



GOKALDAS EXPORTS LIMITED

(Originally incorporated as Gokaldas India (Private) Limited on March 1, 2004 under the Companies Act, 1956. The name was changed to Gokaldas Exports (Private) Limited on December 14, 2004. The company became a Public Limited Company and the word Private was deleted on January 7, 2005.)

Registered & Corporate Office: No.70, Mission Road, Bangalore 560 027
Tel: +91 80 5127 2200 Fax: +91 80 2227 4869 Website: www.gokaldasexports.com

PUBLIC ISSUE OF 31,25,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. • FOR CASH AGGREGATING RS. • LAKHS (REFERRED TO AS THE “ISSUE”).
THE ISSUE WOULD CONSTITUTE 18.18% 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 ISSUE PRICE IS (X) TIMES OF THE FACE VALUE AT THE CAP OF THE PRICE BAND AND (X) TIMES OF THE FACE VALUE AT THE FLOOR OF THE PRICE BAND.

The Issue is being made through the 100% book building process wherein at least 60% of the Issue shall be issued on a discretionary basis to qualified institutional buyers. Further, upto 15% of the Issue shall be available for allocation on a proportionate basis to wholesale bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to qualified institutional bidders then the entire application money shall be refunded forthwith.

RISK IN RELATION TO FIRST ISSUE

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

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The equity shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page 8.

COMPANY’S ABSOLUTE RESPONSIBILITY

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

LISTING

The equity shares issued through this Draft Red Herring Prospectus are proposed to be listed on The Stock Exchange, Mumbai (“BSE”) and the National Stock Exchange of India Limited (“NSE”). We have received in-principle approvals from these Stock Exchanges for the listing of our equity shares pursuant to letters dated [•] and [•], respectively.

BOOK RUNNING LEAD MANAGER TO THE ISSUE		REGISTRAR TO THE ISSUE	
	ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801, Dalamal Towers Nariman Point, Mumbai – 400 021 Tel: +91-22-56381800 Fax: +91-22- 22846824 E-mail: ge.ipo@enam.com		KARVY COMPUTERSHARE PRIVATE LIMITED “Karvy House”; 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad 500 034 Tel: +91- 40- 23312454 Fax: +91- 40- 23311968 E-mail: gokaldasipo@karvy.com

ISSUE PROGRAM

BID/ISSUE OPENS ON	[•], 2005	BID/ISSUE CLOSSES ON	[•], 2005
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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
“We”, “us”, “our”, “the Company”, “our Company” “our group” and “Gokaldas Exports Limited”	Unless the context otherwise indicates or implies, refers to Gokaldas Exports Limited and its subsidiaries.
“Promoter Group Entities”	Refers to the following entities: • Dazzle Trading Private Limited; • Dice Trading Private Limited; • Hinduja Exports Private Limited; • J.V.N. Exports Private Limited; • Maze Trading Private Limited; • Parichay Investments Limited; • Polyproducts Private Limited; • Rapple Trading Private Limited; • Vag Exports Private Limited; • Asiatic Exports; • Avis Industrial Estate; • Carnival Clothing Company; • Central Wearhouse; • Euro Clothing Company; • Global Garments; • Hinduja Fashions; • Hinduja Sportswear; • Hinduja Trading Company; • International Clothing Company; • J.D. Clothing Company; • New Generation Apparels; • Sunshine Enterprises; • The Intex; and • Wear Craft Apparels.
“Subsidiaries”	Refers to the following entities: • All Colour Garments Private Limited; • Deejay Trading Private Limited; • Glamourwear Apparels Private Limited; • Madhin Trading Private Limited; • Magenta Trading Private Limited; • Rafter Trading Private Limited; • Rajdin Apparels Private Limited; • Reflexion Trading Private Limited; • Rishikesh Apparels Private Limited; • Seven Hills Clothing Private Limited; • SNS Clothing Private Limited; and

	• Vignesh Apparels Private Limited.
“You”	Unless the context otherwise requires, refers to, investors

ISSUE RELATED TERMS AND ABBREVIATIONS

Term	Description
Allotment	Issue of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
Allottee	The successful Bidder to whom the Equity Shares are being/have been issued.
Articles	The Articles of Association of Gokaldas Exports Limited.
Auditors	The statutory auditors of Gokaldas Exports Limited, in this case being RSM & Co., Chartered Accountants and Girish Murthy & Kumar, Chartered Accountants.
Banker(s) to the Issue	[•]
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares at a price within the Price Band, including all revisions and modification 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, Hindi national newspaper and Kannada newspaper.
Bid cum Application Form	The form in terms of which the Bidder shall make an issue to subscribe to Equity Shares and which will be considered as the application for allotment/ transfer of the Equity Shares 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, Hindi national newspaper and Kannada 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.
Board/Board of Directors	The Board of Directors of Gokaldas Exports Limited or a committee thereof
Book Building Process	Book building route as provided in Chapter XI of the DIP Guidelines, in terms of which this Issue is made.
BSE	The Stock Exchange, Mumbai.
BRLM	Book Running Lead Manager to the Issue, in this case being Enam Financial Consultants Private Limited.

CAN / Confirmation of Allotment Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process.
Cap Price	The high end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Co – BRLM	Co Book Running Lead Manager to the Issue, in this case being Investsmart India Limited.
Cut-off Price	Any price within the Price Band. A Bid submitted at the Cut-off-Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Draft Red Herring Prospectus	Means the Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. The Draft Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Issue and will become a Prospectus after filing with the RoC after the pricing and allocation.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.
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 RoC, following which the Board of Directors shall allot and/or transfer Equity Shares to successful Bidders.
Designated Stock Exchange	The Stock Exchange, Mumbai
Directors	Directors of Gokaldas Exports Limited from time to time, unless otherwise specified.
Equity Shares	Equity shares of the Company of Rs. 10 each unless otherwise specified in the context thereof.
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into among Gokaldas Exports Limited, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders.
Escrow Collection Bank(s)	The banks at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band below which the Issue Price will not be finalised and below which no Bids will be accepted.

Fiscal or FY or Financial Year	Twelve months ending March 31 of a particular year.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Issue of 31,25,000 Equity Shares of Rs 10/- each at a premium of Rs. [•] per share
Issue Price	The price at which Allotment of Equity Shares will be made in this Issue as determined by the Company and 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, which may range between 0% to 100% of the Bid Amount.
Members of the Syndicate	The BRLM, Co-BRLM and the Syndicate Members.
Memorandum	The Memorandum of Association of Gokaldas Exports Limited.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders.
Non-Institutional Portion	The portion of the Issue being a minimum of 4,68,750 Equity Shares available for allocation to Non-Institutional Bidders.
NSE	National Stock Exchange of India Limited.
Pay-in Date	The last date specified in the CAN sent to Bidders receiving allocation, who pay less than 100% margin money at the time of bidding.
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 Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount the period commencing on the Bid Opening Date and extending until the Pay-in-Date.
Price Band	Being the price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs, [•] (both inclusive), including revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM and the Co-BRLM finalises the Issue Price.
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities/partnership firms as prescribed under Clause 6.4.2(k) of the DIP Guidelines.
Promoters	Mr. Madanlal J. Hinduja, Mr. Rajendra J. Hinduja, Mr. Dinesh J. Hinduja, Mr. Vivek M. Hinduja, Mr. Ashwin R. Hinduja and Mr. Gaurav D. Hinduja.
Prospectus	The prospectus to be filed with the RoC containing, inter-alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.

Qualified Institutional Buyers / QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million, pension funds with minimum corpus of Rs.250 million, and multilateral and bilateral development financial institutions.
QIB Portion	The portion of the Issue being 18,75,000 Equity Shares available for allocation to QIBs.
Registered Office of the Company	No.70, Mission Road, Bangalore 560 027 (India).
Registrar to the Issue	Karvy Computershare Private Limited
Registrar of Companies or RoC	Registrar of Companies, Karnataka, Bangalore.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who apply or bid for Equity Shares of or for a value of not more than Rs.50,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 7,81,250 Equity Shares 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).
SA 8000	Social Accountability 8000, developed by Social Accountability International, is an independent third party certification of the labour practices of companies and their suppliers and vendors.
Stock Exchanges	NSE and BSE.
Syndicate Agreement	The agreement to be entered into among Gokaldas Exports Limited, the BRLM and the Syndicate Members, in relation to the collection of Bids in the Issue.
Syndicate Member	[•]
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Members.
Underwriting Agreement	The agreement dated [•] entered into among the BRLM, the Co-BRLM, the Syndicate Members and Gokaldas Exports Limited, on or after the Pricing Date.

ABBREVIATION OF GENERAL TERMS

Term	Description
AGM	Annual general meeting of the shareholders.
ATM	Automated Teller Machine.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
CAGR	Compounded Annual Growth Rate

CIAE	Confederation of Indian Exporters.
Companies Act / the Act	The Companies Act, 1956, as amended.
C&F	Clearing & Forwarding.
CIF	Cost, Insurance & Freight.
C-TPAT	Customs-Trade Partnership Against Terrorism
DIP Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
ECS	Electronic Clearing System.
EGM	Extraordinary general meeting of the shareholders.
EDI	Electronic Data Interchange.
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings per Equity Share.
ERP	Enterprise Resource Planning.
FCNR Account	Foreign Currency Non Resident Account.
FDI	Foreign Direct Investment.
FEMA	Foreign Exchange Management Act, 1999, as amended, and the Regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
FOB	Freight on Board.
FTA	Free Trade Agreement
GoI	The Government of India.
HNI	High Net-worth Individual.
HUF	Hindu Undivided Family.
ICAC	International Cotton Advisory Committee.
ICMF	Indian Cotton Mills' Federation.
IT	Information Technology.
I.T. Act	The Income Tax Act, 1961, as amended.
NAV	Net Asset Value.
NIFT	National Institute of Fashion Technology
NRE Account	Non Resident External Account.
Non-Resident	All Bidders who are not NRIs or FIIs and are not persons resident in India.
NRI/Non Resident Indian	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
PAT	Profit After Tax
PAN	Permanent Account Number.
PCFC	Packing Credit in Foreign Currency.
PTA	Preferential Trade Agreement
R & D	Research and Development.
RBI	The Reserve Bank of India.

RONW	Return on Net Worth.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	Securities and Exchange Board of India.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended.
SCM	Supply Chain Management.
SSI	Small Scale Industries.
TQM	Total Quality Management.
TUFS	Technology Upgradation Fund Scheme.
WRAP	Worldwide Responsible Apparel Production.
USD	U.S. Dollars, the legal currency of the United States of America.
WTO	World Trade Organisation.

SECTION I: RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Draft Red Herring Prospectus, the terms “we”, “us”, “our”, the “Company”, “our Company”, or “Gokaldas”, unless the context otherwise indicates or implies, refers to Gokaldas Exports Limited and its subsidiaries.

For additional definitions used in this Draft Red Herring Prospectus, see the section “Definitions and Abbreviations” on page 1 of this Draft Red Herring Prospectus. In the section titled “Main Provisions of Articles of Association”, defined terms have the meaning given to such terms in the Articles.

Market data presented in this Draft Red Herring Prospectus was obtained from industry publications 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 that market data presented in this Draft Red Herring Prospectus is reliable, such data has not been independently verified. Similarly, internal company reports, while believed by us to be reliable, have not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

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

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

- general economic and business conditions in India;
- our ability to successfully implement our strategy and our growth and expansion plans;
- changes in the value of the Indian rupee and other currencies, in particular the [U.S. Dollar];
- increasing competition in and the conditions of the Indian and global textile industry;
- the loss of significant vendor relationships; and
- changes in political or social conditions in India.

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” on page 8 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. None of the Company, any Underwriter or any of their respective affiliates has any obligation to update or otherwise revise any statements to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until the grant of listing and trading permission by the Stock Exchanges.

CURRENCY OF PRESENTATION

In this Draft Red Herring Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India.

RISK FACTORS

INTERNAL RISK FACTORS

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

We derive a significant portion of our revenues from a limited number of buyers. In FY 2002-03, FY 2003-04 and first six months of 2004-05, our largest buyer accounted for 49.40%, 55.58% and 49.42% of our revenues respectively and our five largest buyers accounted for 74.64%, 80.34% and 78.78% respectively. As a result of our reliance on a limited number of clients, we may face pricing pressure. The number of apparels to be procured by them may vary from year to year since we are not the exclusive supplier to them. In addition, there are a number of factors, other than our performance, that could cause loss of a buyer and that may not be predictable. Our buyers may also decide to reduce the quantity of apparel sourced from us because of challenging market conditions and other factors, internal and external, relating to their business. The loss of any of the major buyers, a decrease in the volume of the apparels they source from us or decrease in the price of apparels we supply may adversely affect our revenue and profitability.

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

We have faced pricing pressure on our products over the last few years. This pricing pressure may further increase with the opening up of the international markets with the removal of quotas as various suppliers in India and overseas who were hitherto restrained by quotas will also start competing for the same orders in the international markets.

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

We have experienced significant growth in our sales in recent years. As per our unaudited consolidated financial statement, our total sales has grown at a compounded annual growth rate of 19.67 % from Rs. 26136 lakhs in 1999-2000 to Rs. 53609 lakhs in 2003-04. The number of our total employees grew from 15,766 as on March 31, 2000 to over 30,000 on December 31, 2004. We expect this growth to place significant demands on both our management and resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organization.

In particular, continued expansion increase the challenges involved in:

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

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

We are exposed to foreign currency risk

We are primarily an export oriented apparel manufacturer and approximately 95% of our revenue is in foreign currency. Since our buyers compare our product with that of our competitor in USD denominated rate, appreciation of India Rupee vis-à-vis USD would weaken our competitive position. At the same time for a given revenue in USD, appreciation of Indian Rupee vis-à-vis USD, will push our revenue and profit in Rupee terms in the downward direction. In recent past Indian Rupee has experienced substantial appreciation against USD. From Rs. 47.65/USD as on March 31, 2003 ; it has appreciated to Rs.44.12/USD as on March 31, 2004 and it has further appreciated to Rs.43.73/USD as on December 31, 2004. If this trend of appreciation of Indian Rupee continues it will impact our revenue and profitability in short term and our competitiveness against apparel manufactures of China, Taiwan, Bangladesh etc. in long run.

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

Our Promoters will hold 76.90% of the post Issue equity capital .

Our Articles confer certain rights on certain of our Promoters relating to the representation on our board of directors and provide that so long as Mr.Madanlal J. Hinduja, Mr. Rajendra J Hinduja and Mr. Dinesh J.Hinduja individually or with their family (which includes spouse, son, son's wife and son's children) hold atleast 15% of the paid up equity share capital of the Company, each of them shall be entitled to nominate one director on the Board of Directors and subject to the provisions of applicable law, such director shall not be liable to retire by rotation. These rights can be exercised by the sons of the abovementioned Promoters after their demise and by any other member of their family upon the demise of their sons. Further, the presence of atleast two such directors nominated by the above Promoters is required for the presence of a valid quorum for a meeting of the Board and the positive assent of at least two such Directors would be required for the passing of a resolution by circulation and also for the passing of a resolution on certain specified matters.

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

All of our facilities are geographically located in one area

We are a Bangalore based company and all of our factories and offices are based in and around Bangalore. As a result, if there is any localised social unrest, natural disaster or breakdown of services and utilities in Bangalore, it may affect our business adversely. In addition, continuous addition of industries in and around Bangalore without commensurate growth of its infrastructural facilities is putting a pressure on the existing infrastructure of Bangalore which may affect our business adversely going forward. Further, spiralling cost of living in Bangalore may push our manpower cost in the upward direction, which may reduce our margin and cost competitiveness.

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 yet entered into service or purchase agreements for a substantial portion of our planned expansion and upgradations, which we currently propose to fund by the net proceeds of the Issue.

We have estimated our total fund requirement and its deployment towards the project is at our discretion and is not subject to monitoring by any independent agency. Any increase in prices of these equipments may adversely affect our estimates of project cost.

We do not have any offshore offices

We are primarily an export oriented apparel manufacturer. We sell almost our entire production to international brands, fashion houses, wholesalers and retailers based outside India who cater to the international market at the end user level. However, we do not have any offshore office as a result of which we may not be able to capitalise on opportunities offered by the evolving international apparel market and our customers in a timely manner.

We have limited regulatory experience in managing corporate affairs in India

Till recently we were running our business mainly through partnership firms and closely held companies. Therefore we have very limited regulatory experience in managing corporate disclosure and compliance requirements applicable to widely held companies in India and would have to acclimatise ourselves to the new regulatory environment and build-up in-house expertise and resources for the same.

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

Since our entire operation is information technology driven, the importance of technology systems to our business is paramount. We are also heavily reliant on our systems technology in connection with order booking, material procurement and production. Any failure in our technology systems could result in business interruption, the loss of buyers, damaged reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations.

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

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

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

We introduce new designs/apparels to enhance our existing business and explore new business opportunities on a regular basis. In this regard, we cannot assure you that all our new designs/apparels will gain buyer acceptance. Our inability to identify and recognise international fashion trends could adversely affect our business.

As of September 30, 2004, we had contingent liabilities as disclosed in our unconsolidated statement of assets and liabilities under Indian GAAP. .

As of September 30, 2004, our contingent liabilities as disclosed in our unconsolidated statement of assets and liabilities, under Indian GAAP, were as follows:

- Guarantees given by a bank on behalf of our Company amounting to Rs. 468.45 lakhs;
- Letters of credit amounting to Rs. 3266.76 lakhs; and
- Bills discounted with banks amounting to Rs. 12571.47 lakhs.

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

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

Our Company and certain of our Promoter Group Entities and Subsidiaries are involved in a number of legal proceedings incidentals to their business and operations. There can be no assurance that these matters will be settled in our favour, and that no further liability will arise out of these claims. We believe these claims, even if finally determined against the promoters, the Promoter Group Entities and Subsidiaries, will not result in a material adverse effect to our business. For more information regarding litigations please see the section entitled 'Outstanding Litigations' on Page 227 of this Draft Red Herring Prospectus.

Some of our subsidiaries are loss making as per their latest audited financial statements

Some of our subsidiaries are incurring losses, details of which are given below

In Rs.		
Name of the Subsidiary	Loss incurred for the period ended March 31, 2004	Loss incurred for the six months/period ended September 30, 2004
Deejay Trading Private Limited	-	65,741
Glamourwear Apparels Private Limited	N.A	5,50,323
Madhin Trading Private Limited	-	35,116
Magenta Trading Private Limited	-	1,83,825
Seven Hills Clothing Private Limited	N.A	5,76,934
Vignesh Apparels Private Limited	N.A	26,944

The above-mentioned losses were incurred on account of deferred taxation.

Some of our promoter group entities are loss making as per their latest audited financial statements

Some of our promoter group entities are incurring losses, details of which are as follows

In Rs.

Name of the Subsidiary	Profit/(Loss) incurred for the year ended March 31, 2002	Profit/(Loss) incurred for the year ended March 31, 2003	Profit/(Loss) incurred for the year ended March 31, 2004
J.V.N. Exports Private Limited	(6,58,169)	(6,58,768)	(20,31,267)
Polyproducts Private Limited	22,448	21,456	(1,78,578)
Vag Exports Private Limited	(12,71,386)	4,23,986	78,72,654

The main object of some of our promoter group entities are apparel manufacturing

The main object clause of the Memorandum of Association of some of our promoter group entities namely Dazzle Trading Private Limited, Dice Trading Private Limited, Hinduja Exports Private Limited, Maze Trading Private Limited, Rapple Trading Private Limited and Vag Exports Private Limited permit them to do the business of apparel manufacturing. In future if they get into the business of apparel manufacturing, that may lead to a conflict of interest between us and our promoter group entities.

We have acquired the business of apparel manufacturing from our promoter group entities paying considerations based on the book values of assets.

Our subsidiaries have acquired the businesses from our promoter group entities paying considerations based on the book values of the assets. Further, we have acquired the shareholdings of our subsidiaries from our promoters, their relatives and other promoter group entities paying considerations based on the book values of assets of the subsidiaries. These valuations may not necessarily reflect the intrinsic valuations of the business acquired by us through our subsidiaries.

For further details in this regard, please refer to page no. 83 and 103 of this Draft Red Herring Prospectus.

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

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

We have a huge labour force

Apparel manufacturing is a labour intensive industry. However, we are constrained by the archaic labour laws in India which limit the flexibility on downsizing the workforce. Because of this, we are unable to fully implement productivity measures that may require reducing or relocating existing work force. We are also reluctant to substantially add workforce even if the business

opportunities so demand given that we would not be able to reduce the workforce in a down cycle.

Our dependence of imported raw material exposes us to international country and currency risk

We are dependent on the international markets for most of our raw material. Imported raw materials constituted 67.77%, 75.55% and 72.68% of our total raw material procurement in the year 2002-03, 2003-04, and the six months period ending September 30, 2004. This dependency on imports makes us vulnerable to foreign currency risk and domestic and international factors affecting the countries from which we import the raw materials.

We have a number of factories

As of December 31, 2004 we had forty three (43) factories scattered across locations in and around Bangalore. These scattered facilities do not allow us to reap the benefit of economies of scale and further impose a problem of managing logistics and day to day matters. Further, we are required to obtain various Governmental & regulatory approvals for these forty three (43) factories on a periodic basis. Non-receipt of any of the required approvals may hamper our business.

Forty (40) out of our Forty three (43) factories are leased; the non renewal of such leases can adversely impact our business in the short term

40 out of the 43 factories, owned by us and our subsidiaries, are leased. While the terms of the leases permit renewal, we can not be sure that all of the lessors of the factories will renew the land leases. Should existing leases not be renewed, we would not only have to incur substantial expenditure in relocating our factories on such leased land, but also lose business for the period that such factories are in operational.

Further, out of those 40 factories, 9 factories are leased to us by members of our Promoter Group/Promoter Group Entities. In case of any conflict of interest between our company and the members of our Promoter Group and Promoter Group Entities, those leases may not be renewed and our business may be adversely affected.

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

While we deal with several 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 thus adversely impact our business at a short notice in the absence of any binding long term contracts with them. Further, in the absence of such long term contracts there can be no assurance that a particular buyer would continue to purchase apparel from us in the future.

In addition we have to comply with stringent norms and guidelines prescribed by our buyers in relation to various parameters including quality, confidentiality and intellectual property, non compliance with which may have a material adverse effect on our relationship with such buyer and receipt of further orders from such buyers. One of our significant buyers has prescribed a parameter for maintaining certain insurances. Though, we have obtained adequate insurance cover for our factories and inventories (movable and immovable) the above mentioned parameter

prescribes certain requirements which we may not be in compliance with. However, the Company believes that this will not have a material effect on the relationship with the concerned buyer.

We have not stamped or registered the lease agreements in respect of the applicable factories

Lease agreements executed by the Company and the Subsidiaries in relation to properties upon which manufacturing units are situated, are not stamped in accordance with the provisions of the Karnataka Stamp Act, 1957 and are additionally not duly registered. Instruments which are inadequately stamped in accordance with the provisions of the Karnataka Stamp Act, 1957 are inadmissible as evidence in a court of law. Additionally, judicial precedents have held that lease deeds that are not registered could amount to 'month-to-month tenancies' that could be terminated on short notice. Termination of these lease agreements or our inability to enforce our rights under the same could have a material adverse effect on our business.

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

We are dependent on external suppliers for many of our inputs, specially fabric, which constitutes the largest component of our raw material cost. Fabric procurement constitutes a significant part of our total lead time. Any delays or non conformance to quality requirements by our suppliers can impact our ability to meet our customer's requirements and thus impact our business continuity in the long term.

EXTERNAL RISK FACTORS

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

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

Probable opposition to sourcing 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.

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

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

Increasing wage cost and non availability of skilled personnel

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

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

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

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

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. In a general election that took place in India in April and May 2004, the incumbent coalition government of the National Democratic Alliance, formed in October 1999, was defeated and the United Progressive Alliance, a multi-party coalition headed by the Congress Party, has formed the new government. Though the Congress Party has publicly indicated an intention to continue India's program of economic reform, the United Progressive Alliance consists of parties with differing agendas, which could result in political instability, and as such the rate of economic liberalization could change, and specific laws and policies affecting the textile sector, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

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

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, since early 2003,

there have been military hostilities and civil unrest in Afghanistan and Iraq. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on our business.

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

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

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

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

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

NOTES:

- The book value per Equity Share of Rs. 10/- each is Rs. 10.63 and Rs. 102.58 as at March 31, 2004 and September 30, 2004 respectively, as per our restated unconsolidated financial statements of the Company prepared in accordance with Indian GAAP.
- The net worth of the Company was Rs. 1062.56 lakhs and Rs. 13913.52 lakhs as of March 31, 2004 and September 30, 2004, respectively, as per the restated unconsolidated financial statements of the Company prepared in accordance with Indian GAAP.
- Public issue of 31,25,000 Equity Shares of Rs. 10/- each at a price of Rs. [•] for cash aggregating Rs. • lakhs.
- The average cost of acquisition of our Equity Shares by our Promoters is

(Rs)	
Name of the Promoter	Cost of Acquisition*
Mr. Madanlal J.Hinduja	21.71
Mr. Rajendra J.Hinduja	21.93
Mr. Dinesh J.Hinduja	17.28
Mr. Vivek M.Hinduja	14.17
Mr. Ashwin R.Hinduja	14.10
Mr. Gaurav D.Hindujaj	10.00

**Based on weighted average*

- Investors are advised to refer to the paragraph on “Basis for Offer Price” on 266 of this Draft Red Herring Prospectus before making an investment in this Issue.
- Investors may note that in case of over-subscription in the Issue, allotment shall be on proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (refer to “Basis of Allotment” on 271) in consultation with the BRLM and Co-BRLM.
- For related party transactions, please refer to the section entitled “Related Party Transactions” on page 176 of this Draft Red Herring Prospectus.
- The Issue is being made through a 100% Book Building Process wherein atleast 60% of the Issue will be allocated on a discretionary basis to Qualified Institutional Buyers (“QIBs”). Further, upto 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- For any clarification or information or complaints, investors may contact the BRLM and Co-BRLM.
- Investors may contact BRLM and Co-BRLM for any complaints pertaining to the Issue.
- 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. Hence, Bidders should carefully complete their Depository Account details in the Bid-cum-Application Form.
- For details in relation to loans and advances, please refer to page 157 of this Draft Red Herring Prospectus.

SECTION II: INTRODUCTION

SUMMARY

Our group, the Gokaldas Exports Group, was set up 25 years ago by the late Jhamandas H. Hinduja in Bangalore and has grown over the years to emerge as India's leading apparel manufacturer exporters. We have consistently received awards for our export performance from various industry organisation right from 1980-81 and were recently awarded "Highest Exporter Award" from Confederation of Indian Apparel Exporters (CIAe) in 2004. We were also awarded "Highest Export Award for Non-Quota Market" from Confederation of Indian Apparel Exporters (CIAe) for our export performance in 2004.

We design, manufacture and sell a wide range of garments for men, women & children, catering to the needs of several leading international fashion brands & retailers. Over the years, we have developed expertise in manufacturing Outerwear - coats, suits, jackets, parkas, windcheaters, ski wear; Active wear – warm-ups, surf wear, swim wear; Bottoms - trousers, shorts; Casual Wear – Shirts, ladies blouses and dresses for top end customers in the international market.

Several international buyers outsource their designing & manufacturing requirements to us. These buyers include apparel brands like Nike, GAP, Old Navy, Banana Republic, Tommy Hilfiger, Abercrombie & Fitch, Hollister, The Children's Place, Reebok, Adidas, O'Neil, Mexx, Decathlon, Tom Tailor. We also work with manufacturers like The Steilmann Gruppe, Lebek, and retailers like Walmart, Sears, The Metro Group, etc. Today, our goods dock into countries like USA, Canada, Mexico, UK, Germany, Austria, Spain, Italy, France, Netherlands, Middle East, South Africa, Japan, Denmark, Taiwan & Hong Kong.

As on December 31, 2004 we have 43 factories housed over 19 lakh square feet located in Bangalore (Karnataka, India), employing over 30,000 employees, with 258 production lines. Our facilities are fully integrated with in house manufacture of components such as labels, tags, elastics, cords, woven tapes. We also have in house facilities for value added services like poly fill quilting, embroidery, printing & laundry.

As per our proforma consolidated financial statement, our total sales grew at a CAGR of 19.67% from Rs 26136 lakhs in 1999-2000 to Rs 53609 lakhs in 2003-2004 and our PAT grew at a CAGR of 23.52% from Rs 1602.84 lakhs in 1999-2000 to Rs. 3731.51 lakhs in 2003-04. Total sales and PAT of our group for the six months ended September 30, 2004; as per our proforma consolidated financial statement, were Rs 37379 lakhs and Rs 2479 lakhs respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following factors have contributed to our being a vendor of choice for several of our buyers.

ABILITY TO MANAGE MULTIPLE LARGE ORDERS

Apparel manufacturing is highly labour intensive, and requires managing complex supply chains of raw materials to be sourced globally. Large orders require managing large workforce, complex sourcing, production planning, and ensuring timely delivery to the customer. With the removal of quotas, buyers are consolidating their vendor base to fewer suppliers having larger capacities and multiple product range. Over the years, we have developed the expertise to manage multiple large orders concurrently as well as have developed a diversified product range which has helped the company grow.

GLOBAL SOURCING CAPABILITIES

We have developed capabilities to source raw materials globally. Since the quantities sourced are large, we have developed an efficient supply-chain which allows us to reduce our input costs and enhance our competitiveness. This also allows us to reduce lead times, where required, by being able to source from suppliers who can meet our delivery time schedules.

DESIGN CAPABILITIES

Design is a critical element of apparel manufacturing. Our ability to identify and stay abreast of evolving fashion trends, and design apparel that meets with our buyers' requirements allows us to enhance our market share with existing buyers and develop new customers. Additionally, our ability to add value to the designs or design thoughts that the customers bring to us help us develop stronger relationships with these customers and further strengthen our competitive position vis-à-vis our competitors.

SAMPLING CAPABILITIES

A fully equipped sample room with approximately 400 machines, including certain specialized machines backed with a pattern making and a fully-automated CAD room enhances our ability to provide samples as per buyer requirement with quick turnaround times.

MANUFACTURING SCALE AND COST EFFICIENCY

We run 43 factories in and around Bangalore with 258 production lines with advanced equipment. These factories also include various ancillary units which manufacture some of our input material such as labels, tags, elastics, cords and woven tapes. We also have in-house facilities for value added services like poly fill quilting, embroidery, printing & specialized washes. Our scale of operations, high level of automation, in-house ancillary units as well as ability to plan production across specialised factories as required allows us to reduce costs and lead times..

In addition, we believe our business philosophy focusing on Punctuality, Quality, Reliability, Speed, Transparency and Flexibility further helps us to enhance our competitive strengths:

Punctuality

Meeting customer deadlines on a consistent basis is important for our business. Fashion is time bound and any delay in meeting deadlines results in loss of sales or exhibiting incomplete collections on the retailer's shelves.

To ensure timely deliveries, we meticulously plan our entire range of activities well in advance, right from sourcing of fabric and components to manufacturing to shipping.

Quality

We are conscious about quality of our products, our processes and our partnerships. Buyers are keen to work with vendors who are capable of meeting quality needs to enable them to maintain their brand equity with their customers and enhance their sales.

Reliability

We have been in this business for over two decades and have built long-term relationships with our buyers. We maintain complete confidentiality of our buyers' designs & innovations so as to avoid any conflict of interest. We also strive to meet our commitments to our buyers. In case of delays we air ship the garments to our buyers at our cost, to meet the client's deadline.

Speed

Buyers want to reduce their fashion related risks by shortening the time frame from design to market. Hence, our ability to strategically source raw materials in the shortest time possible contributes to speedy delivery of goods to our buyers. As quite a few of our ancillary services such as accessories, packing materials, cord, label, elastic making, poly fillquilting, printing, embroidery and specialized washes are vertically integrated, it helps us to reduce delivery time. We also take positions on fabric that are commonly used to further reduce lead time.

Transparency

Most buyers work backwards from their retail price to work out the optimal garment price at which they can source. We work closely with our key buyers to help them meet their desired purchase price. This is done through a process of identifying areas wherein costs can be reduced by re-engineering the product or sourcing. Transparency helps gain customer confidence and converts us from supplier to partner.

Flexibility

We offer flexibility both in sourcing and manufacturing. Our global sourcing capability allows us to procure raw materials from any part of the world. This way, we can ensure that we can get the best quality at competitive rates and at the specified delivery schedules. Even our facilities are equipped to manufacture varied run sizes and can be re-configured to handle different products as per changing seasonal requirements.

OUR STRATEGY

The removal of quotas has created significant opportunities for growth for the Indian Garment Manufacturing Industry. At the same time, this opens up new competition within India and from other countries, which have similarly been restrained by quotas for growth.

We believe that we are well positioned to maintain and enhance our position in the apparel industry with the dismantling of quotas. Our strategy to further strengthen our leadership position include:

- **Diversifying our product portfolio** – We aim to extend our existing bouquet of products to include a wider range of garments. We intend adding new products which are complementary & higher up in the value chain.
- **Enhancing customer base** – We intend to continue to grow our business by adding new customers in existing and new geographies. We aim to do this by effectively leveraging our marketing skills and relationships and further enhancing customer satisfaction.
- **Enhancing manufacturing capability** - We intend to ramp up our manufacturing capability by a combination of the following:
 - Setting up new factories, including new locations, both in India and abroad
 - Modernizing & expanding existing facilities
 - Dedicated third party factories
 - Acquiring existing facilities in India and abroad
- **Enhancing production efficiency** – We aim for higher production efficiency through labour productivity enhancement measures and modernization of equipment
- **Strengthening sourcing capabilities** – We intend to strengthen our sourcing capability by identifying new & more efficient suppliers to reduce costs, increase speed of delivery and reduce lead times, including by identifying raw material manufacturers geographically closer to the place of production
- **Reduction of operational costs** – As the world opens to competition, we want to remain a cost competitive company. Our focus has been & shall also remain to reduce the operational costs to increase our competitiveness
- **Enhanced commitment to social responsibility** – We intend to remain committed towards our social responsibilities and provide our employees with a congenial and conducive work environment, which will also help us emerge as a preferred employer and further gain buyer appreciation

THE ISSUE

Equity Shares being issued by the Company to the Public	31,25,000 Equity Shares
QIB Portion	18,75,000 Equity Shares (allocation on discretionary basis)
Non-Institutional Portion	4,68,750 Equity Shares (allocation on proportionate basis)
Retail Portion	7,81,250 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	1,40,63,000 Equity Shares
Equity Shares outstanding after the Issue	1,71,88,000 Equity Shares

Use of proceeds by the Company :

Please see section entitled “Objects of the Issue” on 44 of this Draft Red Herring Prospectus for additional information.

