax	-	-	-	(3.55)	-	-
Net profit	58.50	97.47	115.05	56.76	31.99	41.84

PROFORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Rs. in Million)

	As at					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Fixed Assets	201.76	118.65	100.53	92.86	99.66	62.29
Investments	57.91	9.35	58.04	52.65	8.39	8.40
Current Assets, Loans and Advances:						
Inventories	106.28	81.21	62.30	53.17	52.66	54.25
Sundry Debtors	108.30	86.71	103.29	63.46	41.99	24.57
Cash and Bank Balances	46.64	61.81	47.94	28.86	24.57	15.54
Loans and Advances	128.06	133.58	88.28	36.75	26.94	74.17
	389.28	363.31	301.80	182.23	146.16	168.53
Liabilities and Provisions:						
Secured Loans	128.89	109.02	91.45	51.70	10.23	7.92
Unsecured Loans	115.37	97.56	110.01	149.72	55.80	58.47
Current Liabilities & Provisions	209.12	129.08	100.84	56.25	29.99	30.71
Deferred Tax Liability	(0.43)	1.31	0.49	-1.68	0.00	0.00
	452.96	336.97	302.79	255.98	96.02	97.10
Net Worth	195.99	154.34	157.58	71.76	158.19	142.13
Represented by						
1. Share Capital (including partners capital)	75.47	75.83	116.30	68.98	167.25	143.13
2. Reserves (Net of Revaluation Reserves)	121.85	78.52	41.29	2.79	-9.06	-1.00
	197.32	154.34	157.59	71.77	158.19	142.13
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.33	0.00	0.01	0.01	0.00	0.00
Net Worth	195.99	154.34	157.58	71.76	158.19	142.13

NOTES TO PROFORMA CONSOLIDATION FINANCIAL STATEMENTS (UNAUDITED)

1. General:

These notes are prepared for the purpose of meaningful understanding of the Consolidated Financial Statements ('pro-forma information') and do not include all the notes which are statutory forming part of audited accounts of various entities listed below. However, notes that have a bearing on the pro-forma information have been disclosed appropriately.

2. Objective:

The Consolidation of the financial statements of the below mentioned entities is for the limited purpose of presenting the financials of the Apparel business of the group as a whole. The said figures have not been restated for changes in accounting policies or prior period items.

All the below mentioned companies have either been merged or the business / substantial assets have been acquired by Kewal Kiran Clothing Ltd. ('Issuer company') thereby transferring all the apparel business to the issuer company. Accordingly, to get a clear picture of the profitability of the company, it is essential to look at the below mentioned entities as one.

3. The pro-forma information comprises of the following entities for the given year/period:

Entity	Period considered	Particulars
Kewal Kiran Clothing Limited. ['KKCL'] (formerly known as Kewal Kiran Clothing Pvt. Ltd. and earlier known as Kewal Kiran Apparels Pvt. Ltd.)	All years/period	Issuer Company
Kewal Kiran Clothing Pvt. Ltd. ['KKCPL'] (formed from Kewal Kiran & Co. under part IX of Companies Act 1956 w.e.f. 1 st August 2005)	1 st August 2002 to 30 th November 2002.	Got merged with the issuer company with effect from 1 st December 2002.
Keval Kiran & Co. ['KKC']	Year 2000-01, 2001-02, & period 1 st April 2002 to 31 st July 2002.	Registered as KKCPL (subsequently amalgamated with the issuer company) under part IX of the Companies Act, 1956 w.e.f. 1 st August 2002
Kasturchand & Sons ['KAS']	Year 2000-01, 2001-02, & period 1 st April 2002 to 31 st January 2003.	The ongoing business of the partnership firm was acquired by the issuer company with effect from 1 st February 2003.
Kewal Kiran Enterprises ['KKE']	All years / periods	The substantial manufacturing facility of the partnership firm was acquired by the issuer company during the calendar year 2005.

4. Accounting Standard 21 not applicable:

The consolidation of the financial statements does not fall within the ambit of AS-21 (Accounting Standard 21 – Consolidated Financial Statements) as there is no holding-subsidiary relationship nor does one entity control the other. Also, there are no cross holding within the given entities.

5. Inter Company Transactions & Balances:

The inter company transactions and balances have been eliminated.

6. Share Capital and Reserves:

Share Capital includes Partners Capital/ Current Accounts. In case of Partnership firms there are no mandatory reserves and hence the Reserves in pro-forma information represent Reserves of Companies only.

7. Fixed Assets and Depreciation:

The accounting policy for fixed assets and depreciation of the entities as listed above are different as stated below:

a) Depreciation policy:

In case of company depreciation is provided at rates prescribed under Schedule XIV of the Companies Act, 1956 and in case of Partnership firms depreciation is provided at the rates prescribed under the Income Tax Act.

b) Disposal of Assets:

In case of Company on disposal of assets the profit/loss on disposal is recognized in Profit & Loss account in line with Accounting Standard 10. While in case of the Partnership firm the sale proceeds are directly reduced from the block of assets as per Income Tax Act.

c) Gross Block:

In case of partnership firm the Gross block and accumulated Depreciation figures are not available and therefore Fixed Assets are disclosed at WDV in the consolidated Balance sheet.

8. Investments & Income from Investments:

Investments other than certain mandatory or strategic Investments are made out of surplus funds. Kewal Kiran Clothing Ltd. (formerly known as Kewal Kiran Clothing Pvt. Ltd.) has acquired only the operating assets of Kasturchand & Sons and Kewal Kiran Enterprises at the time of acquisition of business/assets. Accordingly, the Income from Investments for all the years is not strictly comparable.

9. Accounting for taxation:

Partnership concerns do not provide for Taxation as the entire Advance tax and TDS is debited to the Partners Capital accounts. Similarly, refund is credited to partner's capital account. However, for consistency of disclosure the same has been provided in the P&L account.

10. Gratuity:

All the above listed entities being consolidated accounted gratuity on payment basis. In the year 2004-05 all the entities shifted to accrual basis of accounting for Gratuity and provided gratuity on the basis of actuarial valuation under the LIC policy.

The Gratuity so provided in 2004-05 includes gratuity relating to earlier years of service, which has not been restated for those respective years while consolidating the financial statements of the above listed entities.

FINANCIAL AND OTHER INFORMATION OF GROUP COMPANIES/PARTNERSHIP FIRMS

Our Promoters have promoted the following entities:

Firms

- Kewal Kiran Enterprises
- Kasturchand & Sons
- Karamchand

Companies

- Kewal Kiran Realtors Private Limited
- Kewal Kiran Retail India Private Limited
- Kornerstone Retail Limited

Trusts

- P K Jain Family Holding Trust

1. KEWAL KIRAN RETAIL INDIA PRIVATE LIMITED (KKRIPL)

Kewal Kiran Retail India Private Limited is a company incorporated under the Companies Act. The date of incorporation of KKRIPL is 30th December 2003.

The main object of KKRIPL is to run, render technical advice in constructing, furnishing, running and management of retail business including department stores, direct to home and mail order, internet, email, catalogue for all category of products and services dealing in all kinds of goods, materials and items in all kinds of apparels, fabric, accessories in India and abroad.

KKRIPL has not started any commercial activity since its incorporation.

The Board of Directors of Kewal Kiran Retail India Private Limited as on 31st December, 2005 were :

1. Kewalchand P Jain - Chairman
2. Hemant P Jain - Director
3. Dinesh P Jain - Director
4. Vikas P Jain - Director

On 6th August 2005 Kewal Kiran Clothing Limited, the holding company of Kewal Kiran Retail India Private Limited sold entire 200,000 shares to the Promoters of KKRIPL.

KKRIPL has acquired 1,52,000 shares of Kornerstone Retail Limited constituting 76% shares of Kornerstone Retail Limited from Kewal Kiran Clothing Limited on 20th December, 2005.

Shareholding pattern of Kewal Kiran Retail India Private Limited as on 31st December, 2005.

Shareholders	No. of Shares	% of Holding
Kewalchand P Jain	2,500	1.19
Hemant P Jain	2,500	1.19
Dinesh P Jain	2,500	1.19
Vikas P Jain	2,500	1.19
Kewalchand P Jain j/w Veena K Jain	50,000	23.81
Hemant P Jain j/w Lata H Jain	50,000	23.81
Dinesh P Jain j/w Sangeeta D Jain	50,000	23.81
Vikas P Jain j/w Kesar V Jain	50,000	23.81
TOTAL	210,000	100.00

The brief financial results of **KKRIPL** is as under:

(all figures in millions)

Particulars	For the period 31 st December 2003 to 31 st March 2004	Year ended 31 st March 2005
Total Income	-	0.06
PAT	-	(0.02)
Share Capital	0.10	2.10
Share Application	2.00	-
Net Worth	(0.51)	1.88
EPS (Rs) (Basic)	-	(0.10)
NAV	(51.2)	8.96

2. KEWAL KIRAN REALTORS PRIVATE LIMITED (KKRPL)

Kewal Kiran Realtors Private Limited is a company incorporated under the Companies Act. The date of incorporation of KKRPL is 7th July 2004.

The main object of KKRPL is to carry on business of purchase, sell, develop, take in exchange, or on lease, hire or otherwise acquire, whether for its own use or for investment or sale, or working the same, any real or personal estate including land, mines, business, buildings, factories, mills, houses, flats, cottages, shops, depots, warehouses, mineral rights, concessions, privileges, licenses, easement or interest in or with respect to any property whatsoever including development and other rights in the properties for the purpose of the company in consideration for a gross sum or rent or partly in one way and partly in the other or for any other consideration and to carry on business of acquisition and sale of flats and buildings and to let on lease or otherwise apartments therein and to provide for the conveniences commonly in flats, shops and residential and commercial premises.

KKRPL has entered into a Joint Venture agreement with M/s Karwa Developers for developing a property.

The Board of Directors of Kewal Kiran Realtors Private Limited as on 31st December, 2005 were :

1. Kewalchand P Jain - Chairman
2. Hemant P Jain - Director
3. Dinesh P Jain - Director
4. Vikas P Jain - Director

The shareholding pattern of Kewal Kiran Realtors Private Limited as on 31st December 2005 is as under:

Shareholders	No. of Shares	% of Holding
Kewalchand P Jain	2,500	12.5
Hemant P Jain	2,500	12.5
Vikas P Jain	2,500	12.5
Dinesh P Jain	2,500	12.5
Pukhraj Karamchand Jain HUF	1,000	5
Kewalchand Pukhraj Jain HUF	1,000	5
Hemant Pukhraj Jain HUF	1,000	5
Dinesh Pukhraj Jain HUF	1,000	5
Vikas Pukhraj Jain HUF	1,000	5
Shantaben P Jain	1,000	5

Shareholders	No. of Shares	% of Holding
Veena K Jain	1,000	5
Lata Hemant Jain	1,000	5
Sangeeta Dinesh Jain	1,000	5
Kesar Vikas Jain	1,000	5
TOTAL	20,000	100

The brief financial results of Kewal Kiran Realtors Private Limited is set out as below:

(figures in millions)

Particulars	For the period July 2004 to 31 st March 2005
Total Income	-
PAT	(0.04)
Share Capital	0.20
Net Worth	0.13
EPS (Rs) (Basic)	(3.71)
NAV	6.30

3. KORNERSTONE RETAIL LIMITED (KRL)

KRL was incorporated under the Companies Act on 22nd March 2005.

The main objects of KRL is to carry on the business as exporters, importers, buyers, sellers, super marketers and/or distributors, wholesalers, retailers, traders, dealers, showroom owners, shopkeepers, merchants, stockiest, suppliers, indenters, packers, movers, preservers, hirers, mercantile agents, agents, sub-agents, representatives, commission agents, brokers of all types of consumers products, commodities, products, goods, merchandise, industrial products, domestic household goods, consumer durables, pharmaceutical products, marine products, cosmetics and toiletries, perfumery products, detergents, drugs, electrical and electronic goods, appliances, engineering goods, computer hardware, computer parts, software, components, equipments, apparatus, appliances, plant, machineries, communication equipments, petroleum products, steel, plastic, automobiles, spare parts, leather, rubber, rubber products, ornaments, diamonds, jewellery, marble, ferrous and non ferrous metals, chemicals, minerals, textiles, silk, yarns, apparels, confectioneries, paper products, tobacco, agricultural products, stationery, office automation equipments, confectionary, food products, frozen foods, dry fruits, soft drinks, jams and jellies, sauces and ketchups, pickles, incense sticks and perfumes, essence and flavours, fertilizers and cements, engineering and scientific instruments or apparatus and all other types of general goods, consumables, materials, accessories, commodities and equipments or any other general merchandise and commodities of any nature or kind whatsoever on ready or forward basis. No money circulating business will be carried out by the company

KRL commenced its operations from April 2005.

KRL has taken a term loan from Citibank and entered into Leave License agreement with Kewal Kiran Clothing Ltd for another supermarket in Mumbai.

The Board of Directors of Kornerstone Retail Limited as on 30th September 2005 comprises of

1. Kewalchand P Jain - Director
2. Hemant P Jain - Director
3. Dinesh P Jain - Director
4. Vikas P Jain - Director
5. Ashok Srichand Ahuja - Whole-time Director

Kewal Kiran Clothing Ltd became the holding company of KRL by acquiring 1,52,000 Equity Shares (76% of the share capital) on 10th April 2005. These shares were sold by Kewal Kiran Clothing Ltd to Kewal Kiran Retail India Private limited on 20th December, 2005 and thus KRL ceases to be the subsidiary of the Issuer Company.

The shareholding pattern of Kornerstone Retail Limited as on 31st December 2005 is as under:

Shareholders	No. of Shares	% of Holding
Ashok Srichand Ahuja	24,000	12%
Renu Ashok Ahuja	24,000	12%
Kewal Kiran Retail India Private Limited	151,600	75.80%
Kewalchand P Jain with Kewal Kiran Retail India Private Limited	100	0.05%
Hemant P Jain with Kewal Kiran Retail India Private Limited	100	0.05%
Dinesh P Jain with Kewal Kiran Retail India Private Limited	100	0.05%
Vikas P Jain with Kewal Kiran Retail India Private Limited	100	0.05%
Total	200,000	100%

4. M/s KEWAL KIRAN ENTERPRISES

M/s Kewal Kiran Enterprises is a partnership firm formed on 22nd January, 1993.

The main objects of the firm is to carry on the business of manufacture, trading in ready-made apparels and any other business as the partners may mutually decide

The firm has stopped manufacturing activities from 1st April 2005. The firm has sold its Vapi (Gujarat) unit and most plant & machinery of its Daman (Union Territory) unit to Kewal Kiran Clothing Limited. For further details, refer related party transaction appearing on page 148 of this Draft Red Herring Prospectus.

The profit sharing ratio of the partners of Kewal Kiran Enterprises as on 31st December 2005 is set out as below:

Name of the Partner	Profit & Loss Sharing ratio
Kewalchand P Jain	25%
Hemant P Jain	25%
Dinesh P Jain	25%
Vikas P Jain	25%
Total	100%

The brief financial results of the firm is set out as below.

(figures in millions)

Particulars	Year ended 31 st March 2003	Year ended 31 st March 2004	Year ended 31 st March 2005	Half Year ended 30 th September 2005
Partners Capital	61.69	108.80	71.16	65.47
Fixed Assets	23.80	27.37	23.35	6.26
Total Income	465.12	582.30	581.00	90.54
Profit after Tax	27.94	76.82	60.66	15.17

The Company in previous year and in the current year has entered into transactions for purchase of Assets and raw material with Kewal Kiran Enterprises for which prior approval of Central Government u/s 297 of the Companies Act inadvertently was not obtained. The Company's application under Section 621A of the Act is pending with the Regional Director, Department of Company Affairs.

5. M/s KARAMCHAND

M/s Karamchand is a partnership firm formed on December 15, 1986.

The main objects of the firm is to carry on the business of manufacture, trading in ready-made apparels on whole sale and semi-whole sale and retail basis and any other business as the partners may mutually decide.

The Firm has stopped operation since 1st April, 2005.

The profit sharing ratio of the partners of Karamchand as on 31st December, 2005 is set out as below.

Name of the Partner	Profit & Loss Sharing ratio
Dinesh P Jain	50%
Vikas P Jain	50%
Total	100%

The brief financial results of the firm is set out as below.