GENERAL INFORMATION

AUTHORITY FOR THE ISSUE

The Issue has been authorised pursuant to a resolution of the Board of Directors of our Company adopted on December 14, 2004.

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the Extra-ordinary General Meeting of our shareholders held on January 7, 2005.

PROHIBITION BY SEBI

The Company, its subsidiaries, its affiliates, its Promoter Group Entities, its directors, its Promoters, other companies promoted by the promoters and companies with which the Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our directors or the persons in control of the Promoters has been prohibited from accessing the capital markets under any order or direction passed by SEBI.

ELIGIBILITY

Since, we are issuing 18.18% of the post-issue paid-up capital to public through this issue, this Issue is subject to the fulfilment of the following conditions as required by the Rule 19(2)9b) of SC(R)R, 1957:

- A minimum 2,000,000 equity shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Issue size, which is the Issue Price multiplied by the number of equity shares offered the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the book building method with allocation of 60% of the Issue size to QIBs as specified by the SEBI.

The Promoters, the Company, the Promoter Group Entities are not detained as wilful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this Draft Red Herring Prospectus.

No penalty has been imposed by SEBI and other regulatory bodies against us, our directors, the Promoters, the Promoter Group Entities and our Subsidiaries

DISCLAIMER CLAUSE

“AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPRIVED 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 HERRNG PROSPECTUS ARE

GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 4, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE 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
 - 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.
3. 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.
4. WHEN UNDERWRITTEN WE SHALL SATIFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE BOARD TILL THE DATE OF

COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WERE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF COMPANIES ACT, ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE HAVE BEEN COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS AND PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS AND PROSPECTUS.”

CAUTION

The Company and the BRLM accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus or the advertisements or any other material issued by or at the instance of the Company and any one placing reliance on any other source of information.

The BRLM does not accept any responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into between the Company and the BRLM and the Underwriting Agreement to be entered into amongst the Company and the Underwriters.

We shall not be responsible to the bidders in any failure in the downloading of bids due to faults in the hardware/software system or otherwise.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India including Indian nationals, resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual funds registered with SEBI, Indian financial institutions, scheduled commercial banks, regional rural banks, cooperative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended, or any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital funds registered with SEBI, State Industrial Development Corporation, Insurance companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs.250 million and Pension Funds with minimum corpus of Rs.250 million, and to non-residents including NRIs and FIIs. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued 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 Bangalore only.

No action has been or will be taken to permit a public Issue in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and the SEBI has given its observations and the Draft Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares may not be issued, directly or indirectly, and this Draft Red Herring Prospectus, the Red Herring Prospectus and the 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, the Red Herring Prospectus and the Prospectus nor any issue hereunder shall, under any circumstances, create any implication that there has been no change of affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited. NSE has vide its letter dated [●] given permission to the Company to use the exchange's name in this Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (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 the listing). The exchange has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the 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 Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the exchange, nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desire to apply for or otherwise acquire any securities of the 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 or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF BSE

The Stock Exchange Mumbai ("BSE") has vide its letter dated [●] given permission to the Company to use BSE's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this company's securities will be listed or will continue to be listed on BSE; or
3. 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 BSE. Every person who desires to apply for or otherwise acquires of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted be stated herein or for any other reason whatsoever.

FILING

A copy of this Draft Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with such RoC. A copy of the Draft Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai-400 021.

LISTING

Applications have been made to The Stock Exchange, Mumbai and National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. We have nominated [•] as the Designated Stock Exchange (“DSE”) for the issue.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from the expiry of eight days, will be jointly and severally 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.

The Company together with the assistance of the BRLM, shall ensure that all steps for the completion of the necessary requirements for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 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.”

MINIMUM SUBSCRIPTION

If we do not receive the minimum subscription of 90% of the Issue amount including devolvement of Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days

after we become liable to pay the amount we shall pay interest as per section 73 of Companies Act.

If we do not receive the minimum subscription of 60% of the Issue amount from Qualified Institutional Buyers within Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount we shall pay interest as per section 73 of Companies Act.

If the number of allottees in the proposed Issue (including Issue of Equity Shares plus Issue for Sale of existing Equity Shares) is less than 1,000, the Company shall forthwith refund the entire subscription amount received.

No statement made in this form shall contravene any of the provisions of the Companies Act, and the rules made thereunder.

WITHDRAWAL OF THE ISSUE

The Company, in consultation with the BRLM and Co-BRLM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

LETTERS OF ALLOTMENT OR REFUND ISSUE

The Company shall dispatch allotment advice or refund orders and given benefit to the Beneficiary Account with Depository Participants and submit the allotment and listing documents to the Stock Exchanges within two working days of finalisation of the basis of allotment. The Company shall dispatch refund orders, if any, of value up to Rs.1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder’s sole risk.

The Company shall ensure that all steps for completion of the necessary requirements for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the Stock Exchanges’ requirements and DIP Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form, within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders shall be completed within 15 day of Bid/ Issue Closing Date; and
- The Company would pay interest at 15% per annum (for any delay beyond the periods as mentioned above), if allotment has not been made, refund orders have not been dispatched and/or demat credits have not been made to investors within the time periods specified above.

We will provide adequate funds required for the despatch of refund orders or allotment advice to the Registrar to the Issue.

ISSUE PROGRAMME / ISSUE PERIOD

Bid / Issue opens on	[•] 2005
Bid / Issue closes on	[•] 2005

Bids and any revision in Bids shall be accepted only between 10:00 a.m. and 5:00 p.m. (Indian Standard Time) during the Bid / issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10:00 a.m. and 5:00 p.m. (Indian Standard Time) and updated till such time as permitted by the BSE and NSE on the Bid / Issue Closing Date. Any revision in the Price Band and the revised Bid / Issue Period, if applicable, will be duly disseminated by notification to the BSE and NSE by issuing a press release and also by indicating the change on the website of the BRLM and at the terminals of the Members of the Syndicate.

BOOK RUNNING LEAD MANAGER TO THE ISSUE

Enam Financial Consultants Private Limited
801, Dalamal Towers
Nariman Point
Mumbai – 400 021
India
Tel. : +91- 22- 56381800
Fax. : +91- 22- 22846824
Email: ge.ipo@enam.com

CO BOOK RUNNING LEAD MANAGER TO THE ISSUE

IL&FS Investsmart Ltd
The IL&FS Financial Center,
Plot No.C-22, G Block,
Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051
India
Tel. : +91- 22-26533333
Fax. : +91- 22-26533093
Email: gel.ipo@investsmartindia.com

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst Enam Financial Consultants Pvt. Ltd (Enam) & IL&FS Investsmart Ltd (IIL) as under:

S. NO.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam	Enam
2.	Due diligence of the company's operations / management / business plans/legal etc.	Enam	Enam,
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	Enam	Enam
4.	Drafting and approval of Issue and statutory	Enam	Enam

S. NO.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
	publicity material, etc.		
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material	Enam	Enam
6.	Appointment of Registrar, Bankers and Ad agency	Enam	Enam
7.	Appointment of Printer	Enam	Enam
8.	Marketing of the Issue, which will cover inter alia, - Formulating marketing strategies, preparation of publicity budget - Finalize Media & PR strategy - Finalizing centers for holding conferences for brokers, etc. - Finalize collection centers - Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Offer material	Enam, IIL	Enam
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	Enam,IIL	Enam
10.	Finalizing of Pricing & Allocation	Enam, IIL	Enam
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	Enam	Enam
12.	The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Issue, Banker(s) to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	Enam	Enam

CO-MANAGER TO THE ISSUE

Canara Bank
 Corporate Merchant Banking Division
 P&D Wing, Head Office
 112, J.C Road
 Bangalore 560 002
 Tel: +91-80-22128043
 Fax:+91-80-22128056
 Email:coblr3@vsnl.net

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
“Karvy House”
46, Avenue 4, Street No. 1
Banjara Hills, Hyderabad 500 034
Tel: +91-40-23312454
Fax: +91-40-23311968
Email: gokaldasipo@karvy.com

LEGAL ADVISORS TO THE ISSUE

AZB & Partners
Express Towers,
23rd Floor,
Nariman Point,
Mumbai-400 021.
Tel: +91-22-56396880
Fax: +91-22-56396888

AUDITORS

RSM & Co.
Chartered Accountants,
Ambit RSM House, 449,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013
Tel: +91-22-39821819
Fax:: +91-22-39823020

Girish Murthy & Kumar
Chartered Accountants,
4502, High Point IV,
V Floor, 45, Palace Road,
Bangalore – 560 001
Tel: +91-80-22265202

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

[•]

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. L. Nandalal
Gokaldas Exports Limited,
No. 70, Mission Road,
Bangalore – 560 027
Tel: 91-80-51272200
Fax: 91-80-22274869
Email: ipo@gokaldasexports.com

Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of allotment advice or refund orders, etc.

OTHER DETAILS

Credit Rating

Since the Issue is of Equity Shares, credit rating is not required.

Trustees

Since the Issue is of Equity Shares, appointment of Trustees is not required.

BOOK BUILDING PROCESS.

Book building refers to the collection of bids from investors, which is based on an indicative price range, the Issue price being fixed after the Bid Closing Date. The principal intermediaries involved in a Book Building Process are:

- The Company;
- Book Running Lead Manager, in our case Enam Financial Consultants Private Limited.
- Co Book Running Lead Manager, in our case Investsmart India Limited

SEBI through its guidelines has permitted an issuer proposing to issue securities to the public through the 100% Book Building Process wherein up to atleast 60% of the Issue will be allocated on a discretionary basis to Qualified Institutional Buyers. Further, upto 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders (including HUFs) whose maximum bid amount is not more than Rs. 50,000, subject to valid bids being received at or above the Issue Price. Undersubscription, if any, in any of the categories (other than the allocation to QIBs portion), will be met with spill over from the other categories. We will comply with these guidelines for this Issue. In this regard, the Company has appointed Enam Financial Consultants Private Limited as the Book Running Lead Manager and IL&FS Investsmat Limited as the Co-Book Running Lead Manager to the Issue to procure subscription to the Issue.

The process of book Building under DIP Guidelines is relatively new and investors are advised to make their own judgement about investment through this process prior to making a Bid or Application in the Issue. Pursuant to the recent amendments to DIP Guidelines, QIBs are not allowed to withdraw their Bids after Bid/Issue Closing Date. Please refer to page no. 239 of this Draft Red Herring Prospectus for the section “**Terms of the Issue**” in this Draft Red Herring Prospectus for further details in this regard.

Steps to be taken by the Investor for Bidding

- Check whether he or she is eligible for Bidding;
- Bidder necessarily needs to have a demat account; and
- Fill up Bid Form as per instructions given elsewhere in this Draft Red Herring Prospectus and the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued in the Issue. It is proposed that under the terms of the Underwriting Agreement, the BRLM and Co-BRLM shall be responsible for bringing in the amount devolved in the event that the other Syndicate Members do not fulfil their

underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of shares.

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In Million)

The above underwriting agreement is dated [●]

In the opinion of the Board of the Company on the basis of the declarations 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.

Allocation among the BRLM, Co-BRLM or the Syndicate Members may not necessarily be in proportion to the underwriting commitments. Notwithstanding the above table the Underwriters shall be responsible for ensuring the payment for the 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 subject to a maximum of [●] Equity Shares. Allocation to QIB Bidders is discretionary as per the terms of the Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIB Bidders could be different among the Underwriters.

CAPITAL STRUCTURE

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

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

	Aggregate nominal value	Aggregate Issue Price	(Rs) value at
A. Authorised Capital			
2,00,00,000 equity shares of Rs. 10/- each	20,00,00,000		
B. Issued, Subscribed and Paid-Up Capital before the Issue			
1,40,63,000 equity shares of Rs. 10/- each fully paid-up	14,06,30,000		
C. Present Issue through this Draft Red Herring Prospectus			
31,25,000 equity shares of Rs. 10/- each fully paid-up	3,12,50,000		[●]
D. Equity Capital after the Issue			
1,71,88,000 equity shares of Rs. 10/- each fully paid-up	17,18,80,000		[●]
E. Share Premium Account			
Before the Issue		16,00,00,000	
After the Issue			[●]

- a) The authorised capital of the Company was changed from Rs. 10,00,00,000 (divided into 1,00,00,000 equity shares of Rs. 10 each) to Rs. 20,00,00,000 (divided into 2,00,00,000 equity shares of Rs. 10 each) through special resolution passed at our extra ordinary general meeting held on November 30, 2004.
- b) Please refer to point no. 1 of 'Notes to Capital Structure' on page no. 37 of this Draft Red Herring Prospectus for details of issuance of equity shares by us on January 31, 2005 pursuant to which our share premium account has increased after that reported in our audited accounts as at September 30, 2004.

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

Date of Allotment	Number of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Paid -up Capital (Rs.)	Cumulative Share Premium (Rs.)
March 1,	9,50,000	10	10	Cash	Subscription to the	95,00,000	-

Date of Allotment	Number of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)
2004					Memorandum on conversion of the partnership firm.		
March 29, 2004	90,50,000	10	10	Cash	Preferential issue of equity shares to Promoters and certain members of the Promoter Group.	10,00,00,000	-
December 14, 2004	35,63,000	10		Share swap	Allotment to shareholders of erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited pursuant to merger with erstwhile Gokaldas India Private Limited (renamed as Gokaldas Exports Private Limited and subsequently converted to Gokaldas Exports Limited)	13,56,30,000	
January 31, 2005	5,00,000	10	330	Cash	Further allotment of Equity Shares	14,06,30,000	16,00,00,000
TOTAL	1,40,63,000						

2. Promoters Contribution and Lock-in

Name of Promoter	Date of Allotment	Number of equity shares (of Rs.10 each)	Consideration	Percentage of Pre Issue paid-up Capital (%)	Percentage of Post Issue paid-up Capital (%)
Madanlal J Hinduja	March 1, 2004	1,80,500	Through conversion of partnership firm	1.28%	1.05%
	December 14, 2004	7,97,300	Share swap as per the court approved merger scheme	5.67%	4.64%
	Total	9,77,800		6.95%	5.69%

Name of Promoter	Date of Allotment	Number of equity shares (of Rs.10 each)	Consideration	Percentage of Pre Issue paid-up Capital (%)	Percentage of Post Issue paid-up Capital (%)
Rajendra J Hinduja	March 1, 2004	1,80,500	Through conversion of partnership firm	1.28%	1.05%
	December 14, 2004	7,97,290	Share swap as per the court approved merger scheme	5.67%	4.64%
	Total	9,77,790		6.95%	5.69%
Dinesh J Hinduja	March 1, 2004	2,75,500	Through conversion of partnership firm	1.96%	1.60%
	December 14, 2004	7,97,290	Share swap as per the court approved merger scheme	5.67%	4.64%
	Total	10,72,790		7.63%	6.24%
Vivek M Hinduja	March 1, 2004	126,730	Through conversion of partnership firm	0.90%	0.74%
	December 14, 2004	62058	Share swap as per the court approved merger scheme	0.44%	0.36%
	Total	1,88,788		1.34%	1.10%
Ashwin R Hinduja	March 1, 2004	126,635	Through conversion of partnership firm	0.90%	0.74%
	December 14, 2004	62163	Share swap as per the court approved merger scheme	0.44%	0.36%
	Total	1,88,798		1.34%	1.10%

Name of Promoter	Date of Allotment	Number of equity shares (of Rs.10 each)	Consideration	Percentage of Pre Issue paid-up Capital (%)	Percentage of Post Issue paid-up Capital (%)
Gaurav D Hinduja	March 1, 2004	31,635	Through conversion of partnership firm	0.22%	0.18%
	Total	31,635		0.22%	0.18%

Other than the above equity shares which are locked in for three years from the date of allotment in this Issue, the entire pre-Issue share capital of our Company shall be locked in for a period of one year from the date of allotment in the Issue. Under the existing SEBI Guidelines, shares held by persons (other than promoters) may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SAST"), as applicable. Under the existing SEBI Guidelines, shares held by a promoter which are locked in, may be transferred to and among promoter/promoter group or to a new promoter or persons in control of the Company, subject to the continuation of the lock-in with the transferees for the remaining period and compliance with the SAST, as applicable. The Promoters may pledge their equity shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

3. Shareholding pattern of our Company before and after the Issue:

Shareholder(s)	Pre-Issue		Post-Issue	
	Number of equity shares (Rs. 10/- each)	Percentage	Number of equity shares	Percentage
Promoters				
Madanlal J Hinduja	2093300	14.89%	2093300	12.18%
Mr. Rajendra J Hinduja	2052290	14.59%	2052290	11.94%
Mr. Dinesh J Hinduja	3552290	25.26%	3552290	20.67%
Vivek M Hinduja	2090780	14.87%	2090780	12.16%
Ashwin R Hinduja	2130780	15.15%	2130780	12.40%
Gaurav D Hinduja	528000	3.75%	528000	3.07%
Other promoter group persons/entities	770560	5.48%	770560	4.48%
Total promoter group holdings	13218000	93.99%	13218000	76.90%
Non-Promter Holding	845000	6.01%	3970000	23.10%

Total	14063000	100.00%	17188000	100.00%
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4. Our top ten shareholders and the number of equity shares held by them on the date of filing this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No	Name of Shareholders	No. of Shares	Percentage of shareholding
1	Dinesh J Hinduja	35,52,290	25.26
2	Ashwin R Hinduja	21,30,780	15.15
3	Madanlal J Hinduja	20,93,300	14.89
4	Vivek M Hinduja	20,90,780	14.87
5	Rajendra J Hinduja	20,52,290	14.59
6	Gaurav D Hinduja	5,28,000	3.75
7	Nirmit Finvest & Property Pvt Ltd	2,75,000	1.96
8	Dayawanthi J Hinduja	2,17,780	1.55
9	Nalini D Hinduja	2,02,780	1.44
10	Janaki M Hinduja	1,00,000	0.71
10	Veena R Hinduja	1,00,000	0.71

Our top ten shareholders and the number of equity shares held by them ten days prior to date of filing this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No	Name of Shareholders	No. of Shares	Percentage of shareholding
1	Dinesh J Hinduja	35,52,290	26.19
2	Madanlal J Hinduja	22,08,300	16.28
3	Rajendra J Hinduja	21,67,290	15.98
4	Ashwin R Hinduja	21,30,780	15.71
5	Vivek M Hinduja	20,90,780	15.42
6	Gaurav D Hinduja	5,28,000	3.89
7	Nalini D Hinduja	3,17,780	2.34
8	Dayawanthi J Hinduja	2,17,780	1.61
9	Janaki M Hinduja	1,00,000	0.74
10	Veena R Hinduja	1,00,000	0.74

Our shareholders and the number of equity shares held by them on the date of incorporation is as follows:

Sr.No.	Name of Shareholders	Number of equity shares	Percentage of shareholding
1.	Madanlal J. Hinduja	1,80,500	19.00
2.	Rajendra J. Hinduja	1,80,500	19.00
3.	Dinesh J. Hinduja	2,75,500	29.00
4.	Vivek M. Hinduja	1,26,730	13.34
5.	Ashwin R. Hinduja	1,26,635	13.33
6.	Gaurav D. Hinduja	31,635	3.33

7.	Maze Trading Private Limited	9,500	1.00
8.	Rapple Trading Private Limited	9,500	1.00
9.	Dice Trading Private Limited	9,500	1.00
	TOTAL	9,50,000	100

5. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our equity shares.
6. Two of our promoters viz Madanlal J.Hinduja and Rajendra J.Hinduja and one of the members of the Promoter Group viz Nalini D.Hinduja have sold 115,000 shares each at a price of Rs 330 each. The transfer of the same has yet to be registered in our books in the names of the buyers. The above reflects the consummation of the sale based on confirmations received from the sellers. Except this none of our Promoters, members of our Promoter Group Entities or our directors 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.
7. Our Company, our Directors, the BRLM and Co-BRLM have not entered into any buy-back and/or standby arrangements for purchase of equity shares of our Company from any person.
8. In this Issue, in case of over-subscription in all categories, atleast 60% of the Issue shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, upto 15% of the Issue shall be available for allocation on a proportionate basis to Non-institutional Bidders and a minimum of 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category (other than the allocation to QIBs portion) would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM and Co-BRLM.
10. 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.
11. 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 [•] equity shares while finalising the basis of allotment.
12. 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 being issued hereby have been listed.
13. We presently do not intend or propose to alter our capital structure for a period of 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 that we may issue options to our employees pursuant to a new employee stock option plan or, 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. There shall be only one denomination of the equity shares of our Company, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

15. We had 13 shareholders as on December 31, 2004.
16. Canara Bank, Banker to our Company, has given their no objection to the proposed IPO vide their letter no. 1532 CR 1006 2005 dated January 20, 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, modernization and expansion of our existing factories, repayment of working capital loan, meeting general corporate purposes and achieve benefits of listing. We believe that listing of our Equity Shares will also enhance our brand image.

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

REQUIREMENT OF FUNDS

The total estimated fund requirement is as follows:

		Rs. In Lakhs
Sr. No.	Particulars	Cost
A	Capital Expenditure	
	Setting up four new factories	4560
	Modernization and expansion of our existing factories	2000
B	General Corporate Purpose	*
C	Repayment of working capital loan	3000
D	Meeting issue expenses	800
Total		*

DETAILS OF FUND REQUIREMENT

Setting up New Factories

In line with opportunities and our growth requirements, we propose to set up four new manufacturing facilities adding 68 production lines over the next two years.

Estimated fund requirements of those proposed four factories are as follows:

Rs. In Lakhs

	Factory I	Factory II	Factory III	Factory IV
Location	Bangalore	Bangalore	Bangalore	Chennai/Hyderabad
Structure	Under 100% subsidiary, Deejay Trading Pvt Ltd	Directly under Gokaldas Exports Ltd	Under 100% subsidiary, Magenta Trading Private Ltd	Directly under Gokaldas Exports Ltd
Commissioning Period	July 2005	October 2005	October 2005	FY 2006-07
Area	1,20,000 sq. ft.	Approximately 1,00,000 sq.ft.	70,000 sq.ft.	Approximately 2,10,000 sq.ft.
Land	Nil	210	Nil	200
Building	Nil	400	Nil	1000
Lease deposit for land &	250*	Nil	100*	Nil

	Factory I	Factory II	Factory III	Factory IV
building				
Plant & Machineries	1000**	400	400**	600
Total cost	1250	1010	500	1800

* By way of an unsecured loan to the wholly owned subsidiary

** The plant and machineries for the factories will be owned by us.

Factory I: The premises in which we propose to set up this factory will be taken on lease from the Promoter Group or applicable third parties. Based on our internal estimates, we are allocating a refundable lease deposit of Rs. 250 lakhs for the same.

Factory II: We have participated in an auction conducted by KSIIDC and were the highest bidders in an open auction for a land with a built up area of 25,000 sq ft. This is estimated to cost us Rs 210 lacs, including registration and other charges. Necessary documentation is yet to be issued by KSIIDC.

Factory III: We have identified a few premises, one of which will be taken on lease to set up our factory.

Factory IV: In order to diversify our geographical presence, we intend to set up a factory at Chennai in FY 2006-07. We have started identifying potential sites for the factory.

Plant and machineries include plain industrial sewing machines, specialized sewing machines, cutting tables, automatic cutting machines, finishing & pressing equipment, multi head embroidery machines, air conditioning, back up power, boilers for steam, air compressors, security systems, factory IT systems and computerised conveyor and material handling systems, etc. We enter into contracts with vendors for the supply of the same a few months before we expect the building construction to be completed. 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.

Modernization and Expansion of Our Existing Factories

We intend to upgrade some of the machineries in our existing factories and also install modern material handling systems, conveyors and productivity enhancing equipment. As per our estimation, a total fund of approximately Rs. 2000 lakhs will be required for the same purpose.

Modernization and Expansion programme will include installation of computerised conveyor and material handling systems, specialized sewing machines, multi head embroidery machines, industrial sewing machines, automatic cutting machines, quilting machines, finishing and pressing equipment etc. to expand existing capacities in the factories and to upgrade some of the existing equipment. 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.

To Repay Working Capital Loan

We enjoy an extended packing credit limit of Rs. 12500 lacs from Canara Bank. As on December 31, 2004, we had availed a credit of Rs. 9300 lacs. In order to reduce our gearing

ratio, we intend using Rs. 3000 lacs from the proceeds of the Issue to repay a part of the packing credit currently availed by us.

To Meet Issue Expense

The expenses of this issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses legal fees, statutory advertisement expenses and listing fees. The total expenses of the issue are estimated to be around 800 Lakhs. All expenses with respect to the issue would be met out of the proceeds of the issue.

General Corporate Purposes including strategic initiatives and acquisitions

We seek to further enhance our position as India's leading apparel exporter. In addition to continued investments in expansion of manufacturing facilities, we intend to enhance our capacities, technical expertise and marketing strengths including through investments or joint ventures, both in India and abroad..

As of the date of this Draft Red Herring Prospectus, we have not entered into any letter of intent or any definitive commitment for any such acquisition or investments or joint ventures. Our management, in accordance with the policies set up by the Board of Directors of the Company, will have flexibility in applying the balance proceeds received by us from this Issue, if any, allocated for general corporate purposes.

No part of the Issue Proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel, or companies promoted by our Promoters except in the course of normal business, such as deposits/lease rentals for taking premises owned by our Promoters or the Promoter Group or companies promoted by our Promoters as per the terms of the commercial contractual agreements.

Schedule of Implementation

Details of schedule of implementation is given in the following table

	Rs. in Lakhs				
	Q1 2005-06	Q2 2005-06	Q3 2005-06	Q4 2005-06	FY 2006-07
Factory I		1460			
Factory II			800		
Factory III			500		
Factory IV					1800
Modernisation and Expansion	500	500	500	500	
Repayment of working capital loan	3000				
Issue Expenses	800				
General Corporate Purpose	*	*	*	*	*

Means of Finance

We intend to fund our requirements through the proceeds of this Issue

We undertake that we will make firm arrangements for finance through verifiable means towards 75% of the stated means of finance, excluding the amount raised through this issue by utilizing our unutilized available bank limit between Bid Closure Date and RoC Filing of the Final Prospectus.

Interim Use of Proceeds

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof. We may also use the same to fund our working capital requirement on a temporary basis.

Monitoring of Utilization of Funds

The Audit Committee appointed by the Board will monitor the utilization of the proceeds of the Issue.

SECTION III: ABOUT US

INDUSTRY OVERVIEW

INTRODUCTION

After more than 40 years of import quotas, the textile and clothing sector has become subject to the World Trade Organization (WTO) from January 1, 2005 with the removal of quotas. Protectionist measures against low-cost Asian textile/garment producers were in place since the 1950s, originating from various bilateral trade agreements that the US and various European countries signed with countries such as Japan, Hong Kong and India. Since 1974, the global trade in textile and garments had been governed by the rules of the Multi-Fibre Arrangement (MFA) which imposed quotas on exports of textiles and clothing. The aim behind quota restrictions was to protect the domestic textile/garment industries of rich industrialized countries.

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

Textiles constitute an important segment of global trade comprising six per cent of the world trade. The ATC called for a progressive phasing out of all the MFA restrictions and other discriminatory measures in a period of 10 years up to January 1, 2005. The MFA, which allowed the US and Europe to negotiate bilateral quantitative restrictions with developing countries was a discriminatory trade practice. Hence, the developing nations pressed for stamping out the quota regime as a pre-condition to the formation of the WTO. With effect from January 1, 2005, quotas on textiles and clothing stand abolished.

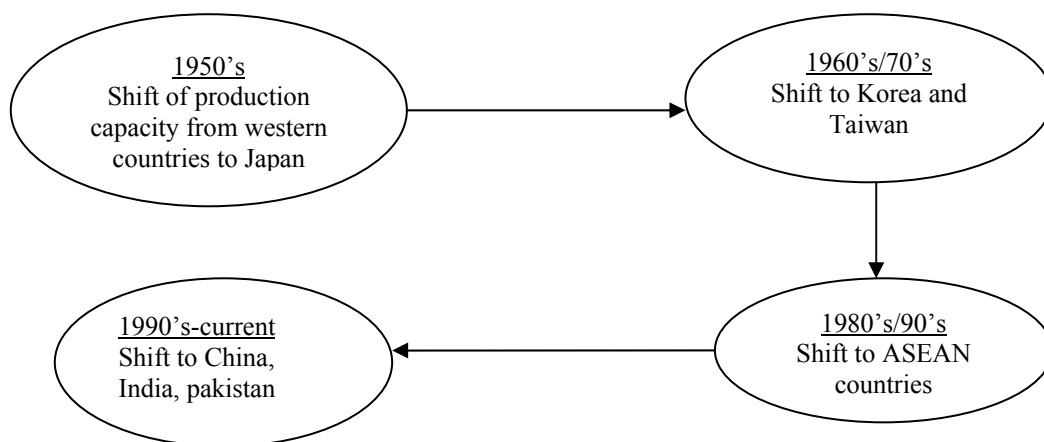
THE APPAREL INDUSTRY

The apparel sector is structurally a labour-intensive, low wage industry with some differences across its market segments.

In the high-quality fashion market, the industry is characterized by modern technology, relatively well-paid workers and designers and a high degree of flexibility. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness. The core functions of firms servicing this market segment are largely located in developed countries and often in limited geographical areas or clusters within these countries. However, this market segment has also seen a significant amount of relocation of production and outsourcing to lower-cost producers, often in geographical proximity to the major market.

The other major market segment is mass production of lower-quality and/or standard products such as t-shirts, uniforms, white underwear etc. Manufacturers for this market segment are largely found in developing countries, often in export processing zones and/or under so called outward processing agreements with major importers.

The apparel industry's reliance on labour cost is also evident from the fact that apparel manufacturing, on a global scale, has shifted its base several times over the last 50 years and concentrated to such countries/location which offer most competitive labour cost structure as given below:



However, developing countries like China and India could not fully exploit the opportunity offered by their low domestic cost structure, because of quotas/restrictions imposed by developed countries. Share of developing countries in worldwide apparel trade is expected to rise with the removal of quota restriction on January 1, 2005.

Reasons for the relocation of global apparel industry

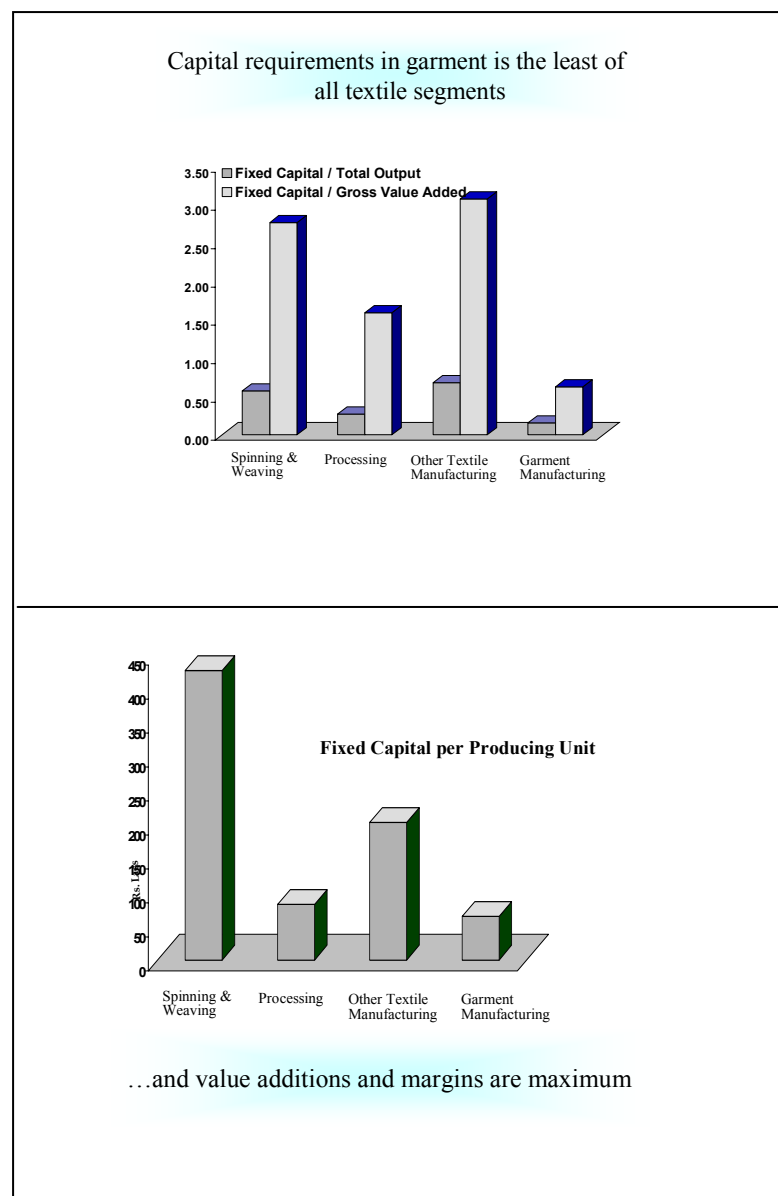
Developing countries always have an edge over developed countries in apparel/garment making because of the following reasons:

- Labour cost as a percentage of total cost is high for the textile value chain, with apparel manufacture being the most labour intensive. This provides developing countries an edge over developed countries because of their lower labour costs. Findings of a comparative study of labour cost as a percentage of total cost among various segments of textile industry is given below:

Various segments of textile industry	Labour cost as a percentage of total cost
Spinning	30%
Weaving	39%
Knitting	35%
Apparel/garment making	69%

(Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001)

- Additionally, the clothing industry is not capital intensive. Traditionally, developing countries lag behind developed countries with respect to industrialization because of lack of capital, which is not the case with the clothing industry. Findings of a comparative analysis of various segments of textile industry with respect to their capital requirement are given below:



(Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001)

REMOVAL OF QUOTAS IN 2005

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

Since 1947, when the General Agreements on Tariff and Trade (GATT) was first signed, an increasing proportion of international trade was regulated by international agreements,

designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms.