Particulars	(figures in millions)		
	Year ended 31 st March 2003	Year ended 31 st March 2004	Year ended 31 st March 2005
Partners Capital	2.43	32.99	2.38
Fixed Assets	0.02	0.01	0.01
Total Income	0.26	3.81	62.65
Net Profit after Tax	(0.17)	0.51	1.04

6. M/s KASTURCHAND & SONS

M/s Kasturchand & Sons is a partnership firm formed on 5th November, 1997.

The main objects of the firm is to carry on the business of manufacture, trading in ready-made apparels on whole sale and semi-whole sale and retail basis and any other business as the partners may mutually decide.

The firm had sold its manufacturing unit to Kewal Kiran Apparels Private Ltd. w.e.f. 1st February, 2003.

Name of the Partner	Profit & Loss Sharing ratio
Dinesh P Jain	19%
Vikas P Jain	19%
Kewalchand P Jain HUF	5%
Hemant P Jain HUF	5%
Shantaben P Jain	20%
Veena K Jain	8%
Lata Hemant Jain	8%

Sangeeta Dinesh Jain	8%
Kesar Vikas Jain	8%
Total	100%

Details of partners and their profit sharing ratio

Brief financial results of the firm is set out as below

(figures in millions)

Particulars	Year ended 31 st March 2003	Year ended 31 st March 2004	Year ended 31 st March 2005
Partners Capital	1.95	1.68	1.94
Fixed Assets	-	-	-
Total Income	93.68	0.16	0.13
Net Profit after Tax	15.77	0.04	0.07

7. P K JAIN FAMILY HOLDING TRUST

P K Jain Family Holding Trust is an unregistered family trust created on 31st December 2005 for the benefit of the relatives and family members of the Promoters. The trustees of the P K Jain Family Holding Trust are: (1) Mrs. Shantaben P Jain, (2) Mr. Kewalchand P Jain (3) Mr. Hemant P Jain, (4) Mr. Dinesh P Jain and (5) Mr. Vikas P Jain.

Creation of the P K Jain Family Holding Trust has been conceptualized by the Promoters keeping in mind the long-term benefit of the Company. The endeavour of the Promoters is to create a professional management and to distance ownership from the management of the Company. The Promoters also desire that the value and operations of the Company are not affected by any differences between the family members and successors of the Promoters.

On 8th January 2006, the Promoters and the Promoter Group have gifted 6,153,000 Equity Shares, constituting 49.92% of the post-issue paid-up capital of the Company, to the following trustees of the P K Jain Family Holding Trust:

Trustee	No. of Shares	% of Pre-Issue paid up capital	% of Post- Issue paid up capital
Mrs. Shantaben P Jain jointly with Mr. Kewalchand P Jain jointly with Mr. Hemant P Jain	6,153,000	66.70%	49.92%

DETAILS OF COMPANIES/FIRMS FROM WHICH PROMOTERS HAVE DISASSOCIATED

During last three years, our promoters have not disassociated themselves from any company/partnership firm.

DETAILS OF GROUP COMPANIES WHOSE NAMES HAVE BEEN STRUCK OFF FROM ROCs

None of the companies promoted by our Promoters has been struck off as a defunct company by any ROC in India. There are no sick companies promoted by our Promoters. There are no BIFR proceedings against any company promoted by our Promoters.

COMMON PURSUITS

Except as set out below, we do not have any common pursuits, conflict of interest (including related party transactions within the aforesaid Promoter Groups), the significance of these transactions on the financial performance of the companies and no sales or purchase exceeding 10% of the total sales or purchase of goods,

materials or services, including material items of income/expenditure arising out of transactions in the Promoter Group.

Our Promoters are the partners of Kewal Kiran Enterprises, a partnership firm, which engages in apparel manufacturing. Kewal Kiran Enterprises earlier performed job-work for the Company. The business of Kewal Kiran Enterprises is now dormant, and its substantial assets have been sold to the Company. However, in the future, it is possible that Kewal Kiran Enterprises or any other entity owned by the Promoters or the Promoter Group could engage in apparel manufacturing or other business that may conflict with the interests of the Company.

CHANGES IN THE ACCOUNTING POLICIES IN THE LAST THREE YEARS

Please refer to Annexure 5 of the Auditors' Report dated 3rd December 2005 on page 131 of this Draft Red Herring Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS (AS PER INDIAN GAAP)

You should read the following discussion on financial conditions and results of operations together with audited unconsolidated financial statements (as restated) for the years ended 31st March 2003, 31st March 2004 and 31st March 2005 under Indian GAAP including schedules, annexure and notes thereto and reports thereon, which appear elsewhere in this Letter of Offer.

The following discussion of our financial condition and results of operations should be read in conjunction with our unconsolidated financial statements, including the notes thereto, included elsewhere in this Draft Red Herring Prospectus. Our consolidated financial statements were prepared in accordance with Indian GAAP, which differ in certain material respects from US GAAP.

Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our fiscal year ended March 31, 2002, 2003, 2004, 2005 and September 30, 2005 of such year. In this section, any reference to "we", "us" or "our" refers to Kewal Kiran Clothing Limited on a consolidated basis.

OVERVIEW OF OUR BUSINESS

We are one of India's leading manufacturers and marketers of branded apparels in the men's segment. We are in the business of designing, manufacturing, branding and selling of ready-made apparels and other accessories under our various brands. We have positioned our brands differently; depending on the segment we target. Our brands range from the high fashion premium segment such as 'Killer' for denim wear and 'Easies' for casual wear to the middle and economy segments through brands such as 'Lawman' and 'Integriti'. The product line includes Jeans, Denim Shirts, Cotton Trousers, Cotton Shirts, Non-Cotton Shirts, Non-Cotton Trousers, Jackets, Knitted T-Shirts and Accessories like bags, belts, caps, etc.

Our Promoters have been associated with the apparel manufacturing business since 1980. Originally, two of our Promoters, Mr. Kewalchand P. Jain and Mr. Hemant P. Jain entered into apparel manufacturing business through a partnership firm called M/s. Kewal Kiran & Co. Mr. Dinesh P. Jain and Mr. Vikas P. Jain were subsequently taken as partners in M/s. Kewal Kiran & Co. in 1994. Over a period of time, Kewal Kiran group comprised of various companies and firms. It was long felt need of the promoters to consolidate the business under single corporate umbrella to achieve the benefits of consolidation of marketing and manufacturing operations. Hence, the restructuring started with the conversion of the partnership firm, M/s. Kewal Kiran & Co. into a private limited company under Chapter IX of the Companies Act on 1st April 2000. This private limited company was called Kewal Kiran Clothing Private Limited. In January 1992, our Promoters incorporated another private limited company called Kewal Kiran Apparels Private Limited, which was also engaged in apparel manufacturing. Kewal Kiran Clothing Private Limited was merged into Kewal Kiran Apparels Private Limited with effect from 1st December 2002. To leverage the goodwill of their past business, the name of Kewal Kiran Apparels Private Limited was changed to Kewal Kiran Clothing Private Limited on 17th October 2003. On 1st April, 2005 Kewal Kiran Clothing Private Limited acquired washing unit of Kewal Kiran Enterprises located at Vapi. On 2nd November 2005, Kewal Kiran Clothing Private Limited was converted into a public company and changed its name to Kewal Kiran Clothing Limited. Now we are an integrated apparel manufacturer with capability of designing, the manufacturing process encompassing cutting, body stitching, washing and ironing & finishing and marketing of branded men's wear apparel. We have 4 units with a total annual capacity of 2 million pieces.

A major portion of apparel apparels is manufactured at our in-house plants at Dadar(Mumbai), Goregoan (Mumbai) , Vapi and at Daman. Our distribution channel comprises of a mix of our own stores (K-Lounge) and a network of National Chain Stores and Multi Brand Outlets (MBO). We are looking to further our presence in the growing Indian markets by rolling out our own exclusive stores and through our presence in various department store chains.

Our consolidated restated revenues for the year ended March 31, 2005 was Rs 268.42 mn as compared to Rs. 253.90 mn for the year ended March 31, 2004. Our consolidated restated profit after tax was Rs. 38.27 mn for the year ended March 31, 2005 as compared to Rs. 38.79 mn for the year ended March 31, 2004. We have registered a growth of 5.72 % on our revenues*

We have recently been awarded the CNBC TV 18 and ICICI Bank “Emerging India Award” for the Best SME Company in the Textiles and Apparel Category (2005).

Several factors have affected our results of operations, financial condition and cash flow significantly over the past few years. These factors include:

- Advent of new retail destinations like malls and entertainment centres
- Removal of woven garment manufacturing from SSI reservation list under Industries (Development and Regulation) Act, 1947
- Increase in disposable incomes
- Overall increase in demand for our products
- Introduction of the new product categories like Knitwear, outerwear, accessories etc.
- Expansion of operations by National Chain Stores
- Introduction of our own retail concept stores “K Lounge”

These factors and further future developments may affect our results of operations, financial condition and cash flow in future. We believe that the following future developments may affect our future results of operations, financial condition and the cash flow:

- Expansion of our retail store concept “K Lounge”
- Launch of product categories like Men’s Formal apparels, Accessories, women’s formal and casual wear, Kids wear
- Introduction of more brands in the existing and new categories
- Expansion of retail reach due to expansion by National Chain Stores
- Capturing Inorganic growth opportunities
- Export to new markets
- Change in the rentals for retail premises
- Change in Labour Cost
- Change in Interest rates
- Change in Tax rates or exemption status under sales tax laws
- Labour Union or other activities
- Change in Labour laws

OUR SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements in accordance with generally accepted accounting principles in India, the applicable accounting standards issued by the ICAI and the relevant provisions of the Companies Act, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in the auditor's report appearing elsewhere in this Draft Red Herring Prospectus.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our “critical accounting policies”.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention.

BASIS OF ACCOUNTING:

The Accounts have been prepared on accrual basis and under the historical cost convention, unless otherwise stated in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

FIXED ASSETS:

Fixed assets are stated at cost less depreciation and/or at recoverable value in case of impairment, if any. The cost of fixed assets includes interest on borrowing attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date.

Capital works in progress are carried at cost comprising direct cost, related incidental expenses and attributable interest.

DEPRECIATION/AMORTISATION:

Depreciation on fixed assets other than software is provided on written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956. Software is amortized over a period of three years on straight-line basis.

IMPAIRMENT:

Impairment loss is recognized whenever the carrying amount of the asset is in excess of its recoverable amount and the same is recognized as expenses in the statement of profit and loss and the carrying amount of the asset is reduced to its recoverable amount.

INVENTORY VALUATION:

- Raw material, packing material and consumables are valued at cost
- Work-in-process and finished products are valued at lower of cost and net realizable value
- Unserviceable/damaged finished goods are valued at net realizable value.
- Cost is ascertained on specific identification method and includes appropriate production overheads in case of work-in-process and finished goods.

REVENUE RECOGNITION:

- Income are recognized when significant risks and rewards of ownership of the goods have passed to the buyer that coincides with delivery and are recorded net of trade discounts, rebates, and excise duties. Income do not include inter divisional transfers.
- Sale of service is recognized after rendering of services.
- Export incentives under the Duty Drawback Scheme are recognized on accrual basis in the year of export.
- Interest income is recognized on accrual basis and Dividend income is accounted for when the right to receive payment is established.

OPERATING LEASE:

- Lease arrangements where risks and rewards incident to ownership of an asset substantially vests with the lessor are classified as operating lease.
- Rental income and expense on assets given or obtained under operating lease arrangements are recognized on a straight-line basis over the term of relevant lease.

ADJUSTMENTS

Rs. million

Particulars	For the year ended					
	30 th September 2005	31 st March 2005	31 st March 2004	31 st March 2003	31 st March 2002	31 st March 2001
Prior period Items:						
Impact of change in depreciation policy in 2001-02 (see note 1 below)	-	-	-	-	(1.68)	1.13
Impact of change in depreciation policy in 2005-06 (see note 2 below)	(4.33)	0.25	0.28	0.30	-	-
	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Changes in Accounting Policy:						
Impact of provision for Gratuity (see note 3 below)	-	(1.83)	0.42	0.36	-	-
Impact of Restatement of Investments (see note 4 below)	-	-	(0.42)	0.07	0.09	0.26
		(1.83)	-	0.42	0.09	0.26
Excess / (short) provision for tax relating to earlier years	-	0.01	(0.62)	(0.01)	-	0.60
Impact of above mentioned changes on Deferred Tax (see note 5 below)	1.46	0.51	0.05	(0.22)	-	-
Total	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99

NOTES TO ADJUSTMENTS

- Up to financial year ended March 31, 2001 the company was not providing depreciation on any of the fixed assets except computers. From year ended March 31, 2002 onwards the company started providing depreciation on all its fixed assets. Consequently, the company provided depreciation on fixed assets with retrospective effect for earlier years and the same was disclosed under the head "Prior Period Expenses" in the Profit & Loss Account for the year ended March 31, 2002. The effect for the same has been restated above.
- A property acquired by the erstwhile firm Keval Kiran & Company was shown as an investment (at cost) in Balance Sheet of the said firm. The company acquired the same at the time of merger and continued to show the same as Investment (at cost). The said property has been regrouped under fixed assets in the financial statements for the period ended September 30, 2005 and depreciated on a retrospective basis from the year of purchase by the erstwhile firm Keval Kiran & Company. The depreciation relating to earlier years was disclosed as a prior period expense in the Profit & Loss Account for the year ended September 30, 2005. The effect for the same has been restated above.
- Up to year ended March 31, 2004 the company had not provided for gratuity liability towards its employees. Subsequently, in financial statements for the year ended March 31, 2005 the company has provided for gratuity liability towards its employees on the basis of actuarial valuation. The said gratuity liability has been restated above on a reasonable basis.
- The company valued its short term investments at cost instead of lower of cost or market value as prescribed in AS-13, Accounting for Investments. Accordingly, the same has been restated above in line with requirements of AS-13, Accounting for Investments.
- Deferred tax has been restated to give effect of the above mentioned restatements.
- Adjustments to the tune of Rs.0.57 million relating to years prior to year ended March 31, 2001 have been reduced from the opening Profit brought forward for year ended March 31, 2001.
- Adjustments of Rs.2.75 million relating to business of the amalgamated entity have been reduced from the Profit & Loss account balance brought forward at the time of amalgamation.

BUSINESS PERFORMANCE

Revenue Recognition

Our income is derived primarily from sale of apparel from our own exclusive retail outlets “K Lounge” and through MBOs, National Chain Stores or retailers. Income are recognized when significant risks and rewards of ownership of the goods have passed to the buyer that coincides with delivery and are recorded net of trade discounts, rebates, and excise duties. Income do not include inter divisional transfers. Export incentives under the Duty Drawback Scheme are also recognized on accrual basis in the year of export.

We also derive other income, which may be recurring or non-recurring. For details, please see “Annexure 10 to our Restated Financial Statements” beginning on page 140 of the Draft Red Herring Prospectus.

The following table sets forth, for the periods indicated, our total revenues by our company.

Rs. Million

Particulars	Financial Year / Period ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Income						
(Including Export Incentives)	346.40	262.66	225.27	36.84	0.24	0.04
Other Income	1.30	5.91	16.63	2.08	0.47	(0.06)
Increase / (decrease) in stock	38.85	(0.20)	11.99	2.17	-	(0.01)
Total Income	386.56	268.37	253.90	41.09	0.71	(0.03)

The details of income for the year ended September 30, 2005 from our various operating arrangements of our existing own retail stores are as follows:

Company Owned, Company Operated (0)	Company Leased, Franchisee Operated (3)	Franchisee Leased/Owned, Franchisee Operated (17)	Total (20)
Nil	Rs. 5.92 million	Rs. 21.85 million	Rs.27.77 million

The Sales through supply to various MBO's and National Chain Stores for the period ended September 30, 2005 stands at Rs. 280.89 million. The exports for the same period stood at Rs. 29.42 million.

Our total income has grown from Rs. 0.71 million in FY 2002 to Rs 268.37 million till FY 2005. As on September 30, 2005, our income is Rs 386.56 million. Our total income for the fiscal 2003, 2004 and 2005 is Rs 41.09 million, Rs. 253.90 million and Rs 268.37 million respectively. Our total income has grown by 5.6 % in FY 05 as compared to FY 04.

There is steady growth in sales due to increased demand for the products of the company And introduction of new product category i.e. Knitted Top Wear in our brand “KILLER”. Opening of our own retail chain called K Lounge has also contributed to the growth in Sales.