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

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

The most important underlying principles of the ATC are:

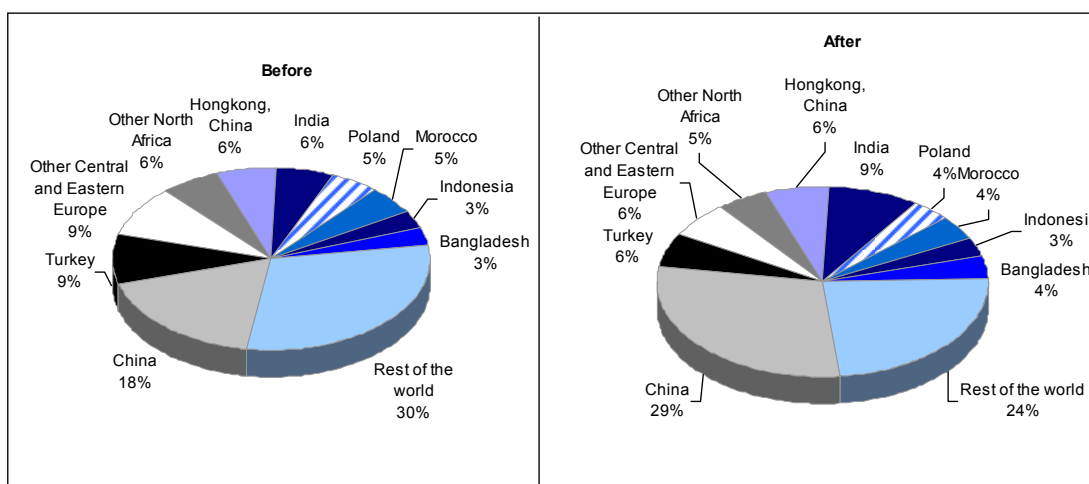
- That quotas would be phased out to an agreed timetable (16% of imports quota-free by 1/1/95, a further 17% by 1/1/98, a further 18% by 1/1/02 and the remaining 49% by 1/1/05)
- There would be no extension date
- The ATC would be binding only on trade between WTO member states.
- There would be no temporary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

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

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

Trade flows in apparel after removal of quotas

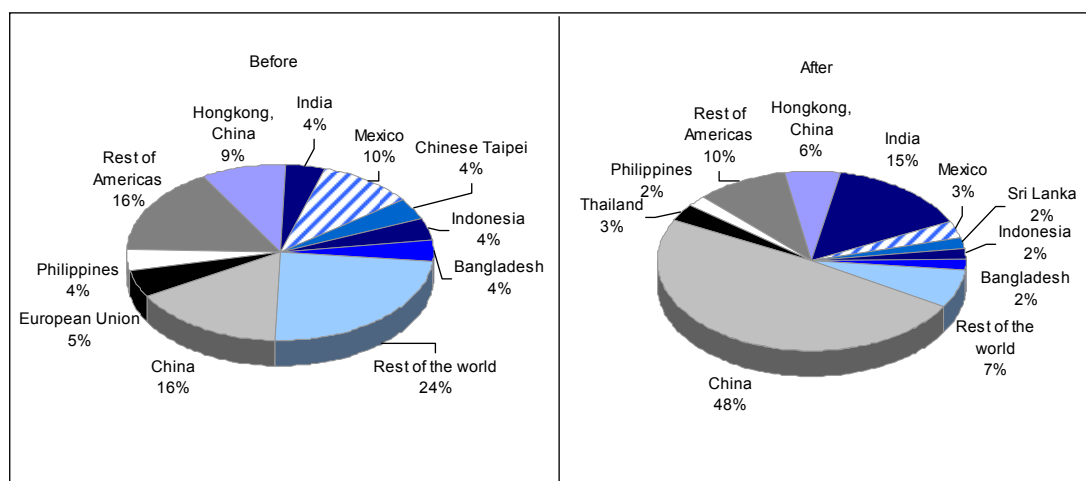
A discussion paper, The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing by Hildegunn Kyvik Nordås (WTO) estimates the likely changes in trade flows in apparel with the removal of quotas in 2005, which is likely to change the market shares of various countries in international trade as given below:



Market shares before and after quota elimination, clothing, EU

(Source: Staff of the WTO Secretariat)

Both India and China are likely to almost double their market share, and China is expected to emerge as the single largest exporter to the EU. All the countries listed above with quotas equivalent to an export tax of more than 5 per cent in absolute value are expected to gain market share, while Africa, the United States/Canada, Turkey, Central and Eastern European countries and richer Asian countries and territories such as Republic of Korea and Chinese Taipei are likely to lose market share.



Market shares before and after quota elimination, clothing, USA

Source: Staff of the WTO Secretariat

China and India combined are expected to take 65 per cent of the export market to the USA – with China expected to triple its market share and India's market share likely to quadruple as per the Discussion Paper.

The above takes into account changes in relative prices, rendering the previously restricted low-cost producers more competitive and thus increasing their market share. The limits of such low-cost producers' expansion in the model simulations are production capacity

constraints and the fact that increased demand for unskilled labour in textiles and clothing industries raises the wage rate and cost competitiveness is somewhat reduced as a result. The model simulations do not capture the changes in technology and possible increase in the relevance of time and distance as a trade barrier.

Therefore the projected decline in the market share of Mexico and the rest of Latin America may be exaggerated in the model simulation. Nevertheless, it is expected that India and China will increase their world market share substantially in the textiles and clothing sector following the elimination of quotas as agreed under the ATC.

China is expected to gain market share significantly as has been experienced in categories that were opened up to China in the previous years. However, buyers would want to de-risk their procurement across geographies and would outsource their requirements to other countries also.

Though apparel exports have grown impressively in past few years, India is still a dwarf compared to other countries in global apparel export market. India seems poised to benefit the most after the dismantling of the MFA because of the following factors:

- **Design Skills** – Consumer demand is relatively difficult to forecast and orders are usually placed in small lots according to seasonal sales trends. An ability to suggest design changes, a skilled workforce are needed for the successful manufacture of these garments. The focus on value-addition will also automatically ensure development and growth of upstream segments of the textile value chain. With the establishment of training institutions such as the National Institute of Fashion Technology (NIFT), many high-quality designers, who are able to create modern designs and interact with buyers, are emerging. This is a distinctive strength that Indian companies have not yet exploited.
- **Raw Material Advantage** – India's position in the global market is strong, with a 3 per cent share of the global textile trade. In some segments, like cotton textiles, India's share is even higher. India is the world's third largest producer of cotton, second-largest exporter of cotton yarn, third-largest exporter of cotton fabric and fourth largest exporter of synthetic fabric.
- **Skilled Labour** - India already enjoys a significant competitive advantage in terms of labour cost per hour, over developed countries like US, EU, newly-industrialized economies like Hong Kong, Taiwan, Singapore and nations like Mexico and China. India is rich in traditional workers adept at value-adding tasks such as embroidery, mirror work, beading and at making complex garments.

OVERVIEW OF INDIAN TEXTILE INDUSTRY

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

The textile sector plays a significant role in Indian economy by contributing to the Gross Domestic Product, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the Indian Textile Industry, which contributes to 4% of GDP and 20% of total export earnings. (*Source: Ministry of Textiles Annual Report 2003-2004*)

India is globally a significant player in the textile sector and is globally the

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

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

Cotton is one of the major crops cultivated in India. India has the largest cotton acreage in the world and cotton is the dominant fibre in Indian Textile Industry. About 69% of the total yarn and about 43% of the total fabric produced in India was cotton in 2003-04. Almost all cotton used in India is grown locally and a tiny amount is imported. Cotton textiles account for 2/3rd of India's textile exports *(Source: Ministry of Textiles Website and Annual Report 2003-2004)*

During the last five decades, the production of cotton in India increased from 30 lakh bales of 170 kgs each in 1950-51 to an estimated 67.5 lakh bales (170 kg each) in 2003-04. There has also been a rise in area under cultivation from 58.9 lakh hectares in 1950-51 to an estimated 76.7 lakh hectares in 2003-04. *(Source: Ministry of Textiles Annual Report 2003-2004)*

The man-made fibre and yarn industry in India comprises fibre and filament yarn manufacturing units of cellulosic and non-cellulosic origin and accounts for about 39% of the fibre consumption in the textile sector. *(Source: Ministry of Textiles Annual Report 2003-2004)*

INDIA'S TEXTILE EXPORTS

India's textile exports accounted for 20% of its exports at US\$ 13 bn in FY 2004. Apparel exports accounted for US\$ 6bn within the overall textile exports.

	1995-96	1996-97	1997-98	1999-99	1998-00	2000-01	2001-02	2002-03	2003-04
Readymade Garments	3676	3753	3876	4365	4765	5570	4994	5389	6048
Cotton Textiles	2638	3565	3485	2821	3107	3548	3044	3497	3478
Man-made Textiles	772	722	823	720	855	1095	1084	1364	1805
Others	1442	1515	1613	1643	1781	1885	1577	1833	1741
Total	8527	9555	9797	9548	10509	12098	10699	12082	13072

Figures in USD billion

Source: Foreign Trade Statistics of India (PC&C), DGCIS, Kolkatta

India's textile exports is expected to grow from the current levels to US\$ 50 bn by 2010, consequent to the quota removal. Apparel is expected to be the key export driver, and is expected to reach US\$ 25 bn by 2010 *(Source: New Textile Policy, 2000, Government of India)*.

According to the Vision Statement of ICMF for the textile industry, the apparel segment of the value chain will drive the textile industry growth in India. This sector provides the highest value addition for India's exports. This segment of the value chain is labour intensive, and

India's competitive advantage-labour availability at low cost – is a core strength that can drive success in this segment.

India thus has the potential to build a large-scale sourcing base. To achieve this, apparel companies need to choose between 'operational excellence' and 'design and innovation'. Operational excellence-led companies will compete on the basis of lower costs and will be distinctive in their economies of scale, sourcing of fabrics and labour productivity. Best practices in operations and quality enhancement measures will ensure their success. Players competing through design & innovation will be characterized by innovative fabric R&D, close relationships with supplier mills, relationships with retailers' design departments, a good understanding of fashion trends and an ability to offer a range of readymade designs to customers.

SWOT of Indian Textile Sector

Strength	• Strong cotton base • Strong entrepreneurial class • Flexibility in production of small order lots • Ability to handle value additions, embellishments etc • Adequate labour supply at relatively low wages • Good "cultural" comfort with US and Europe
Weakness	• Poor work practices resulting in higher than normal labour cost component in many staple garments, inspite of low labour costs • Rigid government policies, specially labour policy • Too much emphasis on cotton, synthetic fibre base not equally developed • Fabric / processing still to gear up to meet international standards • Highly fragmented, unit production capacities very low by international standards
Opportunities	• Quotas may carry on in China after 2005 • Good political equation with US and EU
Threat	• Trade blocs and partnerships at the exclusion of India • Locational disadvantage – long transit times to key markets • Pricing pressure, following opening up of quotas • Enhanced competition from other countries similarly constrained by quotas

India's performance in apparel/garment export market

India's garment exports have been growing at a CAGR of 12.89.% in last decade. Of the total apparel exports in the year 2004, quota exports (exports of products covered under quotas by the importing countries) accounted for about Rs 21,900 Cr. Non quota exports (products that could be exported freely without any quota restrictions) accounted for 27% of India's apparel exports at Rs 8,100 Cr.

Year	Quota Exports	Non Quota Exports	Total Apparel Exports
1995	NA	NA	14,905
2000	19,710	6,864	26,575
2001	19,070	6,014	25,084
2002	20,458	7,486	27,943
2003	21,848	8,077	29,925

2004	21,900	8,100	30,000
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India currently exports more than one hundred garment product-categories, though these mainly fall within the semi-fashion, mid-price casual wear segment, particularly T-shirts, men's shirts, ladies' blouses, dresses and skirts. Cotton apparel exports dominate, contributing nearly 76% by value in 2003-04; while synthetic constituted for about 12%, and wool, silk, linen and other fibres for the balance apparel exported (source: Foreign Trade Statistics of India (PC&C), DGCIS, Kolkata).

Characteristics of Indian Apparel Industry

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

The segment is extremely fragmented, with an estimated 27,000 domestic manufacturers, 48,000 fabricators (job contractors) and around 1000 manufacturer-exporters. Ownership of the firms in the apparel industry, are by and large either proprietorship / partnership. Typically a so-called "large" apparel / readymade garment maker, producing apparel/readymade garment under his own brand and marketing it regionally or nationally, has a factory of about 20-25 machines, an annual sales turnover of less than Rs. 1 crore and a total consumption of various fabrics of 1 - 1.2 lac mts. per year.

There are few companies with production capacities of over 100 sewing machines. Even in such cases, the machines are installed in different areas / sheds, and are often under separate company names.

Break up of Garment Exporters by size

Low Labour Cost

Indian clothing industry is internationally cost competitive as cost of labour in India is cheap compared to other countries. A comparative analysis of India and other countries with respect to labour cost as a percentage of total manufacturing cost of apparel/garment making is given below:

Country	Labour cost as a percentage of total manufacturing cost of apparel/garment making
Germany	69%
Singapore	55%
S.Korea	51%
Taiwan	48%
Malaysia	44%
Hongkong	37%
Phillipines	31%
Turkey	29%
Thailand	22%
Mexico	19%

China	10%
India	6%
Indonesia	5%

(Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001)

The competitiveness of the Indian clothing industry has attracted a number of international buyers and buying houses to India, specially with the removal of quantitative restrictions.

Low Productivity:

However, labour productivity of Indian clothing industry is low compared to other countries which does to an extent erode the advantage of cheap labour. Findings of comparative analysis of productivity levels of Indian apparel/garment making units vis-à-vis their counterparts in other countries are given below:

	No. of pieces/machine/day				
	Ladies Blouses	Gents Shirts	Ladies Dresses	Ladies skirts	Trousers
Hongkong	20.6	20.9	20.2	19.3	19.3
Taiwan	18.9	18.2	12.4	16.6	16.1
Thailand	17.0	19.8	12.2	20.5	13.1
S.Korea	14.6	17.4	8.8	17.5	15.6
China	10.9	14.0	7.8	13.0	6.7
India	10.2	9.1	6.3	9.6	6.8
Difference between the productivity levels of India and the best	102%	130%	221%	114%	184%

(Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001)

Policy Initiatives

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

- Regulations still protect small-scale producers in a number of ways. While the production of ready-made garments is no longer reserved for small-scale manufacturers, a few product markets, such as hosiery, still are.
- In addition, Indian manufacturers often choose to set up several small plants, instead of a single big one, to take advantage of labour laws. As a result, Indian apparel/garment making units typically have less number of machines than its counterparts in other countries.

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

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

(ii) Technology Up-gradation Fund Scheme:- In view of the urgent need for stepping up the process of modernization and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five years time frame w.e.f. 01.04.1999 to 31.3.2004, providing for 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institutions for investments in benchmarked technology for the sectors of the Indian textile industries specified thereunder.

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

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

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

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

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

(viii) Human Resource Development: Attention has also been paid to Human Resource Development in the textile sector. National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles.

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

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

(xi) Apparel Park for Exports Scheme: A centrally sponsored scheme titled “Apparel Parks for Exports Scheme” has been launched. The scheme is intended to impart focussed thrust to

setting up of apparel manufacturing units of international standards at potential growth centres and to give fillip to exports. Since the inception of scheme in March 2002, eleven Project Proposals has been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh) and Mahal (Jaipur, Rajasthan).

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

BUSINESS OVERVIEW

Since, our Subsidiaries are integrated parts of our business plan, we are presenting our business details in this section for the entire group as a whole without making any explicit or implicit classification of our business across us and our subsidiaries. Any mentioning of any past figure and fact in this section has been done under the same presumption.

BUSINESS OVERVIEW

Our group, the Gokaldas Exports Group, was set up 25 years ago by the late Jhamandas H. Hinduja in Bangalore and has grown over the years to emerge as India's leading apparel manufacturer exporters. We have consistently received awards for our export performance from various industry organisation right from 1980-81 and were recently awarded "Highest Exporter Award" from Confederation of Indian Apparel Exporters (CIAe) in 2004. We were also awarded "Highest Export Award for Non-Quota Market" from Confederation of Indian Apparel Exporters (CIAe) for our export performance in 2004.

We design, manufacture and sell a wide range of garments for men, women & children, catering to the needs of several leading international fashion brands & retailers. Over the years, we have developed expertise in manufacturing Outerwear - coats, suits, jackets, parkas, windcheaters, ski wear; Active wear – warm-ups, surf wear, swim wear; Bottoms - trousers, shorts; Casual Wear – Shirts, ladies blouses and dresses for top end customers in the international market.

Several international buyers outsource their designing & manufacturing requirements to us. These buyers include apparel brands like Nike, GAP, Old Navy, Banana Republic, Tommy Hilfiger, Abercrombie & Fitch, Hollister, The Children's Place, Reebok, Adidas, O'Neil, Mexx, Decathlon, Tom Tailor. We also work with manufacturers like The Steilmann Gruppe, Lebek, and retailers like Walmart, Sears, The Metro Group, etc. Today, our goods dock into to countries like USA, Canada, Mexico, UK, Germany, Austria, Spain, Italy, France, Netherlands, Middle East, South Africa, Japan, Denmark, Taiwan & Hong Kong.

As on December 31, 2004 we have 43 factories housed over 19 lakh square feet located in Bangalore (Karnataka, India), employing over 30,000 employees, with 258 production lines. Our facilities are fully integrated with in house manufacture of components such as labels, tags, elastics, cords, woven tapes. We also have in house facilities for value added services like poly fill quilting, embroidery, printing & laundry.

As per our proforma consolidated financial statement, our total sales grew at a CAGR of 19.67% from Rs 26136 lakhs in 1999-2000 to Rs 53609 lakhs in 2003-2004 and our PAT grew at a CAGR of 23.52% from Rs 1602.84 lakhs in 1999-2000 to Rs. 3731.51 lakhs in 2003-04. Total sales and PAT of our group for the six months ended September 30, 2004; as per our proforma consolidated financial statement, were Rs 37379 lakhs and Rs 2479 lakhs respectively.

OUR BUSINESS

We provide end to end solutions to our buyers for their apparel procurement needs, from design to delivery. We have an in-house design team focusing on design of both, fabric and apparel. Our designers travel overseas to identify fashion trends seasonally. Additionally, international designers are commissioned by us each season to bring in their perspective of fashion trends and colours, thereby creating new designs/styles for our collections. These collections are shown to buyers well in advance of the season to enable them to choose, modify or change the styles to suit their own brand profile, customer requirements and

outlets. Buyers also provide their own designs, which gives us an insight of the coming trends. Once the line is finalized by the buyers, a detailed cost analysis is provided to them, based on which orders are confirmed.

On confirmation of orders, raw materials – fabrics/accessories are procured from various sources, domestically & internationally. These could also be sourced from nominated suppliers. Once the raw materials are in house, based on the production schedule, these are converted into apparels at our facilities and shipped worldwide.

Geographical segmentation of sales for the last three years is as under

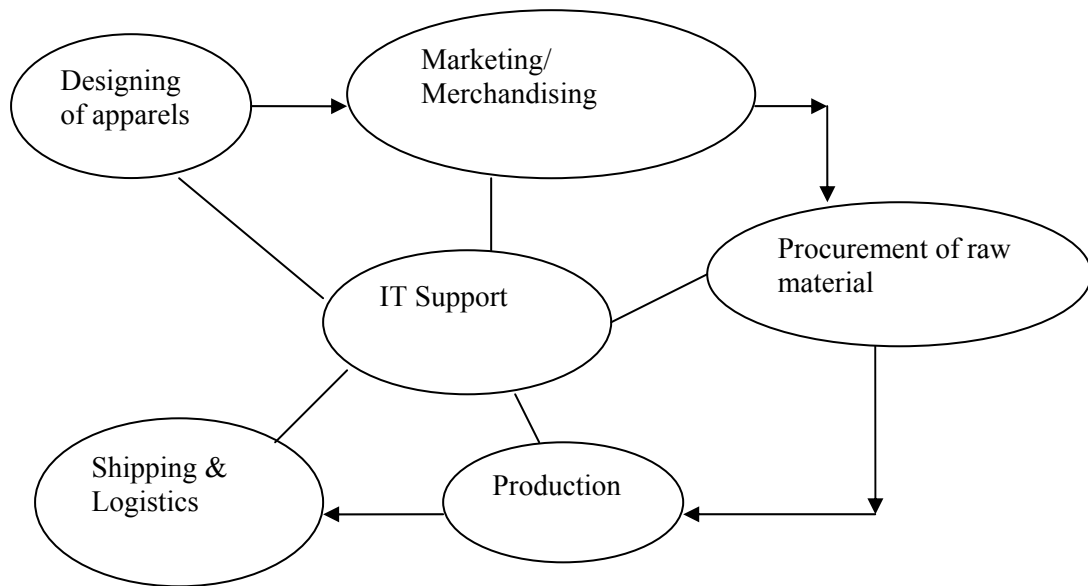
Name of the Geographies/Countries/Continent	2001-2002		2002-2003		2003-2004		Six months ending September 30, 2004	
	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales
North America	24,944	53.78	30,035	64.16	35,726	66.64	26,131	69.91
Europe	16,582	35.75	13,172	28.14	14,960	27.91	9,817	26.26
Asia	4840	10.44	3,605	7.70	2,923	5.45	1,431	3.83
Others	17	0.04	1	0.00	0	0.00	0	0.00
Total	46,383	100.00	46,813	100.00	53,609	100.00	37,379	100.00

About 40% of our exports in calendar year 2004 were non quota, wherein we did not require any quotas to effect the exports. We required quotas for only the balance 60% of our exports which were of products covered under quotas by the importing countries. Our non quota exports have ranged between 40-53% of our exports over the last five years as given below:

Calendar Year	Quota Exports (Rs in Lakhs)	Non Quota Exports (Rs Lakhs)	Total Exports (Rs Lakhs)	Non quota exports to total exports (%)
2000	18397	20491	38888	53%
2001	24028	16602	40629	41%
2002	25858	25545	51404	50%
2003	25932	23487	49419	48%
2004	38486	25478	63964	40%

OUR BUSINESS PROCESS

Our business process flow as given in the following diagram is supported by our customised Information Technology solutions.



Designing

Designing is an integral part of our business process. Our ability to keep abreast of the dynamic fashion trends enables us to showcase our capabilities and understanding our buyers' requirements. Being an export oriented apparel manufacturer, tracking the changing fashion trends across different geographies for various end customers is critical for our success.

The apparel trade runs on four basic seasons:

- Spring
- Summer
- Fall/Autumn
- Holiday/Winter

Our designers and marketing teams visit various fairs / fashion shows across the globe at regular intervals, including Premier Vision, Mode Inn etc.

In addition to getting insights into trends from these fairs, our designers also receive regular feedback from our marketing teams based on their interaction with our clients.

We have a dedicated design team, responsible for the continuous development of new and innovative designs and techniques. This in turn helps us to offer new product range to the prospective buyers of our products and add value to the customer specifications.

Marketing /Merchandising

Our marketing teams endeavor to enhance our share of the business with existing customers as well as expand our customer base.

We receive orders from our customers by:

- Growth in business from existing customers
- New customers developed through cold calls, trade fair meetings
- Walk in customers

With our experienced marketing team, we have been able to devise different strategies to suit the needs of both existing & new buyers. For the existing buyers, our prime focus is to expand our product base and enhance volumes. By leveraging our long standing relationships with the buyers, we are a preferred partner to our buyers.

For the new buyers, based on our understanding of their product range and brand identity / customer identity, we present to them our entire product range. This gives them a good idea of areas of our expertise and capabilities.

Sometimes the buyers come to us with their thoughts on designs, where we offer our suggestions on modifications. In cases where they come to us with a predetermined design requirement, we also try to add value by suggesting modifications to enhance functionalities or appeal, or to reduce costs while retaining the existing design. Our designers along with the sampling department provide the client with prototypes, which undergo various iterations till the client finalizes the design.

Once the buyers finalize a particular style, we translate that particular style into a prototypes/salesman samples, as quickly as possible because the entire season's business depends on timely delivery samples. The costing exercise is done concurrently at this stage. Our manufacturing scale and efficiency, and global sourcing abilities enable us to compete with international vendors to our customers effectively. This is borne out by our growth in non quota categories, where competition has already been open without any quota related barriers. Our quality and ability to deliver the required products on time, and competitive pricing enable us to enhance our share with our customers.

Our merchandisers are grouped to service the requirements of different customers. On receipt of the enquiry, the merchandiser coordinates with various departments to get an estimate of the raw material consumption, likely suppliers and costs, accessories as well as our conversion efforts. Based on this, the costing sheet is prepared. Modifications are also suggested on apparel design or engineering, or fabric to try and bring the cost to the buyer within their required range. The price setting process thus becomes a collaborative effort with our customers instead of just a negotiation process, with both of us working together to meet common objectives. Therefore, whenever a prospective buyer place his requirement to us, we can work out an optimal price-quality combination for him through permutation and combination of quality & source of raw materials/styling & design.

On receipt of order confirmations all material requirements are generated and placed with suppliers through our ERP system. All suppliers are given access to this system.

A team of dedicated merchants and managers follow-up for the fabric and accessory deliveries in order to have the raw materials well in time for production. Buyers require fit/size sets/pre-production/sealer samples which may involve a single or dual process of approval before we start production. The challenge here is to get your approval well in advance prior to the garment planned cut date. On receipt of the final approval the production order is released to the production department/factory.

Sourcing of Raw Material

Our sourcing and identification of different weaves and textures in fabric and identification of latest innovations in accessories leads to building stronger relationships with customers by helping us shorten our delivery lead times. Our sourcing teams keep abreast of the developments in the international markets on suppliers and costs of various inputs that we require on regular basis and their capacities and availability.

Our raw material requirement comprises of fabric (made of natural fibres such as cotton, wool, silk as well as manmade fibres) accessories and trims such as fasteners, buttons, labels, & other consumables. Fabric accounts for about 70% of our material costs and is the dominant raw material. Item-wise classification of our spending on raw materials in last three years is as follows:

(Rs. In Lakhs)

Type of raw material	2001-2002		2002-2003		2003-2004		Six months ending September 30, 2004	
	Value of raw material	As % of total raw materials	Value of raw material	As % of total raw materials	Value of raw material	As % of total raw materials	Value of raw material	As % of total raw materials
Fabric (except woollen)	18,666	62.59	18,100	60.06	20,350	55.08	12,204	49.90
Woollen fabric	2,763	9.26	3,606	11.97	6,109	16.53	5,766	23.57
Zip	2,163	7.25	2,196	7.29	2,477	6.70	1,830	7.48
Linen	996	3.34	529	1.76	269	0.73	20	0.08
Other raw materials & consumables	5,236	17.56	5,704	18.93	7,742	20.95	4,639	18.97
Total	29,824	100.00	30,135	100.00	36,947	100.00	24,459	100.00

We source most of our synthetic / blended fabric from international markets and cotton fabric within India, given that India has a very strong cotton fabric base but the synthetic fabric capabilities are not up to international standards. International mills are often more price competitive and able to deliver large fabric quantities in shorter lead times due to their larger scale of operations. Share of imported raw materials and domestic raw materials in our total procurement cost for last three years and the period ended September 30, 2004 are as follows:

Rs. In Lakhs

Type	2001-02		2002-03		2003-04		Six months period ending September 30, 2004	
	Value in Rs. lakhs	As % of total expenditure on raw material sourced	Value in Rs. lakhs	As % of total expenditure on raw material sourced	Value in Rs. lakhs	As % of total expenditure on raw material sourced	Value in Rs. lakhs	As % of total expenditure on raw material sourced
Imported	22,713	76.16	20,423	67.77	27,915	75.55	17,776	72.68
Domestic	7,111	23.84	9,712	32.23	9,032	24.45	6,683	27.32
Total	29,824	100.00	30,135	100.00	36,947	100.00	24,459	100.00

Sourcing of raw material plays a critical role in our business:

- Impacts our overall costs and hence our competitiveness in the market place
- Enables us to meet our delivery schedules and commitments to our customers. Fabric procurement currently accounts for about 60 days of our normal delivery schedule of 90 days from receipt of order
- Quality of our products which is critical for our continued relationship with the customer

Further, because of the fact that each garment is different & unique, material procurement becomes a complex and critical function. Apparels manufactured by us do have several components which may change with the design and style of the apparels. Therefore, we have to have a complete knowledge about the entire range of all the raw materials in order to work out the combination best suited for a particular design specification provided by the buyer.

In order to keep ourselves abreast about development and introduction of new varieties of fabric we visit trade fairs across the globe regularly. This knowledge helps us to work out an optimal combination of type of fabric, quality of fabric and cost of fabric for a given customer's requirement.

We have also adopted a system of evaluating our suppliers on their credibility prior to initial purchase. A list of approved suppliers and subcontractors is maintained, from whom the procurement is made for materials/services. We rate these suppliers based on their past performance, capacity and capability and update these ratings regularly. The approved suppliers' list is reviewed and updated every quarter

Our capabilities on global sourcing is a critical strength that enables us to procure our raw materials at the best prices from various suppliers across the globe, wherever we get the best combination of quality, price & reliability. Our scale of operations has helped us get quality fabrics at competitive prices on preferential delivery schedules.

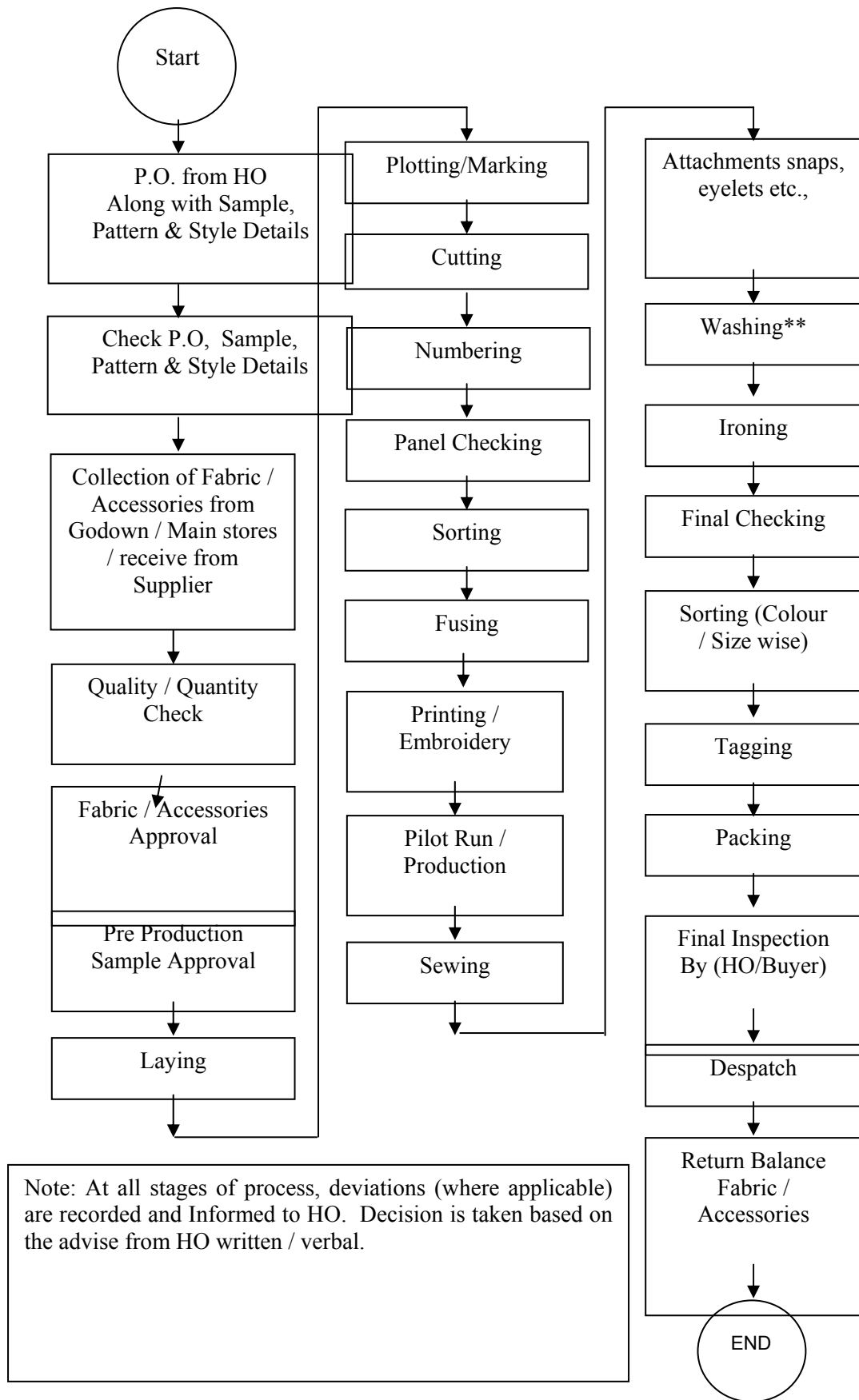
Production

The most important aspect of our production system is production planning, which involves allocation of available capacities for meeting buyers' requirement. At the beginning of the season, most buyers give us a forecast of the quantities they would like to buy, thereby blocking production space for themselves. In case a buyer does not give us a capacity indication, production space is blocked taking into account their past performance.

A team of production coordinators ensure the smooth functioning of the factories and adherence to delivery schedules. The production coordinator is the main link between the factory and the merchandising team and keeps a close tab on delivery schedules.

Each factory is headed by a factory manager, who is in charge of the administrative functions and a production manager who is responsible for quality & productivity of the factory.

Once the buyer approves a particular combination of fit/size, sample garments are given to the Industrial engineering team to analyze every aspect in terms of stitching operations and equipment required to execute the same. Based on their study, any special machinery required is ordered to ensure a high level of efficiency & quality during production.



A pre-production meeting is then held at the factory floor where buyers' liaison office, the Quality Assurance, the merchandising and the Industrial Engineering teams participate. Every operation is discussed in detail to ensure smooth flow on the lines.