At present we derive a significant portion of our revenues from supplying and selling our apparels through various Multi Brand Outlets, National Chain Stores and retail stores across India. In the six months period ended 30th September 2005, our top ten customers contribute to about 36.88% of our sales. We expect that the percentage sales through our National Chain Stores and our retail stores, as proportion to our total sales, is likely to grow in the future.

In order to consolidate its apparel business under one Issuer Company and the other promoter group

entities have either been merged or the business / substantial assets have been acquired by Kewal Kiran Clothing Ltd. ('Issuer Company'). Pursuant to the merger and acquisition of business, the financial statements for the year ended March 31, 2003 and subsequent period represent the combined operations of three entities.

Other Income

Rs. Million

Particulars	Financial Period / Year ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Interest on Loans given	0.32	2.22	1.70	0.69	0.12	2.26
Interest on Fixed Deposits	0.95	0.77	0.31	0.34	0.31	0.39
Dividend Income	-	-	1.10	0.03	0.03	0.03
Service charges for laboratory usage	-	-	-	0.48	-	-
Profit on Sale of Assets	-	-	0.20	-	-	-
Profit on sale of Investments	-	2.86	0.46	0.99	-	-
Income from Share Trading	-	-	12.69	(0.55)	-	(2.74)
Others	0.03	0.06	0.17	0.09	0.02	-
Total	1.30	5.91	16.63	2.08	0.47	(0.06)

Our other income has decreased from Rs. 16.63 million in 2004 to Rs 5.91 million in FY 2005. This shows that our growth in income is due to operating income rather than non-operating income. Our other income is Rs. 1.30 million, as on September 30, 2005.

Expenditure

Our principal expenditures are (1) Production Expenses - Cost of Materials and other manufacturing expenses, (2) Employees Cost (3) Operating and Administrative Expenses and (4) Selling and Distribution Expenses.

Production Expenses

Our production expenses primarily consist of cost of materials and other manufacturing expenses. Our cost of materials primarily consists of purchase of fabric...Our other manufacturing expenses primarily includes electricity expenses, labour production expenses, factory exp, fuel & water expenses and repairs to machinery expenses...

Employee Cost

Our employee costs primarily consists of wages and salaries

Operating and other Administrative Expenses

Our operating and other administrative expenses primarily includes rent ,rates and taxes, legal and professional fees, postage expenses, staff welfare expenses and general office expenses.

Selling and Distribution Expenses

Our selling and distribution expenses primarily includes advertising & publicity expenses and sales and promotion expenses.

Particulars	Financial Period / Year ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Expenditure						
Cost of Materials	191.47	81.55	81.91	9.22	-	-
Employees Cost	41.11	46.48	36.36	10.04	-	-
Other Manufacturing Expenses	26.50	28.74	27.25	3.41	0.06	0.16
Operating and Administrative Expenses	16.44	16.34	14.19	3.83	1.60	1.32
Selling and Distribution Expenses	30.50	27.19	16.54	1.76	-	-
Total	306.02	200.3	176.25	28.26	1.66	1.48

Our cost of raw materials for the quarter ended September 30, 2005 is Rs. 191.47 mn . The cost of raw material as a proportion to total income as on September 30, 2005 is 49.53%. Our raw material cost for the fiscal 2003, 2004 and 2005 was Rs 9.22 million, Rs 81.91 million and Rs 81.55 million. Raw material cost is 30.39 % of total income in FY 2005 and 32.26 % of total income in FY 2004. Our raw material expense proportionate to total income has decreased in fiscal year 2005 compare to 2004 because of decreased consumption of fabric due to change in production pattern, introduction of Knit Wear Apparels and cost efficient purchase of raw material.

Our employee cost for the quarter ended September 30, 2005 is Rs. 41.11 mn . Our employees cost for the fiscal 2003, 2004 and 2005 was Rs 10.04 million, Rs 36.36 million and Rs 46.48 million. The employee cost as a proportion to total income on September 30, 2005 is 10.63 %. The employee cost as a proportion to percentage of total income for FY 2003, 2004 and 2005 is 24.43 %, 14.32 % and 17.32 %. Our employee expenses as compare to total income has increased in FY 2005 compare to FY 2004 because we have recruited talented professionals in view of our expansion plans.

Our other manufacturing expenses for the quarter ended September 30, 2005 is Rs. 26.50 mn . Our other manufacturing expenses for the fiscal year 2003, 2004 and 2005 has been Rs 3.41 million, Rs 27.25 million and Rs 28.74 million. Our other manufacturing expense as a proportion to total income on September 30, 2005 is 6.86 %. Our other manufacturing cost as a proportion to total income in FY 2003, 2004 and 2005 is 8.30 %, 10.73 % and 10.71 %.

Our operating and administrative expense for the quarter ended September 30, 2005 is Rs. 16.44 mn. Our operating and administrative expenses for the fiscal 2003, 2004 and 2005 were Rs 3.83 million, Rs 14.19 million and Rs 16.34 million. Our operating and administrative expense as a proportion to total income is 4.25 % as on September 30, 2005. The operating and administrative expenses as a proportion to total income for fiscal year 2003, 2004 and 2005 is 9.32 %, 5.59 % and 6.09 %. Our operating and administrative expenses as compare to total income has increased in FY 2005 compare to FY 2004 because of increase in payment of Rent for the Three K Lounge premises leased by us There was substantial reduction in Repairs & Maintenance expenses due to increased preventive measures in FY 2004.

Our selling and distribution expense for the quarter ended September 30, 2005 is Rs. 30.50 mn. Our selling and distribution expenses for the fiscal 2003, 2004 and 2005 were Rs 1.76 million, Rs 16.54 million and Rs 27.19 million. Our selling and distribution expenses proportion to total income is 7.89 % as on September 30, 2005. The selling and distribution expenses proportion to income for fiscal year 2003, 2004 and 2005 is 4.28 %, 6.51 % and 10.13 %. Our selling and distribution expenses compare to total income has increased significantly in FY 2005 compare to FY 2004 because of increased spend on advertisement, travelling related to sales and sales promotion activities.

Earnings before Interest, Taxes and Depreciation and prior period items

Particulars	Financial Period / Year ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
EBIDTA before Prior Period Item	80.54	68.07	77.65	12.83	(0.95)	(1.51)
Interest Expense	3.27	8.72	14.61	0.01	-	0.06
Depreciation	6.75	10.57	9.50	5.97	5.44	0.01
Profit/(Loss) before Tax and Prior Period Item	70.53	48.79	53.54	6.84	(6.38)	(1.58)
Prior Period expenses	4.33	-	-	-	1.68	-
Profit/(Loss) before Tax	66.20	48.79	53.54	6.84	(8.06)	(1.58)
Provision for taxation						
Current taxes	24.30	10.75	12.25	0.38	-	-
Deferred taxes	(1.73)	0.82	2.17	1.87	-	-
Fringe Benefit Tax	0.30	-	-	-	-	-
Earlier Year	-	(0.01)	0.62	(0.00)	-	0.02
Total	22.87	11.56	15.04	2.24	-	0.02
Profit/(Loss) for the year (A)	43.33	37.23	38.50	4.60	(8.06)	(1.60)

Our Earnings before Interest, Taxes, Depreciation (EBITDA) before adjustment of prior period item as on September 30, 2005 is Rs 80.54 million. Our EBIDTA before adjustment of prior period items for the fiscal year 2003, 2004 and 2005 were Rs. 12.83 million, Rs. 77.65 million and 68.07 million respectively. Our EBIDTA before adjustment for prior period item as a proportion to total income is 20.84 % as on September 30, 2005. The EBIDTA margin percentage of total income for fiscal year 2003, 2004 and 2005 is 31.22 %, 30.58 % and 25.36 %. Our margin are decreasing because change in production mix, increased production, increase in selling & distribution expenses and operating and administrative expenses.

Financing Cost

Our financing charge for September 30, 2005 is Rs 3.27 million. Our interest expense for fiscal year 2003, 2004 and 2005 is Rs 0.01 million, Rs. 14.61 million and Rs. 8.72 million. The financing cost as a proportion to total income is 0.85 % as on September 30, 2005. The financing cost as a proportion to total income for the fiscal year 2003, 2004 and 2005 is 0.02 %, 5.75 % and 3.25 %. Our financing cost compare to total income has decreased in fiscal 2005 compare to fiscal 2004 because the company has repaid unsecured loans from Directors and their relatives from the surplus cash flow. Our average cost of finance has gone down because of access to low cost funding from the banks.

Profit Before Tax

Our profit before tax as on September 30, 2005 is Rs 66.20 million. Our profit before tax for fiscal 2003, fiscal 2004 and fiscal 2005 was Rs. 6.84 million, Rs. 53.54 million and Rs. 48.79 million, respectively. Our profit before tax as a proportion to total income is 17.13 % as on September 30, 2005. The profit before tax as a proportion to total income for fiscal year 2003, 2004 and 2005 is 16.65 %, 21.09 % and 18.18 %. The decreasing trend in profit before tax compare to total income in fiscal 2005 compare to fiscal 2004 is due to increase in selling & distribution expenses and operating and administrative expenses.

Taxes

Income Taxes are accounted for in accordance with [AS – 22 issued by the ICAI on “Accounting for Taxes on Income”]. Taxes comprise both current and deferred taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax Act 1961.

Deferred tax arises from the timing difference between book profit and taxable profits that originate in one period and is capable of reversal in one or more subsequent periods and is measured using the tax rates and laws that have been enacted or subsequently enacted as on date of financial statements. We provide for deferred tax liability on such timing differences subject to prudent considerations in respect of deferred tax assets. The significant timing differences include the difference in depreciation as per books of accounts and Income Tax Act 1961, inadmissibility of provisions for guarantees and warranties under Income Tax Act 1961, and benefits available under 80IB of the Income Tax Act 1961.

Profit After Tax as per Audited Statement of Account

Our profit after tax as on September 30, 2005 is Rs. 43.33 million. Our profit after tax for fiscal 2003, 2004 and fiscal 2005 was Rs. 4.6 million, Rs. 38.50 million and Rs.37.23 million, respectively. Our PAT as a proportion to total income as on September 30, 2005 is 11.21 %. Our profit after tax as a proportion to total income for fiscal year 2003, 2004 and 2005 is 11.19 %, 15.16 % and 13.87 %. Our margin compare to total income is showing decreasing trend because of decrease in profit before tax.

Restated / Adjusted Profit

(Amounts in Rs. million)

Particulars	Financial Period / Year ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
ADJUSTMENTS:						
Prior Period Items	(4.33)	0.25	0.28	0.30	(1.68)	1.13
Excess / (short) provision of Income Tax relating to earlier year provisions	-	0.01	(0.62)	(0.01)	-	0.60
Changes in Accounting policies	-	(1.83)	0.00	0.42	0.09	0.26
Deferred Tax Adjustment	1.46	0.51	0.05	(0.22)	-	-
Total of adjustments	(2.87)	(1.05)	(0.29)	0.50	(1.59)	1.99
Net Profit after adjustments	46.21	38.28	38.79	4.10	(6.47)	(3.58)

Our restated / adjusted profit for September 30, 2005 is Rs. 46.21 million. Our Restated / Adjusted Profit for fiscal 2003, fiscal 2004 and fiscal 2005 was Rs. 4.10 million, Rs. 38.79 million and Rs. 38.28 million, respectively Adjustments has been done primarily because of tax adjustment, change in accounting policies and prior period items.

Results of Operations

Our summary restated statement of profits and losses and as a percent of total income is presented below:

Particulars	Financial Year / Period ended			
	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03
Income				
Sales (Including Export Incentives)	346.4	262.66	225.27	36.84
Ch yoy	31.88%	16.60%	511.48%	15250.00%
Other Income	1.3	5.91	16.63	2.08
% of total income	0.34%	2.20%	6.55%	5.06%
Ch yoy	-78.00%	-64.46%	699.52%	342.55%
Increase / (decrease) in stock	38.85	-0.2	11.99	2.17
Total Income	386.56	268.37	253.9	41.09
Ch yoy	44.04%	5.70%	517.91%	5687.32%
Expenditure				
Cost of Materials	191.47	81.55	81.91	9.22
% of total income	49.53%	30.39%	32.26%	22.44%
Ch yoy	134.79%	-0.44%	788.39%	
Employees Cost	41.11	46.48	36.36	10.04
% of total income	10.63%	17.32%	14.32%	24.43%
Ch yoy	-11.55%	27.83%	262.15%	
Other Manufacturing Expenses	26.5	28.74	27.25	3.41
% of total income	6.86%	10.71%	10.73%	8.30%
Ch yoy	-7.79%	5.47%	699.12%	5583.33%
Operating and Administrative Expenses	16.44	16.34	14.19	3.83
% of total income	4.25%	6.09%	5.59%	9.32%
Ch yoy	0.61%	15.15%	270.50%	139.38%
Selling and Distribution Expenses	30.5	27.19	16.54	1.76
% of total income	7.89%	10.13%	6.51%	4.28%
Ch yoy	12.17%	64.39%	839.77%	
Operating Expenses	306.02	200.3	176.25	28.26
% of total income	79.16%	74.64%	69.42%	68.78%
Ch yoy	52.78%	13.65%	523.67%	1602.41%
Operating Profit	79.23	62.16	61.01	10.75
% of total income	20.50%	23.16%	24.03%	26.16%
Ch yoy	27.46%	1.88%	467.53%	-857.04%
PBIDT before Prior Period Item	80.54	68.07	77.65	12.83
% of total income	20.84%	25.36%	30.58%	31.22%
Ch yoy	18.32%	-12.34%	505.22%	-1450.53%
Interest Expense	3.27	8.72	14.61	0.01
% of total income	0.85%	3.25%	5.75%	0.02%
Ch yoy	-62.50%	-40.31%	146000.00%	

Particulars	Financial Year / Period ended			
	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03
Depreciation	6.75	10.57	9.5	5.97
Profit/(Loss) before Tax and Prior Period Item	70.52	48.78	53.54	6.85
% of total income	18.24%	18.18%	21.09%	16.67%
Ch yoy	44.57%	-8.89%	681.61%	-207.20%
Prior Period expenses	4.33	-	-	-
Profit/(Loss) before Tax	66.2	48.79	53.54	6.84
% of total income	17.13%	18.18%	21.09%	16.65%
Ch yoy	35.68%	-8.87%	682.75%	-184.86%
Provision for taxation				
Current taxes	24.3	10.75	12.25	0.38
Deferred taxes	-1.73	0.82	2.17	1.87
Fringe Benefit Tax	0.3	-	-	-
Earlier Year	-	-0.01	0.62	0
Total	22.87	11.56	15.04	2.24
Profit/(Loss) for the year (A)	43.33	37.23	38.5	4.6
% of total income	11.21%	13.87%	15.16%	11.19%
Ch yoy	16.38%	-3.30%	736.96%	-157.07%
ADJUSTMENTS:				
Prior Period Items	-4.33	0.25	0.28	0.3
Excess / (short) provision of Income Tax relating to earlier year provisions	0	0.01	-0.62	-0.01
Changes in Accounting policies	0	-1.83	0	0.42
Deferred Tax Adjustment	1.46	0.51	0.05	-0.22
Total of adjustments	-2.87	-1.05	-0.29	0.5
Net Profit after adjustments	46.21	38.28	38.79	4.1
% of total income	11.95%	14.26%	15.28%	9.98%
Ch yoy	20.72%	-1.31%	846.10%	-163.37%
Profit brought forward from Previous year	75.64	37.36	-1.43	-10.03
Profit brought forward on Amalgamation (Net of Restatement)	-	-	-	0.96
Deferred Tax Liability as at 01.04.2002				3.55
Profit available for appropriation	121.85	75.64	37.36	-1.43
Appropriations				
Transfer to General reserve	-	-	-	-
Proposed Dividend	-	-	-	-
interim Dividend	-	-	-	-
Tax on Dividend	-	-	-	-
Total	-	-	-	-
Balance carried forward to Balance sheet	121.85	75.64	37.36	-1.43

SIX MONTH PERIOD ENDED SEPTEMBER 30, 2005

Some of the key developments that occurred between March 31, 2005 and six month period ended September 30, 2005 include the following:

- We opened our first self managed K-Lounge store on 14th December 2005 in Mumbai
- We have increased our Paid-up Capital from Rs. 10 mn. to 92.25 mn. For details refer to the section titled "Capital Structure" of this Draft Red Herring Prospectus.
- We have completed the Renovation of existing Approx 5600 sq. ft. Building Shed of Vapi unit and started operations on 1st October 2005.
- We have opened 10 new franchisee managed stores K-Lounge'.
- We have hived-off our subsidiary Kornerstone Retail Limited by selling entire 76% of Shareholding to another group company.

Income: Our total income for September 30, 2005 was Rs 386.56 million.

Other Income: Our other income for September 30, 2005 was Rs 1.30 million.

Prior period Expenses: Prior period expenses for September 30, 2005 were Rs. 4.33 million.

Operating Profit: Our operating profit for September 30, 2005 was Rs 79.23 million.

Operating expenses: Our operating expense for September 30, 2005 was Rs 306.02 million.

Finance cost: Our financing cost for September 30, 2005 was Rs 3.27 million.

Profit before tax: Our profit before tax for September 30, 2005 was Rs 66.20 million.

Our tax deduction for September 30, 2005 was Rs 22.87 million. So, our Net profit after adjustments for September 30, 2005 at Rs 46.21 million.

COMPARISON OF THE YEAR ENDED MARCH 31, 2005 WITH THE YEAR ENDED MARCH 31, 2004

Some of the key developments that occurred between Fiscal 2005 and Fiscal 2004 were as follows:

- Introduction of Knitwear under 'Killer' brand name
- Introduction of K Lounge retail stores

Income: Our total income have increased by 5.70% from Rs. 253.9 million in fiscal 2004 to Rs. 268.37 million primarily reflecting increase in sales.

Other Income: Our other income has decreased by 64.46% from Rs.16.63 million i.e. 6.55 % of total income in fiscal 2004 to Rs.5.91 million i.e. 2.20 % of total income in fiscal 2005, primarily reflecting reduction in income from financial activity.

Operating Profit: Our operating profit has increased by 1.88% from Rs. 61.01 million i.e. 24.03 % of total income in fiscal 2004 to Rs. 62.16 i.e. 23.16 % of total income in fiscal 2005, primarily reflecting reduction in raw material cost.

Operating expenses: Our operating expenses has increased by 13.65% from Rs.176.25 million i.e. 69.42 % of total income in fiscal 2004 to Rs. 200.30 million i.e.74.64 % of total income in fiscal 2005, primarily reflecting

increase in payment of rent for retail activity.

Finance cost: Our financing cost has decreased by 40.31% from Rs.14.61 million i.e. 5.75 % of total income in fiscal 2004 to Rs.8.72 million i.e.3.25 % of total income in fiscal 2005, primarily reflecting decrease in payment of interest on unsecured loans.

Profit before tax: Our profit before tax has decreased by 8.87% from Rs.53.54 million i.e. 21.09 % of total income in fiscal 2004 to Rs.48.79 million i.e. 18.18 % of total income in fiscal 2005, primarily reflecting overall increase in operating expenses.

Taxation: Our tax has decreased by 23.14% from Rs.15.04 million i.e. 6.68 % of total income in fiscal 2004 to Rs.11.56 million i.e. 4.40 % of total income in fiscal 2005, primarily reflecting reduction in profit before tax and marginal reduction in tax rate.

Net profit after adjustments: Our net profit after adjustments decreased by 1.31% from Rs. 38.79 million i.e. 15.20 % of total income in fiscal 2004 to Rs.38.28 million i.e. 14.26 % of total income in fiscal 2005.

COMPARISON OF THE YEAR ENDED MARCH 31, 2004 WITH THE YEAR ENDED MARCH 31, 2003

Some of the key developments that occurred between Fiscal 2004 and Fiscal 2003 were as follows:

- Pursuant to the merger and acquisition of business, the financial statements for year ended March 31, 2003 represent the combined operations of Keval Kiran & Co, Kasturchand and Sons and Kewal Kiran Apparels Private Limited.
- Acquired manufacturing unit from Kasturchand & Sons, group partnership firm at Daman manufacturing bottom wear (i.e. Trousers)

Income: Our total income has increased by 517.91% from Rs.41.09 million in fiscal 2003 to Rs.253.90 million in fiscal 2004, primarily reflecting increase in sales resulting from increased demand and consolidation of business of Keval Kiran & co. and Kasturchand & Sons.

Other Income: Our other income has increased from Rs.16.63 million i.e. 6.55 % of total income in fiscal 2003 to Rs.2.08 million i.e. 5.06 % of total income in fiscal 2004, primarily reflecting increase in income from financial activity.

Operating Profit: Our operating profit has increased from Rs.10.75 million i.e. 26.16 % of total income in fiscal 2003 to Rs.61.01 million i.e. 24.03 % of total income in fiscal 2004, primarily reflecting increase in business activity due to consolidation of business of Keval Kiran & Co. and Kasturchand & Sons with the company.

Operating expenses: Our operating expenses has increased from Rs.28.26 million i.e. 68.78 % of total income in fiscal 2003 to Rs.176.25 million i.e. 69.42 % of total income in fiscal 2004, primarily reflecting increase in business activity due to consolidation of business of Keval Kiran & Co. and Kasturchand & Sons with the company.

Finance cost: Our financing cost has increased from Rs.0.01 million i.e. 0.02 % of total income in fiscal 2003 to Rs.14.61 million i.e. 5.75 % of total income in fiscal 2004, primarily reflecting payment of interest on loans.

Profit before taxation: Our profit before tax has increased from Rs.6.85 million i.e. 16.67 % of total income in fiscal 2003 to Rs.53.54 million i.e. 21.09 % of total income in fiscal 2004, primarily reflecting increase in business activity due to consolidation of business of Keval Kiran & Co. and Kasturchand & Sons with the company.

Taxation: Our tax has increased from Rs.2.24 million i.e. 5.45 % of total income in fiscal 2003 to Rs.15.04 million i.e. 5.92 % of total income in fiscal 2004, primarily reflecting increase in Profit before Tax

Net profit after adjustments: Our net profit after adjustments increased from Rs.4.1 million i.e. 9.98 % of total income in fiscal 2003 to Rs.38.79 million i.e. 15.28 % of total income in fiscal 2004.

LIQUIDITY AND CAPITAL RESOURCES

We operate in working capital intensive industry. We also need capital for capacity expansion of our existing manufacturing unit so that we can maximize our return. Our liquidity requirements relate to servicing our debt, funding investments in new projects, funding our working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. Our funding and investment activities are conducted within corporate policies designed to enhance investment returns while maintaining appropriate liquidity for our requirements.

Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations. Our long-term liquidity requirements include partial funding of our investments in new projects, and repayment of long-term debt under our credit facilities. Sources of funding our long-term liquidity requirements include loan from Standard Chartered bank and equity that we will be raising through this issue.

As at March 31, 2005, we had cash and cash equivalents of Rs.30.55 million. We believe that our cash flow from our operations will be sufficient to fund our anticipated debt service for the next 12 months. To date we have funded our growth principally from internal funds, affiliate loans and bank borrowings. Our principal uses of cash have been, and are expected to continue to be, construction and development costs of our projects.

The following table presents our cash flow data for FY 2003, FY 2004 and FY 2005:

Particulars	Financial Year / Period ended					
	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Net Cash Flow from Operations	(24.06)	13.66	46.21	7.48	(0.38)	(2.98)
Net Cash Flow from Investing	(59.00)	(21.96)	(5.78)	(59.71)	4.85	3.99
Net Cash Flow from Financing	87.10	26.03	(42.85)	63.17	(0.23)	(5.56)
Cash and Cash Equivalents at the end of the period	34.59	30.55	12.82	15.25	4.32	0.07

Figures in Brackets represent cash outflow.

ANTICIPATED EXPENDITURES

Our capital expenditures for FY 05-06, which totalled approximately Rs.104.08 million, respectively, consisted primarily of costs related to opening of K Lounge, expansion of existing manufacturing facilities and to build our corporate office. We expect our future capital expenditures to consist principally of our commitment to opening of many K Lounge stores in various big and small cities, expenditure on land & building, plant and machinery. We anticipate that our capital expenditures in the next [24] months will increase significantly due to our commitment to develop these projects, restricted to objects of the issue

RELATED PARTY TRANSACTIONS

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 148 of this Draft Red Herring Prospectus.

FINANCIAL MARKET RISKS

We are exposed to financial market risks from changes in interest rates and inflation.

INTEREST RATE RISK

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to indebtedness as on March 31, 2005 and for the period ended September 30, 2005 as the interest rate could vary in the near future. Though all our loans are currently linked to respective bank's PLR any rise in interest rates could have our lenders push higher rates of interest on the loans.

EFFECT OF INFLATION

In line with changing inflation rates, we alter our margins to absorb the inflationary impact.

Information required as per Clause 6.8 of SEBI Guidelines**UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS**

Except as stated elsewhere or in the Auditor's report in this Draft Red Herring Prospectus, we are not aware of any unusual or infrequent events or transactions.

KNOWN TRENDS OR UNCERTAINTIES

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

FUTURE RELATIONSHIP BETWEEN COSTS AND INCOME

We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future. Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

TOTAL TURNOVER FOR THE INDUSTRY

Please refer to the discussions in the section titled "Industry" on page 76 of this Draft Red Herring Prospectus.

SEASONALITY

Our business exhibits seasonality due to the bunching up of festivals like Durga Puja, Diwali, Christmas, etc. in the third quarter of our financial year (October-December quarter), in which historically we have reported higher sales. Any substantial decrease in sales for the October-December quarter could have a material adverse effect on our financial condition and results of operations.

NEW PRODUCTS OR BUSINESS SEGMENTS

We propose to pursue our growth strategies by introducing various new products and entering into various business segments as follows:

- Penetrate across different consumer segments and demographics through our brands

Our brands are created to cater to various socio economic classes of the society. We have different brands catering to different consumer segments and demographics. We have different growth strategies for each of our brands. We plan to promote these brands further by opening exclusive brand stores. We also plan to sell eye-wear, watches and casual jewellery under the brand name Killer. We plan to experiment with different styles through our Lawman brand. Through our Integrity brand we plan to

introduce more products to cater to the mass segment.

- Increase our reach through the launch of more K-Lounge outlets

We distribute our products through retailer, distributor and multi brand outlets. We have added one more distribution channel K –Lounge to penetrate the growing demand in the apparel segment. We plan to add 116 more stores across the country to our existing network of 27 stores in 21 cities. This gives us more brand visibility and better reach to our customers with a pan India presence.

- Introduction of more brands

At present we are present in only Men's Casual Wear segment. Considering huge demand for Men's formal wear, women's wear & kids wear we may introduce new brands in that category.

- Enter the women's wear market

Denim and casual garments are extremely popular amongst women also. We will introduce women's denim wear and casual wear in our existing brands also.

SIGNIFICANT DEVELOPMENTS SINCE THE DATE OF LAST AUDITED FINANCIAL STATEMENT THAT MAY AFFECT OUR RESULTS OF OPERATIONS

Our subsidiary "Kornerstone Retail Ltd." ceases to exist as our subsidiary from 20th December, 2005. Our group company Kewal Kiran Retail India Pvt. Ltd has bought 76% stake of "Kornerstone Retail Ltd" from KKCL. The demerger has taken place since there is no synergy in the operation of KKCL and Kornerstone Retail Ltd. Kornerstone Retail Ltd. started it's operation on April 2005. Kewal Kiran Retail India Pvt. Ltd. render technical advice in constructing, furnishing, running and management of retail business including department stores, direct to home and mail order, internet, email, catalogue for all category of products and services dealing in all kinds of goods, materials and items in all kinds of apparels, fabric, accessories in India and abroad.

On 12th October 2005, we issued bonus shares in the ratio 3:1 aggregating to 3,000,000 Equity Shares through capitalization of our general reserves. On 25th October 2005 we made a private placement through issue of 4,760,000 Equity Shares at a price of Rs. 18/- each to the promoter group. On 16th November 2005 we made a preferential issue of 30,000 Equity Shares at a price of Rs 25/- each to the promoter group. On 16th December 2005, we made further preferential issue of 435,000 Equity Shares at a price of Rs. 225/- each to friends of the Promoters and business associates. The issue price, to be determined through the book-building process, may be higher than the prices at which the above-mentioned three private placements of Equity Shares took place.

For further details, please refer to the sub-section titled "Capital Structure" commencing from page 41 of this Draft Red Herring Prospectus.

We opened our first self managed K-Lounge store on 14th December 2005 in Mumbai. We opened 10 new franchisee managed stores K-Lounge. We also completed the renovation of existing approx 5600 sq. ft. building shed of Vapi (Gujarat) unit and started operations on 1st October 2005.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there is no outstanding litigation, suits or civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or alleging criminal or economic offences or tax liabilities against our Company, our Promoters, our Directors, the Promoter Group and other companies/firms promoted by our Promoters that would have a material adverse effect on our business and there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures or fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on our business.

Further, except as set out below, as of the date of filing this Draft Red Herring Prospectus with SEBI, there are no show cause notices/claims served on our Company, our Promoters or our Directors from any statutory authority/revenue authorities that would have a material adverse effect on our business.

In relation to all litigations mentioned herein below, except for the cases filed by our Company under Section 138 of the Negotiable Instruments Act, in case of any adverse ruling, our Company may be liable to pay the amount demanded/ decreed, if any, and amount deposited, if any, by our Company with the concerned authorities in this regard may be liable to be forfeited to the extent of the demand/ decree, if any.

CASES FILED AGAINST OUR COMPANY

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
1.	Central Excise	Show Cause Notice No. V (Ch 54) 3-4/ Dem/04/Addl. dated 16 th March 2004	Excise Department, Daman	A Show Cause Notice was issued by the Commissioner, Central Excise, South Daman Division alleging that the Company had availed transitional deemed credit in respect of their finished product i.e. readymade apparel in contravention of Rule 12 of the Cenvat Credit Rules, 2002 read with section 11A(1) of the Central Excise Act 1944. <u>Status:</u> The hearing was held before Dy. Commissioner of Central Excise Daman on 24th November 2005 and order is awaited.	Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate	3,36,696/- along with interest and penalty

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
2	Central Excise	Show Cause Notice No. V (54) 3-33/SCN/03-04 dated 9 th March 2004	Excise Department, Daman	In the Union Budget 2003, CENVAT Credit Rules were amended to allow credit of Additional Excise Duty (GSI) for payment of Cenvat Duty. Prior to 31st March 2003, utilization of Credit of Additional Excise Duty (AED) was restricted to payment of additional excise duty. A Show Cause Notice was issued to the Company alleging that the Company had wrongly claimed Transitional Credit for Utilisation of AED (GSI) paid on their raw material received by them prior to 1st March 2003 and utilized the same towards payment of Cenvat duty in contravention of Rule 12 of the CENVAT Credit Rules 2002. <u>Status:</u> The hearing was held before Dy. Commissioner of Central Excise Daman on 24th November 2005 and order is awaited.	Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate	66,687/- along with interest and penalty
3,	Weights & Measures	ILM/MALAD/ DIV/PROSE/ 20/419	Inspector of Legal Metrology Vs Kewal Kiran Clothing Pvt. Ltd. & Managing Director & other Directors	The Inspector Legal Metrology on 29th August 2005 sent letter to the Company and its Directors stating that the Company's Assistant Manager had not provided the relevant information regarding the names and addresses of the persons responsible for the manufacturing and threatening to proceed against the Company and its directors under Section 197 of the Indian Penal Code. <u>Status:</u> The Company has filed its reply on 21st November 2005 The Inspector legal metrology has replied to the letter on 23rd November 2005. The Company is yet to file a reply to the above letter.	Inspector of Legal Metrology	Not Quantifiable

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
4.	Labour Dispute	44/2004	Kewal Kiran Clothing Pvt. Ltd. V/S ESIC	Demand in Form C-18 was raised by ESIC against Kewal Kiran & Co. vide Notice no. 31/155511- 19/2681/99 dated 28th April 2004 for recovery of Interest on Contribution from January 1997 to June 1998 for Rs. 39,099/- and notice no. 31/155511-19/2680/99 dated 27th April 2004 for recovery of Interest for Rs. 2,614/- for the period April 1993 to October 1999. Recovery was challenged by the company with ESI Court on the ground that the claim had been raised after the expiry of 5 years from the period to which the claim relates. Amount as per the ESI Inspector observation sheet was paid immediately hence interest is not to be paid by the Company for the delayed period. <u>Status:</u> Stay granted against the demand raised by the Department, The matter stands adjourned to 23rd February 2006	Employees State Insurance Court, Mumbai	Rs. 41,713/-
5.	Labour Dispute	Complaint (ULP) 472/2000	Vishwanath Mehetre Vs Kewal Kiran & Co. and Ors.	A complaint was filed by Vishwanath Mhetre against Kewal Kiran & Co. and its partners for illegal termination of his services and for reinstatement in service with back wages. Company filed a reply denying that Mr. Mhetre's services had been terminated. <u>Status:</u> The case is Pending before Labour Court. Next date for hearing is 12th January 2006.	2nd Labour Court, Mumbai	Not Quantifiable