Then actual production process commences at the shop floor level. The diagram alongside shows the various process followed during a typical production cycle which may go under minor alteration depending upon the type of apparel and complexities involved in its design.

On completion of production, the shipment details of the consignment & documents are forwarded to the buyer. Shipment samples are sent to the buyers if required.

Shipping & Logistics

Once the goods are ready for dispatch, invoices are made based on the information received from the production department. The following points are taken care before making the invoice

- Mode of Payment - letter of credit or Telegraphic Transfer/Documents against payments
- Mode of Shipment – By sea or Air
- Terms of Delivery – FOB or C&F/CIF

Our logistics department handles our despatch function. Advance bookings are made with the buyer nominated forwarder, to plan for the space requirement on the carrier. Our nominated C&F agents hand over the documents and cargo after custom clearance to these forwarders.

Most of our consignments are shipped by sea, through the Port of Chennai, which is our preferred port given its proximity to our manufacturing facilities. We also ship through other ports such as Tuticorin and Mumbai, depending upon the availability of the vessels. In case of consignments by air, these are generally aired from Bangalore.

We avail various credit facilities extended by our bank for our day to day activities, which include:

- a) Rupee packing credit
- b) PCFC (pre-shipment credit in foreign currency)

We cover foreign exchange risk through forward contracts and options etc

Additionally, we are entitled to certain duty drawbacks and import entitlements (that allow us to import some of our raw material used for products made for exports without import duty). We have open insurance policies which cover the risks upto the ports/airports of loading, as most of our shipments are on FOB terms.

On completion of shipment, the order is taken for closure and concerned documents are stored in the archives as per buyer and/or legal requirement.

OUR PRODUCTS

We design, manufacture and sell a wide range of garments for men, women & children, catering to the needs of renowned fashion brands & retailers all over the world. Over the years, we have developed expertise in manufacturing Outerwear - coats, suits, jackets, parkas, windcheaters, ski wear; Active wear – warm-ups, surf wear, swim wear; Bottoms -, trousers, shorts; Casual Wear – Shirts, ladies blouses, , dresses, , for top end customers in the international market.

Contribution of different types of apparels produced by us in our overall turnover in last three years, as given in the following table:

Rs. In Lakhs

Apparel Type	2001-02		2002-03		2003-04		Six months period ending September 30, 2004	
	Sale in Rs. Lakhs	As % of total sales	Sale in Rs. Lakhs	As % of total sales	Sale in Rs. Lakhs	As % of total sales	Sale in Rs. Lakhs	As % of total sales
Outer wear	19,868	42.83	21,404	45.80	28,582	53.31	24,076	64.41
Active wear	2,155	4.65	2,004	4.28	2,318	4.32	1,090	2.92
Bottom wear	16,387	35.33	14,450	30.87	15,830	29.53	8,795	23.53
Casual wear	4,291	9.25	4,338	9.27	3,059	5.71	1,517	4.06
Babies Garments	730	1.57	1,991	4.25	1,399	2.61	892	2.39
Others	2,951	6.37	2,590	5.53	2,421	4.52	1,008	2.70
Total	46,383	100.0	46,813	100.0	53,609	100.0	37,379	100.0

OUR BUYERS

Our buyers include apparel brands like Nike, GAP, Old Navy, Tommy Hilfiger, Abercrombie & Fitch, Hollister, The Children's Place, Reebok, Adidas, O'Neil, Mexx, Decathlon, Tom Tailor,. We also work with manufacturers like The Steilmann Gruppe, Lebek, and retailers like Walmart, Sears, The Metro Group, etc. Today, our goods dock into to countries like USA, Canada, Mexico, UK, Germany, Austria, Spain, Italy, France, Netherlands, Australia, Middle East, South Africa, Japan, Denmark, Taiwan & Hong Kong.

Concentration of our revenue across various buyers in last three financial years and in the period ended September 30, 2004 is given in the following table

Rs. In Lakhs

Name of the Customer	2001-02		2002-03		2003-04		Six months period ending September 30, 2004	
	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales	Sales in Rs. Lakhs	As % of total sales
Top 1 customer	19,673	42.41	23,125	49.40	29,793	55.58	18,471	49.42
Top 5 customers	34,250	73.84	34,941	74.64	43,072	80.34	29,449	78.78
Top 10 customers	37,860	81.63	38,631	82.52	46,170	86.12	32,615	87.26

Our sales to the top 5 customers is diversified across over 10 international brands.

Under the erstwhile quota regime, our growth was constrained by the lack of quotas leading us to concentrate on a few large buyers. Now, we are able to service a larger number of buyers and expect our client concentration to reduce although we would still have a significant portion of our business with large buyers. Big customers provide us large order runs, which are more profitable as they allow us efficiencies of scale.

OUR SUPPLIERS

We have a larger supplier base spread across the globe. Our size provides us with clout vis-à-vis each individual supplier. This advantage effectively gets translated into sourcing raw material at competitive price. Our suppliers concentration is as under:

Rs. In Lakhs

Name of the supplier	2001-02		2002-03		2003-04		Six months period ending September 30, 2004	
	Value of the raw material sourced	As % of total expenditure on raw material sourced	Value of the raw material sourced in	As % of total expenditure on raw material sourced	Value of the raw material sourced in	As % of total expenditure on raw material sourced	Value of the raw material sourced.	As % of total expenditure on raw material sourced
Top 1 supplier	2,438	8.18	2,160	7.17	1,885	5.10	2,100	8.58
Top 5 suppliers	7,101	23.81	6,527	21.66	7,391	20.01	7,598	31.07
Top 10 suppliers	10,372	34.78	10,121	33.59	11,670	31.59	10,382	42.45

OUR PRODUCTION FACILITIES

All our facilities are Bangalore centric. We operate out of 38 manufacturing units and 5 support services units. Our facilities are totally integrated to offer service from sampling, designing, fabric sourcing, production, finishing, dispatch in factories owned by our Group. We have detailed our manufacturing processes and made investments in order to integrate systems with technology to produce quality garments. Details of our factories with respect processes undertaken in those factories, installed capacity as on date, capacity utilization are given in the following table

Apparel Manufacturing Facilities

Sr. No.	Factory Name	Owned by	Product manufactured	Manpower employed*	Production Lines
1	Atlantic Apparels	Gokaldas Exports Ltd	Pants, warm-ups, various garments sampling	989 (incl admin staff)	7 lines

Sr. No.	Factory Name	Owned by	Product manufacture d	Manpo wer employed*	Production Lines
2	The Unique Creations	Gokaldas Exports Ltd	Jacket, Pants, Warmups	1,579 (Incl admin staff)	12 lines
3	Gokaldas India	Gokaldas Exports Ltd	Jackets, Warmups	2,923 (incl admin staff)	14 lines
4	Hinduja Sportswear Unit I	Rafter Trading Private Ltd	Jackets, Pants, Warmups	1,063	9 lines
5	Hinduja Sportswear Unit II				
6	Carnival Clothing Unit I	Madhin Trading Private Ltd	Pants	388	4 lines
7	Carnival Clothing Unit II			1533	13 lines
8	Carnival Clothing Unit III				
9	Wearcraft Apparels unit I	Deejay Trading Private Ltd	Jackets	1,156	11 lines
10	Wearcraft Apparels unit II				
11	Wearcraft Apparels unit III				
12	International Clothing unit I	Magenta Trading Private Ltd	Jackets, Pants, Warmups	916	6 lines
13	International Clothing unit II			1705	12 lines
14	International Clothing unit III				
15	New Generation Apparels unit I	Vignesh Apparels Private Ltd	Jackets, Pants, warmups	713	15 lines
16	New Generation Apparels unit II			200	

Sr. No.	Factory Name	Owned by	Product manufacture d	Manpower employed*	Production Lines
17	Euro Clothing unit I	Seven Hills Clothing Private Ltd	Jackets, Pants, Warmups	2147	22 lines
18	Euro Clothing unit III				
19	Euro Clothing unit II			1004	8 lines
20	Asiatic Exports	Vignesh Apparels Private Ltd	Jackets, Pants, Warmups	697	6 lines
21	JD Clothing Company Unit I	Glamourwear Apparels Private Ltd	Jackets	1,808	14 lines
22	JD Clothing Company Unit II				
23	JD Clothing Company Unit III				
24	The Intex Unit I	Glamourwear Apparels Private Ltd	Various Garments, Jackets, pants, Warmups	756	8 lines
25	The Intex Unit II			1764	12 lines
26	The Intex Unit III				
27	The Intex Unit IV				
28	Triangle Apparels unit I	Seven Hills Clothing Private Ltd	Jackets, Pants, Warmups	705	6 lines
29	Triangle Apparels unit II		Pants	699	8 lines
30	Triangle Apparels unit III		Jackets, Pants, Warmups	785	7 lines
31	Global Garments Unit II	Rishikesh Apparels Private Ltd	Jackets, Pants	726	7 lines
32	Hinduja Fashions	All Colour Garments Private Ltd	Jackets, Pants	973	8 lines
33	Balaji Finishing House Unit I	All Colour Garments Private Ltd	Pants	1225	– 10 lines

Sr. No.	Factory Name	Owned by	Product manufactured	Manpower employed*	Production Lines
34	Balaji Finishing House Unit II				
35	Venkateshwar Clothing Company	Rajdin Apparels Private Ltd	Shirts	735	9 lines
36	Wear Wel Unit I	SNS Clothing Private Ltd	Various Garments	624	8 lines
37	Wear Wel Unit II				
38	Wear Wel Unit III			325	

* As on December 2, 2004

Note: Our manufacturing capacity varies depending upon the style and types of garments

Support Service Facilities

Sr. No.	Factory Name	Owned by	Product manufactured	Manpower employed*	Installed Capacity
1	R&D Unit I	Gokaldas Exports Limited	Samples of various types of garments	552	10 Sampling Lines
2	R&D Unit II			154	NA
3	Global Garments Unit III	Risikesh Apparels Private Ltd	Wet Processes	240	*NA
4	Lucky Tex Unit I	Rajdin Apparels Private Ltd	Labels, Chords	34	*NA
5	Lucky Tex Unit III		Printing	240	*NA

* Capacity varies depending on type and size of product

We strive to optimize our capacity utilization through a series of initiatives including:

- Production planning and line balance to optimise flow of components
- Enhancing level of automation to increase speed and quality for key operations
- Use of conveyor systems
- Reducing machinery downtime through preventive maintenance
- Improving our procurement system for spares to expedite delivery time

Additionally, our capability on taking orders with larger run sizes enables us to execute such orders with higher productivity as down time for change over of style is minimised and workers efficiency improves on performing the same operation over longer periods of time.

During the last 3 years, we have added various semi-automated and fully-automated machines which have enhanced our productivity and quality, thereby reducing our dependence on the skill of the operator.

OUR IT INFRASTRUCTURE

We have invested extensively in IT enabled systems to enhance our efficiencies through improved process and production control. We have been one of the early users of IT in the apparel industry and have over time integrated most of our critical functions using an integrated supply chain management system / ERP which integrates our internal processes and functions and links us from our buyers to suppliers.

Most of our software has been custom developed by our inhouse IT team and enables us to on line monitor and manage our operations. Our buyers and vendors are able to access information they require right from garment specifications to delivery schedules.

Key features of our IT systems includes:

- Dotnet based ERP – to provide access to information through individual access codes to help track order, production and delivery schedules.
- SCM – EDI compliant with dedicated system administrators to ensure seamless and hassle free working of the system.
- All factories are networked and integrated on cross functional bandwidth
- Tied up with company bankers to provide electronic disbursement of salaries, electronic payment to suppliers directly to their accounts, ATM facility for employees and online review of company's banking transactions.

QUALITY CONTROL

We are an ISO 9001: 2000 company with several of our factories also being certified.. The certification is for manufacturing of the garments and marketing and monitoring of garments for export. Quality control certification for the rest of the factories are underway. We are also in the process of achieving WRAP certification, and one of our factories has already been certified. We are in compliance with the following requirements under WRAP

- Compliance with laws and workplace regulations
- Prohibition of Forced Labor
- Prohibition of Child Labor
- Prohibition of Harassment or Abuse
- Compensation and Benefits
- Hours of Work
- Prohibition of Discrimination
- Health & Safety
- Freedom of Association and Collective Bargaining
- Environment
- Customs Compliance
- Security

Other quality Control management systems and quality improvement systems are already in operation across all factories. A dedicated in-house management team overlooks the implementation and adherence to quality control and management measures across the organization through effective utilization of IT enabled platforms which help in monitoring the same. We are amongst the first few companies to introduce Kaizen in the country to improve garment manufacturing through greater employee participation and help increase quality and productivity.

New Initiatives

The company is planning to implement the SA 8000. This is an accounting audit reflecting social responsibilities of corporates across the world to help maintain an equitable work culture for the workforce in respective countries. Certifications on these audits will help in company getting further orders from large global retail chains and brands. The Group is part of the Global Alliance Program founded by some of its buyers. The CTPAT floated by the US government is an anti-terrorism program in which the company participates. The Fair Labour Association by the US government carries out an audit for fair labour practices. American companies outsourcing orders have to certify this in their balance sheets. The Group has started to comply to this and currently 2 factories have been certified. Ongoing quality management measures are being introduced and monitored.

INSURANCE COVERAGE

The nature of our industry is such that it involves storage, processing and transportation of garments. Our operations are subject to the usual hazards associated with using, storing and transportation of such products

AWARD RECEIVED BY US

The following awards amply demonstrate our position as one of India's leading exporters of apparels.

YEAR	AWARD	AWARDED BY GOVT. AND OTHER INDIAN INSTITUTIONS
1980-81	Outstanding Export Award for Cotton Handloom Readymade garments	THE HANDLOOM EXPORT PROMOTION COUNCIL Madras
1981	Award for Highest Global Exports.	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1981-82	Top Exporter Award Gold Trophy - for Highest Exports.	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi GARMENTS EXPORTERS ASSOCIATION, New Delhi
1982	Award for Highest Global Exports.	APPAREL EXPORT PROMOTION COUNCIL

		Ministry of Textiles, Government of India, New Delhi
1983	Award for Second Highest Exports - for Global Exports.	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1984	Award for General Currency Area	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1985	Award for Global Exports and General Currency Area	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1986	Award for Second Highest Exports - for Global Exports. Export Performance Award - Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1988	Silver Trophy - for Global Exports Gold Trophy for outstanding export performance - for Global Exports.	THE CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai APPAREL EXPORT PROMOTION COUNCIL, Ministry of Textiles Ministry of Textiles, Government of India, New Delhi
1990-91	Silver Trophy - for Global Exports	APPAREL EXPORT PROMOTION COUNCIL, Ministry of Textiles Ministry of Textiles, Government of India, New Delhi

	Silver Trophy - for Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1991	Award for Highest Global Exports	APPAREL EXPORT PROMOTION COUNCIL, Ministry of Textiles Ministry of Textiles, Government of India, New Delhi
1992-93	Award for Top Performer - Readymade Garments Exports	GOVERNMENT OF KARNATAKA
1992	Gold Trophy for Highest Global Exports & Silver Trophy for Second Highest Exports of Woven Garments	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1993-94	Top Award for Apparel Exports. Award for Highest Global Exports Highest Export Award - Woven Garments and for Global Exports	GOVERNMENT OF KARNATAKA CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1994-95	Award for Highest Exports - Global Exports Award for Highest Exports - to quota countries and non-quota items to quota countries Best Manufacturer Export Award - Gold	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai GOVERNMENT OF KARNATAKA

1994	Highest Export Award - Woven Garments	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1995-96	Gold Trophy for Highest Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Gold Trophy for Exports to Non-quota countries and Non-quota items to Quota countries	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Best Manufacturer Export Award - Gold	GOVERNMENT OF KARNATAKA
1996-97	Award for Highest Exports to Non-Quota Countries & Award for Second Largest Exporter in Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Award for Highest Exports in Global Exports and Award for Highest Exports to Non-quota Countries	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Silver Trophy for Second Highest Exports in Global Exports & Gold Trophy for Highest Exports to Non-Quota Countries	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1996	Award for Second Highest Exports in Global Exports & Award for Highest Exports in Woven Garments Exports	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
	Top Exports Award - Global Exports &	APPAREL EXPORT PROMOTION COUNCIL

	Gold Trophy for Exports to Non-Quota Markets	Ministry of Textiles, Government of India, New Delhi
1997	Highest Exports Award	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1998-99	Award for Highest Exports - for Group Turnover	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
	Highest Exporter Award for Woven Garments	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
	Highest Exporter Award	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1998	Silver Trophy for Largest Exports in Woven Garments	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
1999-2000	Gold Trophy for highest exports for Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Award for Highest Export Performance Readymade Garments	FEDERATION OF INDIAN EXPORTERS ASSOCIATIONS Government of India. (FIEO)
	Award for Highest Exports to Non-Quota Countries	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
1999	Award for Second Highest in Non-Quota Exports & Award for Highest Exports to Non-Quota Countries	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
2000	Award for Second Largest Exports in	APPAREL EXPORT PROMOTION COUNCIL

	Woven Garments	Ministry of Textiles, Government of India, New Delhi
	Silver Trophy for Highest Exports in Global Exports	APPAREL EXPORT PROMOTION COUNCIL Ministry of Textiles, Government of India, New Delhi
2000-01	Award for Top Exporter	COCHIN EXPORT PROMOTION COUNCIL Govt. of India, Cochin
	Certificate of merit for Outstanding Export Performance	THE CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Award for highest Exporter in Non-Quota Markets	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
2001-02	Award for Highest Exporter in Non-Quota Market	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
	Silver Trophy for Second Largest Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Highest Exports Award for Non-Quota Countries	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai
	Award for Top Exporter	COCHIN EXPORT PROMOTION COUNCIL Govt. of India, Cochin
	Export Award - 2002	Federation of karnataka Chamber of Commerce and Industries Bagnalore
2002	Highest Award for Non-Quota Exports & Silver Trophy for Global Exports	CLOTHING MANUFACTURERS ASSOCIATION OF INDIA Mumbai

2002-03	Highest Award for Exports - Non-Quota Exports	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
	Highest Exports Award for Non-Quota Market	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai
	Best Performance Award	COUNCIL OF INTERNATIONAL AWARDS
1996-2000	Best Export Award - Gold (4 years continuous award)	GOVERNMENT OF KARNATAKA
2004	Highest Exports Award for Non-Quota Market	CONFEDERATION OF INDIAN APPAREL EXPORTERS Mumbai (Fifth International Fashion awards)
2004	Exporter of the year - Golden Scale Trophy	Clothing Manufacturers Association of India

FACTORS BEHIND OUR GROWTH

We believe that the following factors which have helped us emerge as a vendor of choice for several of our customers are responsible for our growth. These have helped us in our transition from becoming mere outsourcers to partners.

Punctuality

Meeting the customer's deadline on a consistent basis is critical for our business. Any delays on our part can upset the entire planning at the customers end and impact its business. Most of our customers, who are leading retailers and apparel brands, risk losing sales or exhibiting incomplete collections on their retail shelves should we not meet our commitment to them and delay the shipments.

To ensure this, we meticulously plan our entire range of activities, right from sourcing of fabric and components to manufacturing to shipment well in advance.

Quality

Buyers are keen to work with suppliers who can meet their quality needs to enable them to maintain their brand equity with their customers and enhance their sales.

Some of the awards that we have received from our buyers for our quality include:

Award given by	Year of the award	Details of the award
Nike Inc	1999	Best Factory Performance Award, Best On time Performance Award
	2000	Best Overall Factory Award
	2001	Best Vendor Award
	2002-03	Best Quality Performance Award
SEARS Inc, Canada	2001	Partners in Progress Award
	2002	Partners in Progress Award
	2003	Partners in Progress Award
Hudson Bay Company Inc., Canada.	2001	Best Vendor Award
The Childrens Place	2004	Diamond Award for Excellent Production Quality

Reliability

Our long term relationships with our buyers are proof that we are a reliable manufacturer. Our buyers may be competitors to each other, but we maintain complete sensitivity to their designs & innovations.

Additionally, we strive to meet our commitments to our buyers. In case of delays that may still happen, we resort to air shipments at our cost, to meet the client's deadline.

Speed

Buyers want to reduce their time from design to market to reduce the fashion related risks. Hence, our ability to help customers in reducing lead times is essential. We have been able to do this by our focus on global sourcing and vertical integration for inputs and value addition. Our dedicated suppliers for some accessories, packing materials and our in house ancillary facilities for cord, label, elastic making, polywadding, quilting, printing, embroidery, value added finishes and laundry facilities helps us reduce delivery time.

We also take some positions on fabric that are commonly used to further reduce lead time. We also hold frequently used fabrics & accessories to reduce lead times.

Transparency

Most apparel buyers work backwards from their retail price to work out the optimal price at which they can source any given apparel. We work closely with our key customers to help them meet their desired purchase price. This is done through a process of identifying areas wherein costs can be reduced by re-engineering the product or sourcing. Transparency helps gain customer confidence and converts us from supplier to partner.

Flexibility

We offer flexibility both in sourcing and for manufacturing.

Our global sourcing capability allows us to procure raw materials from any part of the world. This way, we can ensure that we can get the best quality at competitive rates and at the specified delivery schedules. Even our facilities are equipped to manufacture varied run sizes and can be re-configured to handle different products as per changing seasonal requirements.

COMPETITION

We face competition from apparel manufacturers across the globe. Countries such as Mexico and Turkey have the advantage of being located in proximity to our main markets of the US and EU. These countries can shorten the lead time required by being able to deliver products to the customers in shorter time.

We also face competition from manufacturers in other cost efficient supplier countries such as China, Pakistan, Bangladesh, Sri Lanka, Vietnam which have low labour costs.

Additionally, we compete with various apparel exporters in India who are manufacturing for customers in the international markets.

We believe that our cost effective facilities, large scale capacities & emphasis on customer satisfaction, reliability of supply and product quality provide us a competitive advantage in many of our products.

OUR HISTORY

Our group, the Gokaldas Exports group, was set up 25 years ago by the late Shri Jhamandas H.Hinduja.

At that time our group expanded through partnership firms. The prevailing regulatory environment, labour laws and reservation for small scale industries made it conducive for growth through forming partnership firms. As a result, starting from 80's till the second half of 90's we set up the following partnership firms in order to expand ourselves.

Sr. No.	Name of the partnership firm	Date of Incorporation
1.	Gokaldas Exports*	November 8, 1978
2.	Global Garments	October 30, 1986
3.	The Unique Creations**	August 26, 1987
4.	The Central Wearhouse	April 1, 1992
5.	Hinduja Fashions	April 1, 1992
6.	Hinduja Trading Company	April 1, 1992
7.	Asiatic Exports	August 1, 1992
8.	The Intex	August 1, 1992
9.	New Generation Apparels	February 16, 1994
10.	J D Clothing Company	April 25, 1994
11.	Euro Clothing Company	September 5, 1994
12.	Sunshine Enterprises	April 1, 1996
13.	Carnival Clothing Company	April 13, 1996
14.	Hinduja Sports Wear	April 13, 1996
15.	International Clothing Company	April 13, 1996
16.	Wear Craft Apparels	April 13, 1996
17.	Gokaldas India	February 1, 2000

* Subsequently, The partnership firm Gokaldas Exports was converted into a private limited company on April 3, 1995

** The partnership firm 'The Unique Creations' was converted into a private limited company 'The Unique Creations (Bangalore) Private Limited on April 3, 1995

During 2003-04, we could foresee an opportunity for us with the impending removal of quota restriction from January 1, 2005. In order to capitalize on this opportunity we initiated corporatising our group. The process got momentum in 2004 and today we have corporatised our entire apparel manufacturing business and brought under one company Gokaldas Exports Limited either directly or through its subsidiaries.

The above-mentioned transformation happened in three phases:

Phase 1

- a. The Partnership firm 'Gokaldas India' was converted into a private limited company, Gokaldas Indian (Private) Limited, on March 1, 2004.
- b. Gokaldas Exports (Private) Limited and The Unique Creations (Private) Limited were merged with Gokaldas India (Private) Limited vide an order dated November 20, 2004 by the honourable Highcourt of Karnataka. As per the said order, the merger came into effect from April 1, 2004. Subsequently, the name of Gokaldas India (Private) Limited was changed to Gokaldas Exports (Private) Limited with effect from December 14, 2004. Subsequently, our company i.e Gokaldas Exports (Private) Limited was changed to a Public Limited Company with effect from January 7, 2005.

Phase 2

When the above-mentioned process of merger was going on, we were also taking steps parallelly in order to transfer the entire apparel manufacturing business of our other partnership firms to various corporate entities owned by our promoters in the following way:

- a. Our promoters first incorporated twelve new companies as given in the following table:

Sr No.	Name of the subsidiary	Date of Incorporation
1	Deejay Trading (P) Ltd	February 21, 2003
2	Magenta Trading (P) Ltd	February 27, 2003
3	Reflexion Trading (P) Ltd	March 7, 2003
4	Rafter Trading (P) Ltd	March 7, 2003
5	Madhin Trading (P) Ltd	February 27, 2004
6	Rishikesh Apparels (P) Ltd	April 15, 2004
7	Vignesh Apparels (P) Ltd	April 15, 2004
8	Rajdin Apparels (P) Ltd	May 7, 2004
9	All Colour Garments (P) Ltd	June 1, 2004
10	Glamourwear Apparels (P) Ltd	June 17, 2004
11	Seven Hills Clothing (P) Ltd	June 18, 2004
12	SNS Clothing (P) Ltd	August 9, 2004

- b. Subsequently the business of the various partnership firms were transferred to the above-mentioned companies. Brief details of the transfer are given in the following table:

Sr. No.	Transferee Company	Transferor Partnership firm	Date of Business Transfer Agreement	No. of factories transferred	Details of the factories transferred
1	Deejay Trading (P) Limited	Wearcraft Apparels	September 30, 2004	3	Wearcraft Apparels unit I, II & III
2	Magenta Trading (P) Ltd	International Clothing Company	September 30, 2004	3	International Clothing Company Unit I, II & III
3	Rafter Trading (P) Ltd	Hinduja Sportswear	September 30, 2004	2	Hinduja Sportswear unit I & II
4	Madhin Trading (P) Ltd	Carnival Clothing Company	September 30, 2004	3	Carnival Clothing Company unit I, II & III
5	Rishikesh Apparels (P) Ltd	Global Garments	September 30, 2004	2	Global Garments II & III
6	Vignesh Apparels (P) Ltd	New Generation Apparels &	September 30, 2004	2	New Generation Apparels unit I & II
		Asiatic Exports	September 30, 2004	1	Asiatic Exports
7	Rajdin Apparels (P) Ltd	Hinduja Trading Company	September 30, 2004	3	Venkateshwara Clothing Company, Lucky Tex Unit I & III
8	All Colour Garments (P)	Hinduja Fashions	September 30, 2004	3	Hinduja Fashions & Balaji Finishing House

Sr. No .	Transferee Company	Transferor Partnership firm	Date of Business Transfer Agreement	No. of factories transferr ed	Details of the factories transferred
	Ltd				unit I & II
9	Glamourwear Apparels (P) Ltd	JD Clothing Co.	September 30, 2004	3	J.D.Clothing Company, Unit I, II & III
		The Intex	September 30, 2004	4	The Intex Unit I,II,III & IV
10	Seven Hills Clothing (P) Ltd	Sunshine Enterprises	September 30, 2004	3	Triangle Apparels unit I, II & III,)
		Euro Clothing Company	September 30, 2004	3	Euro Clothing Company unit I, II & III
11	SNS Clothing (P) Ltd	The Central Wearhouse	September 30, 2004	3	Wear Wel unit I, II & III
	Total			38	

Phase 3

Subsequently, we, Gokaldas Exports Limited acquired all of the above-mentioned twelve (12) companies from our promoters by paying consideration in cash and thus made those twelve companies our subsidiaries.

As on today we have licenses for 5 factories in our own name and license of 38 factories in the name of our subsidiaries.

MAIN OBJECTS OF THE COMPANY

Our main objects as contained in our Memorandum of Association are:

- To carry on all or any of the business as manufacturers, traders, exporters, stockists, distributors, consignors, consignees, agents, factors of and/or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn) hosiery, manmade fibres, viscose and viscose blended fibre, readymade garments, made-ups, dhoties, sarees, lungies, bed-sheets, towels, table cloth, curtain cloth, furnishing material, hosiery, mosquito curtains, fishing nets, ropes and/or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, teri-cotton, terelyne, poly-fibre and/or any other fibrous material.
- To carry on all or any of the business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and/or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and/or other fibrous materials and/or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C&F agents, mercantile agents and/or in any other capacity.

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 Memorandum of Association

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

Date of shareholder approval	Changes
November 30, 2004	Increase of Authorised share capital from Rs 1000 lakhs to Rs 2000 lakhs
December 8, 2004	Name change from Gokaldas India Private Limited to Gokaldas Exports Private Limited
January 7, 2005	Name change from Gokaldas Exports Private Limited to Gokaldas Exports Limited

The details of the capital raised by our Company are given in the section entitled “**Capital Structure**” on page 37 of this Draft Red Herring Prospectus.

OUR MANAGEMENT

BOARD OF DIRECTORS

Our directors, Mr. Madanlal J Hinduja, Mr. Rajendra J Hinduja and Mr. Dinesh J Hinduja manage our day-to-day operations under the overall supervision, direction and control of our Board of Directors. As per our Articles of Association, we cannot have less than 3 nor more than 12 Directors. We currently have six (6) Directors.

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

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
Mr. Madanlal J Hinduja Chairman & Managing Director (S/o Late Jhamandas H Hinduja) No. 121, 6th Cross, 10th Main Road, RMV Extn. Bangalore - 80 <i>Industrialist</i> Liable to retire by rotation	India	61 years	• VAG Exports Pvt. Ltd. • JVN Exports Pvt. Ltd. • Poly Products Pvt. Ltd. • Parichay Investments Ltd. • Maze Trading Pvt. Ltd. • Madhin Trading Pvt. Ltd. • Magenta Trading Pvt. Ltd. • Rafter Trading Pvt. Ltd. • Deejay Trading Pvt. Ltd. • Rishikesh Apparels Pvt. Ltd. • Rajdin Apparels Pvt. Ltd. • All Colour Garments Pvt. Ltd. • SNS Clothing Pvt. Ltd. • Vignesh Apparels Pvt. Ltd. • Glamourwear Apparels Pvt. Ltd. • Seven Hills Clothing Pvt. Ltd. • Reflexion Trading Pvt. Ltd. • Dazzle Trading Pvt Ltd
Mr. Rajendra J Hinduja Executive Director – Finance & Administration (S/o Late Jhamandas H Hinduja) No. 121, 18th Cross, Sadashivnagar, Palace Orchards, Bangalore - 80 <i>Industrialist</i> Liable to retire by rotation	India	57 years	• VAG Exports Pvt. Ltd. • JVN Exports Pvt. Ltd. • Poly Products Pvt. Ltd. • Parichay Investments Ltd. • Rapple Trading Pvt. Ltd. • Reflexion Trading Pvt. Ltd. • Madhin Trading Pvt. Ltd. • Magenta Trading Pvt. Ltd. • Rafter Trading Pvt. Ltd. • Deejay Trading Pvt. Ltd. • Rishikesh Apparels Pvt. Ltd. • Rajdin Apparels Pvt. Ltd. • All Colour Garments Pvt. Ltd. • SNS Clothing Pvt. Ltd. • Vignesh Apparels Pvt. Ltd. • Glamourwear Apparels Pvt. Ltd. • Seven Hills Clothing Pvt. Ltd. • Aviation Travel Pvt. Ltd. • Dazzle Trading Pvt Ltd

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
			Apparel Export Promotion Council, New Delhi
Mr. Dinesh J Hinduja Executive Director – Production & Marketing (S/o Late Jhamandas H Hinduja) No. 211, Upper Palace Orchards, Bellary Road, Bangalore - 80 <i>Industrialist</i> Liable to retire by rotation	India	52 years	- VAG Exports Pvt. Ltd. - JVN Exports Pvt. Ltd. - Poly Products Pvt. Ltd. - Parichay Investments Ltd. - Dice Trading Pvt. Ltd. - Madhin Trading Pvt. Ltd. - Magenta Trading Pvt. Ltd. - Rafter Trading Pvt. Ltd. - Deejay Trading Pvt. Ltd. - Rishikesh Apparels Pvt. Ltd. - Rajdin Apparels Pvt. Ltd. - All Colour Garments Pvt. Ltd. - SNS Clothing Pvt. Ltd. - Vignesh Apparels Pvt. Ltd. - Glamourwear Apparels Pvt. Ltd. - Seven Hills Clothing Pvt. Ltd. - Reflexion Trading Pvt. Ltd. - Dazzle Trading Pvt Ltd
Mr. Pradip P Shah Independent & Non-Executive Director (S/o Late Panalal.A.Shah) 72A, Embassy Apartments, No.46, Nepeansea Road, Mumbai. <i>Businessman</i> Liable to retire by rotation	India	52 years	*AMP IndAsia Fund Advisors [Mauritius] Ltd. - Asset Reconstruction Company (India) Limited - BASF India Limited - Godrej & Boyce Mfg.Ltd - Gujarat Informatics Limited - Hardy Oil & Gas Limited [U.K.] - IndAsia Fund Advisors Private Limited - Matsushita Lakhanpal Battery India Limited - Pfizer Limited - Prudential ICICI Asset Management Limited - Patni Computer System Limited - Shah Foods Limited - Sonata Software Limited *Supra Advisors (BVI) Limited (British Virgin Islands) - The Shipping Corporation of India Ltd. - The Stock Exchange, Mumbai * Taib Bank EC, [Bahrain]

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
			Wartsila India Limited
H S Nagaraj Independent & Non-Executive Director S/o Late Shri Hudrali Subbanna 22, 1 st A Main Road, Rajmahal Vilas Extn. II stage, 1 st Block Bangalore 560 094 Businessman	India	66 yrs	- Aviation Travels Private Limited - Swiss World Cargo India Private Limited - Airline Marketing Services India Private Limited
K.P.Kumar Independent & Non-Executive Director S/o Late K.R.Krishnaiah Chetty No. 4,5 th Cross Shankarpuram Bangalore 560 004 Senior Advocate	India	59 yrs	- Yokogawa India Limited - The Karur Vysya Bank Limited - Britannia Employees' General Welfare Association Pvt. Ltd. - Britannia Employees' Educational Welfare Association Pvt. Ltd - Britannia Employees' Medical Welfare Association Pvt. Ltd

* Companies incorporated outside India

Brief Biography of our Directors

Madanlal J Hinduja, aged 61 years is our Chairman and Managing Director. He is one of the leaders in the Indian apparel export industry. He was awarded the Lifetime Achievement Pioneer Award by the Confederation of Indian Apparel Exporters (CIAe) in 2002. He holds a Bachelor of Commerce degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He provides strategic direction to our company and is also responsible for sourcing of fabrics. He also provides strategic direction to our efforts in, creating, designing and developing new fabrics by conceiving new and modern innovations in weaving, dyeing and processing of fabrics.

Rajendra J Hinduja, aged 57 years is our Executive Director – Finance & Administration. He is responsible for overall administration of the entire organisation. He holds a Bachelor of Engineering degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the Senior Vice Chariman of the Apparel Export Promotion Council (AEPCC) in 2003 and has been on their Executive Committee for the past two decades. He has also been on the Executive Committee of the Clothing Manufacturers Association of India in 2002 and 2003, and is currently an Advisor to the Confederation of Indian Apparel Exporters. He has served as an executive committee member of Export Promotion Council for EOU's and SEZ's since 2003. He has also served on several committees formed by the Ministry of Textiles, Government of India on export / textile development projects. He is on the Industry

High Power Committee of the Government of Karnataka since 2003. He has also recently been awarded the 'SINDHU RATNA' award in 2004 by the All India Sindhi Federation of India for contribution to the society at large.

He looks after finance, logistics (customs, documentation), imports and exports, human resources/personnel, and legal matters for the organisation. He is also responsible for new projects and initiatives of the company.

Dinesh J Hinduja, aged 52 years, is our Executive Director – Production and Marketing. He is responsible for our marketing and manufacturing functions. He holds a Bachelor of Science degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the recipient of Award for Excellence in the year 1994 from Association of Young India. He was on the State level management committee of NIFT in the year 1998. He is on the advisory board of the World fashion Exchange Inc., USA.

He oversees our entire marketing function including designing, sampling, customer interaction and service. He is also responsible for our manufacturing function and oversees production planning, operations of our factories and support units.

Mr. Pradip P Shah started IndAsia, a corporate finance and private equity advisory business, in April 1998. IndAsia entered into a joint venture with AMP in 2001 for the private equity business in India. Prior to starting IndAsia, he helped establish the Indocean Fund in 1994 in association with affiliates of Chase Capital Partners and Soros Fund Management. Before starting Indocean, he was the founder Managing Director of The Credit Rating Information Services of India Limited (CRISIL).

Mr. Shah holds an MBA from Harvard Business School and a Bachelor of Commerce degree from Sydenham College, Bombay. He is a qualified Cost Accountant and ranked first in India in the Chartered Accountancy examinations.

Mr. Shah is currently a Director of Asset Reconstruction Company (India) Limited, BASF (India) Limited, Godrej & Boyce Mfg. Limited, Gujarat Informatics Limited, Hardy Oil and Gas Limited (U.K.), Matsushita Lakhnapal Battery India Limited, Patni Computer Systems Limited, Pfizer Limited, Prudential ICICI Asset Management Company Limited, Shipping Corporation of India Limited, The Stock Exchange-Mumbai, TAIB Bank, E.C. (Bahrain), and Wartsila India Limited amongst other companies.

H.S. Nagaraj, aged 66 years, is a Graduate of Bachelor of Arts, Mysore University and Fellow of Chartered Management Institute, U.K. and has been in business for nearly 45 years. He promoted Aviation Travels Private Limited, Swiss Worldcargo India Private Limited and Airline Marketing Services India Private Limited representing multinationals in India.

Mr. K.P. Kumar, aged 59 years, is a L.L.B. He joined M/s King & Partridge in January 1973, became a partner in 1981, Senior Partner from April 1990 to March 2004 and Senior Advocate from December 2003.

Compensation of Our Directors

Mr. Madanlal J Hinduja, is paid remuneration to each as detailed under

Salary – Rs 4,00,000/- (Rupees Four lakhs only) per month

Commission – Payable for each financial year upto 1% of net profits of the company for that year computed in the manner prescribed under section 349 & 350 of the Companies Act, 1956, subject to such ceiling as may be fixed by the board of directors from time to time. The amount of commission shall be payable after the annual accounts are approved by the board of directors. The Board has presently fixed a ceiling on commission equivalent to the annual salary.

Perquisites –

- Company's contribution to Provident Fund and Superannuation
- Gratuity at the rate of half month salary for each year of completed service
- Leave with full pay as per the rules of the company, encashment of unavailed leave will be allowed at the end of the tenure
- Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family
- Reimbursement of actual travelling expenses for proceeding on leave to any place in India and return therefrom once in a year in respect of himself and family
- Personal accident insurance policy in accordance with the scheme applicable to senior employees
- Free use of company's car for company's work as well as personal purposes along with the driver
- Two telephones at residence at company's cost
- Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

Mr. Rajendra J Hinduja, is paid remuneration to each as detailed under

Salary – Rs 4,00,000/- (Rupees Four lakhs only) per month

Commission – Payable for each financial year upto 1% of net profits of the company for that year computed in the manner prescribed under section 349 & 350 of the Companies Act, 1956, subject to such ceiling as may be fixed by the board of directors from time to time. The amount of commission shall be payable after the annual accounts are approved by the board of directors. The Board has presently fixed a ceiling on commission equivalent to the annual salary.

Perquisites –

- Company's contribution to Provident Fund and Superannuation
- Gratuity at the rate of half month salary for each year of completed service
- Leave with full pay as per the rules of the company, encashment of unavailed leave will be allowed at the end of the tenure
- Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family
- Reimbursement of actual travelling expenses for proceeding on leave to any place in India and return therefrom once in a year in respect of himself and family
- Personal accident insurance policy in accordance with the scheme applicable to senior employees
- Free use of company's car for company's work as well as personal purposes along with the driver
- Two telephones at residence at company's cost
- Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

Mr. Dinesh J Hinduja, is paid remuneration to each as detailed under

Salary – Rs 4,00,000/- (Rupees Four lakhs only) per month

Commission – Payable for each financial year upto 1% of net profits of the company for that year computed in the manner prescribed under section 349 & 350 of the Companies Act, 1956, subject to such ceiling as may be fixed by the board of directors from time to time. The amount of commission shall be payable after the annual accounts are approved by the board of directors. The Board has presently fixed a ceiling on commission equivalent to the annual salary.

Perquisites –

- Company's contribution to Provident Fund and Superannuation
- Gratuity at the rate of half month salary for each year of completed service
- Leave with full pay as per the rules of the company, encashment of unavailed leave will be allowed at the end of the tenure
- Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family
- Reimbursement of actual travelling expenses for proceeding on leave to any place in India and return therefrom once in a year in respect of himself and family
- Personal accident insurance policy in accordance with the scheme applicable to senior employees
- Free use of company's car for company's work as well as personal purposes along with the driver
- Two telephones at residence at company's cost
- Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

In case of loss or inadequacy of profit in any year during the tenure of his office, the remuneration payable to Mr.Madanlal J Hinduja, Mr. Rajendra J Hinduja and Mr. Dinesh J Hinduja will be in terms of Part II of Schedule XIII of the Companies Act, 1956.

Shareholding of our Directors in our Company

Our Articles of Association do not require our Directors to hold any Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Red Herring Prospectus.

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)
Mr. Madanlal J Hinduja	20,93,300	20,93,300
Mr. Rajendra J Hinduja	20,52,290	20,52,290
Mr. Dinesh J Hinduja	35,52,290	35,52,290

Term of Office

In accordance with the Companies Act and our Articles of Association, all our Directors are subject to retirement by rotation.

Mr. Madanlal.J.Hinduja, has been appointed as the Chairman and Managing Director for a period of five (5) years and one (1) month from December 1, 2004.

Mr. Rajendra.J.Hinduja, has been appointed as the Executive Director for a period of five (5) years and one (1) month from December 1, 2004.

Mr. Dinesh.J.Hinduja, has been appointed as the Executive Director for a period of five (5) years and one (1) month from December 1, 2004.

Changes in Our Board of Directors since our incorporation

Name of Directors	Date of Appointment
Mr. Madanlal J Hinduja	March 1, 2004
Mr. Rajendra J Hinduja	March 1, 2004
Mr. Dinesh J Hinduja	March 1, 2004
Pradip P Shah	January 19, 2005
H.S.Nagaraj	January 19, 2005
K.P.Kumar	January 19, 2005

CORPORATE GOVERNANCE

We stand committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of our various stakeholders. The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to us immediately upon applying for in-principle approval for listing of our Equity Shares on the stock exchanges. Accordingly, we have undertaken steps to comply with the SEBI Guidelines on Corporate Governance. There are three executive directors and three independent members on our Board of Directors in our Board. Other committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholding/Investors Grievance Redressal, Audit, etc, details of which are as follows:

Audit Committee

Audit committee was constituted during the financial year 2005 in accordance with the provisions of the Companies Act, 1956. The committee currently comprises of Mr. H.S.Nagaraj, Mr. K.P.Kumar with the Chairman of the committee being Mr. Pradip P. Shah.

The principal functions of the committee are to:

1. Oversight (supervision, direction and control) 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. Discussion with the Auditors periodically about the internal control system and the scope of audit including observations of the auditors.
3. Review of the half-yearly and annual financial statement before submission to the Board focussing primarily on :
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgement by management.
 - c. Qualifications in draft report.
 - d. Significant adjustments arising out of audit.
 - e. Going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with stock exchange and legal requirements concerning financial statements.

- h. Any related party transactions, transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc that may have potential conflict with the interests of company at large.
- 4. Ensure compliance of internal control systems
- 5. Investigation into any of the aforesaid matters or as may be referred to by the Board.
- 6. To review the Auditors' Report on the Financial Statements and to seek clarifications thereon, if required, from the Auditors.
- 7. To review weaknesses in Internal Control, if any, and make recommendations relating thereto to the Board so as to ensure compliance of internal control systems.
- 8. To act as a link between the Statutory and the Internal Auditors and the Board of Directors.
- 9. Any other matter which the Board of Directors may at its discretion assign to the Committee from time to time.

The Audit Committee shall have the following powers :

- 1. To seek information from any employee
- 2. To investigate any activity within its terms of reference
- 3. To obtain legal or any other professional advice.
- 4. To secure the attendance of outsiders with relevant expertise if it considers necessary.
- 5. Full access to information contained in the records of the company.

The said committee do have authority to investigate into any matter in relation to areas specified above or referred to it by the Board and for this purpose will have full access to information contained in the records of the company and external professional advice, if necessary.”

Shareholders Grievances Redressal Committee

Shareholders Grievances Redressal Committee was constituted in the financial year 2005 in accordance with the provisions of the Companies Act, 1956. The committee currently comprises of Mr. K.P.Kumar, Mr. H.S.Nagaraj, Mr. Madanlal J.Hinduja, Mr.Rajendra J.Hinduja, Dinesh J.Hinduja with the Chairman of the committee being Mr. K.P.Kumar.

The principal functions of the committee are to look into investors' complaints like transfer of shares, non-receipt of annual report, non-receipt of declared dividends, etc and redressal thereof.

IPO Committee

IPO Committee was constituted in the financial year 2005 in accordance with the provisions of the Companies Act, 1956. The committee currently comprises of Mr. K.P.Kumar, Mr.

Madanlal J.Hinduja, Mr.Rajendra J.Hinduja, Mr. Dinesh J.Hinduja with the Chairman of the committee being Mr. Mr. K.P.Kumar.

The principal functions of the committee are to:

Take decisions on all matters in connection with the issue of shares to the public, including signing of any documents, deeds, declarations, to be filed before any authorities including SEBI, listing of shares on the NSE, The Stock Exchange, Mumbai etc.

Key Managerial Personnel

The details of our key managerial personnel are as follows:

Madanlal J Hinduja, aged 61 years is our Chairman and Managing Director. He is one of the leaders in the Indian apparel export industry. He was awarded the Lifetime Achievement Pioneer Award by the Confederation of Indian Apparel Exporters (CIAe) in 2002. He holds a Bachelor of Commerce degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He provides strategic direction to our company and is also responsible for sourcing of fabrics. He also provides strategic direction to our efforts in, creating, designing and developing new fabrics by conceiving new and modern innovations in weaving, dyeing and processing of fabrics.

Rajendra J Hinduja, aged 57 years is our Executive Director – Finance & Administration. He is responsible for overall administration of the entire organisation. He holds a Bachelor of Engineering degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the Senior Vice Chariman of the Apparel Export Promotion Council (AEPC) in 2003 and has been on their Executive Committee for the past two decades. He has also been on the Executive Committee of the Clothing Manufacturers Association of India in 2002 and 2003, and is currently an Advisor to the Confederation of Indian Apparel Exporters. He has served as an executive committee member of Export Promotion Council for EOU's and SEZ's since 2003. He has also served on several committees formed by the Ministry of Textiles, Government of India on export / textile development projects. He is on the Industry High Power Committee of the Government of Karnataka since 2003. He has also recently been awarded the 'SINDHU RATNA' award in 2004 by the All India Sindhi Federation of India for contribution to the society at large.

He looks after finance, logistics (customs, documentation), imports and exports, human resources/personnel, and legal matters for the organisation. He is also responsible for new projects and initiatives of the company.

Dinesh J Hinduja, aged 52 years, is our Executive Director – Production and Marketing. He is responsible for our marketing and manufacturing functions. He holds a Bachelor of Science degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the recipient of Award for Excellence in the year 1994 from Association of Young India. He was on the State level management committee of NIFT in the year 1998. He is on the advisory board of the World fashion Exchange Inc., USA.

He oversees our entire marketing function including designing, sampling, customer interaction and service. He is also responsible for our manufacturing function and oversees production planning, operations of our factories and support units.

Daisy Mistri: Aged 54 years. She is associated with our group since 1995 and is currently the General Manager, Marketing. She has an overall experience of 26 years in various capacities. She has been made a permanent employee of our company with effect from December 1, 2004.

Raghavan.R.V: Aged 35 years, B.Com Graduate. Since September 2003 he has been with us and is currently General Manager - Marketing. He has been in the garment industry for the last 15 years having worked in various capacities. He has been made a permanent employee of our company with effect from December 1, 2004.

Col.S.G.Apte: Aged 62 years, Engineering Graduate, he has also done various courses. He served in the army for 26 years in various capacities including commanding two regiments. He has a total of 38 years of service including 7 years in a multinational company holding a senior position. He has been with us since 2002 as a General Manager, HRD. He has been made a permanent employee of our company with effect from December 1, 2004.

C.Lakshman Poojari: Aged 47 years, he joined our group as a tailor at the age of 22 and today he is the General Manager (Production), handling production activities of several units. He has been made a permanent employee of our company with effect from December 1, 2004.

S.N. Rangaiah: Aged 40 years, he is a Graduate in Commerce and a Chartered Accountant. He is associated with us since 1996 and presently is the General Manager – Finance & Accounts. He has a total experience of 16 years. Prior to coming into our group, he has served organisations like Elgi Auto Engineering Limited, Supangita Engineers' Private Limited etc. He has been made a permanent employee of our company with effect from December 1, 2004.

Jayanthi Premkumar: Aged 44 years, a B.Sc Graduate, she has been with the organization since 1987. Earlier she was with Gokaldas Exports (Private) Limited. When Gokaldas Exports (Private) Limited merged with us with effect from April 1, 2004; she became our permanent employee. Currently she is the Manager Exports Documentation.

Vishwanath: Aged 42 years, has been with us for the last 24 years and served in various capacities. Currently he is the senior production coordinator coordinating production activities of several units. He has been made a permanent employee of our company with effect from December 1, 2004.

Shyam Dabrai .K: Aged 46 years, B.Com Graduate, he has been with the organization for over 25 years. Currently he is the Manager, Fabric. He has been made a permanent employee of our company with effect from December 1, 2004.

Sheela Chandy: Aged 50 years, she is a B.A Graduate. She has been working with our group since 1994 and heads Designing. Before joining our group, she has worked abroad for 3 years.

L. Nandalal: Aged 46 years, he is a Graduate in Commerce, Bachelor of General Laws and a Company Secretary and a Cost Accountant. He joined in our group in 2003 in Gokaldas Exports (Private) Limited. Subsequently when Gokaldas Exports (Private) Limited merged with us, he became our permanent employee with effect from September 30, 2004. He has an

overall experience of 20 years. Prior to joining our group, he has served organisations like ITI limited, Bhoruka Gases Ltd etc.

Yogain Sakhuja: Aged 44 years, a national of Canada, has a five year degree in Textile Technology. He has more than fifteen (15) years experience in garment trade. He has been with us since July, 2001 as a Marketing Office.

B.A.M.C.J. Perera: Aged 48 years, a national of Sri Lanka, has a National Diploma in Technology – conducted by Katubedde campus University of Sri Lanka. He has more than twenty-six (26) years experience in apparel manufacturing and engineering industry. He has been with us since October 11, 2004 as a Product Development Officer.

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

Shareholding of the Key Managerial Personnel

None of our Key Managerial Personnel other than the three Executive Directors hold shares of our company as on day. Please refer to page no. 92 of this Draft Red Herring Prospectus for shareholding details of our three Executive Directors.

Interest of Promoters, Directors and Key Managerial Personnel

Except as stated in “Related Party Transactions” on page 176 of this Red Herring Prospectus, and to the extent of shareholding in our Company, the Promoters do not have any other interest in our business.

Our Articles of Association provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any directors’ and officers’ insurance policy.

Changes in our Key Managerial Employees since our inception

There have been no other changes in our key managerial personnel since our commencement of business other than as mentioned in the following table.

Name of Key Managerial Personnel	Date of Appointment
Sheela Chandy	April 26, 2004
L.Nandalal*	September 30, 2004
B.A.M.C.J Perera	October 11, 2004

** Joined Gokaldas Exports (Private) Limited on May 5, 2003. Subsequently when Gokaldas Exports (Private) Limited merged with us, he became our key employee.*

OUR HUMAN RESOURCES AND HR POLICY INITIATIVES

As on December 31, 2004, we had over 30,000 employees. Our success depends to a great extent on our ability to recruit, train and retain quality employees & workers. Accordingly, we place special emphasis on the human resources function in our company. We believe that our leadership position, large scale operations, wide range of growth opportunities and focus on long-term development give us significant advantages in attracting and retaining highly skilled employees. We follow a “people first” approach to leverage the potential of our employees. We seek to improve employee productivity through continuing education and training and by emphasizing the importance of quality products and customer satisfaction.

Some important aspects of our human resource functions are described below:

Recruitment

Availability of skilled and unskilled manpower is enormous in Bangalore as this happens to be the manufacturing hub for the country in the garment business. The pattern of recruitment followed in the Head Office is different from the pattern of recruitment done at the factories.

All recruitments at the Head Office are made after carefully assessing the capabilities of the candidate in the personal interviews. The candidates will be interviewed by the respective General Manager and other senior officers who will assess the potentialities of the candidate in general and in the area of specialization, in particular. In the personal interviews, based on the information furnished in the Bio-data candidates will be questioned about their work knowledge and experience to assess their eligibility for the position in our organization. We have no discriminatory attitudes based on sex, religion, cast or physical disability. After joining, the candidate goes through the appointment procedure/Joining Report and Induction Training. Training is a part of the process of recruitment to ensure that a candidate selected meets our requirements. Before entrusting with the independent responsibility, the selected candidates will be exposed to our work culture in the organization in the various segments in the respective departments. This is done to ensure that the candidates understand their responsibility and give their best. Promotional growth is based more on the performance of the employee than on seniority. The employees who are found to be exceptionally good and committed to work are given financial benefit in the form of higher pay or award for outstanding work. The work will be reviewed periodically and sufficient opportunity and exposure will be given to employees to prove their capabilities. There is scope of improving their work culture and attitude and develop their mental horizons. However, continuous poor performance after giving due warning may result in termination of service.

Each factory has got a separate Personnel Department to look after the HR function. The individual factory manager decide upon the number of persons required in the factory on day to day basis and accordingly the persons are recruited. Generally the persons are picked up from the gate who come with desire to work. Production manager depending upon the interview/on the job performance for small duration accepts the persons with specific rate (more than the minimum wages specified by the Government of Karnataka.. The rate could be changed after seeing the performance after one/two weeks and the revision is made in the rate. Subsequently a file is opened by giving details as age, qualification, certificates, photographs, contacts telephone nos etc. Generally “on the job” training is also given to the persons as they are selected with minimum required experience. Also a capable candidate is given different type of training depending on his ability. Poor performance is recorded by issuing warnings. After giving sufficient time for improvement it may result in termination of services. A good amount of growth potential in the industry is to rise step by step to line supervisors, Floor In-charges, Batch In-charges, Asst. Production Manager and Production Manager. Deserving candidates have risen up to the level of Production Manager/General Manager and live examples are available in the factories.

Training

Every employee undergoes regular training at different intervals of time throughout the organization

- External training: Training provided by external agency outside the company premises.
- Induction: The process of familiarising newly recruited employees with the organisation's structure, procedures, personnel and job responsibilities.

- In-house training: Training provided to the employees of the company within the company premises by internal or external trainers.
- On-the-job training (OJT): Training provided on the actual job itself under the supervision of a qualified supervisor or senior employee.

Training Centers

Garment industry has an inherent problem of workers shifting jobs from one factory to the other factory for the following reasons:

- To withdraw Provident Fund amount
- To get higher wage rates
- To be a part of the peer group they belong to
- To avoid working hard on complicated styles

To control this phenomenon, we decided to have a centralized recruitment in few factories which can control the transition amongst our factories. Also we had the following objectives for starting this training center

- To give workers training on power machine and find out their skill
- To save time wasted in the factory to judge the person
- To control transition from one factory to another factory
- The individual worker is asked to pay fees for their commitment
- We also provide training to disabled persons recommended by VRC (Vocational Rehabilitation Center, Government of India)
- To judge skilled/unskilled workers which are directly employed at the factory.

The training center is a modest start and caters to maximum of 5-6 factories in the Yeshwanthpur/Peenya region in Bangalore. We do plan to cover all the factories in the future.

Code of Conduct

We aim at the highest levels of compliance with excellent employment practices besides a good and healthy working environment with due importance being given to local applicable laws and regulations.

Non-Discrimination: Stringent measures are followed for recruitment, promotions and other employment systems to ensure that equal treatment is given to all individuals and selection is based on the ability to do a job and not on personal characteristics such as race, color, gender, maternity or marital status, nationality etc.

Forced & Child Labour: None of the facilities in our company tolerate any form of compulsory labour, particularly prison, indentured or forced labour. Employees have the freedom of movement during working hours within their designated work area and are allowed anytime free access to drinking water and toilet facilities. Incidentally overtime, if necessary, is voluntary and strictly controlled within the limits specified as per local labour laws. Minimum age of the candidate is 18 years on the date of appointment and necessary legally accepted proof of age should be furnished along with the candidate's application for employment in the facility.

OUR PROMOTERS



Madanlal J Hinduja, Age 61 years (Voter ID No.: KT/12/087/231327, Driving License No.: 1041/61)

Shri Madanlal J Hinduja, our Chairman and Managing Director, is one of the leaders in the Indian apparel export industry. He was awarded the Lifetime Achievement Pioneer Award by the Confederation of Indian Apparel Exporters (CIAe) in 2002. He holds a Bachelor of Commerce degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He provides strategic direction to our company and is also responsible for sourcing of fabrics. He also provides strategic direction to our efforts in, creating, designing and developing new fabrics by conceiving new and modern innovations in weaving, dyeing and processing of fabrics.



Rajendra J Hinduja, Age 57 years (Voter ID No.:NA Applicable , Driving License No.4001/64R77-V3:)

Shri Rajendra J Hinduja, our Executive Director – Finance & Administration, is responsible for overall administration of the entire organisation. He holds a Bachelor of Engineering degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the Senior Vice Chariman of the Apparel Export Promotion Council (AEPC) in 2003 and has been on their Executive Committee for the past two decades. He has also been on the Executive Committee of the Clothing Manufacturers Association of India in 2002 and 2003, and is currently an Advisor to the Confederation of Indian Apparel Exporters. He has served as an executive committee member of Export Promotion Council for EOU's and SEZ's since 2003. He has also served on several committees formed by the Ministry of Textiles, Government of India on export / textile development projects. He is on the Industry High Power Committee of the Government of Karnataka since 2003. He has also recently

been awarded the 'SINDHU RATNA' award in 2004 by the All India Sindhi Federation of India for contribution to the society at large.

He looks after finance, logistics (customs, documentation), imports and exports, human resources/personnel, and legal matters for the organisation. He is also responsible for new projects and initiatives of the company.



Dinesh J Hinduja, Age 52 years (Voter ID No.: KT/12/087/231331, Driving License No.: 5033/10)

Shri Dinesh J Hinduja, our Executive Director – Production and Marketing, is responsible for our marketing and manufacturing functions. He holds a Bachelor of Science degree from the Bangalore University. He has been involved in the business of the Gokaldas Exports Groups since its inception.

He has been the recipient of Award for Excellence in the year 1994 from Association of Young India. He was on the State level management committee of NIFT in the year 1998. He is on the advisory board of the World fashion Exchange Inc., USA.

He oversees our entire marketing function including designing, sampling, customer interaction and service. He is also responsible for our manufacturing function and oversees production planning, operations of our factories and support units.



Vivek M Hinduja Age 31 years (Voter ID No.: NA Driving License No.: 927/90-91)

Shri Vivek M Hinduja, COO - Marketing, looks after our marketing and sales functions. He holds a Bachelor of Commerce degree from the Bangalore University and has been involved in the business of the Gokaldas Exports Groups for the past 10 years.

He is responsible for developing and implementing practical solutions to effectively enable client contacts in the global market place. He also overlooks related functions such as fabric sourcing, production, import co-ordination, buyer-seller interaction among others.



Ashwin R Hinduja 32 years (Voter ID No.: NA Driving License No.:892/9081)

Shri Ashwin R Hinduja, COO - Production, looks after our factories and production. He holds a Bachelor of Commerce degree from the Bangalore University and has been involved in the business of the Gokaldas Exports Groups for the past 10 years.

He directly handles all our manufacturing and service units and is responsible for factory co-ordination and production on a day-to-day basis, and monitors and regulates delivery dates.



Gaurav D Hinduja 22 (Voter ID No.: NA, Driving License No.: KA-04/F/9274/2000)

Shri Gaurav D Hinduja, Production Officer, has recently joined the business. He holds a Bachelor of Commerce degree from the Bangalore University.

He is currently involved in the production and manufacturing of apparel in our factories.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters has been submitted to the NSE and BSE at the time of filing the Draft Red Herring Prospectus.

OUR SUBSIDIARIES

ALL COLOUR GARMENTS PRIVATE LIMITED

It was incorporated on June 1, 2004 by our promoter group.

The main objects of All Colour Garments Private Limited as per its MoA are as follows:

- The business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- The business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in manufacturing of ready made garments.

Recently, it took over the business of M/s Hinduja Fashions on a slump sale basis. M/s Hinduja Fashions was in the business of manufacture and trading of garments / fabrics / textiles. The business transfer took place through an agreement dated September 30, 2004 with an appointed date of July 1, 2004 signed between All Colour Garments Private Limited and M/s Hinduja Fashions. All Colour Garments Private Limited paid a total consideration paid is Rs. 3,32,98,000 (Rupees Three Crores Thirty Two lakhs Ninety Eighty thousand only) through issuance of its equity shares

As a result of the aforesaid business transfer, it currently owns three factories namely Hinduja Fashions and Balaji Finishing House I & II.

We have acquired equity shares of All Colour Garments Private Limited from our promoter group for a consideration of Rs. 3,32,98,000 (Rupees Three Crores Thirty Two lakhs Ninety Eighty thousand only) and made it our subsidiary on December 1, 2004.

The shareholding pattern of All Colour Garments Private Limited as on December 01, 2004 is as follows:

Name of The Shareholder	No. of Equity Shares	% of Holding
Mrs. Nalini D Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

* Presently known as Gokaldas Exports Limited

The Board of Directors of All Colour Garments Private Limited comprises of

1. Mr. Madanlal J. Hinduja
2. Mr. Rajendra J. Hinduja
3. Mr. Dinesh J. Hinduja

Brief financial results of All Colour Garments Private Limited are set forth below:

(In Rs.)

	As at and for the Period ended September 30, 2004
Sales and other income	2,83,32,271
Profit after tax	70,809
Equity Capital	1,00,000
Reserves	2,62,255
Networth	3,25,417
Earnings per share	7.08
Book value per share	32.54

DEEJAY TRADING PRIVATE LIMITED

It was incorporated in 21st February 2003 by our promoter group.

The main objects of DeeJay Trading Private Limited as per its MoA are as follows:

- The business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dothies, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- The business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in manufacturing of ready made garments

It took over the business of M/s Wear Craft Apparels on a slump sale basis. M/s Wear Craft Apparels was in the business of manufacture and trading of garments / fabrics / textiles. The business sale agreement between M/s Wear Craft Apparels and M/s DeeJay Trading Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 80,96,000 (Rupees Eighty Lakhs Ninety Six thousand only) through issuance of equity shares.

As a result of the aforesaid business transfer, it currently owns three factories namely wearcraft apparels –Unit I, II & III.

We have acquired equity shares of DeeJay Trading Private Limited from our promoter group for a consideration of Rs. 80,96,000 (Rupees Eighty Lakhs Ninety Six thousand only) and made it our subsidiary on December 1, 2004.

The shareholding pattern of M/s Deejay Trading Private Limited as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Dinesh J Hinduja	1	0.005%
Gokaldas India Pvt Ltd *	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of M/s Deejay Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

Brief financial results of M/s Deejay Trading Private Limited as are set forth below:

	(In Rs.)	
	Period ended September 30, 2004	For the period February 21, 2003- March 31, 2004
Sales and other income	1,60,08,228	0
Profit after tax	(65,741)	0
Equity Capital	1,00,000	1,00,000
Reserves	(42,532)	0
Networth	51,240	87,680
Earnings per share	(6.57)	0
Book value per share	5.13	8.77

GLAMOURWEAR APPARELS PRIVATE LIMITED

It was incorporated in 17th June 2004 by our promoter group.

The main objects of Glamourwear Apparels Private Limited as per its MoA;

- The business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- The business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in the business of apparel manufacturing.

It took over the business of M/s J D Clothing Company and M/s The Intex on a slump sale basis. M/s J D Clothing Company and M/s The Intex was in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s J D Clothing Company, M/s The Intex and M/s Glamourwear Private Limited were made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid to M/s J D Clothing Company Rs. 42,22,000 (Rupees Forty Two lakhs Twenty Two thousand only) and to M/s The Intex was Rs. 58,24,000 (Rupees Fifty Eight Lakhs and Twenty Four thousand only). The consideration was paid through issuance of equity shares.

As a result of the aforesaid business transfer, it currently owns seven factories namely JD Clothing Company- Unit I, II & III and The Intex - Unit I, II, III & IV.

We acquired the shareholding of Glamourwear Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 1,00,46,000 (Rupees One Crore forty six thousands)

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Ashwin R Hinduja	1	0.005%
Gokaldas India Pvt Ltd*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Glamourwear Apparels Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

Brief financial results of Glamourwear Apparels Private Limited are set forth below:
(In Rs.)

	As at and for the Period ended September 30, 2004
Sales and other income	5,98,55,820
Profit after tax	(5,50,323)
Equity Capital	1,00,000
Reserves	14,23,582
Networth	15,16,562
Earnings per share	(55.03)
Book value per share	151.66

MADHIN TRADING PRIVATE LIMITED

It was incorporated in 27th February 2003 by our promoter group.

Its main objects as per its MoA are the following:

- The business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dothies, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- The business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in the business of apparel manufacturing.

It took over the business of M/s Carnival Clothing Company on a slump sale basis. M/s Carnival Clothing Company was in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Carnival Clothing Company and M/s Madhin Trading Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 64,86,000 (Rupees Sixty Four Lakhs Eight Six thousand only). The total consideration was paid through issuance of shares.

As a result of the aforesaid business transfer agreements, it currently owns three factories namely Carnival Clothing Company – Unit I, II & III.

We acquired the shareholding of Madhin Trading Private Limited from our promoter group by paying a consideration of Rs. 64,86,000 (Rupees Sixty Four Lakhs Eight Six thousand only).

The shareholding pattern of Madhin Trading Private Limited as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	1	0.005%
Gokaldas India Pvt Ltd*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Madhin Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The shareholding pattern of Madhin Trading Private Limited as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	1	0.005%
Gokaldas India Pvt Ltd*	19,999	99.995%

* *Presently known as Gokaldas Exports Limited*

The brief financial results of Madhin Trading Private Limited are set forth below:

(In Rs.)

	Period ended September 30, 2004	For the period February 27, 2003 – March 31, 2004
Sales and other income	2,52,70,817	0
Profit after tax	(35,116)	0
Equity Capital	1,00,000	1,00,000
Reserves	10,988	0
Networth	69,644	87,680
Earnings per share	(3.51)	0
Book value per share	6.96	8.77

MAGENTA TRADING PRIVATE LIMITED

It was incorporated in 27th February 2003 by our promoter group.

As per its MoA, its main objects are as follows:

- The business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- The business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in the business of apparel manufacturing.

It took over the business of M/s International Clothing Company on a slump sale basis. M/s International Clothing Company was in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s International Clothing Company and M/s Magenta Trading Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 68,08,000 (Rupees Sixty Eight Lakhs Eight thousand only). The consideration was paid through issuance of equity shares.

As a result of the aforesaid business transfer agreements, it currently owns Three factories namely International Clothing Company - Unit I, II & III.

We have acquired the shareholding of Magenta Trading Private Limited from our promoter group on December 1, 2004 by paying a consideration of Rs. 68,08,000 (Rupees Sixty Eight Lakhs Eight thousand only).