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
6.	Municipal Corporation	GN/AE B&F/33268 dated 8 th March 2004	Municipal Corporation of Greater Mumbai and Kewal Kiran Clothing Pvt. Ltd.	A notice was issued by the Municipal Corporation in 1995 in respect of the Company's premises situated at Kasturchand Mills, Dadar (Mumbai) for unauthorized construction of wooden planks and beams. The notice action was subsequently dropped under the Corporation's letter dated 19th November 1997. The Corporation in March 2004 once again issued a notice to the Company for unauthorized construction of the planks and beams and for use of power exceeding the sanctioned limit. The Company sent a reply to the Corporation annexing the Corporation's order dated 19th November 1997 and submitting other documents and requesting the Corporation to drop the action. <u>Status:</u> No reply has been received from the Corporation till date.	Municipal Corporation of Greater Mumbai	Not Quantifiable
7.	Income Tax Matters	Assessment Year 1997-98	Keval Kiran & Co. Vs. Asst. Commissioner of Income Tax Circle 18 (2)	In assessment for the year 1997-1998 certain expenses like advertising expenses, motor car expenses etc. were not allowed full deduction. Against this order an appeal was preferred by Keval Kiran & Co. before CIT (Appeals). Pursuant to an order dated 3 May 2000 the CIT (Appeals) allowed the Appeal. Against this order, Asst. CIT preferred an appeal before the Appellate Tribunal, Mumbai on 5th June 2000. Pursuant to order dated 2nd July 2004 the appeal was disposed off by the Tribunal with directions to the Assessing Officer ("AO") to decide the matter afresh. <u>Status:</u> The AO has to give final order to follow the direction of the Tribunal, Mumbai.	Asst. Commissioner of Income Tax Circle 18(2) Mumbai	Nil

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
8.	Income Tax Matters	Assessment Year 1999-2000	Keval Kiran & Co. Vs. Asst. Commissioner of Income Tax Circle 18 (2)	A notice under section 147/142(1) of the Income Tax Act was issued on 9th February 2005 to Keval Kiran & Co., wherein it alleged that deduction is not allowable under Section 80HHC of the Income Tax Act with reference to the Supreme Court order in the case of Ipca Laboratories Ltd. A detailed reply was filed by Keval Kiran & Co. against the aforesaid notice on 21st October 2005. The 2nd amendment bill no: 155/2005 was passed by both the houses of Parliament on 21st December 2005 removing the ambiguity for allowing ability of deduction u/s. 80HHC The amendments favour the Company. <u>Status:</u> The matter is pending.	Asst. Commissioner of Income Tax Circle 18 (2) Mumbai	Nil
9.	Income Tax Matters	Assessment Year 2000-01	Keval Kiran & Co. Vs. Asst. Commissioner of Income Tax Circle 18 (2)	A notice under Section 147 of the Income Tax Act was issued on 16th February 2005 to Keval Kiran & Co., wherein it has been alleged that income chargeable to tax for Assessment Year 2000-2001 has escaped assessment. A detailed reply was filed by Keval Kiran & Co. against the aforesaid notice on 21st February 2005 <u>Status:</u> The matter is pending.	Asst. Commissioner of Income Tax Circle 18(2) Mumbai	Nil
10.	Income Tax Matter	Assessment Year 2001-02	Keval Kiran & Co. Vs. Asst. Commissioner of Income Tax Circle 18 (2)	In assessment for the year 2001-2002, deduction under section 80HHC was not allowed. Against this order an appeal was preferred by Keval Kiran & Co. CIT(Appeals) allowed the appeal. Against the above order, ACIT, Mumbai has preferred an appeal before the Income Tax Tribunal. The appeal was filed in December 2004 and the same is pending for final hearing.	Income Tax Appellate Tribunal Mumbai	Rs. 3.56 mn.

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
11.	Income Tax Matter	Assessment Year 2002-03	Keval Kiran & Co. Vs. Asst. Commissioner of Income Tax Circle 18 (2)	In assessment for the year 2002-2003 certain expenses like motor car expenses & depreciation, telephone expenses and advertising expenses were not allowed. Against this order an appeal is preferred by Keval Kiran & Co. before CIT(Appeals). <u>Status:</u> The appeal is pending for final hearing and the hearing is due on 29th December 2005 adjourned to 25th January 2006	Commissioner of Income Tax (Appeals) XVIII Mumbai	Rs. 0.22 mn.

CASES FILED AGAINST OUR PROMOTERS & WHOLE-TIME DIRECTORS

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
1.	Criminal Complaint	Criminal Case No. 429/P/2002 CR 217/2002	Mr. Vikas P. Jain & Others V/s. Y.B. Reddy & Others	A criminal case was filed by Mr. Vikas Jain in 2002 against Mr. Y. B. Reddy & others vide FIR No. 217/02 on 7th June 2002 for stopping other workers of Keval Kiran & Co. from carrying on their work and inciting them to join a trade union. Simultaneously Mr. Y.B. Reddy & others filed a criminal complaint against Vikas Jain & others vide FIR No. 218/02 on 7th June 2002. Both these cases have been clubbed by the Additional Chief Metropolitan Magistrate and are pending hearing. <u>Status:</u> The next hearing is scheduled on 1st February 2006.	Additional Chief Metropolitan 5th Court Bhoiwada Dadar (Mumbai)	Not Quantifiable
2.	BSE Inquiry	-	Bombay Stock Exchange and Techno Shares & Services	The BSE issued a letter dated 25th November 2005 to Techno Shares and Stocks with regard to an investment by Mr. Kewalchand P. Jain in shares of Oxford Industries Limited. The BSE inquired with regard to orders placed by Techno Shares & Stocks on behalf of Mr. Kewalchand P. Jain which resulted in establishing the intraday high rate / new price in the scrip. Mr. Kewalchand P. Jain addressed a response letter dated 5 December 2005 to Techno Shares & Stocks explaining that he had acquired shares of Oxford Industries Limited with the sole intention of long term investment and not for any speculative purpose. <u>Status:</u> No further communication has been received from BSE or any other regulatory body in this regard.	-	Not Quantifiable

CASES FILED AGAINST OUR INDEPENDENT DIRECTORS

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
1.	Criminal Complaint	1317/2002 in the Court of the Judicial Magistrate, Kashipur, Uttaranchal State Cr. M.P. 378 of 2004 at the High Court of Uttaranchal	Dr. Prakash A. Mody	This complaint has been filed against Dr. Prakash A. Mody, Independent Director of the Company, in respect of matters that do not relate to or affect the business of the Company. The complaint was filed before Dr. Prakash A. Mody was appointed as Independent Director of the Company. In this complaint, the complainant has claimed that certain defective products have been supplied to him by Unichem Laboratories Limited, a company where Dr. Prakash A. Mody is Chairman and Managing Director. Dr. Prakash Mody has approached the High Court of Uttaranchal for dismissal of the suit, and an interim stay has been granted by the High Court	High Court of Uttaranchal	Not Quantifiable
2.	Criminal Complaint	373/2003 in the Court of the Chief Judicial Magistrate, Bokaro, Jharkhand State Cr. M.P. 135 of 2004 at the High Court of Jharkhand	Dr. Prakash A. Mody	This complaint has been filed against Dr. Prakash A. Mody, Independent Director of the Company, in respect of matters that do not relate to or affect the business of the Company. The complaint was filed before Dr. Prakash A. Mody was appointed as Independent Director of the Company. In this complaint, the complainant has claimed that certain defective products have been supplied to him by Unichem Laboratories Limited, a company where Dr. Prakash A. Mody is Chairman and Managing Director. Dr. Prakash Mody has approached the High Court of Uttaranchal for dismissal of the suit, and the matter is pending before the High Court	High Court of Jharkhand	Not Quantifiable

CASES FILED AGAINST THE PROMOTER GROUP

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
1.	Central Excise	Show Cause Notice No. V(Ch 54) 3-4/ Dem/04/Addl. dated 16 th March 2004	Excise Department, Daman vs. Kewal Kiran Enterprises	A show cause notice was issued by the Commissioner, Central Excise, South Daman Division to Kewal Kiran Enterprises alleging that it had availed transitional deemed credit in respect of their finished product i.e. readymade apparel in contravention of Rule 12 of the Cenvat Credit Rules, 2002 read with section 11A(1) of the Central Excise Act 1944. <u>Status:</u> Kewal Kiran Enterprises has filed its reply dated 31st March 2004 to the show cause notice.	Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate	2,134,557/- along with interest and penalty
2.	Central Excise	Show Cause Notice No. V(954)3 -22/SCNM/03-04	Excise Department, Daman vs. Kewal Kiran Enterprises	In the Union Budget 2003, CENVAT Credit Rules were amended to allow credit of Additional Excise Duty (GSI) for payment of Cenvat Duty. Prior to 31st March 2003, utilization of Credit of Additional Excise Duty (AED) was restricted to payment of additional excise duty. A show cause notice was issued to Kewal Kiran Enterprises alleging that it had wrongly claimed Transitional Credit for Utilisation of AED (GSI) paid on their raw material received by them prior to 1st March 2003 and utilized the same towards payment of Cenvat duty in contravention of Rule 12 of the CENVAT Credit Rules 2002. <u>Status:</u> The hearing was held before Dy. Commissioner of Central Excise Daman on 24th November 2005 and the matter is pending.	Asst. Commissioner, Central Excise, South Daman Division Daman Commissionerate	428,530/- along with interest and penalty

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
3.	Weights & Measures	ILM/M.D./NOTICE/05/326 dated 29 th June 2005	Inspector of Legal Metrology v/s Kewal Kiran Enterprises and Partners	Kewal Kiran Enterprises received notice from Department of Legal Metrology on 29th June 2005 alleging that Kewal Kiran Enterprises has not mentioned the date of manufacture and the complete address of the manufacturer on the package in violation of The Standard of Weight and Measurement Act, 1976 and The Standard of Weight and Measures (Packaged Commodities) Rules, 1977. <u>Status:</u> Kewal Kiran Enterprises has filed its reply on 21st November 2005. The Inspector Legal Metrology has replied to the letter on 23rd November 2005. Kewal Kiran Enterprises is yet to file a reply to the above letter of 23rd November 2005.	Inspector of Legal Metrology	Not Quantifiable
4.	Income Tax	Assessment Year 1995-96	Kewal Kiran Enterprises vs. Addl. Commissioner of Income Tax Circle 24(3)	Pursuant to the protective order passed by ACIT 24(3) on 20th December 2002, Kewal Kiran Enterprises was denied their claim of deduction under section 80-IA of the Income Tax Act. Against the aforesaid order, an appeal has been preferred by Kewal Kiran Enterprises. The Commissioner of Income Tax (Appeals) XXIV allowed the appeal. The department has preferred second appeal before ITAT Mumbai. The case is pending.	Income Tax Appellate Tribunal Mumbai	Rs. 4.69 mn.

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Liability Amount (Rs.)
5.	Income Tax	Assessment Year 1999-2000	Kewal Kiran Enterprises vs. Addl. Commissioner of Income Tax Circle 24(3) Mumbai	A notice under Section 148 of the Income Tax Act was issued on 3rd June 2003 A detailed reply was filed by Kewal Kiran Enterprises against the aforesaid notice on 29th November 2004. Addl. CIT by its order dated 28th March 2005 held that the assessment be made under Section 143(3) of Income Tax Act, 1961 on protective basis. An appeal has been preferred against this order before CIT(A) XXIV on 19th April 2005 and the same is pending.	Commissioner of Income Tax (Appeal) Mumbai XXIV	Rs. 47.79 mn.
6.	Income Tax	Assessment Year 2000-01	Asst. Commissioner of Income Tax Circle 24 (3) Mumbai vs. Kewal Kiran Enterprises	Kewal Kiran Enterprises sought deduction under section 80-IA of the Income Tax Act. However the same was not allowed by Asst. CIT, 23(3). Against the abovementioned order, Kewal Kiran Enterprises preferred an appeal before the CIT (Appeals) - XXIV, Mumbai. By an order dated 4th August 2003 the CIT (Appeals) allowed deduction under Section 80-IA to Kewal Kiran Enterprises. The above order was challenged by ACIT 24(3), Mumbai before the Appellate Tribunal and the appeal is pending.	Income Tax Appellate Tribunal Mumbai	Rs. 4.48 mn.

CASES FILED BY THE COMPANY

Sr. No.	Type of Matter	Case No.	Parties	Brief description of the Matter	Forum	Amount
1	Protection of Intellectual Property	311/M/2002	Complainant - Kewal Kiran Clothing Pvt. Ltd.	This criminal complaint was filed in Borivali Police Station by the Company against unknown persons for unauthorized use of the Company's brand "Killer" on certain men's wear products. The Company proposes to withdraw this complaint since the accused are not traceable.	37 th Esplanade Court, Mumbai	Not ascertainable
2	Protection of Intellectual Property	-	Kewal Kiran Clothing Pvt. Ltd.	The Company has filed several applications with the Registrar of Trademarks to oppose applications by competitors and other entities for registration of trademarks similar to the Company's trademarks.	Registrar of Trademarks	Not ascertainable

MATERIAL DEVELOPMENTS

Except as set out below, in the opinion of the Board of Directors of our Company, there have not arisen since the date of the last financial statements disclosed in this Draft Red Herring Prospectus (i.e. 30th September 2005), any circumstances that materially or adversely affect or are likely to affect the profitability of our Company to pay their material liabilities within the next twelve months.

1. We opened our first self managed K-Lounge store on 14th December 2005 in Mumbai
2. We have increased our Paid-up Capital from Rs. 10 mn to Rs. 92.25 mn. For details refer to the section titled "Capital Structure" on page 41 of this Draft Red Herring Prospectus.
3. We completed the renovation of existing approx 5600 sq. ft. building shed of Vapi (Gujarat) unit and started operations on 1st October 2005.
4. We opened 10 new franchisee managed stores K-Lounge.
5. We have hived-off our subsidiary Kornerstone Retail Limited by selling entire 76% of our shareholding to a Promoter Group company.
6. KKRIPL has acquired 152,000 shares of Kornerstone Retail Limited constituting 76% shares of Kornerstone Retail Limited from Kewal Kiran Clothing Limited on 20th December, 2005.

GOVERNMENT APPROVALS

We require various statutory approvals in relation to our business activities. These include approvals and registration under the following legislations:

1. Registration under the Companies Act,
2. Registration under the Factories Act, 1948,
3. Registration under the Employees State Insurance Act, 1948,
4. Registration under the Employees Provident Fund and Miscellaneous Act, 1952,
5. Registration under the Air Prevention and Control of Pollution Act, 1981 & Water (Prevention and Control of Pollution) Act, 1974,
6. Registration under the Central Sales Tax Act, 1956,
7. Registration under Daman & Diu Value Added Tax Rules 2005,
8. Registration under Gujarat Sales Tax Act 1969,
9. Registration under Maharashtra Value Added Tax Act 2002,
10. Registration under the Apparel Export Promotion Council,
11. Obtaining an Importer / Exporter Code with the Director General of Foreign Trade under the EXIM Policy,
12. Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961,
13. Registration under the local shops and establishment legislations of Maharashtra, Daman (Union Territory) and Vapi (Gujarat), and
14. Approvals of District Industrial Commissionerate.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Governmental authority are required to continue these activities.

Approvals

A. Incorporation

1. Certificate of Incorporation bearing no. 65136 dated 30th January 1992 from the Registrar of Companies, Maharashtra for incorporation of our Company with the corporate name "Kewal Kiran Apparels Private Limited".
2. Fresh Certificate of Incorporation consequent to change of name certifying the change of corporate name from "Kewal Kiran Apparels Private Limited" to "Kewal Kiran Clothing Private Limited" dated 17th October 2003 issued by the Registrar of Companies, Maharashtra.
3. Fresh Certificate of Incorporation consequent to change of name certifying the change of corporate name from "Kewal Kiran Clothing Private Limited" to "Kewal Kiran Clothing Limited", dated 2nd November 2005 issued by the Registrar of Companies, Maharashtra.

B. Industrial/Labour

4. Our Company has been allotted Code No. 3721217/19 for Vapi (Gujarat) and Code No. 311551119 for Mumbai by the Regional Offices, Employees State Insurance Corporation.
5. Our Company has been allotted Code No. GJ/VP/45217 by the Regional Provident Fund Commissioner, Vapi (Gujarat) in respect of the Daman (Union Territory) and Vapi (Gujarat) units and Code No.MH/40411/MLD by the Regional Provident Fund Commissioner, Mumbai in respect of the Mumbai units under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

C. Other Approvals and Certifications

Department	Location Of Units	License/ Registration No.	Validity
Central Sales Tax	Daman (Union Territory)	DA/6317 dated 24.01.2003	Permanent
	Vapi (Gujarat)	24750901043 dated 01.05.2005	Permanent
	Mumbai	C-1011 dated 01.04.1996	Permanent
Tax Identification Number	Daman (Union Territory)	25000006873 dated 24.01.2003	Permanent
	Vapi (Gujarat)	24250901043 dated 01.05.2005	Permanent
	Mumbai	S-1359 dated 01.04.1996	Permanent
Factory Licenses	Daman (Union Territory)	1245 dated 05.10.1998	31.12.2006
	Vapi (Gujarat)	096701	31.12.2006
	Dadar (Mumbai), Goregaon (Mumbai)	58360 57911	31.12.2003 31.12.2003
	Mumbai	PT-E-1-27-18-2404	Permanent
Small Scale Industries	Daman (Union Territory)	600101217 dated 11 th November 1998	Permanent
	Vapi (Gujarat)	24-25/04964/PMT/SSI/21068	Permanent
	Mumbai	N.A	N.A
Income Tax	Mumbai	AAACK3402H	Permanent
TAN	Mumbai	MUMK09175F	Permanent
Pollution Control	Vapi (Gujarat)	2270 dated 28 th April 2004	10 th December 2008
	Goregaon (Mumbai)	SROM-II/CC-169/3497 dated 7 th December 2005	31.03.2007
	Daman (Union Territory)	PCC(DMN)/56-1486/98-99/213	30.09.1999
Registrar of Companies	Mumbai	11-65136 dated 30 th January 1992	Permanent
IEC	Mumbai, Daman (Union Territory), Vapi (Gujarat)	0300031483	Permanent
Bombay Municipal Corporation	Mumbai		
	A1	WOP/S/GN/7602	31.03.08
	A2	WOP/S/GN/7603	31.03.08
	A3	WOP/S/GN/7604	31.03.08
	A4	WOP/S/GN/7605	31.03.08
	B 104	WOP/S/GN/7218	31.03.05
	B 105	WOP/S/GN/7215	31.03.05
	B 103	WOP/S/GN/7214	31.03.05
	B 107	WOP/S/GN/7216	31.03.05
	B 4	WOP/S/GN/7251	31.03.05
	B 5	WOP/S/GN/7252	31.03.05
	B 6	WOP/S/GN/7253	31.03.05
	C3	WOP/S/GN/7606	31.03.08
	C4	WOP/S/GN/7607	31.03.08

Department	Location Of Units	License/ Registration No.	Validity
B.M.C TRADE LICENSES	A1	43017	31.12.06
	A2	43018	31.12.06
	A3	43019	31.12.06
	A4	43020	31.12.06
	B 104	39882	31.12.06
	B 105	39878	31.12.06
	B 103	39883	31.12.06
	B 107	37142	31.12.06
	B 4	37163	31.12.06
	B 5	18139	31.12.06
	B 6	18140	31.12.06
	C3	43021	31.12.06
	C4	43022	31.12.06

In respect of the SSI Registrations provided in the table above,

- 1 The Dadar (Mumbai) Unit is registered as a small-scale unit. We have not yet surrendered the registration.
- 2 The Units of the Company are registered as SSIs and enjoying tax benefits there under. Upon the consolidation and after filing of returns for FY 2005-06 some of units (e.g. Daman (Union Territory) Unit) may not continue to be an SSI. The SSI registrations may need to be surrendered and the Unit may cease to avail of the benefits given to an SSI.

D. Pollution Control

- 3 Our Company has subsisting PCB clearances under the consolidated consents and authorizations under the Water Act 1974, Air Act 1981 and Hazardous Rules 1989 in respect of the Vapi (Gujarat) Unit and Mumbai Unit. The Company has applied for but has not yet received PCB registrations in respect of other units at Dadar (Mumbai) and Daman (Union Territory).
- 4 The Company has been issued a letter dated 10th October 2005 from the Vapi Effluent Waste Management (Gujarat) for COD results not being within permissible limits. The liability of the Company if charged would be Rs. 9,963. The Company has replied to the same on 17th October 2005.

E. EPCG Licenses

- 5 The Company had applied for an EPCG license from the DGFT. Under license, no. 0330009213 dated 19th July 2005. The total duty saved was Rs. 1,151,508. The total export obligation is for Rs. 9,212,064 or USD 192,519. The machines include a washer, drying tumbler and boiler. The Company has taken a guarantee from Standard Chartered Bank in favour of the Government of India for an amount of Rs. 174,000 and the Company has executed a counter indemnity in respect of the same.

Management Perception: The application was made for the purposes of acquiring domestic equipment and saving on excise duty rather than on customs duty. The Company foresees being able to achieve the obligations in a year's time.

F. Customs Duty / Import

Sr. No.	License No.	File No.	License Date	Notification No.	Qty Import fabric sq mtr	Item Export	Item Import	Status
1	03009507	03/90/040/00751/AM96	29/03/96	79/95 dated 31/03/95	13582	100% cotton Denim Jeans	100% cotton Denim Fabric 14.5 Oz	Export Completed License green audited no import made against above export. License not revalidated for import
2	03005911	03/90/040/00454/AM9	06/11/95	79/95 dated 31/03/05	831.60	100% cotton Denim Jeans	100% cotton Denim Fabric 14.5 Oz	Imported 831.60 Sq/Mtrs 100% cotton denim fabric 14.5 Oz. Export made 432 pcs 100% cotton 14.5 Oz denim Jeans. Export Complete, Lic. Not audited. Presently submitted to GFT for closure. In case closure is not achieved may be clubbed with Sr. No.1 License.
3	03005869	03/90/040/00451/AM	03/11/95	79/95 dated	3257.10	100% Cotton Denim Jeans	100% cotton Denim Fabric 14.5 Oz	Imported 3257.10 Sq Mtrs 100% cotton denim fabric 14.5 Oz. Export made 1692 pcs 100% cotton 14.5 Oz denim Jeans. Export Complete Lic no audited may be clubbed with Sr. No. 1 License.
4	03008610	03/90/040/00680/AM96	27/02/96	79/95 dated 31/03/95	5474.00	100% cotton Denim Jeans	100% cotton Denim Fabric 14.5 Oz	Imported 5474 Sq. Mtrs 100% cotton denim fabric 14.5 Oz. Export made 2844 pcs 100% cotton 14.5 Oz denim Jeans. Export Complete Lic not audited may be clubbed with Sr. No.1 License.

The chart above indicates the license obtained by our Company in respect of imports and exports.

We had imported fabrics under certain import license and had exported the same fabrics. We made a prior attempt to club the two licenses together to claim some customs duty exemptions, however the same was rejected. The Company has again filed for exemption. In the event that the same gets rejected we will be liable to pay Customs Duty on the same. Our Company anticipates that this will be in the range of Rs. 0.31 Million.

- G.** With effect from 1st July 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005.

Pending Approvals

Some of the business licenses and registrations held by us in relation to our business have expired in the ordinary course of business. Certain other business licenses and registrations held by us are valid up to a specified date and will expire in the short to medium term. We also need to amend certain of our existing approvals to reflect the recent change in the name of our Company, consequent to its conversion into a public company.

Set out below is the status of the applications we have made for grant or renewal of licenses and registrations that are currently pending with various agencies.

Department	Location Of Units	License/ Registration No.	Position
Professional Tax	Vapi (Gujarat)	-	Applied for Registration
Bombay Municipal Corporation	Mumbai B 104 B 105 B 103 B 107 B 4 B 5 B 6	WOP/S/GN/7218 WOP/S/GN/7215 WOP/S/GN/7214 WOP/S/GN/7216 WOP/S/GN/7251 WOP/S/GN/7252 WOP/S/GN/7253	Applied for Renewal
Maharashtra Pollution Control Board	Dadar, Mumbai	N.A.	Applied for Registration
Daman Pollution Control Board	Daman (Union Territory)	PCC(DMN)/56-1486/98-99/213	Applied for Renewal
Factory License	Goregaon - Mumbai	57911	Applied for Renewal
	Dadar - Mumbai	58360	Applied for Renewal

Approvals required for implementing the objects of the Issue

The Company requires the following approvals and registrations to implement the objects of the Issue.

1. Registration under the Factories Act, 1948
2. Registration under the Employees State Insurance Act, 1948
3. Registration under the Air Prevention and Control of Pollution Act, 1981 & Water (Prevention and Control of Pollution) Act, 1974
4. Registration under the Central Sales Tax Act, 1956
5. Registration under Local Value Added Tax / Sales Tax
6. Registration under the local shops and establishment legislations
7. Approvals of District Industrial Commissionerate

The above list is not exhaustive as the Company is yet to identify the location/s for our future expansion plan/setting up the factory and shops. The requisite approvals are dependent on location of the project and laws applicable from time to time.

Our Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for carrying on the present as well as the proposed business of our Company. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on 9th December 2005. The Board of Directors has pursuant to a resolution dated 3rd December 2005 authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. The Board pursuant to its resolution dated 14th January 2006 has approved this Draft Red Herring Prospectus.

PROHIBITION BY SEBI

Our Company, our Directors, our Promoters, the persons in control of our Promoter firms and companies with which our Company's Directors are associated as directors or promoters have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

ELIGIBILITY FOR THE ISSUE

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering of Equity Shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- a) The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.
- b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.

For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items shall not be considered;

- c) The Company has a net worth of at least Rs.10 million in each of the preceding three full years of 12 months each;
- d) In case the Company has changed its name within the last one year, at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the new name; and
- e) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

Since we do not meet the requirements specified under Clause 2.2.1 mentioned above, we are offering Equity Shares through the book building route in accordance with Clauses 2.2.2 and 2.2.2A of the SEBI Guidelines, wherein:

- The issue is made through book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded;
- The minimum post-issue face value capital of the Company shall be Rs. 10 crore

We undertake that the number of allottees in the proposed Issue shall be at least 1,000; otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Our net tangible assets, monetary assets, net profits (as restated) and net worth (as restated) as derived from the unconsolidated financial statements (restated) as per Indian GAAP and included in this Draft Red Herring Prospectus under the section titled "Financial Statements" for the 6-month period ended 30th September 2005 and for the last five financial years ended 31st March 2005, 2004, 2003, 2002 and 2001 is set out below:

Particulars	Half Year ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2001
Net Tangible Assets (A)	558.24	292.42	206.68	166.12	53.20	58.40
Monetary Assets (B)	34.59	30.55	12.82	15.25	4.32	0.07
Monetary Assets as percentage of Net Tangible Assets [(B)/(A)]	6.20%	10.45%	6.20%	9.18%	8.12%	0.12%
Restated Profit for the year attributable to shareholders	46.21	38.28	38.79	4.10	(6.47)	(3.58)
Net worth, as restated	130.52	85.64	47.36	8.57	(0.03)	6.44

(1) Net tangible assets is defined as the sum of fixed assets (excluding intangible assets and including capital work in progress and capital advances and excluding revaluation reserve), Investments, current assets (including monetary assets) but excluding Deferred Tax Assets and Miscellaneous Expenses, to the extent not written off or adjusted.

(2) Monetary assets include cash on hand, bank balances, fixed deposits and interest accrued on fixed deposits.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 16TH JANUARY, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
- (D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
- (E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT. THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

DISCLAIMER FROM THE COMPANY AND THE BRLM

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site, www.kewalkiran.com, would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us, the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Equity Shares are being offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

DISCLAIMER CLAUSE OF BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [●], 2006, permission to this Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated [●], 2006, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Issuer 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 any other reason whatsoever.

FILING

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, 'Everest' Building, 100 Marine Drive, Mumbai 400 002. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

LISTING

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. [●] will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

CONSENTS

Consents in writing of: (a) the Directors, our Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to our Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to our Company and Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring

Prospectus for registration with the RoC.

Our statutory auditors M/s N A Shah Associates, Chartered Accountants and M/s Jain & Trivedi, Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

EXPERT OPINION

We have not obtained any expert opinions.

EXPENSES OF THE ISSUE

The Issue expenses will be finalized after determination of Issue Price.

Category	Estimated expenses (Rs. in million)
Fees for the BRLM	[●]
Fees for the Registrar to the Issue	[●]
Fees for the Legal Counsel	[●]
Fees for the Auditor	[●]
Marketing Costs	[●]
Others (stamp duty, initial listing fees and annual listing fees, SEBI filing fees, other statutory fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[●]
Total	[●]

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by our Company.

FEES PAYABLE TO THE BRLM

The total fees payable to the Book Running Lead Manager will be as per the letter of appointment dated 27th September, 2005 with Enam Financial Consultants Private Limited, a copy of which is available for inspection at our registered office.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated 11th November, 2005 issued by our Company, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

UNDERWRITING COMMISSION AND BROKERAGE

The underwriting commission and brokerage for the Issue is set out in the Underwriting Agreement and the Syndicate Agreement.

PREVIOUS RIGHTS AND PUBLIC ISSUES

Our Company has not made any previous rights and public issues except as stated in the section titled "Capital Structure" on page 31 of this Draft Red Herring Prospectus.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

Our Company has not made any previous issues of shares otherwise than for cash, except as stated in the section titled “Capital Structure” beginning on page 41 of this Draft Red Herring Prospectus.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

COMPANIES UNDER THE SAME MANAGEMENT

Please see Group Companies & Partnership Firms at page 162 for details of companies and firms under the same management with the Company.

PUBLIC ISSUES

Our Company has not made any public issues.

LISTED VENTURES OF PROMOTERS

Our promoters do not have any listed venture.

OUTSTANDING DEBENTURES OR BONDS

Our Company has no outstanding debentures or bond.

STOCK MARKET DATA FOR OUR EQUITY SHARES

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

CHANGE IN STATUTORY AUDITORS

There is no change in our Statutory Auditor in last three years.

M/s Jain & Trivedi, Chartered Accountants, were the Statutory Auditors of our Company since incorporation. M/s. N.A. Shah Associates, Chartered Accountants, were appointed as our Joint Statutory Auditors vide AGM resolution dated 30th September 2005. Their remuneration, rights and duties are regulated by Sections 224 to

233 of the Companies Act.

CAPITALIZATION OF RESERVES OR PROFITS

Our Company has not capitalized its reserves or profits since inception five years, except as stated in the section titled “Capital Structure” on page 31 of this Draft Red Herring Prospectus.

REVALUATION OF ASSETS

We have not revalued our assets since incorporation.

SECTION VIII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

AUTHORITY FOR THE ISSUE

The Board of Directors has pursuant to a resolution dated 3rd December 2005 authorized the Issue. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on 9th December 2005.

RANKING OF EQUITY SHARES

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our company including rights in respect of dividend. The person in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

FACE VALUE AND ISSUE PRICE

Fresh Equity Shares with a face value of Rs. 10 each are being offered as part of the Issue at a total price of Rs. [●] per share. At any given point of time there shall be only one denomination for the Equity Shares.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

- 1 Right to receive dividend, if declared;
- 2 Right to attend general meetings and exercise voting powers, unless prohibited by law;
- 3 Right to vote on a poll either in person or by proxy;
- 4 Right to receive offers for rights shares and be allotted bonus shares, if announced;
- 5 Right to receive surplus on liquidation;
- 6 Right of free transferability; and
- 7 Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Description of Equity Shares and Main Provisions of our Articles of Association" beginning on page 241 of this Draft Red Herring Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of [] Equity Shares.