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	1	0.005%
Gokaldas India Pvt Ltd*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Magenta Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of Magenta Trading Private Limited for are set forth below:

	(In Rs.)	
	Period ended September 30, 2004	For the period February 27, 2003 – March 31, 2004
Sales and other income	3,35,58,698	0
Profit after tax	(1,83,825)	0
Equity Capital	1,00,000	1,00,000
Reserves	(1,49,925)	0
Networth	(56,153)	87,680
Earnings per share	(18.38)	0
Book value per share	(5.62)	8.77

RAFTER TRADING PRIVATE LIMITED

It was incorporated on 7th March 2003 by our promoter group.

As per its MoA, its main objects are:

- To do business as manufacturers, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosierys, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosierys, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosierys in cotton, wool, silk,

terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity..

It is currently engaged in the business of apparel manufacturing.

M/s Rafter Trading Private Limited took over the business of M/s Hinduja Sportswear on a slump sale basis. M/s Hinduja Sportswear was in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Hinduja Sportswear and M/s Rafter Trading Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 35,72,000 (Rupees Thirty Five Lakhs Seventy Two thousand only) and the same was paid through issuance of equity shares.

As a result of the aforesaid business transfer agreements, it currently owns two factories namely Hinduja Sportswear - Unit I & II.

We acquired the shareholding of Rafter Trading Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 35,72,000 (Rupees Thirty Five Lakhs Seventy Two thousand only).

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Rajendra J Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Rafter Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of Rafter Trading Private Limited are set forth below:

(In Rs.)

	Period ended September 30, 2004	For the period March 7, 2003 – March 31, 2004
Sales and other income	1,44,11,175	0
Profit after tax	17,075	0
Equity Capital	1,00,000	1,00,000
Reserves	17,075	0
Networth	1,10,847	87,680
Earnings per share	1.71	0
Book value per share	11.08	8.77

RAJDIN APPARELS PRIVATE LIMITED

It was incorporated in 7th May 2004 by our promoter group.

As per its MoA, its main objects are as follows:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in the business of apparel & accessories manufacturing.

It took over the business of M/s -Lucky Tex and M/s Venkateshwara Clothing Company on a slump sale basis. M/s Lucky Tex and M/s Venkateshwara Clothing Company were in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Lucky Tex and M/s Venkateshwara Clothing Company and M/s Rajdin Apparels Private Limited were made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 1,69,90,000 (Rupees One Crore Sixty Nine Lakhs Ninety thousand only) through issuance of equity shares.

As a result of the aforesaid business transfer agreement it currently owns three factories namely Venkateshwara clothing company, Lucky Tex - Unit I & III.

We acquired the shareholding of M/s Rajdin Apparels Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 1,69,90,000 (Rupees One Crore Sixty Nine Lakhs Ninety thousand only).

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mrs. Veena R Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Rajdin Apparels Private Limited comprises of:

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja

3. Mr. Dinesh J Hinduja

The brief financial results of Rajdin Apparels Private Limited are set forth below:

(In Rs.)

	Period ended September 30, 2004
Sales and other income	1,78,89,033
Profit after tax	33,181
Equity Capital	1,00,000
Reserves	33,181
Networth	1,26,161
Earnings per share	3.32
Book value per share	126.16

REFLEXION TRADING PRIVATE LIMITED

It was incorporated on 7th March 2003 by our promoter group.

As per its MoA, its main objects are as follows:

- To do the business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosierys, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosierys, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do the business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosierys in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity..

It is not engaged in any business activity as on date.

We acquired the shareholding of M/s Reflexion Trading Private Limited from our promoter group on December 1, 2004 for a consideration of Rs 1,00,000 (Rupees one lakh only) and made it our subsidiary on December 1, 2004.

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Rajendra J Hinduja	1	0.005 %
Gokaldas India Pvt Ltd *	9,999	99.995 %

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Reflexion Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja

2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of Reflexion Trading Private Limited are set forth below:

(In Rs.)

	Period ended September 30,2004	For the period March 7, 2003 – March 31, 2004
Sales and other income	0	0
Profit after tax	0	0
Equity Capital	1,00,000	1,00,000
Reserves	0	0
Networth*	85,467	85,467
Earnings per share	0	0
Book value per share	8.55	8.55

**Adjusted for Miscellaneous expenses not written off.*

RISHIKESH APPARELS PRIVATE LIMITED

It was incorporated on 15th April 2004 by our promoter group.

As per its MoA, its main objects are as follows:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity..

It is currently engaged in manufacturing of readymde garments.

It took over the business of M/s Global Garments on a slump sale basis. M/s Global Garments was in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Global Garments and M/s Rishikesh Trading Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 66,83,000 (Rupees Sixty Six Lakhs Eighty Three thousand only) through issuance of equity shares.

As a result of the aforesaid business transfer agreement it currently owns two factories namely Global Garments - Unit II & III.

We have acquired equity shares of M/s Rishikesh Apparels Private Limited from our promoter group for a consideration of Rs. 66,83,000 (Rupees Sixty Six Lakhs Eighty Three thousand only) and made it our subsidiary on December 1, 2004

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mrs. Janaki M Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Rishikesh Apparels Private Limited comprises of:

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of Rishikesh Apparels Private Limited are set forth below:
(In Rs.)

	As at and for the Period ended Septemebr 30, 2004
Sales and other income	1,76,18,611
Profit after tax	21,273
Equity Capital	1,00,000
Reserves	26,672
Networth	1,19,652
Earnings per share	2.13
Book value per share	119.65

SEVEN HILLS CLOTHING PRIVATE LIMITED

It was incorporated in 18th June 2004 by our promoter group.

Its main objects as per its MoA are the following:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosieries, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosieries, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosieries in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as

traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity..

It is currently engaged in the business of apparel manufacturing.

It took over the business of M/s Sunshine Enterprises and M/s Euro Clothing Company on a slump sale basis, except for the immovable property owned by the seller. M/s Sunshine Enterprises and M/s Euro Clothing Company were in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Sunshine Enterprises, M/s Euro Clothing Company and M/s Seven Hills Private Limited was made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid to M/s Sunshine Enterprises is Rs. 1,64,20,000 (Rupees One Crore Sixty Four Lakhs Twenty thousand only) and the consideration paid to M/s Euro Clothing Company is Rs. 1, 42,70,000 (Rupees One Crore Forty Two Lakhs Seventy thousand only) and the considerations were paid through issuance of equity shares.

As a result of the aforesaid business transfer it currently owns six factories namely Triangle Apparels Unit - I, II & III and Euro Clothing Company - Unit I, II & III.

We acquired the shareholding of Seven Hills Clothing Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 3,06,90,000 (Rupees Three crore six lakhs ninety thousands only) on December 1, 2004.

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Vivek M Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Seven Hills Clothing Private Limited comprises of:

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The restated operating results of Seven Hills Clothing Private Limited are set forth below:

(In Rs.)

	As at and for the Period ended September 30, 2004
Sales and other income	6,66,57,047
Profit after tax	(5,76,934)
Equity Capital	1,00,000
Reserves	0
Networth	(4,83,934)
Earnings per share	(57.69)
Book value per share	(48.39)

SNS CLOTHING PRIVATE LIMITED

It was incorporated in 9th August 2004 by our promoter group.

Its main objects as per its MoA are as follows:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity..

It is currently engaged in the business of apparel manufacturing and apparel retailing. It owns 'The Wearhouse' chain of outlets.

It took over the business of M/s Central Wearhouse on a slump sale basis. M/s Central Wearhouse was in the business of manufacture and trading of garments in domestic market.

The business sale agreement between M/s Central Wearhouse and M/s SNS Clothing Private Limited was made and entered at Bangalore on 1st day of October 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid is Rs. 17,75,00,000 (Rupees Seventeen Crores Seventyfive Lakhs only). The consideration was paid through issuance of equity shares.

As a result of the aforesaid business transfer agreement, it currently owns three factories namely Wear Wel - Unit I, II & III.

We acquired the holdings of SNS Clothing Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 17,75,00,000 (Rupees Seventeen Crores Seventyfive Lakhs only).

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mrs. Nalini D Hinduja	1	0.005%
Gokaldas India Pvt Ltd *	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of SNS Clothing Private Limited comprises of:

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of SNS Clothing Private Limited are set forth below:
(In Rs.)

	As at and for the Period ended September 30, 2004
Sales and other income	0
Profit after tax	0
Equity Capital	1,00,000
Reserves	0
Networth	92,200
Earnings per share	0
Book value per share	9.22

VIGNESH APPARELS PRIVATE LIMITED

It was incorporated in 15th April 2004 by our promoter group.

Its main objects as per its MoA are as follows:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, nylon, synthetic yarn, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is currently engaged in the business of apparel manufacturing.

It took over the business of M/s Asiatic Exports and M/s New Generation Apparels on a slump sale basis. M/s Asiatic Exports and M/s New Generation Apparels were in the business of manufacture and trading of garments / fabrics / textiles.

The business sale agreement between M/s Asiatic Exports and M/s New Generation Apparels and M/s Vignesh Trading Private Limited were made and entered at Bangalore on 30th day of September 2004 and the appointed date of this business sale agreement is 1st July 2004. The total consideration paid to M/s Asiatic Exports is Rs. 38,15,000 (Rupees Thirty Eight Lakhs Fifteen thousand only) and the consideration paid to M/s New Generation Apparels is Rs. 41,74,000 (Rupees Forty One Lakh Seventy Four thousand only). Both of the considerations were paid through issuance of equity shares.

As a result of this business transfer agreements it currently owns three factories namely Asiatic Exports, New Generation Apparels – Unit I & II.

We acquired the shareholding of Vignesh Apparels Private Limited from our promoter group on December 1, 2004 for a consideration of Rs. 79,89,000 (Rupees Seventynine Lakhs Eightynine Thousands only).

The shareholding pattern as on December 1, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Gaurav D Hinduja	1	0.005%
Gokaldas India Pvt Limited*	19,999	99.995%

** Presently known as Gokaldas Exports Limited*

The Board of Directors of Vignesh Apparels Private Limited comprises of:

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The brief financial results of Vignesh Apparels Private Limited are set forth below:
(In Rs.)

	As at and for the Period ended September 30, 2004
Sales and other income	1,97,23,763
Profit after tax	(26,944)
Equity Capital	1,00,000
Reserves	(26,944)
Networth	66,037
Earnings per share	(2.69)
Book value per share	6.60

OUR PROMOTER GROUP ENTITIES

LIMITED LIABILITY COMPANIES

DAZZLE TRADING PRIVATE LIMITED

Dazzle Trading Private Limited was incorporated in 21st February 2003.

As per its MoA, its main objects are the following:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is not carrying out any activity as on date.

The Board of Directors of Dazzle Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The shareholding pattern as on 31st December 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Dinesh J Hinduja	15,165	30.33%
Mrs. Nalini D Hinduja	500	1%
Mr. Gaurav D Hinduja	1,000	2%
Mr. Madanlal J Hinduja	15,170	30.34%
Mrs. Janaki M Hinduja	500	1%
Mr. Rajendra J Hinduja	15,165	30.33%
Mrs. Veena R Hinduja	500	1%
Mr. Vivek M Hinduja	1,000	2%
Mr. Ashwin R Hinduja	1,000	2%

Brief financials of Dazzle Trading Private Limited for the period from February 21, 2003 to March 31, 2004 are as follows:

(In Rs.)

	For the period February 21, 2003- March 31, 2004
Sales and other income	Nil
Profit after tax	Nil
Equity Capital	1,00,000
Reserves	Nil
Networth*	87,680
Earnings per share	Nil
Book value per share	8.77

**Adjusted for Miscellaneous Expenses not written off*

DICE TRADING PRIVATE LIMITED

It was incorporated in 21st February 2003.

Its main objects as per its MoA are the followings:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is not carrying out any activity as on date.

The Board of Directors of Dice Trading Private Limited comprises of

1. Mr. Dinesh J Hinduja
2. Mrs. Nalini D Hinduja
3. Mr. Gaurav D Hinduja

The shareholding pattern as on 31st December 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Dinesh J Hinduja	3,400	34%
Mrs. Nalini D Hinduja	3,300	33%
Mr. Gaurav D Hinduja	3,300	33%

Brief financials of Dice Trading Private Limited for the period from February 21, 2003 to March 31, 2004 are as follows:

(In Rs)

	For the period February 21, 2003 – March 31, 2004
Sales and other income	32,03,765
Profit after tax	31,96,498
Equity Capital	1,00,000
Reserves	31,96,498
Networth	32,89,332
Earnings per share	319.65
Book value per share	328.93

HINDUJA EXPORTS PRIVATE LIMITED

It was incorporated in 10th September 2004.

As per its MoA, it can do the business as manufactures, exporters, importers, sellers, marketing agents of all kinds and description of readymade garments, gems (rough and polished) and jewellery, seafood., agricultural produce, horticultural products, food products, fruits, vegetable and dairy products of all kinds and description, engineering products, Import and Export Licenses, polywadding, quilted poly, entertainment business, computer, electronic gadgets and equipments of all kinds and description. The business, assets and liabilities of M/s Hinduja Exports become the property of the Company and having resolved the obligation imposed on the company by these presents shall be taken at their net book value (i.e. total assets – total liabilities) on and from the date of incorporation of the Company.

It is currently engaged in manufacturing of polywadding and apparels.

The Board of Directors of Hinduja Exports Private Limited comprises of

1. Deven Mehta
2. Sameer Vora
3. Madanlal. J. Hinduja
4. Rajendra. J. Hinduja
5. Dinesh J. Hinduja

The shareholding pattern as on 31st December 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	30,340	30.03 %
Mr. Rajendra J Hinduja	30,330	30.03 %
Mr. Dinesh J Hinduja	30,330	30.03 %
Mrs. Janaki M Hinduja	1,000	1 %
Mrs. Veena R Hinduja	1,000	1 %
Mrs. Nalini D Hinduja	1,000	1 %
Mr. Vivek M Hinduja	2,000	2 %
Mr. Ashwin R Hinduja	2,000	2 %
Mr. Gaurav D Hinduja	2,000	2 %

Since the company was incorporated on September 10, 2004; no audited financials are available.

The company has filed an application to the Honourable High Court of Karnataka for demerger of the following activities to our another group company Dazzle Trading Private Limited.

- Manufacturing of Poly Wadding, under the name and style of Sri Krishna Industries
- Manufacturing of Ready-made garments under the name and style of Hinduja Processing & Finishing Unit
- Some of its immovable properties

J.V.N. EXPORTS PRIVATE LIMITED

The company was incorporated as J.V.N. Developers Pvt. was incorporated in 28th September 1993. Subsequently the name was changed to J.V.N. Export Private Limited on June 20, 2000.

It provides/engages in to acquire land, building and other immovable properties by purchase, lease or otherwise and to construct residential apartments, commercial building, shops, offices, godowns, industrial sheds and other allied structures, building and works of common utility for sale and / or for allocation and allotment and / or generally to grant right of use, exploitation and enjoyment of such structures and / or the usufruct there from to members of the Company or to any other person or body corporate

The Board of Directors of J.V.N. Exports Private Limited (Formerly J.V.N. Developers Pvt. Ltd.,) comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Dinesh J Hinduja
3. Mr. Rajendra J Hinduja

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J. Hinduja	6,500	33.33
Mr. Rajendra J Hinduja	6,500	33.33
Mr. Dinesh J Hinduja	6,500	33.33

Brief financial results for the year 2001-02, 2002-03 and 2003-04 are given in the following table.

(In Rs.)

	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	2,56,713	2,40,000	2,40,000
Profit after tax	(20,31,267)	(6,58,768)	(6,58,169)
Equity Capital *	19,50,000	19,50,000	19,50,000
Reserves	Nil	Nil	Nil
Networth**	(76,71,537)	(56,50,156)	(49,91,954)
Earnings per share	(104.16)	(33.78)	(33.75)
Book value per share	(393.41)	(289.75)	(255.99)

* Par value of Rs. 100/share

**Adjusted for debit balance in Profit & Loss Account and Miscellaneous Expenditure not written off.

MAZE TRADING PRIVATE LIMITED

It was incorporated in 25th February 2003.

Its main objects as per its MoA are the followings:

- To do business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To do business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is not currently engaged in any commercial activity.

The Board of Directors of Maze Trading Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mrs. Janaki M Hinduja
3. Mr. Vivek M Hinduja

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	3,400	34%
Mrs. Janaki M Hinduja	3,300	33%
Mr. Vivek M Hinduja	3,300	33%

Brief financials for the period from February 25, 2003 to March 31, 2004 are as follows:

	(In Rs.)
	For the period February 25, 2003- March 31, 2004
Sales and other income	32,03,765
Profit after tax	31,96,498
Equity Capital	1,00,000
Reserves	31,96,498
Networth	32,89,332
Earnings per share	319.65
Book value per share	328.93

PARICHAY INVESTMENTS LIMITED

It was incorporated in December 1, 1982.

Its main objects as per its MoA are the following:

- To do business of an investment company and to buy, underwrite, invest in and acquire and hold shares, stocks, debentures, debenture-stock, bonds obligations and securities, issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debenture-stock, bonds, obligations and securities, issued or guaranteed by any Government, State, Dominions, Sovereign, Rulers, Commissioners, Public Body or Authority, Supreme, Municipal, Local or otherwise, firm or person whether in India or elsewhere and to deal with and turn to count the same, provided always that no investment imposing unlimited liability on the Company shall be made.
- To trade or deal in shares, stocks, debentures, debenture-stock, bonds obligations and securities, issued or guaranteed by any company constituted or carry on business in India or elsewhere and in debentures, debenture-stock, bonds, obligations and securities, issued or guaranteed by any Government, State, Dominions, Public Body or Authority, Supreme, Municipal, Local or otherwise, by any firm or person whether in India or elsewhere.
- To carry on all or any of the business as manufactures, traders, exporters, distributors, consignors, consignee, agents, factors, of and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosiery, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dhoties, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosiery, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.
- To carry on all or any of the business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosiery in cotton, wool, silk, ethylene, nylon, teri-cotton, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacity.

It is not involved in any commercial activity as on date.

The Board of Directors of Parichay Investments Limited comprises of

1. Mr. Madanlal J. Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja
4. Mr. Vivek M Hinduja
5. Mr. Ashwin R Hinduja
6. Mr. Gaurav D Hinduja
7. Mr. Dipak Tanna

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J. Hinduja	2,98,734	24.89%

Mr. Rajendra J Hinduja	2,98,633	24.89%
Mr. Dinesh J Hinduja	2,98,633	24.89%
Private Corporate Bodies	42,000	3.50%
General Public	2,62,000	21.83%

Brief financial results for the year 2001-02, 2002-03 and 2003-04 are given in the following table:

(In Rs.)

	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	7,00,556.	8,91,984	9,40,632
Profit after tax	1,75,087	3,10,172	7,91,989
Equity Capital	1,20,00,000	1,20,00,000	1,20,00,000
Reserves	7,38,858	5,63,771	2,53,599
Networth	1,27,38,858	1,25,63,771	1,22,53,599
Earnings per share	0.15	0.26	0.66
Book value per share	10.62	10.47	10.21

Parichay Investments Limited is listed on the BSE. There was no trade in the shares of Parichay Investments Limited during last six months preceeding the date of filing this Draft Red Herring Prospectus.

POLYPRODUCTS PRIVATE LIMITED

It was incorporated in 17th April 1970.

Its main objects as per its MoA are the following:

- To do business of manufacturers and processors of and dealers in chemicals, chemical compounds and chemical products of any nature and kind whatsoever including the manufacturing of and dealing in polymers of all kinds, monomers, nitrocellulose, camphor, polymids, polyphenylenes and all organic and inorganic materials.
- To do business of manufacture or process, reprocess and deal in all kinds of polymer products thermoplastic or thermosetting, into any shape or kind whatsoever and other chemical compounds and elements of all kinds (solid, liquid or gaseous) fine chemicals, special chemicals, dyestuffs heavy chemicals, catalysts, synthetic chemical products such as rubber foams, plastic, resins, moulding powders emulsions etc., and plastics of all types and chemical and engineering equipment for these industries.
- To purchase or otherwise acquire and to import, store, export, trade and deal in any kind of the above mentioned products, bye products and their derivatives.
- To purchase or otherwise acquire, manufacture, fabricate, weave, knit, treat, laminate, coat, blend, compound, store, hold, transport, use, experiment with market, distribute, exchange, supply, sell and otherwise dispose of import, export, trade and generally deal in any and all kinds of textile materials, ropes, twines and cardage, bye products and derivatives thereof.
- To carry on all or any of the business of consignees and agents for sale or dealers in and refiners of chemical products and chemical compounds and all kinds of polymer products, its bye products and derivatives and other kinds of business in any manner whatsoever or any products, bye precuts and derivative thereof and all types

petrochemical including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources etc.,

- To carry on the consultancy work in all its phases based on own developed or purchased know how and build and sell plants to others (anywhere in the world) on turnkey basis or otherwise.
- To import, export, purchase, sell, manufacture, produce and otherwise deal or trade in all kinds of products, material substances, articles and things the import, export, purchase, sale, manufacture, production of or dealing or trading in which can be carried on in conjunction with the business of the company specified above.

It is currently engaged in the business of real estate.

The Board of Directors of Polyproducts Private Limited comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Dinesh J Hinduja
3. Mr. Rajendra J Hinduja

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J Hinduja	1,360	34 %
Mr. Rajendra J Hinduja	1,320	33 %
Mr. Dinesh J Hinduja	1,320	33 %

The brief financial results of Polyproducts Private Limited are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	1,17,000	1,08,000	1,08,000
Profit after tax	(1,78,578)	21,456	22,448
Equity Capital	4,00,000	4,00,000	4,00,000
Reserves	0.00	0.00	0.00
Networth	(8,72,426)	(6,93,849)	(7,15,305)
Earnings per share	(44.64)	5.36	5.61
Book value per share	(218.11)	(173.46)	(178.83)

RAPPLE TRADING PRIVATE LIMITED

It was incorporated on 7th March 2003.

Its main objects as per its MoA are the following:

- To do the business as manufactures, traders, exporters, stockists, distributors, consignors, consignee, agents, and / or otherwise deal in yarn of all kinds and description made out of any fibrous material/s (including cotton yarn, silk yarn, jute yarn, synthetic yarn), hosierys, manmade fibers, viscose and viscose blended fiber, readymade garments, made-ups, dothies, sarees, lungies, bed sheets, towels, table cloth, curtain cloths, furnishing material, hosierys, mosquito curtains, fishing nets, ropes, and / or other textile fabrics of all kinds and description manufactured out of

cotton yarn, silk yarn, synthetic yarn, nylon, terene, wool, tericotton, terelyne, poly fibre and / or any other fibrous material.

- To do the business as spinners, doublers, weavers, engravers, embroiders, bleachers, dyers, printers, mercers, calenders, knitters and / or hosieries in cotton, wool, silk, terylene, nylon, teri-cotton, teri-woolen, linen, nylon, synthetic fibre, polyester-fibre and / or other fibrous materials and / or deal in the end products of such business as traders, agents, stockists, distributors, consignors, consignees, C & F agents, mercantile agents and / or in any other capacities.

It is currently not engaged in any commercial activity.

The Board of Directors of Rapple Trading Private Limited comprises of

1. Mr. Rajendra J Hinduja
2. Mrs. Veena R Hinduja
3. Mr. Ashwin R Hinduja

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Rajendra J Hinduja	3,400	34%
Mrs. Veena R Hinduja	3,300	33%
Mr. Ashwin R Hinduja	3,300	33%

The brief financial results of Rapple Trading Private Limited are set forth below:

(In Rs.)

	For the period March 7, 2003 – March 31, 2004
Sales and other income	32,03,765
Profit after tax	31,96,398
Equity Capital	1,00,000
Reserves	31,96,398
Networth	32,89,232
Earnings per share	319.64
Book value per share	328.92

VAG EXPORTS PRIVATE LIMITED

It was incorporated in 3rd March 1993.

Its main objects as per its MoA are the following:

- To design, develop, produce, manufacture, buy, sell, import, export, alter, or otherwise deal in readymade garments of cotton, polyester, silk, leather, fur and any other type of fabrics.
- To design, develop, produce, manufacture, assemble, fabricate, buy, sell, import, export, recondition, alter, let on hire or otherwise deal in garment manufacturing machinery, sewing machinery, knitting machinery and other allied machines, button stitching machinery, wadding material and any other items which form integral part of the readymade garment.

It is currently engaged in the business of real estate. It also has some investments in mutual funds.

The Board of Directors of VAG Exports Private Limited comprises of

1. Mr. Madanlal J. Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The shareholding pattern as on December 31, 2004 is as below

Name of The Shareholder	No. of Equity Shares	% of Holding
Mr. Madanlal J. Hinduja	6,500	33.33%
Mr. Rajendra J Hinduja	6,500	33.33%
Mr. Dinesh J Hinduja	6,500	33.33%

The restated operating results of VAG Exports Private Limited are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	5,87,00,213	6,79,21,744	4,35,188
Profit after tax	78,72,654	4,23,986	(12,71,386)
Equity Capital*	19,50,000	19,50,000	19,50,000
Reserves	(1,277,928)	0	0
Networth**	6,68,025	(72,10,484)	(76,35,037)
Earnings per share	403.73	21.74	(65.19)
Book value per share	34.26	(369.77)	(391.54)

* Par Value of Rs. 100/share.

** Adjusted for debit balance in Profit & Loss Account and Miscellaneous Expenses to the extent not written off.

PARTNERSHIP FIRMS

ASIATIC EXPORTS

It was formed on 1st August 1992

It provides/engages in;

- To carry on the business of manufacture, sale and export of garments both wholesale and retail.
- Any other business as the partners may mutually agree upon themselves.

Since the core business of the firm is sold, at present no business activity is done.

The Partners of Asiatic Exports comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern of Asiatic Exports as on 31st March 2004 is as below

(In Rs.)		
Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	11,43,810
Mr. Ashwin R Hinduja	33.33 %	11,73,928
Mr. Gaurav D Hinduja	33.33%	14,05,603

The brief financial results of Asiatic Exports for are set forth below:

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	3,51,47,965	3,99,71,876	3,90,14,231
Profit after tax	3,11,864	1,93,116	4,02,975
Partners Capital	37,23,342	34,11,477	32,18,360
Reserves	0	0	0
Networth	37,23,342	34,11,477	32,18,360
Earnings per rupee of Capital	0.08	0.06	0.13
Book value per rupee of Capital	1	1	1

AVIS INDUSTRIAL ESTATE

It was formed on 1st March 1985

It provides/engages in;

- To carry on the business of manufacture, sale and export of garments both wholesale and retail.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Avis Industrial Estate comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The Capital and Profit / Loss sharing pattern as on March 31, 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Madanlal J Hinduja	1/3 rd	8,82,007
Mr. Rajendra J Hinduja	1/3 rd	8,81,507
Mr. Dinesh J Hinduja	1/3 rd	8,81,507

The brief financial results of Avis Industrial Estate are set forth below:

(In Rs)

	As at and for the		
	March 31, 2004	March 31, 2003	March 31, 2002
Sales and other income	1,08,000	1,08,000	1,08,000
Profit after tax	1,08,000	1,08,000	1,08,000
Partners Capital	29,69,021	28,61,021	27,53,021
Reserves	0	0	0
Networth	29,69,021	28,61,021	27,53,021
Earnings per rupee of Capital	0.04	0.04	0.04
Book value per rupee of Capital	1	1	1

The firm is holding immovable property and gets rental income on the same.

CARNIVAL CLOTHING COMPANY

It was formed on 13th April 1996

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.

Any other business as the partners may mutually agree upon themselves.

The Partners of Carnival Clothing Company comprises of

1. Mr. Madanlal J. Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The Capital and Profit / Loss sharing pattern as on March 31, 2004 is as below

(In Rs.)		
Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Madanlal J. Hinduja	1/3 Rd	21,38,822
Mr. Rajendra J Hinduja	1/3 Rd	21,38,822
Mr. Dinesh J Hinduja	1/3 Rd	21,38,822

The operating results of Carnival Clothing Company for are set forth below:

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	9,22,75,981	3,07,12,178	2,79,25,078
Profit after tax	7,23,870	2,66,101	4,07,539
Partners Capital	64,16,465	56,92,597	54,26,495
Reserves	0	0	0
Networth	64,16,465	56,92,597	54,26,495
Earnings per rupee of Capital	0.11	0.05	0.08
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it is not carrying out any other business as on date.

CENTRAL WEARHOUSE

It was formed on 1st April 1992.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Central Wearhouse comprises of

1. Smt. Dayavanti J Hinduja
2. Mrs. Janaki M Hinduja
3. Mrs. Veena R Hinduja
4. Mrs. Nalini D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below

(In Rs.)		
Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Smt. Dayavanti J Hinduja	28 %	(14,28,183)
Mrs. Janaki M Hinduja	24 %	6,12,27,572
Mrs. Veena R Hinduja	24 %	6,01,49,210
Mrs. Nalini D Hinduja	24 %	5,99,18,037

The brief operating results of Central Wearhouse are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	15,61,53,307	16,54,35,996	19,47,96,259
Profit after tax	64,895	1,14,721	11,21,218
Partners Capital	17,98,66,636	18,18,61,092	21,25,09,261
Reserves	0	0	0
Networth	17,98,66,636	18,18,61,092	21,25,09,261
Earnings per rupee of Capital	0.0004	0.0006	0.005
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold it is not carrying on any other business as on date.

EURO CLOTHING COMPANY

It was formed on September 5, 1994.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves

The Partners of Euro Clothing Company comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern as on March 31, 2004 is as below

(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	65,85,601
Mr. Ashwin R Hinduja	33.33 %	66,04,039
Mr. Gaurav D Hinduja	33.33 %	9,41,539

The brief financial result of Euro Clothing Company are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	13,25,15,277	9,44,87,574	7,89,53,009
Profit after tax	2,09,729	(9,94,551)	1,76,779
Partners Capital	1,41,31,179	1,39,21,450	1,49,16,001
Reserves	0	0	0
Networth	1,41,31,179	1,39,21,450	1,49,16,001
Earnings per rupee of	0.01	(0.07)	0.01

Capital			
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold it is not carrying on any other business as on date.

GLOBAL GARMENTS

It was formed on 30th October 1986

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Global Garments comprises of

1. Smt. Dayavanti J Hinduja
2. Mrs. Janaki M Hinduja
3. Mrs. Veena R Hinduja
4. Mrs. Nalini D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Smt. Dayavanti J Hinduja	25 %	(9,43,302)
Mrs. Janaki M Hinduja	26 %	25,28,137
Mrs. Veena R Hinduja	24 %	25,31,246
Mrs. Nalini D Hinduja	25 %	25,29,692

The brief operating results of Global Garments are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	6,17,10,188	7,26,66,780	4,81,81,083
Profit after tax	1,51,606	1,99,415	75,575
Partners Capital	66,45,773	64,94,166	62,94,752
Reserves	0	0	0
Networth	66,45,773	64,94,166	62,94,752
Earnings per rupee of Capital	0.02	0.03	0.01
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold it is not carrying on any other business as on date.

HINDUJA FASHIONS

It was formed on April 1, 1992

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Hinduja Fashions comprises of

1. Smt. Dayavanti J Hinduja
2. Mrs. Janaki M Hinduja
3. Mrs. Veena R Hinduja
4. Mrs. Nalini D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below

(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Smt. Dayavanti J Hinduja	26 %	76,68,938
Mrs. Janaki M Hinduja	25 %	85,14,707
Mrs. Veena R Hinduja	25 %	85,11,360
Mrs. Nalini D Hinduja	24 %	85,20,223

The brief operating results of Hinduja Fashions for are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	10,39,52,108	10,71,00,646	8,30,53,298
Profit after tax	7,31,084	4,88,585	5,61,312
Partners Capital	3,32,15,229	3,24,84,144	53,19,439
Reserves	0	0	0
Networth	3,32,15,229	3,24,84,144	53,19,439
Earnings per rupee of Capital	0.02	0.02	0.11
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it does not carry or any other business as on today.

HINDUJA SPORTSWEAR

It was formed on 13th April 1996.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Hinduja Sportswear comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The Capital and Profit / Loss sharing pattern as on March 31, 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Madanlal J Hinduja	1/3 Rd	11,61,341
Mr. Rajendra J Hinduja	1/3 Rd	11,61,342
Mr. Dinesh J Hinduja	1/3 Rd	11,61,061

The brief operating results of Hinduja Sportswear are set forth below:

(In. Rs)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	5,70,97,531	4,59,61,681	2,49,33,940
Profit after tax	2,22,240	(30,727)	2,54,042
Partners Capital	34,83,745	25,41,004	25,71,730
Reserves	0	0	0
Networth	34,83,745	25,41,004	25,71,730
Earnings per rupee of Capital	0.06	(0.01)	0.10
Book value per rupee of Capital	1.00	1.00	1.00

Since the core business of the firm is sold, it does not carry on any other business as on today.

HINDUJA TRADING COMPANY

It was formed on 1st April 1992.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing, purchase, import and lease of machinery
- Any other business as the partners may mutually agree upon themselves.

The Partners of Hinduja Trading comprises of

1. Smt. Dayavanti J Hinduja
2. Mrs. Janaki M Hinduja
3. Mrs. Veena R Hinduja
4. Mrs. Nalini D Hinduja

The Capital and Profit / Loss sharing pattern as on March 31, 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
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Smt. Dayavanti J Hinduja	25 %	1,91,969
Mrs. Janaki M Hinduja	25 %	97,22,554
Mrs. Veena R Hinduja	25 %	97,69,360
Mrs. Nalini D Hinduja	25 %	93,23,654

The brief financial results of Hinduja Trading are set forth below:

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	6,84,82,708	6,53,40,108	5,44,49,016
Profit after tax	2,98,524	11,47,218	3,29,135
Partners Capital	2,90,07,537	2,89,60,960	2,78,19,678
Reserves	0	0	0
Networth	2,90,07,537	2,89,60,960	2,78,19,678
Earnings per rupee of Capital	0.01	0.04	0.01
Book value per rupee of Capital	1	1	1

The firm is holding immovable property and gets rental income on the same.

INTERNATIONAL CLOTHING COMPANY

International Clothing Company was formed on 13th April 1996.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of International Clothing Company comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Madanlal J Hinduja	1/3 rd	22,51,505
Mr. Rajendra J Hinduja	1/3 rd	22,51,504
Mr. Dinesh J Hinduja	1/3 rd	22,51,505

The brief financial results of International Clothing Company are set forth below:

	As at and for the
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	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	4,57,09,870	4,46,92,973	4,20,32,337
Profit after tax	2,52,389	3,73,503	5,11,897
Partners Capital	67,54,513	65,02,122	61,28,621
Reserves	0	0	0
Networth	67,54,513	65,02,122	61,28,621
Earnings per rupee of Capital	0.04	0.06	0.08
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it does carry on any other business.

J.D. CLOTHING COMPANY

J.D. Clothing Company was formed on 25th April 1994

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves

The Partners of J.D. Clothing Company comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	13,92,058
Mr. Ashwin R Hinduja	33.33 %	13,91,941
Mr. Gaurav D Hinduja	33.33 %	13,81,941

The brief operating results of J.D. Clothing Company are set forth below:

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	3,29,00,440	3,29,56,994	3,22,91,989
Profit after tax	2,22,891	2,87,113	1,78,525
Partners Capital	41,65,940	39,53,050	36,65,937
Reserves	0	0	0
Networth	41,65,940	39,53,050	36,65,937
Earnings per rupee of Capital	0.05	0.07	0.05

Book value per rupee of Capital	1	1	1
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Since the core business of the firm is sold it is not carrying on any other business as on date.

NEW GENERATION APPARELS

New Generation Apparels was formed on 16th February 1994.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of New Generation Apparels comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	13,76,089
Mr. Ashwin R Hinduja	33.33 %	13,76,066
Mr. Gaurav D Hinduja	33.33 %	13,76,155

The brief financial results of New Generation Apparels are set forth below:

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	3,82,88,895	4,24,60,964	4,73,04,541
Profit after tax	1,86,599	1,03,927	1,36,505
Partners Capital	41,28,310	38,66,711	37,62,784
Reserves	0	0	0
Networth	41,28,310	38,66,711	37,62,784
Earnings per rupee of Capital	0.05	0.03	0.04
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it does not carry on any other business.

SUNSHINE ENTERPRISES

Sunshine Enterprises was formed on 1st April 1996

It provides/engages in;

- To carry on the business of manufacture, sale and export of garments.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Sunshine Enterprises comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	70,18,534
Mr. Ashwin R Hinduja	33.33 %	68,47,754
Mr. Gaurav D Hinduja	33.33 %	2,91,47,970

The brief financial results of Sunshine Enterprises are set forth below:

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	9,52,86,280	9,41,46,367	16,03,22,970
Profit after tax	5,15,206	10,13,687	5,06,135
Partners Capital	4,25,00,053	4,25,50,051	4,21,68,627
Reserves	0	0	0
Networth	4,25,00,053	4,25,50,051	4,21,68,627
Earnings per rupee of Capital	0.01	0.02	0.01
Book value per rupee of Capital	1	1	1

The firm is holding immovable property and gets rental income on the same.

THE INTEX

The Intex was formed on 1ST August 1992.

It provides/engages in;

- To carry on the business of manufacture, sale and export of garments, both wholesale and retail.
- Any other business as the partners may mutually agree upon themselves.

The Partners of The Intex comprises of

1. Mr. Vivek M Hinduja
2. Mr. Ashwin R Hinduja
3. Mr. Gaurav D Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as follows

(In Rs.)		
Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Vivek M Hinduja	33.34 %	12,57,944
Mr. Ashwin R Hinduja	33.33 %	10,21,247
Mr. Gaurav D Hinduja	33.33 %	37,91,220

The brief financial results of The Intex are set forth below:

(In Rs.)			
	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	3,86,68,768	3,85,42,529	3,42,82,592
Profit after tax	73,568	1,45,305	7,06,899
Partners Capital	60,70,411	61,80,842	60,35,538
Reserves	0	0	0
Networth	60,70,411	61,80,842	60,35,538
Earnings per rupee of Capital	0.01	0.02	0.12
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it does not carry on any other business.

WEAR CRAFT APPARELS

Wear Craft Apparels was formed on 13th April 1996.

It provides/engages in;

- To carry on the business of manufacture and sale of garments, export of garments, sale and purchase of cotton, silk, textiles waste, silk yarn etc., commission agents, banking and financing.
- Any other business as the partners may mutually agree upon themselves.

The Partners of Wear Craft Apparels comprises of

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja

The Capital and Profit / Loss sharing pattern as on 31st March 2004 is as below
(In Rs.)

Name of The Partner	Profit / Loss Sharing Ratio	Capital Amount
Mr. Madanlal J Hinduja	1/3 Rd	26,85,276
Mr. Rajendra J Hinduja	1/3 Rd	26,85,277
Mr. Dinesh J Hinduja	1/3 Rd	26,85,277

The brief financial results of Wear Craft Apparels are as follows

(In Rs.)

	As at and for the		
	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sales and other income	6,13,28,748	6,38,07,675	5,35,22,717
Profit after tax	1,61,127	(1,32,115)	1,28,468
Partners Capital	80,55,830	80,95,052	82,27,167
Reserves	0	0	0
Networth	80,55,830	80,95,052	82,27,167
Earnings per rupee of Capital	0.02	(0.02)	0.02
Book value per rupee of Capital	1	1	1

Since the core business of the firm is sold, it does not intend to carry on any other business.

SECTION IV: FINANCIAL INFORMATION

UNCONSOLIDATED RESTATED ACCOUNTS AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2004

AUDITORS' REPORT

The Board of Directors
Gokaldas Exports Private Limited
(formerly known as Gokaldas India Private Limited)
70 Mission Road
Bangalore 560 027

A. a) We have examined the annexed financial information of Gokaldas Exports Private Limited ("the Company") (formerly known as Gokaldas India Private Limited) for the period ended March 31, 2000, four financial years ended March 31, 2004 and six months period ended September 30, 2004 being the last date to which the accounts of the Company have been made up and audited. The financial information is based on the accounts audited by M/s Girish, Murthy and Kumar, Chartered Accountants, Bangalore, for the period ended March 31, 2000, financial years ended March 31, 2001, 2002, 2003 and 2004 and financial statements for the period ended September 30, 2004 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 (referred to as 'the Issue').

b) In accordance with the requirements of:

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
- (iii) Our terms of reference with the Company dated January 7, 2005 requesting us to carry out work in connection with the Offer Document as aforesaid,

We report that the restated profits/losses of the Company for the period ended March 31, 2000, financial years ended March 31, 2001, 2002, 2003, 2004, and six months period ended September 30, 2004 are as set out in Annexure 1 to this report. These profits/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 are subject to the Accounting Policies and Notes thereon appearing in Annexure 3 to this report.

We report that the restated assets and liabilities of the Company as at March 31, 2000, 2001, 2002, 2003, 2004 and September 30, 2004 are as set out in Annexure 2 to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon appearing in Annexure 3 to this report.

c) The Company has not paid any dividend on Equity Shares in any of the period mentioned above.

- B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report:
- i. Details of loans and advances showing the same with the Related Parties as appearing in Annexure 4 to this report;
 - ii. Accounting Ratios as appearing in Annexure 5 to this Report;
 - iii. Capitalization statement as at September 30, 2004 as appearing in Annexure 6 to this report;
 - iv. Statement of tax shelters as appearing in Annexure 7 to this report;
 - v. Statement of cash flow as appearing in Annexure 8 to this report;
 - vi. Statement of Tax Benefits enclosed as Annexure 9 to this report;
 - vii. Statement of Related Party transactions enclosed as Annexure 10 to this report (only for the years the standard is applicable);
 - viii. Statement of Investments enclosed as Annexure 11 to this report;
 - ix. Statement of Debtors including the related party debtors enclosed as Annexure 12 to this report;
 - x. Statement of Unsecured Loans taken including that from related parties enclosed as Annexure 13 to this report; and
 - xi. Statement of Secured Loans taken including that from related parties enclosed as Annexure 14 to this report.
- C. a) In our opinion the financial information of the Company as stated in Para A and B above read with significant accounting policies attached in Annexure 3 to this report, after making adjustments/restatements and regroupings as considered appropriate and subject to non adjustment of certain matters as stated in Notes to Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) The statement of Tax Benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the Income Tax Laws of India as of date.
- c) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For RSM & Co

For Girish, Murthy and

Chartered Accountants

Vijay N. Bhatt
Partner
M. No.: F- 36647
Mumbai:
Date: January 24, 2005

Kumar
Chartered Accountants

A.V.Satish Kumar
Partner
M. No: F-26526
Bangalore:
Date:January 25, 2005

GOKALDAS EXPORTS LIMITED

(formerly known as Gokaldas Exports Private Limited)

STATEMENT OF PROFITS AND LOSSES, AS RESTATED*Rs. In lacs***For the period/year ended**

	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
A. INCOME:						
- Sales of Products						
-Traded Goods	-	365.36	181.93	34.31	278.14	-
-Manufactured Goods	2.07	231.67	36,054.73	37,036.32	45,810.03	36,894.30
Increase / (Decrease) in Stock of Garments	1.87	138.63	604.01	188.58	358.45	1,144.54
- Job Work Charges	-	32.18	-	-	-	-
Export Incentives	-	-	-	-	-	155.62
Total	3.94	767.83	36,840.66	37,259.21	46,446.61	38,194.46
	-	-	-	-	-	-
Other Income	-	1.44	171.64	258.28	126.59	89.83
	-	-	-	-	-	-
Total	3.94	769.27	37,012.30	37,517.49	46,573.20	38,284.29
	-	-	-	-	-	-
B. EXPENDITURE:						
Garments purchased	-	298.91	151.32	33.72	246.53	0.46
Raw Materials Consumed	2.25	223.32	23,739.04	22,831.79	28,236.99	24,250.67
Staff costs	0.76	61.95	444.66	962.05	1,335.06	1,668.29
Other Manufacturing Expenses	0.24	114.20	6,660.84	8,061.46	9,961.71	6,742.48
Administrative Expenses	2.37	17.17	456.13	542.28	767.78	907.50
Selling & Distribution Expenses	0.07	5.43	994.19	1,153.22	1,335.91	865.31
Interest Costs	0.02	34.80	545.07	394.27	654.22	489.17
Preliminary Expenses						
Written Off	-	-	-	-	0.66	6.25
	5.73	755.78	32,991.24	33,978.79	42,538.87	34,930.12
Net Profit before Depreciation, Tax and						
C. Extraordinary items	(1.78)	13.49	4,021.06	3,538.70	4,034.33	3,354.17
Less: Depreciation	1.23	5.38	278.62	322.45	529.30	519.43
Net Profit before Tax and						
D. Extraordinary items	(3.01)	8.11	3,742.43	3,216.25	3,505.03	2,834.74
Provision for: Current Tax	-	-	-	-	5.77	19.89
Deferred Tax	-	-	-	-	1.77	344.46
Net Profit before						
E. Extraordinary Items	(3.01)	8.11	3,742.43	3,216.25	3,497.49	2,470.40
	-	-	-	-	-	-
Extraordinary items (Net of tax)	-	-	-	-	-	0.29

Net Profit as per Audited F. Financial Statements	(3.01)	8.11	3,742.43	3,216.25	3,497.49	2,470.10
Adjustments on account G.of changes in Accounting Policies	1.13	2.93	126.72	(308.69)	(190.67)	292.56
Adjusted Profits (F+G)	(1.88)	11.04	3,869.16	2,907.56	3,306.83	2,762.67

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

Rs. In lacs

	For the period/year ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
A Fixed Assets						
Gross Block	10.89	720.41	1,896.51	3,693.98	5,894.48	10,813.88
Less: Depreciation	0.10	2.55	136.51	481.49	1,027.63	3,245.91
Net Block	10.79	717.86	1,760.00	3,212.49	4,866.85	7,567.98
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for	-	-	-	-	-	-
Revaluation Reserve	10.79	717.86	1,760.00	3,212.49	4,866.85	7,567.98
B Investments	0.10	0.10	0.10	0.10	0.10	5.31
Current Assets, Loans and Advances :						
Inventories	6.63	3,061.03	4,766.85	6,447.64	10,968.19	15,087.40
Sundry Debtors	-	235.62	3,252.55	942.97	2,220.51	4,681.03
Cash and Bank Balances	6.11	21.39	614.58	415.14	2,397.77	1,649.73
Loans and Advances	0.14	1,345.33	785.89	1,021.54	840.21	4,747.18
Other Current Assets	-	58.34	35.90	188.55	478.45	550.50
	12.88	4,721.72	9,455.78	9,015.84	16,905.13	26,715.84
D Liabilities and Provisions :						
Secured Loans	-	135.31	534.02	2,915.27	8,572.23	6,686.24
Unsecured Loans	-	-	-	-	3,834.51	6,257.39
Current Liabilities and Provisions	20.65	3,261.91	5,367.94	3,410.33	7,999.59	6,968.00
Deferred Tax Liability	-	-	-	160.75	303.21	463.97
	20.65	3,397.22	5,901.97	6,486.35	20,709.53	20,375.60
E Networth	3.12	2,042.45	5,313.91	5,742.08	1,062.56	13,913.52
F Represented by						
1. Share Capital	1.99	2,038.39	5,183.12	5,742.08	774.78	1,356.30
2. Reserves	-	-	-	-	293.73	12,515.02
Restatement Reserves	1.13	4.06	130.79	-	-	98.42
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	1.13	4.06	130.79	-	293.73	12,613.43
TOTAL	3.12	2,042.45	5,313.91	5,742.08	1,068.51	13,969.73
Miscellaneous Expenditure						
G to the extent not written off or adjusted	-	-	-	-	5.95	56.22

H Networth (F-G)	3.12	2,042.45	5,313.91	5,742.08	1,062.56	13,913.52
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GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)

**SCHEDULES ANNEXED TO AND FORMING PART OF RESTATED ACCOUNTS
FOR THE SIX MONTHS ENDED MARCH 31, 2000, FOR FOUR FINANCIAL
YEARS ENDED MARCH 31, 2004 AND SIX MONTHS ENDED SEPTEMBER 30,
2004.**

BACKGROUND

Gokaldas Exports Limited (formerly known as Gokaldas Exports Private Limited) was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka on November 20, 2004, M/s Gokaldas Exports Private Limited and M/s The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company with April 1, 2004 being the appointed date.

As a result of the said merger the Company now owns two 100% Export Oriented Units and a Domestic Tariff Area Unit (DTA).

Pursuant to the merger, the financial statements for the period ended September 30, 2004 represents the combined operations of three entities.

NOTES TO ACCOUNTS

A Significant Accounting Policies

1. BASIS OF ACCOUNTING

The Financial Statements have been prepared on the basis of going concern concept, under historical cost convention, on accrual basis of accounting and in accordance with the Accounting Standards issued by The Institute of Chartered Accountants of India, generally accepted accounting principles and the provisions of the Companies Act, 1956.

2. FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes cost of acquisition, freight, installation charges, taxes and other costs of acquisition.

3. DEPRECIATION:

Depreciation on fixed assets is provided on Written Down Value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

4. FOREIGN EXCHANGE TRANSACTION:

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary foreign currency assets and liabilities held as at the Balance Sheet date are restated at the exchange rate prevailing on the said date, except where forward contract exists. Any income or expense on account of exchange difference either

on settlement or on translation at the Balance Sheet date is recognised in Profit and Loss Account in the period in which it arises.

5. INVENTORY VALUATION:

Inventory of Raw Materials is valued at Weighted Average Cost. Stock of finished goods is valued at lower of Cost or Net Realisable Value. Cost of finished goods is ascertained on average of all manufacturing expenditure.

6. INVESTMENTS:

Investments are accounted by capitalising the acquisition cost including the charges incurred for such acquisition.

Long Term Investments are carried in Financial Statements at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

Short Term Investments are carried in Financial Statements at lower of Cost or Fair Market Value.

7. EXPORT BENEFITS:

- (i) Duty Drawback is accounted for on accrual basis.
- (ii) Other benefits are accounted for on realisation basis.

8. REVENUE RECOGNITION:

Revenue is recognised on dispatch of goods to the customer and is exclusive of duties and taxes.

9. EMPLOYEE BENEFITS:

- (i) Company's contribution to defined scheme such as Provident Funds are charged to the Profit and Loss account on accrual basis;
- (ii) Provision for gratuity is made as per actuarial valuation at the end of the financial year; and
- (iii) Provision for leave encashment is made on accrual basis as at the end of the financial year.

10. PRELIMINARY EXPENSES:

Preliminary expenses are amortised over a period of ten years.

11. ACCOUNTING FOR TAXES ON INCOME:

Provision for current income tax is made at current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax act, 1961.

Deferred tax resulting from timing difference between book profit and taxable profit is accounted for, after considering reversal of deferred tax asset / liability during tax holiday period, using the tax rates and laws that have been enacted or substantively enacted as at Balance Sheet date. Deferred Tax Asset is recognised and carried forward only to the extent that there is reasonable certainty that the assets will be realised in future.

B Notes to Accounts:**1. Adjustments****Impact of changes in accounting policies***Figures in Rupees*

Particulars	Financial Period ended March 31, 2000	Financial year ended March 31, 2001	Financial year ended March 31, 2002	Financial year ended March 31, 2003	Financial year ended March 31, 2004	Financial Period ended September 30, 2004
Impact of change in depreciation policy (see Note 1.1a)	113,192	293,243	14,466,539	(2,253,627)	(1,889,930)	(887,800)
Impact of restatement of provision for current tax (see Note 1.1b)	-	-	(1,794,107)	(12,540,409)	(3,107,352)	-
Impact of restatement of provision for deferred tax (see Note 1.1c)	-	-	-	(16,074,870)	(14,069,383)	30,144,253
TOTAL	113,192	293,243	12,672,432	(30,866,872)	(19,064,630)	29,256,453

ADJUSTMENTS ON ACCOUNT OF CHANGES IN ACCOUNTING POLICIES:

The status of the Company till February 29, 2004 was that of a partnership firm and it was incorporated as a Company under Companies Act, 1956 on March 1, 2004.

- Till March 31, 2002 depreciation was being charged at the rates and in the manner specified in the Income Tax Act, 1961. From April 2003, the Company has changed the policy to charging depreciation on Written Down Value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Accordingly, adjustment has been carried out for the earlier periods/years.
- No provision for income tax was made in the accounts of the firm till February 29, 2004. Accordingly, provision for income tax has been made for earlier periods/years on the basis of rates applicable to a company for the respective periods/years.
- As the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India was not applicable to enterprises other than companies for the financial year ended March 31, 2003, deferred tax was not accounted for the financial year ended March 31, 2003 in the books of the partnership firm. Accordingly, provision for deferred tax has been made for the financial year ended March 31, 2003 in accordance with Accounting Standard 22.

The financial statements for the period ended March 31, 2000 and for the financial years 2000-01 to 2003-04 have been restated considering the changes/adjustments referred to above. The effects of these changes/adjustments have been shown as separate line items.

1.2 Non Adjustments

- a) The Company has decided to provide for gratuity based on actuarial valuation from the financial year ended March 31, 2004 onwards. The status of the Company prior to March 2004 was that of a partnership firm where gratuity was accounted for as and when paid. Adjustment on this account has not been carried out for period ended March 31, 2000 and for financial years 2000-01 to 2002-03 as the relevant data/information is not available.
 - b) The Company has decided to provide for leave encashment on accrual basis from the financial year ended March 31, 2004 onwards. The status of the Company prior to March 2004 was that of a partnership firm where leave encashment was accounted for as and when paid. Adjustment on this account has not been carried out for period ended March 31, 2000 and for financial years 2000-01 to 2002-03 as the relevant data/information is not available.
-
2. The Hon'ble High Court of Karnataka approved, vide its Order dated November 20, 2004, the Scheme of Amalgamation for the merger of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited (the "transferor Companies") with the erstwhile Gokaldas India Private Limited (the "transferee Company" or "the Company"). The relevant particulars relating to the merger and the companies are given hereunder:
 - a) The transferor and transferee companies are in the business of manufacturing and selling of garments;
 - b) With effect from the effective date, the name of the transferee company will be changed to Gokaldas Exports Private Limited;
 - c) The Company has issued to the shareholders of erstwhile Gokaldas Exports Private Limited one fully paid up equity share of Rs 10 each of the Company for every ten fully paid up equity shares of Gokaldas Exports Private Limited and thirteen fully paid up equity shares of Rs 10 each of the Company for every ten equity shares to the shareholders of The Unique Creations (Bangalore) Private Limited;
 - d) The amalgamation was in the nature of merger;
 - e) The appointed date of the merger as per the Scheme of Amalgamation was April 1, 2004;
 - f) The effective date of the merger was the date at which the certified copies of the Orders of the Hon'ble High Court of Karnataka were filed with the Registrar of Companies, Karnataka i.e. November 30, 2004; and
 - g) 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.
 3. The status of the Company prior to March 2004 was that of a partnership firm. Share Capital as at March 31, 2000, 2001 and 2002, comprises Partners' Capital accounts and Partners' Current accounts. Share Capital as at March 31, 2003 comprises Partners' Capital accounts and Current accounts and is net off deferred tax liability to the extent not adjusted against Restatement Reserves.
 4. Share Capital as at March 31, 2004 comprises issued, subscribed and paid up Share Capital of the Company and is net off deferred tax liability to the extent not adjusted against Restatement Reserves.
 5. The impact of adjustments/regroupings on profit have been shown separately as Restatement Reserves in the statement of assets and liabilities except for restatement of deferred tax liability as at March 31, 2003 and March 31, 2004 which has been netted off against Share Capital to the extent it cannot be adjusted against Restatement Reserves.
 6. 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 realised 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.

7. Segmental Information: The Primary Segment is the Business Segment, Geographical Segment being the Secondary Segment.
- a) Business segments: The Company has one business segment of manufacturing and selling of garments.
- b) Geographical segments: The Company's operations are managed on a world-wide basis from India. Revenues are segregated based on the geographical location of the customer.

For the period ended September 30, 2004		
i. Primary segment information	(Amount in Rupees)	
Particulars	Manufacturing and selling of garments	Total
REVENUE		
External Sales	3,704,992,073	3,704,992,073
Other Income	-	8,982,593
Total Revenue	3,704,992,073	3,713,974,666
RESULT		
SEGMENT RESULT	479,966,967	488,949,560
Unallocated corporate expenses	-	(104,615,379)
OPERATING PROFIT	479,966,967	384,334,181
Depreciation	(46,457,508)	(51,942,825)
Interest expense	-	(48,917,218)
Interest income		
Income taxes	(36,434,501)	(36,434,501)
Net profit after tax but before extraordinary and prior period items	-	247,039,637
Less: Prior period expenses	-	29,420
Net profit for the period as per audited financial statements	-	247,010,217

OTHER INFORMATION

SEGMENT ASSETS	3,382,455,100	3,382,455,100
Unallocated corporate assets	-	46,456,809
Total assets	3,382,455,100	3,428,911,909
Segment liabilities	692,926,777	692,926,777
Unallocated corporate liabilities	-	1,344,633,478
Total liabilities	692,926,777	2,037,560,255
Segment Capital expenditure	116,462,402	116,462,402
Unallocated Corporate Capital expenditure	-	14,597,993
Depreciation on segment Assets	46,457,508	46,457,508
<i>Depreciation on Unallocated Corporate Assets</i>	-	5,485,317
Non-cash expenses other than depreciation	-	654,051

ii. Secondary segment information

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates based on location of customers are India and Others.

<i>(Amount in Rupees)</i>			
Particulars	India	Others	Total
Revenue by geographical market	48,508,617	3,640,921,364	3,689,429,981
Carrying amount of segment assets	3,382,455,100	-	3,382,455,100

a. Notes to segment information

i. Current assets, current liabilities and fixed assets

All the assets and current liabilities of the Company except for certain debtors and creditors are located in India.

8. Deferred Tax:

In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has accounted for Deferred Taxes during the year ended March 31, 2003, March 31, 2004 and period ended September 30, 2004

<i>(Amount in Rupees)</i>			
Deferred Tax Liability/(Asset)	As at March 31, 2003	As at March 31, 2004	As at September 30, 2004
On account of Depreciation	16,074,870	30,320,756	52,593,933

On account of Gratuity	-	-	(6,196,966)
Net Liability/(Asset)	16,074,870	30,320,756	46,396,967

9. Earning per Share:

Particulars	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Period ended September 30, 2004
Net Profit attributable to Equity Shareholders (in Rs.)	386,915,825	290,755,886	330,682,744	276,266,670
Weighted average number of Equity Shares outstanding	10,000,000	10,000,000	10,000,000	13,563,000
Earnings per Share (in Rs.)	38.69	29.08	33.07	20.37

Note: The status of the Company prior to March 2004 was that of a partnership firm. Hence, EPS and NAV per share have been computed for all the periods/years prior to March 31, 2004 by considering weighted average number of Equity Shares outstanding as at March 31, 2004.

-
10. Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and hence are not comparable.
11. Figures for the period ended March 31, 2000 comprise figures for one month only and hence are not comparable.
12. Figures of previous periods/years have been regrouped/rearranged wherever considered necessary.

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)

Annexure 4

STATEMENT OF LOANS AND ADVANCES, AS RESTATED

Rs. In lacs

	For the period/year ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
Advances recoverable in cash or in kind for value to be received	0.14	606.21	675.47	897.69	538.06	3,875.90
Employee Loans and Advances	-	0.13	4.37	16.69	16.44	35.83
Security/Other Deposits	-	739.00	106.05	107.16	285.71	835.45
TOTAL	0.14	1,345.33	785.89	1,021.54	840.21	4,747.18

The above include the following loans and advances to Related Parties:

(a) Deposits to Related Parties

Triangle Apparels III	-	50.00	50.00	50.00	50.00	50.00
Euro Clothing Company	-	50.00	50.00	50.00	50.00	50.00
Total	-	100.00	100.00	100.00	100.00	100.00

(b) Advances recoverable in cash or kind for value to be received to Related Parties

Atlantic Apparels	-	-	-	158.17	-	-
Euro Clothing Company	-	-	1.73	138.67	65.09	-
Global Garments	-	12.93	6.67	113.57	45.28	-
Hinduja Exports	-	-	28.17	-	-	-
Hinduja Processing & Finishing Unit	-	-	-	-	-	-
Hinduja Sportswear	-	-	9.06	-	7.47	-
The Intex	-	-	26.80	91.25	15.80	0.31
International Clothing Company	-	5.68	-	-	23.34	-
JD Clothing Company	-	9.40	-	1.86	28.92	-
Luckytex	-	-	48.80	-	-	-
Venkateswara Clothing Company	-	-	7.18	-	-	-
Traingle Apparels	-	-	187.12	-	-	-
The Central Warehouse	-	-	-	(6.89)	-	218.13
Wearcraft Apparels	-	-	-	-	-	-

Parichy Investments Private Limited	-	-	0.05	1.25	1.80	-
VAG Exports Private Limited	-	-	-	9.00	9.98	-
Asiatic Exports Carnival Clothing Company	-	19.11	-	9.72	-	-
Hinduja Trading Company	-	-	-	57.84	-	-
The Unique Creations (Bangalore) Private Limited	-	-	4.44	(55.86)	-	0.16
Hinduja Fashions Indev Wearhouse	-	-	-	57.25	-	-
Container Services	-	4.83	68.98	-	-	-
Sri Krishna Industries	-	-	19.00	-	-	-
Universal Exports	-	-	98.05	-	-	-
Wearwell	-	-	19.20	-	-	-
New Generation Apparels	-	-	8.18	-	-	-
	-	2.16	-	-	-	-
	-	-	-	-	-	-
Total	-	54.10	533.43	575.82	197.68	218.60

Note:

- 1 Related Parties: The enterprises mentioned above have Key Management Personnel and /or their relatives in common with the reporting enterprise.
- 2 Related parties are as identified by management and relied upon by the auditors.
- 3 Figures for the period ended September, 30 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)
ACCOUNTING RATIOS

Annexure 5

	For the period/year ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
Earnings Per Share (EPS) (Rs.)	(0.02)	0.11	38.69	29.08	33.07	20.37
Return on Networth (%)	(60.34)	0.54	72.81	50.64	311.21	19.86
Net Asset Value (NAV) per Share (Rs.)	0.03	20.42	53.14	57.42	10.63	102.58
Weighted Average number of Equity Shares outstanding during the period/year	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	13,563,000

Notes:

1 The Ratios have been computed as below

Earnings Per Share(Rs)	$\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{Weighted Avg No of Equity shares outstanding during the period/year}}$
Return On Net Worth(%)	$\frac{\text{Net Profit After Tax}}{\text{Net Worth excluding Revaluation Reserve at the end of the period/year}}$
Net Asset Value per Share (Rs.)	$\frac{\text{Net Worth excluding Revaluation Reserve at the end of the period/year}}{\text{Number of Equity shares outstanding during the period/year}}$

The above ratios have been computed on the basis of the adjusted profits/losses for the respective periods/years as per the statement of Profits and Losses, as restated.

The status of the Company prior to March 2004 was that of a partnership firm. Hence, EPS and NAV per share have been computed for all the periods/years prior to March 31, 2004 by considering weighted average number of Equity Shares outstanding as at March 31, 2004.

Share Capital as at September 30, 2004 comprises Share Capital issued to the shareholders of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited pursuant to the scheme of amalgamation.

Earnings per Share is computed in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

Figures for the period ended March 31, 2004 comprise one month figures only and hence are not comparable.

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)

Rs. In lacs

CAPITALISATION STATEMENT

	Pre-Issue as at September 30, 2004	Adjusted for Present issue
Debt		
Short-term Debt **	5,938.64	2,938.64
Long- term Debt (A)	7,004.99	7,004.99
Total Debt	12,943.63	9,943.63
Shareholders' Funds		
Share Capital	1,356.30	****
Reserves including Restatement Reserves (after adjustment of Miscellaneous expenditure to the extent not written off)	12,613.43	****
Total Shareholders' Funds (B)	13,969.73	****
Long Term Debt/Total Shareholders' Fund (A/B)	0.50	****

Note:

** As informed by management, short-term debts are debts repayable within six months.

*** We are informed by management that part proceeds of the public issue will be utilised to repay
part of the short term loans

**** Share Capital and Reserves (Post Issue) can be calculated only on conclusion of the Book Building Process

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)
STATEMENT OF TAX SHELTERS

Annexure 7

Rs. In lacs

For the period/year ended						
PARTICULARS	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
Profit/(Loss) Before Tax						
as per books (A)	(3.01)	8.11	3,742.43	3,216.25	3,505.03	2,834.45
Tax Rate	38.50%	39.55%	35.70%	36.75%	35.88%	36.59%
Tax at actual rate on book profits	-	3.21	1,336.05	1,181.97	1,257.43	1,037.20
Adjustments :						
Permanent Differences						
Export Profits						
- U/S. 10B	-	8.11	3,693.40	2,564.99	3,020.21	2,580.17
Dividend U/S.10(33)	-	-	-	-	-	0.06
Interest - Tax Free	-	-	-	-	0.97	0.02
Expenditure U/S.35AC	-	-	-	-	0.13	-
Other Adjustments	-	-	(1.22)	(0.18)	(10.27)	(9.41)
Total Permanent Differences (B)	-	8.11	3,692.18	2,564.81	3,011.03	2,570.84
Timing Differences						
Difference between tax depreciation and						
Book depreciation	-	-	-	311.22	426.67	302.26
Provision for Gratuity	-	-	-	-	(33.86)	(70.95)
Others	-	-	-	-	(1.54)	-
Total Timing Differences (C)	-	-	-	311.22	391.26	231.31
Net Adjustments (B + C)	-	8.11	3,692.18	2,876.03	3,402.29	2,802.15
Tax Saving Thereon	-	3.21	1,318.11	1,056.94	1,220.57	1,025.37
Profit / (Loss) as per Income Tax						
Returns (D) = (A - B - C)	(3.01)	0.00	50.26	340.22	102.74	32.30
Taxable Income as per MAT	-	-	-	-	-	254.27
Tax as per Income Tax Returns	-	0.00	17.94	125.03	36.86	19.94

Notes :

1. The figures in the above statement for the period ended September 30, 2004 are provisional and would be finalised at the year end
2. The figures for all other periods/years are as per the Returns of Income Filed.