JURISDICTION

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai, India.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- 1 to register himself or herself as the holder of the Equity Shares; or
- 2 to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Equity Shares are being offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

MINIMUM SUBSCRIPTION

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvment of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots are required.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to Qualified Institutional Buyers and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

BID CUM APPLICATION FORM

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have

authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
NRIs, or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

WHO CAN BID?

- 1 Indian nationals resident in India who are majors, in single or joint names (not more than three);
- 2 Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- 3 Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- 4 Mutual Funds;
- 5 Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- 6 Venture Capital Funds registered with SEBI;
- 7 Foreign Venture Capital Investors registered with SEBI;
- 8 State Industrial Development Corporations;
- 9 Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in Equity Shares;
- 10 NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- 11 Scientific and/or Industrial Research Organisations authorised to invest in Equity Shares;
- 12 Insurance Companies registered with Insurance Regulatory and Development Authority;
- 13 Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
- 14 Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
- 15 Multilateral and Bilateral Development Financial Institutions; and
- 16 Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

APPLICATION BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the registered office of the Bank.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

APPLICATION BY FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 12,325,000 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid Amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 10 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" on page 217 of this Draft Red Herring Prospectus.

- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

APPLICATION BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAXIMUM AND MINIMUM BID SIZE

- For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] Equity Share such that the Bid Price exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue to the Public. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Price is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Price reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

INFORMATION FOR THE BIDDERS

- (a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper in Marathi. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated 25th January 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi and the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding ten working days.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 219 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" on page 222 of this Draft Red Herring Prospectus.
- (f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Collection Accounts" on page 220 of this Draft Red Herring Prospectus.

BIDS AT DIFFERENT PRICE LEVELS

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs [●] being the lower end of the Price Band and Rs. [●] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One).
- (b) Our Company, in consultation with the BRLM, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Draft Red Herring Prospectus.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi, and also by indicating the change on the websites of the BRLM, and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three working days, subject to the total Bidding Period not exceeding thirteen days.
- (d) Our Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined, which will be a price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the Allocation Amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the

number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

ESCROW MECHANISM

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNTS

In case of Non-Institutional Bidder and Retail Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Payment Instructions" on page 228 of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin amount at the time of submission Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the sub-section titled "Basic Terms of the Issue/Issue Structure" on page 63 of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidders is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for the Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date.

QIB Bidders will be required to deposit a margin of 10% at the time of submitting their Bids. After the Issue Closing Date/ Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called from QIBs.

If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

- (a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.)
 - Investor Category - Individual, Corporate, NRI, FII, or Mutual Fund etc.
 - Numbers of Equity Shares bid for.
 - Bid price.
 - Bid cum Application Form number.
 - Whether payment is made upon submission of Bid cum Application Form.
 - Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it in case of

QIBs provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 231 of this Draft Red Herring Prospectus.

- (h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

BUILD UP OF THE BOOK AND REVISION OF BIDS

- (a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- (f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect additional payment, if any, in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

- (i) In case of discrepancy of data between BSE or NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

PRICE DISCOVERY AND ALLOCATION

- (a) After the Bid Closing Date /Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company, in consultation with the BRLM, shall finalise the “Issue Price” and the number of Equity Shares to be allotted in each category.
- (c) The allocation to QIB Bidders for at least 50% of the Issue, to Non-Institutional Bidders of not less than 15% and to Retail Individual Bidders of not less than 35% of the Issue, would be on proportionate basis, in the manner specified in the SEBI DIP Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any category, would be allowed to be met with spill over from any of the other categories at our discretion in consultation with the BRLM in accordance with the basis of allotment described in the section titled “Basis of Allotment” on page 235 of this Draft Red Herring Prospectus.
- (e) Allocation to NRIs, FIIs, foreign venture capital funds Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of Equity Shares to them.
- (f) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.
- (g) Our Company in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

FILING OF THE PROSPECTUS WITH THE ROC

We will file a copy of the Prospectus with the Registrar of Companies, Mumbai, Maharashtra in terms of Section 56, Section 60 and Section 60B of the Companies Act.

ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at Mumbai.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the Allocation Amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

- (a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees. Our Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS**Do's:**

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- d) Investor must ensure that the name given in the Bid cum Application Form is exactly the same as the Name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- h) Ensure that the Bid is within the Price Band; and
- i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place.

Don'ts:

- (a) Bid for lower than the minimum Bid size;
- (b) Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Pay the Bid Price in cash;
- (e) Send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (f) Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders) ;
- (g) Bid at Bid Amount exceeding Rs 100,000 (for Retail Individual Bidders);
- (h) Fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (i) Submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

BIDS AND REVISIONS OF BIDS

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Price of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

BIDDER'S BANK DETAILS

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

BIDDER'S DEPOSITORY ACCOUNT DETAILS

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as

'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue. Hence Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk. In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

BIDS BY NON RESIDENTS, NRIS, FIIS AND FOREIGN VENTURE CAPITAL FUNDS REGISTERED WITH SEBI ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of **【●】** thereafter that the Bid Price exceeds Rs. 100,000. For further details, please refer to the section titled 'Maximum and Minimum Bid Size' on page 217 of this Draft Red Herring Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
4. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.
5. Our Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.
6. There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with

other categories for the purpose of allocation.

7. The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Equity Shares are being offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Prices payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

1. The applicable Margin Amount for Non Institutional and Retail Individual Bidders is equal to 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Price in favour of the Escrow Account and submitted to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the

Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

In case of Resident QIB Bidders: "Escrow Account – KKCL Public Issue -R- QIB"

In case of Non Resident QIB Bidders: "Escrow Account – KKCL Public Issue -NR- QIB"

In case of Resident Non-Institutional and Retail Individual Bidders: "Escrow Account – KKCL Public Issue - R - Non-QIB"

In case of Non Resident Non-Institutional and Retail Individual Bidders: "Escrow Account – KKCL Public Issue - NR- Non-QIB"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of our Company.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash, Stockinvest, Money Orders and Postal orders will not be accepted.

PAYMENT BY STOCKINVEST

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated 5th November 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Our Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER OR PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on 1st December 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

OUR RIGHT TO REJECT BIDS

Our Company, and the members of the Syndicate reserve the right to reject any Bid in case of QIB Bidders provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Bidders who Bid, our Company and the members of the Syndicate have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bank account details for refund are not given;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
11. Bids for number of Equity Shares which are not in multiples of [●];
12. Category not ticked;
13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLM, or Syndicate Members;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;

20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by OCBs;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
24. Bids not duly signed by the sole/joint Bidders;
25. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) Agreement dated [●], 2006 with NSDL, our Company and the Registrar to the Issue;
- b) Agreement dated [●] 2006 with CDSL, our Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.
- g) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- h) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

- i) The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

Our Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI DIP Guidelines, our Company further undertake that:

- 1 allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- 2 dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- 3 our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated 27th October 1997, with respect to the SEBI DIP Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- 1 Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Bidders will be made at the Issue Price.
- 2 The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- 3 If the aggregate demand in this category is less than or equal to 1,085,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- 4 If the aggregate demand in this category is greater than 1,085,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

- 1 Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- 2 The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- 3 If the aggregate demand in this category is less than or equal to 465,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- 4 In case the aggregate demand in this category is greater than 465,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment refer below.
- 5 The aggregate allotment to Retail and Non-Institutional Bidders shall not be less than 465,000 Equity Shares.

C. For QIBs

- 1 Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- 2 The Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- 3 Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

- (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis upto 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIBs shall be determined as follows:
- (i) The number of Equity Shares available for this category shall be the QIB Portion, allocation to Mutual Funds as calculated in (a) above.
 - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
 - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

4 The aggregate allocation to QIB Bidders shall not be less than 1,550,000 Equity Shares.

Under subscription, if any in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLM.

PROCEDURE AND TIME OF SCHEDULE FOR ALLOTMENT AND ISSUE OF CERTIFICATES

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●] and expire on [●]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on [●] and the Registrar of Companies on [●] and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
 1. Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 2. The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e) If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of the finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- 1 Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- 2 Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No.F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges and as further modified by SEBI's clarification XXI dated 27th October 1997, with respect to the SEBI DIP Guidelines.

- 3 Complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;
- 4 The funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by our Company;
- 5 Refund orders or allotment advice to the NRIs or FIIs or multilateral or bilateral development financial institutions, foreign venture capital investors registered with SEBI shall be dispatched within the specified time;
- 6 No further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

DISPATCH OF REFUND ORDERS

We shall ensure dispatch of refund orders of value over Rs. 1500 and share certificates by registered post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date.

ISSUE PROGRAM

BID/ISSUE OPENS ON:	[●], 2006
BID/ISSUE CLOSES ON:	[●], 2006

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

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

1. that the complaints received in respect of this Issue shall be attended to by us expeditiously;
2. that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
3. that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
4. that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
5. that no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the printing sector is permitted up to 100% of the total issued share capital under the automatic route. The automatic route is not open and requires specific approval of FIPB in case the NRIs who have/had a previous financial/technical/trademark collaboration in an existing domestic company which is engaged in the same or allied activity in which our Company is engaged i.e. printing industry.

Our Company does not require approvals from FIPB or RBI for allotment of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral

development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

Foreign Investment

Foreign investment in India is regulated by FEMA, the regulations framed by RBI and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in printing companies, is under the automatic route (i.e., prior approval of FIPB is not required).

Foreign investment by way of subscription to Equity Shares in the printing sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by our Company. The Government of India has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Investment by Foreign Institutional Investors

FII's including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FII's are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FII's must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell Equity Shares of our Company through a registered broker on the stock exchanges. The aggregate paid up value of shares purchased by all NRIs should not exceed 10% of paid up capital of our Company. However, this limit may be increased to 24% if our Company passes a special resolution to that effect in the general meeting of its members and shareholders.

In the case of NRIs under Portfolio Investment Scheme it is to be ensured that the paid up value of the shares purchased by an NRI on repatriable/non-repatriable basis under Portfolio Investment Scheme should not exceed 5% of the post-issue paid up share capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

Ownership restrictions of FIIs

The total holding of all FIIs/sub-accounts of FIIs put together, in our Company is permitted up to 24% of the post-issue paid up share capital of our Company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of our Board and special resolution passed at a general meeting of our Company. The offer of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the post-issue paid-up capital of our Company.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, an abstract of the main provisions of the Articles of Association of our Company is set out below:

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

Title of Article	Article Number and Contents
Table A excluded	Article 1 provides as follows: The regulations contained in Table A of Schedule I to the Companies Act, 1956 shall not apply to the company, except in so far as the same are repeated, contained or expressly made applicable in these articles or by the said Act.
Capital Increase And Reduction And Of Capital	Article 4(a) provides as follows: The Authorised Share Capital of the company is Rs. 200,000,000/- (Rupees Two Hundred Million only) divided into 20,000,000 (Twenty Million) Equity Shares of Rs. 10/- (Rupees Ten only) each, with power to the company to increase or reduce the capital of the company to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or condition in such manner as may for the time being be provided by the Articles of Association of the Company. Article 4(c) provides as follows: The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting shall, resolving upon the creation, direct and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company and with a right of voting at General Meeting of the Company.
Further Issue of Shares	Article 7 provides as follows: a) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital: i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion as near as circumstances admit, to the capital paid up on those shares at the date. ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined. iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub-clause (b) hereof shall contain a statement of this right.

Title of Article	Article Number and Contents
	PROVIDED that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him. iv) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think. In their sole discretion fit. b) Notwithstanding anything contained in sub-clause (i) thereof, the further shares offered may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (i) hereof) in any manner whatsoever. i) If a special resolution to that effect is passed by the company in General Meeting or ii) Where no such special resolution is passed, if the votes cast in (whether on show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company. c) Nothing in sub-clause (c) of (i) hereof shall be deemed ; i) to extend the time within which the offer should be accepted; or ii) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation. d) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company: i) to convert such debentures or loans into share in the company ; or ii) to subscribe for shares in the company (whether such option is conferred in these Articles or otherwise) PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term: a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and. b) In the case of debentures or loans or other than debentures issued to or loans obtained from the Government or any institution specified by the

Title of Article	Article Number and Contents
	Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.
Reduction of Capital	Article 10 provides as follows: The Company may (subject to the provisions of Sections 78, 80, 100 to 105 of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Securities Premium Account in any manner for the time being authorised by law by following the procedure prescribed by the Act.
Sub-division and cancellation of shares	Article 11 provides as follows: Subject to the provisions of Section 94 of the Act, the Company in general meeting may, from time to time, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is subdivided, may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
Issue of Sweat Equity Shares	Article 14 provides as follows: The Company shall subject to and in accordance with the provisions of section 79A of the Act, shall have the power, by a Special Resolution passed at a General Meeting to issue Sweat Equity Shares to the Directors, Employees of either of the Company or of any of its subsidiary or holding Company.
Shares and Share Certificate	Article 15 provides as follows: The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in physical and dematerialised forms in any medium as may be permitted by law including in any form of electronic medium. The Company shall be entitled to keep in any State or Country outside India a branch Register of Members Resident in that State or Country.
Shares under control of Directors	Article 17 provides as follows: Subject to the provisions of Section 81 of the Act and these Articles, the shares (including any shares forming part of any increased capital of the Company) in the capital of the Company for the time being shall be under the control of the Board of Directors, who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the provisions of Sections 78 and 79 of the Act) at a discount and at such time as the Board of Directors may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Board of Directors think fit, and may issue and allot shares in capital of the Company on payment in full or part to the Company in conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.
Powers also to Company in General Meeting to	Article 18 provides as follows: In addition to and without derogating from the powers for that purpose conferred on the

Title of Article	Article Number and Contents
issue shares.	Board by these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such person (whether members or not) in such proportion and on, such terms and conditions and either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount such option being exercisable at such time and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.
Acceptance of shares	Article 19 provides as follows: Any application signed by or on behalf of an applicant for share in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who pays or otherwise accepts any shares and whose name is entered in the Register of Members shall for the purpose of these Articles, be a Member.
Deposit and call etc. to be a debt payable immediately	Article 20 provides as follows: The money, if any, which the Board shall, on the allotment of any shares being made by it, require or direct to be paid by way of deposit call or otherwise in respect of any shares so allotted, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.
Liability of Members	Article 21 provides as follows: Every member, or his heirs, executors or administrators, shall pay to the Company the portion of capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.
The first named of joint-holders deemed sole holder.	Article 25 provides as follows: If any share stands in the names of two or more persons, the person first named in the Register of Members shall, as regards receipts of dividends or bonus or service of notices and all or any other matter connected with the Company, except voting at meetings, and the transfer of the shares, be deemed the sole holder thereof but the other joint-holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of share and for all incidents thereof according to the Company's regulations.
Company not bound to recognize any interest in share other than that of registered holder.	Article 26 provides as follows: Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and ' accordingly shall not be bound to recognize any benami trust, equity, equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survivor or survivors of them.

Title of Article	Article Number and Contents
Provision for Employees' Stock Option	Article 27 provides as follows: (a) Subject to the provisions of section 81 (IA) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the Articles of Association, the Board may, from time to time, create, offer and issue to or for the benefit of the Company's employees including the Executive Chairman, Vice-Chairman, the Managing Directors and the Whole-time Directors such number of equity shares of the Company, in one or more trenches on such terms as may be determined by the Board prior to the issue and offer, in consultation with the authorities concerned and in accordance with such guidelines or other provisions of law as may be prevalent at that time but ranking pari passu with the existing equity shares of the Company. (b) The issue price of such shares shall be determined by the Board in accordance with the laws prevalent at the time of the issue. (c) In the alternative to equity shares, mentioned hereinabove, the Board may also issue bonds, equity warrants or other securities as may be permitted in law, from time to time. All such issues as above are to be made in pursuance of Employees' Stock Option (ESOP) scheme to be drawn up and approved by the Board.
Interest may be paid out of capital	Article 28 provides as follows: Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provision of any plant which, cannot be made profitable for a lengthy period, the Company may pay interest on so much of that, share capital as is for the time being paid-up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction for the work of building, or the provision of plant.
Transfer or transmission of shares	Article 54 provides as follows: In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.
Register of Transfer	Article 55 provides as follows: The Company shall keep a 'Register of Transfer' and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form.
Form of transfer	Article 56 provides as follows: Shares in the Company may be transferred by an instrument in writing in the usual common form or in such other form as shall from time to time be approved by the Directors provided that if so required by the provisions of the Act, such instrument of transfer shall be in the form prescribed and shall be duly stamped and delivered to Company within the prescribed period.
Transfer form to be completed to and presented to the Company	Article 57 provides as follows: The Instrument of Transfer duly stamped and executed. by the Transferor and the Transferee shall be delivered to the Company in accordance with the provisions of the Act. The Instrument of Transfer shall be accompanied by such evidence as the Board may require to prove the title of Transferor and his right to transfer the shares and every registered instrument of transfer shall remain in custody of the Company until destroyed by order of the Board. The transferor of shares shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the Register of Members in respect thereof. Before the registration of a certificate or certificates the

Title of Article	Article Number and Contents
Transfer Books and Register of Members when closed.	shares must have been delivered to the Company. Article 58 provides as follows: The Board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debenture-holders at such time or times and for such period or periods not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.
Directors may refuse to register transfer	Article 58(A) provides as follows: The Directors of the company may refuse to register the transfer in accordance with the provisions of Section 111A of the Companies Act, 1956. The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the issuer on any account whatsoever.
Dematerialisation of Securities	Article 59 provides as follows: Company to recognise interest in dematerialised securities under Depositories Act. (i) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof. (ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, dematerialise its securities held In the Depository and/ or offer its fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed there under, If any. (iii) Every person subscribing to or holding securities of the Company shall have the option to receive security certificate or to hold the security with a Depository, the Company shall Intimate such Depository the details of allotment of the security, and on receipt of the Information, the Depository shall enter in its record the name of the allottee and the Beneficial Owner of the security. (iv) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners. (v)(a) Notwithstanding anything to the contrary contained in the Act or the Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner (b) Same as otherwise provided In (1) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. (c) Every person holding securities of the Company and whose name is entered as Beneficial Owner in the records of the Depository shall be deemed to be the member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits subject to all the liabilities in respect of his securities which are held by a Depository. (v) Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the register of members as holders of any share or where the name appears as Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly

Title of Article	Article Number and Contents
	shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles, otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them. (vi) Every Depository shall furnish to the Company about the transfer of securities in the name of the Beneficial Owner at such intervals .and in such manner as may be specified by the bye-laws and the .Company in that behalf. (vii) Upon receipt of certificate of securities of surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly. (viii) If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be. (ix) Notwithstanding anything in the Act or these Articles to the contrary, these securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of .floppies or discs. (x) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act. (xi) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities. (xii) The shares in the capital be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialized form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished. (xiii) The Company shall cause to be kept a Register and index of Members and a Register and index of Debenture holders in accordance with Sections 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronics media. The Register and index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to the Register and index of Members and Register and index of Debenture holders, as the case may be,

Title of Article	Article Number and Contents
	for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country. (xiv) The Company shall keep a Register of Transfer and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.
Nomination of Securities	Article 60 provides as follows: 60(a) In accordance with and subject to the provisions of Section 109A of the Act, every holder of shares in or holder of debentures of, a company may, at any time nominate, in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death. (b) Where the shares in or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders. (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of, the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company or as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.
Notice of application when to be given	Article 61 provides as follows: Where, in the case of partly paid shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.
No transfer to infant, etc.	Article 65 provides as follows: No share shall in any circumstances be transferred to any insolvent or person of unsound mind. An infant or a minor may be a member through guardian.
Registration of persons entitled to share otherwise than by transfer.	Article 66 provides as follows: Subject to the provisions of the Act and these Articles any person becoming entitled to shares in consequences of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these articles may with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares.
Fee on transfer or transmission	Article 68 provides as follows: There shall be paid to the Company, in respect of the transfer or transmission of any number of shares to the same party, such fee, if any, as the Directors may require.
Company not liable for disregard of a	Article 69 provides as follows:

Title of Article	Article Number and Contents
notice prohibiting registration of a transfer	The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown on appearing in Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.
Powers to borrow	Article 71 provides as follows: Subject to the provision of Section 292 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company. Provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loan obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.
Payment or repayment of moneys borrowed	Article 72 provides as follows: Subject to the provisions of Articles hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable from , any equities between the Company and the person to whom the same may be issued.
Terms of issue of Debentures	Article 73 provides as follows: Any debenture, 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 and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting accorded, by a Special Resolution.
Annual General Meeting-Annual Return.	Article 82 provides as follows: The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings, other than Annual General Meetings shall be called "Extraordinary General Meetings". The first Annual General Meeting shall be held within six months after the expiry of the financial year in which the Company was established and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held.

Title of Article	Article Number and Contents
	Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Office of the Company or at some other place within the city in which the office of the Company is situate as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in anyone Annual General Meeting fix the time for its subsequent Annual General Meetings, Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company, there shall be laid on the table the Director's Report and Audited Statement of Accounts, Auditor's Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with proxies and the Register of Directors' share holdings which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.
Extraordinary General Meeting.	Article 83 provides as follows: The Board may, whenever it thinks fit, call an Extra ordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.
Requisition of Members to state object of meeting	Article 84 provides as follows: Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form, each signed by one or more requisitionists.
On receipt of requisition Directors to call meeting and in default requisitionists may do so.	Article 85 provides as follows: Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and ;if they do not proceed within twenty-one days from the date of the requisition being deposited at the Office to cause a meeting to be called on a day not later that} forty five days from the date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.
Meeting called by requisitionists.	Article 86 provides as follows: Any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.
Twenty one days' notice of meeting to be given.	Article 87 provides as follows: At least Twenty-one days' notice of every General Meeting-Annual or Extraordinary and by whomsoever called specifying the day, place .and hour of meeting, and the general nature of the business to be transacted thereat shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the members entitled to vote thereat and in case of any other meeting, with the consent of members holding not less than 95 percent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be

Title of Article	Article Number and Contents
	convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (i) the consideration of the Accounts, Balance Sheets and Reports of the Board of Directors and Auditors, (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring, (iv) the appointment of, and fixing of the remuneration of the Auditors is to be transacted, and in the case of any other meeting, in any event, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item of business, including in particular the nature or interest if any, therein of every Director of the concern, and the Manager, (if any). Where any such item of special business relates to, or affects any other company, the extent of shareholding interest in other company of every Director, and the Manager if any, of the Company shall also be set out in the statement if the extent of such share-holding interest is not less than 20 per cent of the paid-up share capital of that other company. Where any item of business consists of according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.
Omission to give notice not to invalidate a resolution passed	Article 88 provides as follows: The accidental omission to give any such notice as aforesaid to any of the members or the non-receipt thereof shall not invalidate any resolution passed at any such meeting.
General Meeting not to transact business not mentioned in the notice.	Article 89 provides as follows: No General Meeting, Annual or Extraordinary, shall be competent to enter upon discuss or transact any business which has not been mentioned in the notice or notices upon which the meeting was convened.
Quorum at General Meeting	Article 90 provides as follows: Five Members present in person shall form a quorum for a General Meeting.
If quorum not present meeting to be dissolved or adjourned	Article 91 provides as follows: If at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present, the Meeting if convened by or upon the requisition of Members, shall stand dissolved, but in any other case the Meeting shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or at such other time and place within the city town or village in which the Registered Office of the Company is situated as the Board may determine, and if at such adjourned meeting, a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the Members present shall be a quorum, and may transact the business for which the Meeting was called. It shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
Chairman of General Meeting	Article 92 provides as follows: The Chairman of the Board shall be entitled to take the chair at every General Meeting whether Annual or Extra Ordinary. If the Chairman is unable or unwilling to take the chair or if he is not present within fifteen minutes of the time appointed for holding such meeting then the Vice Chairman shall be entitled to take the chair at such meeting. If there be no such Chairman and / or Vice Chairman if he / they are unable/unwilling to take the chair, or if he/they are not present within fifteen minutes of the time appointed for holding such meeting, then the Directors present shall elect another Director as Chairman, and if no Director is present, or if all the Directors present decline to take the chair, then the members present shall elect one of their number to be the Chairman.
Questions at General Meeting how decided	Article 95 provides as follows: Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own

Title of Article	Article Number and Contents
	motion and shall be ordered, to be taken by him on a demand made in that behalf by any member or members present in person or by proxy, and holding shares in the Company, which confer a power to vote on the resolution not being less than one-tenths of the total voting power in respect of the Resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons making the demand, unless a poll is so demanded a declaration by the Chairman that a resolution has, on show of hands, been carried or carried unanimously or by a particular majority or lost; and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
Chairman's casting vote.	Article 96 provides as follows: In the case of an equality of votes, the Chairman shall both on show hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member. Article 97 provides as follows: If a poll is demanded as aforesaid the same shall subject to Article 94 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situated and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
Passing resolutions of by postal ballot	Article 101 provides as follows: Subject to the provisions of Section 192A of the Act read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, the Company may pass resolutions by way of postal ballot from time to time.
Members in arrears not to vote	Article 102 provides as follows: No member shall be entitled to vote either personally or by proxy at any General Meeting or meetings of class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.
Number of votes to which Member entitled	Article 103 provides as follows: Subject to the Provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, if any preference shareholder be present at any meeting of the Company, save as provided in Section 87 (2) (b) of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affects the right attached to his preference shares.
Casting of votes by a member entitled to more than one vote	Article 104 provides as follows: On a poll taken at a meeting of the Company a member entitled to more than one vote, or his proxy or other persons entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.
How Members of	Article 105 provides as follows:

Title of Article	Article Number and Contents
unsound mind and minor may vote.	A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote, whether, on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may, on poll vote by proxy, if any member be a minor the vote in respect of his share or shares shall be by his guardian, or anyone of his guardians if more than one, to be selected in case of dispute by the Chairman of the meeting.
Votes of joint-members	Article 106 provides as follows: If there be joint registered holders of any shares, anyone of such person may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting that one of the said persons so present whose name stand higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.
Voting in person or by proxy	Article 107 provides as follows: Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.
Votes in respect of shares of deceased and insolvent Member	Article 108 provides as follows: Any person entitled under Article 64 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
Appointment of proxy	Article 109 provides as follows: Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney or if such appointer is a corporate body under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.
Proxy either for specified meeting or for a period	Article 110 provides as follows: An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.
Proxy to vote only on a poll	Article 111 provides as follows: A member present by proxy shall be entitled to vote only on a poll.
Deposit of instrument appointment	Article 112 provides as follows: The instrument appointing a proxy and the power of attorney or other authority (if any)

Title of Article	Article Number and Contents
	under which it is signed or notarized / certified copy of that power or authority, shall be deposited at the office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.
Form of proxy	Article 113 provides as follows: Every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.
Validity of votes given by proxy notwithstanding death of member	Article 114 provides as follows: 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 revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.
Time for objections of votes	Article 115 provides as follows: No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.
Division profits	Article 172 provides as follows: The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the members, in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.
The Company in General Meeting may declare a dividend	Article 173 provides as follows: The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.
Dividends only to be paid out of profits	Article 174 provides as follows: No dividends shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that: (a) If the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years; (b) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.
Interim dividend	Article 175 provides as follows:

Title of Article	Article Number and Contents
	The Board may from time to time, pay to the Members such interim dividends as in their judgement the position of the Company justifies.
Capital paid up in advance to interest but not to earn dividend.	Article 176 provides as follows: Where Capital is paid in advance of calls such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.
Dividends in proportion to amount paid-up	Article 177 provides as follows: 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.
Retention of dividends until completion of transfer under Article 64	Article 178 provides as follows: The Board may retain the dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a Member or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or shall duly transfer the same.
Dividend etc. to joint-holders	Article 179 provides as follows: Anyone of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.
No member to receive dividend whilst indebted to the Company, and Company's right of reimbursement thereat	Article 180 provides as follows: No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any moneys may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of moneys so due from him to the Company.
Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares	Article 181 provides as follows: Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the company, it shall. (a) transfer the dividend in relation to such shares to the special account referred to in Section 205A of the Act, unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and (b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of subsection (1) of Section 81 and any 4 issue of fully paid up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.
Dividends how remitted	Article 182 provides as follows: Unless otherwise directed any dividend may be paid by cheque or warrant or by a payslip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint-holders to that one of : them first named in Register in respect of the joint-holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip or receipt lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any payslip or receipt or the fraudulent recovery of the dividend by any other means.
Unclaimed dividend	Article 183 provides as follows: No unclaimed dividend shall be forfeited and the same shall be dealt with in Accordance

Title of Article	Article Number and Contents
	with the provisions of Section 205A, 205B, and 206A or other provisions, if any, of the Act as may be applicable, from time to time.
No interest on dividends.	Article 184 provides as follows: No unpaid dividend shall bear interest as against the Company.
Dividend and call together	Article 185 provides as follows: Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such ...amount as the meeting fixes, but so that the call on each member .shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between tile Company and the member, be set off against the calls.
Capitalisation	Article 186 provides as follows: (a) The Company in General Meeting may by a special resolution resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Account or Fund, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend (or representing premium received on the issue of shares and standing to the credit of the Shares Premium Account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised value or sum or fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any un-issued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of .the uncalled liability on any issued shares or debentures or debenture-stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum, provided that a Share Premium account and a Capital Redemption Reserve Account may, for the purpose of this Article, only be applied in the paying of any un-issued shares to 6 be issued to members of the Company as fully paid bonus shares. (b) A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge ay be distributed among the members on the footing that they receive the same as capital. (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this article, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any members upon the footing of the value so fixed or that fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties and may vest any such cash or the specific assets in trustees upon such trusts for the person entitled to the dividends or capitalised funds as may seem expedient to the Board. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.
Directors' and others' right of indemnity	Article 202 provides as follows: Every officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is

Title of Article	Article Number and Contents
	acquitted or discharged or in connection with any application under Section 633 of the Act, in which relief is granted to him by the Court.

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at B-101 to 107, Synthofine Estate, Behind Virwani Industrial Estate, Goregaon (East), Mumbai 400 063 from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Letter of appointment dated 27th September, 2005 to Enam Financial Consultants Private Limited from our Company appointing them as the BRLM.
2. Memorandum of Understanding dated 3rd December 2005 amongst our Company and BRLM.
3. Letter of appointment dated 11th November, 2005 to Intime Spectrum Registry Limited from our Company appointing them as the Registrar to the Issue.
4. Memorandum of Understanding dated 12th December, 2005 amongst our Company and Registrar to the Issue.
5. Escrow Agreement dated [●], 2006 between the Company, the BRLM, the Escrow Banks, and the Registrar to the Issue.
6. Syndicate Agreement dated [●], 2006 between the Company, the BRLM and the other Members of the Syndicate.
7. Underwriting Agreement dated [●], 2006 between the Company, the BRLM and other Underwriters.
8. Appointment Letter dated 17th October 2005 of M/s. A.R.A. LAW as the Legal Advisers to the Issue

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of statutory auditors, formation and revision of Audit, Remuneration and other committees
3. Resolutions of the IPO Committee
4. Present terms of employment and remuneration between the company and its Directors fixed by way of Board meetings and approved by the Shareholders.
5. Report of the statutory auditors, M/s Jain & Trivedi, and Company and M/s. N.A. Shah Associates dated 3rd December, 2005 for Restated Financial Statements for the six month period ended 30th September 2005 and for the years ended 31st March 2005, 31st March 2004, 31st March 2003, 31st March 2002 and 31st March 2001 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus
6. Copies of annual reports of our Company for the years ended 31st March 2001, 31st March 2002, 31st March 2003, 31st March 2004 and 31st March 2005 and auditors report for the six month period ended 30th September 2005.

7. Consents of Statutory Auditors, Bankers to our Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Legal counsel to our Issue and Underwriters, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
8. Initial listing applications dated [●], 2006 and [●], 2006 filed with BSE and NSE respectively.
9. In-principle listing approval dated [●], 2006 and [●], 2006 from BSE and NSE respectively.
10. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated [●], 2006.
11. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated [●], 2006.
12. Due diligence certificate dated 16th January, 2006 to SEBI from Enam Financial Consultants Private Limited
13. SEBI observation letter No. [●] dated [●], 2005.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. Our Company further certifies that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY

Mr. Kewalchand P. Jain

Mr. Dinesh P. Jain

Mr. Hemant P. Jain

Mr. Vikas P. Jain

Dr. Prakash A Mody

Mr. Popatlal Sundesha

Mr. Mrudul Inamdar

Mr. Nimish Pandya

SIGNED BY THE CHAIRMAN & MANAGING DIRECTOR

Mr. Kewalchand P. Jain

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. Nikesh Jain

Date : 16th January, 2006
Place : Mumbai