GOKALDAS EXPORTS LIMITED**(formerly known as Gokaldas Exports Private Limited)****STATEMENT OF CASH FLOWS FROM THE RESTATED FINANCIAL STATEMENTS****FOR THE PERIOD/YEAR ENDED**

	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
CASH FLOW FROM OPERATING						
A. ACTIVITIES						
Adjusted Profit before tax and extraordinary items	(1.88)	11.04	3,887.10	3,193.71	3,486.13	2,825.86
Adjusted for:						
Depreciation	0.10	2.45	133.96	344.99	548.20	528.31
Interest expense	0.02	34.80	545.07	394.27	654.22	489.17
Preliminary expenses	-	-	-	-	0.66	6.25
Operating Profit/(Loss) before Working Capital Changes	(1.76)	48.30	4,566.13	3,932.97	4,689.21	3,849.59
Adjustments for:	-	-	-	-	-	-
(Increase)/Decrease in Debtors	-	(235.62)	(3,016.93)	2,309.59	(1,277.55)	(2,460.51)
(Increase)/Decrease in Loans and Advances	(0.14)	(1,345.19)	559.44	(235.65)	181.33	(3,906.97)
(Increase)/Decrease in Inventories	(6.63)	(3,054.40)	(1,705.82)	(1,680.79)	(4,520.55)	(4,119.21)
(Increase)/Decrease in Other Current Assets	-	(58.34)	22.44	(152.65)	(289.89)	(72.05)
(Decrease)/Increase in Current Liabilities and Provisions	20.65	3,241.26	2,106.03	(1,957.61)	4,589.25	(1,031.59)
Cash Generated from Operations	12.12	(1,404.00)	2,531.29	2,215.85	3,371.81	(7,740.75)
Tax paid (net of refund)	-	-	(17.94)	(125.40)	(36.84)	-
Extraordinary Items	-	-	-	-	-	(0.29)
Net Cash Flow from Operating Activities	12.12	(1,404.00)	2,513.35	2,090.45	3,334.96	(7,741.04)
	-	-	-	-	-	-
CASH FLOW FROM B. INVESTING ACTIVITIES	-	-	-	-	-	-
	-	-	-	-	-	-
(Purchase)/Sale of Fixed Assets (net)	(10.89)	(709.52)	(1,176.10)	(1,797.48)	(2,202.56)	(3,224.49)
(Purchase)/Sale of Investments (net)	(0.10)	-	-	-	-	(5.21)
Net Cash Flow from Investing Activities	(10.99)	(709.52)	(1,176.10)	(1,797.48)	(2,202.56)	(3,229.69)

**CASH FLOW FROM
C.FINANCING ACTIVITIES**

Capital Introduced by partners (net)	5.00	2,028.29	(597.70)	(2,479.38)	(5,902.04)	-
Proceeds from issue of Share Capital (Incl. of Share Prem)	-	-	-	-	1,000.00	-
Net Adjustment on amalgamation	-	-	-	-	-	10,225.23
Proceeds from Long Term Borrowings(net)	-	135.31	398.71	2,381.25	5,656.96	(1,885.98)
Proceeds from Short Borrowings(net) Unsecured Loans	-	-	-	-	3,834.51	2,422.88
Preliminary Expenses	-	-	-	-	(6.61)	(50.27)
Amount withdrawn by Gokaldas India Partners	-	-	-	-	(3,078.36)	-
Interest Paid	(0.02)	(34.80)	(545.07)	(394.27)	(654.22)	(489.17)
Net Cash Flow from Investing Activities	4.98	2,128.80	(744.06)	(492.41)	850.23	10,222.69
Net Increase/(Decrease) in D.Cash and Cash Equivalents (A+B+C)	-	-	-	-	-	-
	6.11	15.28	593.19	(199.44)	1,982.63	(748.04)
Opening Balance of Cash E. and Cash Equivalents	-	6.11	21.39	614.58	415.14	2,397.77
Closing Balance of Cash F. and Cash Equivalents	6.11	21.39	614.58	415.14	2,397.77	1,649.73

STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO GOKALDAS EXPORTS LIMITED (FORMERLY KNOWN AS GOKALDAS EXPORTS PRIVATE LIMITED) AND ITS SHAREHOLDERS

Benefits available under Direct Taxes:

1. Benefits available to the Company

1.1 Under the Income-tax Act, 1961 ('Act')

1.1.1 Tax holiday under Section 10B of the Act

As per the provisions of Section 10B of the Act, the Company is eligible to claim a benefit with respect to profits derived by its undertaking(s) from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking(s) begins to manufacture or produce such articles or things or computer software. The eligible amount would be the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertaking/s.

However, for the Assessment Year 2003-04, the tax holiday under this sub-section has been limited to 90 percent of the eligible profits. As a consequence, 10 percent of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75 percent (including surcharge of 5 percent) for the Assessment Year 2003-04.

The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the Assessment Year beginning on the 1st day of April, 2010 and subsequent years.

1.1.2 Deduction under Section 80HHC of the Act

As per the provisions of Section 80HHC, an Indian Company engaged in the business of:-

- export out of India of any goods or merchandise to which this section applies

can claim a deduction under this Section. The eligible amount would be the proportion that the profits of the Company bear to the export turnover of the Company vis-à-vis the total turnover of the Company.

The deduction under this Section is gradually being phased out as under:

Relevant Assessment Years	Deduction as percentage of export profits
For the assessment year beginning on the 1 st day of April, 2001	80 percent
For the assessment year beginning on the	70 percent

1 st day of April, 2002	
For the assessment year beginning on the 1 st day of April, 2003	50 percent
For the assessment year beginning on the 1 st day of April, 2004	30 percent

No deduction shall be allowed under this Section in respect of assessment year beginning on 1st day of April, 2005 and any subsequent year.

The Company is not eligible to claim deduction under this Section in respect of the profits of an undertaking which is eligible to claim exemption u/s 10 B. Once a tax benefit under this Section is claimed, no further tax deduction is allowed to be claimed under any other provisions of the Act.

In the event, the Company becomes ineligible for claiming Section 10B benefits in respect of any of its undertakings due to noncompliance with the conditions of Section 10B, it could claim a deduction under Section 80HHC of the Act up to the assessment year beginning on the 1st day of April, 2004, provided the conditions specified in the said Section are fulfilled.

- 1.1.3 The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under Section 32 of the I-Tax Act 1961.

2. Benefits available to resident shareholders

2.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the Income Tax Act, any income of minor children in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

2.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other listed securities or units UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

As per the provisions of Section 112(1)(b) of the Act, long-term gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

2.3.1 Exemption of capital gain from income tax

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under Section 10 (36) of the Act. 'Eligible equity share' means:
 - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
 - any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular No. 7 / 2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the Company or by the existing shareholders of the Company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- 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 shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within

six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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.

3. Benefits available to Non-Resident Indian shareholders

3.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1,500 per minor child.

3.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other

listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.3.1 Capital gains tax - Options available under the Act

A) Where shares have been subscribed in convertible foreign exchange - Option of taxation under Chapter XII-A of the Act.

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

- As per the provision of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares will be subject to tax at the rate of 10 percent (plus applicable surcharge), without indexation benefit.
- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three year from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per 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.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment 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.

B) Where the shares have been subscribed in Indian Rupees

- As per the provisions of Section 112(1)(b) of the Act, long-term gains as computed above would be subject to tax at rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

3.3.2 Exemption of capital gain from income tax

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under Section 10 (36) of the Act. 'Eligible equity share' means:
 - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
 - any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular No. 7 / 2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the Company or by the existing shareholders of the Company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three

years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- 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 shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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.

3.4 Provisions of the Act vis-à-vis provisions of the tax treaty

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

4. Benefits available to other Non-residents

4.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1,500 per minor child.

4.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of shares held in a Company or any other listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long-term capital gains on transfer of an Indian Company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition / improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.3.1 Exemption of capital gains from Income tax

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under Section 10 (36) of the Act. 'Eligible equity share' means:
 - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
 - any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular No. 7 / 2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the Company or by the existing shareholders of the Company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three

years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- 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 shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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.

4.4 Provisions of the Act vis-à-vis provisions of the tax treaty

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

5. Benefits available to Foreign Institutional Investors ('FIIs')

5.1 Taxability of capital gains

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

Nature of Income	Rate of tax (%)
Long term capital gains	10 percent
Short term capital gains	30 percent

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

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

5.1.1 Exemption of capital gain from Income tax

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under Section 10 (36) of the Act. 'Eligible equity share' means:
 - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
 - any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular No. 7 / 2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the Company or by the existing shareholders of the Company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- 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 shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, 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.

7. Benefits available to Venture Capital Companies / Funds

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

8. Benefits available under the Wealth Tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

9. Benefits available under the Gift Tax Act

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

However Gifts exceeding Rs. 25, 000/- made on or after 01.09.2004 is to be included in the hands of the donee as income under the provisions of the Income Tax Act, subject to the provision of section 52(2)(v) of the Act.

BENEFITS AVAILABLE UNDER INDIRECT TAX LAWS

The Company has two units registered with Ministry of Commerce, Government of India under 100 % Export Oriented Units Scheme (100% EOU). The key benefits available under indirect tax laws to a 100 % EOU unit, subject to satisfaction of the specified conditions, are as under:

1. Customs Duty:

Specified goods, which are in the nature of raw-materials, accessories, capital goods, office equipments, components, etc procured by a 100 % EOUs are exempt from customs duty as per Exim Policy 2004-09.

2. Excise Duty

Exemption from Central Excise Duty on procurement of Capital Goods, raw materials, components etc., from domestic market by 100 % EOU.

In respect of the exports effected by other than 100 % EOUs the company is entitled to claim Duty Draw Back as prescribed under Exim Policy 2004-09.

3. Sales Tax

Concessions / exemptions under Karnataka Sales Tax legislations are available to the company. Further, the company can claim reimbursement of Central Sales Tax paid on its domestic purchases. Further the export sales made by the company would not be subject to sales tax.

GOKALDAS EXPORTS LIMITED
(formerly known as Gokaldas Exports Private Limited)

Annexure 10

INFORMATION ON RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18 (AS-18) ON RELATED PARTY DISCLOSURES IS GIVEN BELOW:

1 For the year ended March 31, 2002

- Name of enterprises having same Key Management Personnel and/or their relatives as**
(a) the reporting enterprise with whom the the Company has entered into transactions during the year

Hinduja Fashions
Euro Clothing Company
International Clothing Company
Global Garments
The Intex
Hinduja Trading Company
Sri Krishna Industries
Traingle Apparels
The Central Warehouse
Carnival Clothing Company
Asiatic Exports
JD Clothing Company
Hinduja Sportswear
Wearcraft Apparels
Gokaldas Exports Private Limited
The Unique Creations (Bangalore) Private Limited
New Generation Apparels

(b) Key Management Personnel

Madanlal J Hinduja	Partner
Rejendra J Hinduja	Partner
Dinesh J Hinduja	Partner

(Amount in Rupees)

(c) Nature of Transaction	Refer to (a) Refer to (b)	
	above	above
Labour Charges Paid	5,530.04	-
Rent Paid	1.08	-
Purchases of raw materials	13.87	-
Labour Charges Received	15.34	-
Purchase of garments	101.66	-
Purchase of fabrics	2,050.63	-
Stiching charges paid	884.83	-

Note

Related Parties are as identified by management and
1 relied upon by auditors.

2 For the year ended March 31, 2003**Name of enterprises having same Key Management Personnel and/or their relatives as**

- (a) the reporting enterprise with whom the the Company has entered into transactions during the year

Hinduja Fashions
Euro Clothing Company
International Clothing Company
Global Garments
The Intex
Hinduja Trading Company
Sri Krishna Industries
Traingle Apparels
The Central Warehouse
Carnival Clothing Company
Asiatic Exports
JD Clothing Company
Hinduja Sportswear
Wearcraft Apparels
Gokaldas Exports Private Limited
The Unique Creations (Bangalore) Private Limited
New Generation Apparels

(b) Key Management Personnel

Madanlal J Hinduja	Partner
Rejendra J Hinduja	Partner
Dinesh J Hinduja	Partner

(Amount in Rupees)

(c) Nature of Transaction	Refer to (a) Refer to (b)	
	above	above
Labour Charges Paid	6,590.96	-
Rent Paid	1.08	-
Purchases of raw materials	6.39	-
Sale	0.03	-
Purchase of garments	165.21	-
Purchase of fabrics	708.33	-
Stiching charges paid	1,052.36	-

Note

1 Related Parties are as identified by management and
relied upon by auditors.

3 For the year ended March 31, 2004

**Name of enterprises having same Key
Management Personnel and/or their relatives as
(a) the
reporting enterprise with whom the the Company
has entered into transactions during the year**

Hinduja Fashions
Euro Clothing Company
International Clothing Company
Global Garments
The Intex
Hinduja Trading Company
Sri Krishna Industries
Traingle Apparels
The Central Warehouse
Carnival Clothing Company
Asiatic Exports
JD Clothing Company
Hinduja Sportswear
Wearcraft Apparels
Gokaldas Exports Private Limited
The Unique Creations (Bangalore) Private Limited
New Generation Apparels
Maze Trading Private Limited
Rapple Trading Private Limited
Dice Trading Private Limited

(b) Key Management Personnel

Madanlal J Hinduja	Promoter/ Director (w.e.f from March 2004)
Rejendra J Hinduja	Promoter/ Director (w.e.f from March 2004)
Dinesh J Hinduja	Promoter/ Director (w.e.f from March 2004)

(c) Relatives of Key Management Personnel

Vivek M Hinduja
Ashwin R Hinduja
Gaurav D Hinduja

	<i>(Amount in Rupees)</i>		
	Refer to (a)	Refer to (b)	Refer to (c)
(d) Nature of Transaction	above	above	)above

Labour Charges Paid	9,172.91	-	-
Rent Paid	3.24	-	-
Purchases of raw materials	426.43	-	-
Sale	117.44	-	-
Purchase of garments	272.18	-	-
Unsecured loan taken	56.15	2,030.28	1,748.08

Note:

- 1 Related Parties are as identified by management and relied upon by auditors.
Figures for the period ended March 31, 2004 comprise one month figures only and hence are not
- 2 comparable.

4 For the Half year ended September 30, 2004

Name of enterprises having same Key Management Personnel and/or their relatives as

- (a) the reporting enterprise with whom the the Company has entered into transactions during the year**

Hinduja Fashions
Euro Clothing Company
International Clothing Company
Global Garments
The Intex
Hinduja Trading Company
Sri Krishna Industries
Traingle Apparels
Hinduja Processing & Finishing Unit
The Central Warehouse
Venkateshwara Clothing Company
Carnival Clothing Company
Asiatic Exports
JD Clothing Company
Hinduja Sportswear
Wearcraft Apparels
Gokaldas Exports Private Limited
The Unique Creations (Bangalore) Private Limited
New Generation Apparels
Vag Exports Private Limited
Indev Wearhouse Container Services
Maze Trading Private Limited
Rapple Trading Private Limited
Dice Trading Private Limited

- (b) Key Management Personnel**

Madanlal J Hinduja

Promoter/ (w.e.f from March 2004)

Rejendra J Hinduja	Director Promoter/ Director (w.e.f from March 2004) Promoter/
Dinesh J Hinduja	Director (w.e.f from March 2004)

(c) Relatives of Key Management Personnel

Vivek M Hinduja
Ashwin R Hinduja
Gaurav D Hinduja

<i>(Amount in Rupees)</i>			
(c) Nature of Transaction	Refer to (a) above	Refer to (b) above	Refer to (c) above
Labour Charges Paid	6,252.69	-	-
Purchase of Quota	2.72	-	-
Sale	44.52	-	-
Purchase of garments	37.21	-	-
Unsecured loan taken	68.30	4,441.36	1,747.72
Directors Remuneration	-	6.00	-
Rent Received	2.04	-	-
Stichting Charges Received	461.79	-	-
Directors Remuneration	-	72.42	-

Note:

Related Parties are as identified by management and relied upon by auditors.

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED**(formerly known as Gokaldas Exports Private Limited)**

-

STATEMENT OF INVESTMENTS*Rs. In lakhs*

	AS AT					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
Long Term						
National Savings						
Certificate	0.10	0.10	0.10	0.10	0.10	0.26
Units of UTI	-	-	-	-	-	5.05
	0.10	0.10	0.10	0.10	0.10	5.31

Note:

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED

(formerly known as Gokaldas Exports Private Limited)

STATEMENT OF DEBTORS*Rs. In lakhs*

	AS AT					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
A						
. Debts outstanding for a period exceeding six months	-	-	-	-	-	-
B. Other Debts						
-Considered good	-	235.62	3,252.55	942.97	2,220.51	4,681.03
-Considered doubtful	-	-	-	-	-	-
Total	-	235.62	3,252.55	942.97	2,220.51	4,681.03

Note:

The above balances do not include any receivables from Related Parties. All transactions with Related Parties are maintained in one account and such debit balances are disclosed as loans and advances to Related Parties.

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED

(formerly known as Gokaldas Exports Private Limited)

STATEMENT OF UNSECURED LOANS*Rs. In lakhs*

	AS AT					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
From Promoters/Directors	-	-	-	-	2,030.28	4,441.36
From Others	-	-	-	-	1,804.23	1,816.03
Total	-	-	-	-	3,834.51	6,257.39

The above include unsecured loans taken from the the following Related Parties:

Key Management Personnel	-	-	-	-	2,030.28	4,441.36
Relatives of Key Management Personnel	-	-	-	-	1,748.08	1,747.72
Enterprises having Key Management Personnel in common with the reporting enterprise	-	-	-	-	56.15	68.30
Total	-	-	-	-	3,834.51	6,257.39

Key Management Personnel:**Promoters/Directors**

Madanlal J Hinduja
 Rejendra J Hinduja
 Dinesh J Hinduja

Enterprises having Key Management Personnel in common with the reporting enterprise

Maze Trading Private Limited
 Rapple Trading Private Limited
 Dice Trading Private Limited

Note:

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

GOKALDAS EXPORTS LIMITED**(formerly known as Gokaldas Exports Private Limited)****STATEMENT OF SECURED LOANS***Rs. In lakhs*

	AS AT					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
Packing Credit - Canara Bank	-	135.31	534.02	2,915.27	8,224.08	5,938.64
Term Loan - Canara Bank	-	-	-	-	348.14	747.61
Total	-	135.31	534.02	2,915.27	8,572.23	6,686.24

Note:

Packing Credit from Canara Bank is secured by hypothecation of Raw Material, Finished Goods, Book Debts and is also personally guaranteed by the Directors.

Term Loan from Canara Bank is secured by mortgage of Fixed Assets and also personally guaranteed by the Directors.

Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable.

**UNCONSOLIDATED AUDITED ACCOUNTS UNDER INDIAN
GAAP AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30,
2004**

AUDITOR'S REPORT

To,

The Board of Directors of
Gokaldas India Private Limited
No. 70, Mission Road,
Bangalore 560 027.

Dear Sir,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Gokaldas India Private Limited in connection with initial offer of Equity Shares, we state as follows.

1. We have audited the attached Balance Sheet of Gokaldas India Private Limited ,(“ the Company”) as at 30.09.2004 and the Profit and Loss account for the period and the cash flow statement for the six months ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Company.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.

- (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.
- (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) In the case of the Balance Sheet of the State of affairs of the company as at 30.09.2004 and
 - (ii) In the case of the Profit and Loss Account, of the Profit of the company for the period from April 1, 2004 to September 30,2004.
 - (iii) In the case of cash flow statement of the cash flows of the Company for the period from April 1, 2004 to September 30,2004
-

Place : Bangalore
Date : 14th December 2004

For Girish Murthy & Kumar
Chartered Accountants,

A.V.Satish Kumar
Partner

Membership No. 26526

GOKALDAS INDIA PRIVATE LIMITED**BALANCE SHEET AS AT 30.09.2004**

		Rs. in lakhs	
SOURCES OF FUNDS	SCH. #	30.09.2004	31.03.2004
<u>SHARE HOLDERS FUND</u>			
Share Capital	I	1,356.30	1,000.00
Reserves and Surplus	II	<u>12,515.02</u>	<u>293.73</u>
		13,871.32	1,293.73
<u>LOAN FUNDS</u>			
Secured Loans	III	6,686.24	8,572.23
Unsecured Loans	IV	<u>6,257.39</u>	<u>3,834.51</u>
		12,943.63	12,406.73
Deferred tax liability		<u>463.97</u>	<u>1.77</u>
TOTAL		<u>27,278.92</u>	<u>13,702.23</u>

APPLICATION OF FUNDS

<u>FIXED ASSETS</u>	V		
Gross Block		10,813.88	5,892.19
Less : Depreciation		<u>3,344.33</u>	<u>1,132.63</u>
Net Block		7,469.56	4,759.56
<u>INVESTMENTS</u>	VI	5.31	0.10
<u>CURRENT ASSETS LOANS AND ADVANCES</u>	VII		
Inventories		15,087.40	10,968.19
Sundry Debtors		4,681.03	2,220.51
Cash & Bank Balances		1,649.73	2,397.77
Other Current Assets		550.50	478.45
Loans & Advances		<u>4,747.18</u>	<u>840.21</u>

	(A)	26,715.84	16,905.13
<u>CURRENT LIABILITIES AND PROVISIONS</u>	VIII		
(a) Liabilities		5,870.33	7,710.52
(b) Provisions		<u>1,097.67</u>	<u>257.99</u>
	(B)	<u>6,968.00</u>	7,968.51
NET CURRENT ASSETS (A-B)		19,747.84	8,936.62
<u>MISCELLANEOUS EXPENSES</u>	IX	56.22	5.95
(to the extent not written off)			
		<u>27,278.92</u>	<u>13,702.23</u>

**SIGNIFICANT ACCOUNTING POLICIES
AND NOTES ON ACCOUNTS**

XVI

Schedules Referred to above form an integral part of the accounts.

This is the Balance Sheet mentioned in our Report of even date.

for GIRISH MURTHY AND KUMAR

Chartered Accountants

A.V.SATISH KUMAR

Partner

Place : Bangalore

Dated : 14th December 2004

MADANLAL J HINDUJA

Chairman & Managing Director

L.NANDALAL

Company Secretary

RAJENDRA

J HINDUJA

Executive

Director

GOKALDAS INDIA PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30.09.2004

Rs. in lakhs

PARTICULARS	SCH. #	30.09.2004	31.03.2004
<u>INCOME</u>			
Sales	X	36,894.30	3,924.88
Other Income	XI	245.45	2.70
		<u>37,139.75</u>	<u>3,927.59</u>
<u>EXPENDITURE</u>			
Garments Purchased		0.46	52.83
Material, Manufacturing and Operating Exp.	XII	29,848.60	3,126.30
Personel Expenditure	XIII	1,668.29	164.24
Sales & Administrative Expenditure	XIV	1,779.35	174.57
Financial Expenditure	XV	489.17	56.18
Depreciation	V	519.43	52.20
		<u>34,305.30</u>	<u>3,626.32</u>
Profit Before Taxation		2,834.45	301.26
Provision for Taxation		-	5.77
Provision for Deferred tax		-	1.77
Profit After Taxation		<u>2,834.45</u>	<u>293.73</u>
Profit Brought Forward from Previous Year		-	-
Amount Transferred to Balance Sheet		<u>2,834.45</u>	<u>293.73</u>
SIGNIFICANT ACCOUNTING POLICIES XVI			
AND NOTES ON ACCOUNTS			

This is the Profit and Loss Account mentioned in our Report of even date.

for GIRISH MURTHY AND KUMAR

Chartered Accountants

A.V.SATISH KUMAR

Partner

Place : Bangalore

MADANLAL J

HINDUJA

Chairman &
Managing Director

L.NANDALAL

RAJENDRA J

HINDUJA

Executive
Director

Company Secretary

Dated : 14th December 2004

GOKALDAS INDIA PRIVATE LIMITED**SCHEDULES TO ACCOUNTS FOR THE PERIOD ENDING 30TH
SEPTEMBER 2004**

	<u>30.09.2004</u>	<u>31.03.2004</u>
	<u>Amount in Rs.</u>	<u>Amount in Rs.</u>
<u>SCHEDULE - I - SHARE CAPITAL</u>		
AUTHORISED CAPITAL		
1,00,00,000 Equity Shares of Rs.10/- each	1,000.00	1,000.00
ISSUED,SUBSCRIBED, AND PAID UP CAPITAL		
1,00,00,000 (1,00,00,000)Equity Shares of Rs.10/- Each	1,000.00	1,000.00
Equity Shares to be allotted on account of merger to the shareholders of merged entities, pending allotment. 35,63,000 Equity Shares of Rs.10/- Each	356.30	-
	1,356.30	1,000.00
<u>SCHEDULE - II - RESERVES & SURPLUS</u>		
General Reserve	-	-
Balance in Profit & Loss Account	2,763.83	293.73
Capital Reserve (Arising on account of merger pending allotment of shares)	9,751.19	-
	12,515.02	293.73
<u>SCHEDULE III - SECURED LOANS</u>		
Packing Credit - Canara Bank	5,938.64	8,224.08
Term Loan - Canara Bank	747.61	348.14
	6,686.24	8,572.23
Packing Credit Loan from Bank is secured by hypothecation of Raw Material, Finished Goods, Book Debts and are also personally guaranteed by the Directors. Term Loan is secured by mortgage of Fixed Assets and also personally guaranteed by the Directors		
<u>SCHEDULE IV - UNSECURED LOANS</u>		
From Directors	4,441.36	2,030.28
From Shareholders	1,816.03	1,804.23
	6,257.39	3,834.51
<u>SCHEDULE VI - INVESTMENTS</u> (At Cost - Non trade - unquoted)		

National Savings Certificate	0.26	0.10
194,000 Units of Unit 1964 Scheme of UTI Fully paid up	5.05	-
	5.31	0.10

SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES

(A) CURRENT ASSETS :

(a) Raw Material Inventory

Cloth	6,195.00	5,368.29
Fusible Interlining	257.52	171.50
Fur	89.23	67.43
Linen Fabric	38.21	24.30
Polyster Wadding:Local+Imp	99.52	33.03
Quilted with Poly	876.46	737.90
Rib Fabric	256.79	121.02
Resin	47.30	63.37
Fibre	28.93	65.07
Scrim	6.92	5.04
Micro Fabric	93.48	321.89
Wool Fabric	418.54	136.08
Rubber Thread	14.80	4.87
Yarn	33.36	17.75
Chemicals	10.25	9.45
	8,466.30	7,146.98

(b) Consumable Stores	3,587.91	2,529.67
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(c) Cotton Garments	3,033.18	1,291.54
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(d) Sundry Debtors

Debts outstanding for a period of less than six months and considered Good	4,681.03	2,220.51
Others	-	-
	4,681.03	2,220.51

(e) Cash and Bank Balances :

(i) Cash on Hand	9.34	2.72
(ii)With Scheduled Banks		
- Current Accounts	179.36	62.61
- Fixed Deposit Account	1,458.46	2,275.00
(iii)With non Scheduled Banks	2.57	57.43
	1,649.73	2,397.77

(f) Other Current Assets	550.50	478.45
(B) LOANS AND ADVANCES :		
(a) Advances recoverable in cash or for value to be received.		
(i) for Supplies and Services	337.23	340.38
(ii) To Sister Concerns	3,345.40	197.68
(iii) To Staff	35.83	16.44
(b) Advance tax	293.28	-
(c) Other Deposits	735.45	285.71
	4,747.18	840.21
	26,715.84	16,905.13

SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS

(A) CURRENT LIABILITIES :		
Sundry Creditors	785.62	1,606.98
Due to Sister Concerns	4,359.97	5,814.78
Advance received from customers	2.05	5.79
Other Liabilities	331.91	108.09
Canara Bank - Book Over Draft	390.77	174.88
	5,870.33	7,710.52
(B) PROVISIONS :		
Provision for Expenses	1,058.94	252.22
Provision for Taxation	38.73	5.77
	1,097.67	257.99
	6,968.00	7,968.51

SCHEDULE IX - MISCELLANEOUS EXPENSES

Preliminary Expenses b/f	62.46	6.61
Less : 1/10th charged off during the year	6.25	0.66
	56.22	594,900.00

SCHEDULE X - SALES

Export Sales of Garments	36,407.09	3,685.27
Domestic Sale of Garments	368.92	239.61
Sale of other items	118.28	-
	36,894.30	3,924.88

SCHEDULE XI - OTHER INCOME

Transfer of past performance entitlement	32.15	0.06
Interest Earned - Tax Free	0.02	0.01

Interest Earned	5.89	2.63
Duty draqback	155.62	-
Small Balances w/o	0.69	0.00
Order Cancellation Charges	39.05	-
PurchaseTax Refund	8.69	-
Dividend - Tax Free	0.06	-
Lease Rentals	1.90	-
Profit on sale of asset	1.29	-
Misc income	0.09	-
	<u>245.45</u>	<u>2.70</u>

SCHEDULES XII - MATERIAL, MANUFACTURING AND OPERATION EXPENSES

Consumption of Raw material	18,623.02	1,796.09
Consumption of Consumables	5,627.65	744.98
Tailoring Charges	5,135.02	560.21
Power & fuel	126.14	14.48
Machinery Repairs & maintainance	74.51	11.17
Other Manufacturing Expenses	1,406.80	202.49
	<u>30,993.14</u>	<u>3,329.41</u>

VARIATION IN STOCK OF FINISHED GOODS

Opening Stock	1,888.64	1,088.42
Closing Stock	3,033.18	1,291.54
	<u>1,144.54</u>	<u>-</u>
	<u>29,848.60</u>	<u>3,126.30</u>

SCHEDULE XIII - PERSONNEL EXPENSES

Salaries, Wages & Bonus	1,421.51	116.12
Contribution to P.F & other funds	218.34	45.37
Welfare Expenses	28.44	2.76
	<u>1,668.29</u>	<u>164.24</u>

SCHEDULE XIV - SALES & ADMINISTRATION EXPENSES

Rent	65.85	2.42
Insurance	75.09	6.45
Legal & Professional Charges	133.28	1.98
Printing & Stationery	47.58	5.31
Telephone, Postage & Telegrams	94.32	8.89
Travelling & Conveyance	110.78	17.62
Rates and Taxes	37.40	3.71
Repairs & Maintenance	88.00	13.07
Preliminary Expenses w/off	6.25	0.66
Audit fee	3.60	1.00
Entertainment	18.40	0.44
Membership & Subscription	13.14	2.75

Vehicle Maintenance	28.90	1.54
Sundry Expenses	11.71	3.49
Security Expenses	18.31	0.53
Commission Discount & Brokerge	106.50	5.76
Clearing, Forwarding and Freight	420.69	39.41
Export Claims	3.03	0.94
Customs Duty	46.66	41.46
Quota purchase	230.14	3.23
Charity & Donation	5.30	5.91
Directors Remuneration	72.42	8.00
Share issue expenses	0.10	-
Loss -forward contract	95.84	-
Advertisement & Publicity	13.51	-
Books & Periodicals	0.13	-
Prior period expenses	0.29	-
Discount	12.03	-
Business promotion expenses	1.54	-
Loss on sale of assets	5.82	-
Freight outwards	12.76	-

1,779.35

174.57

SCHEDULE XV - FINANCIAL CHARGES

Bank Charges	253.12	42.01
Bank Interest	236.05	14.17
	489.17	56.18

SCHEDULE V : FIXED ASSETS :

	GROSS BLOCK					DEPRECIATION			NET BLOCK	
PARTICULARS	As on 01.04.2004	Additions	Sale during the year	As on 30.09.2004	As on 01.04.2004	For the Year	Adjustm ent for Sale	As on 30.09.2004	As on 30.09.2004	As on 31.03.2004
LAND	189.83	-	-	189.83	-	-	-	-	189.83	189.83
BUILDINGS	945.09	13.69	-	958.78	263.83	34.41	-	298.24	660.54	681.26
PLANT AND MACHINERIES	7,571.28	1,146.17	75.40	8,642.04	2,143.48	426.89	48.87	2,521.51	6,120.53	5,427.80
AIR CONDITIONERS	17.49	2.71	-	20.20	5.24	0.88	-	6.13	14.07	12.25
ELECTRICAL FITTINGS	88.97	4.77	-	93.74	42.07	3.58	-	45.65	48.08	46.90
OFFICE EQUIPMENTS	86.87	6.78	-	93.66	47.85	2.88	-	50.73	42.92	39.02

VEHICLES	242.06	28.48	7.96	262.58	113.61	18.227.08	124.75	137.83	128.44
FURNITURES	172.04	29.69	-	201.73	89.95	8.91	- 98.86	102.87	82.09
COMPUTERS	271.66	35.18	-	306.83	174.80	23.65	- 198.45	108.38	96.85
CAPITAL WORK IN PROGRESS	123.24	43.14	123.24	43.14		- -	- -	43.14	123.24
GOODWILL	1.36	-	-	1.36		- -	- -	1.36	1.36
	9,709.89	1310.60	206.61	10,813.88	2,880.85	519.43	55.95	3,344.33	7,469.56
PREVIOUS YEAR	5,618.16	359.18	85.15	5,892.19	1,080.43	52.20	- 1,132.63	4,759.56	4,537.73

GOKALDAS INDIA PRIVATE LIMITED

SCHEDULE - XVI - SIGNIFICANT ACCOUNTING POLICES & NOTES ON ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2004.

BACKGROUND:

Gokaldas India Pvt. Ltd (GIPL) was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka on November 20, 2004, M/S. Gokaldas Exports Pvt. Ltd., and M/S. The Unique Creations (B) Pvt. Ltd., have been amalgamated with the Company, from April 1, 2004 being the appointed date.

As a result of the said merger the company now owns two 100 % Export Oriented Units and a Domestic Tariff Area Unit (DTA).

Pursuant to the merger, the figures in the financial statements for the period ended September 30, 2004 represents the combined operations of three entities. The previous year figures represent one month's operations of GIPL. Hence the figures are not comparable.

Further, the name of the Company is changed to Gokaldas Exports private Limited with effect from December 14, 2004.

1. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY :

1.1 SYSTEM OF ACCOUNTING :

The Financial Statements have been prepared under historical cost convention, in accordance with generally accepted accounted principles and the provisions of the companies Act, as adopted consistently by the Company. The company adopts the accrual basis in preparation of the accounts.

1.2 FIXED ASSETS:

Fixed Assets are stated at historical cost, which includes cost, freight, installation charges, taxes and other acquisition expenditure.

1.3 DEPRECIATION :

Depreciation on fixed assets has been provided on Written Down Value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

1.4 FOREIGN EXCHANGE TRANSACTIONS :

Income and Expenditure in foreign currencies are converted into Indian rupees at the rate of exchange prevailing on the date of the transaction. Value of assets and liabilities held in foreign currencies as on Balance Sheet date are converted into Indian rupees at the rates of exchange prevailing on the said date, except where forward contract exist.

1.5 INVENTORY VALUATION :

Inventories of Raw Materials, Consumable stores and Spares are valued at weighted average cost basis. The stock of Finished Goods are valued at Lower of cost or Net Realisable value. Cost of Finished Goods is ascertained on average of all Manufacturing Expenditure.

1.6 INVESTMENTS :

Investments are accounted by capitalising the acquisition cost including the charges incurred for such acquisition.

Long Term Investments are carried in the Financial Statements at cost.

Short Term investments are carried in the financial statements at Lower of cost or fair market price.

1.7 EXPORT INCENTIVES :

(i) Duty Drawback is accounted on accrual basis.

(ii) Premium on Past Performance Entitlements are accounted as and when the transfer is crystallised. The Company has utilised these entitlements for its own exports as well.

1.8 EMPLOYEE BENEFITS :

(I) The Company has made provision for Gratuity to employees according to actuarial valuation.

(ii) Encashment of leave is accounted on accrual basis.

1.9 EXPENSES :

(I) Material known liabilities are provided on the basis of available information / estimation.

(ii) Material items of prior period expenses, are disclosed separately.

1.10 PRELIMINARY EXPENSES :

Preliminary Expenses have been amortised over a period of Ten years.

1.11 SEGMENTAL INFORMATION :

a. Business segments

The company has one business segment of manufacture & sale of Garments.

b. Geographical segments

The company's operations are managed on a world-wide basis from India. Revenues are segregated based on the geographical location of the customer.

1.12 Accounting for Taxes on income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the income-tax act, 1961. Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future.

2. NOTES ON ACCOUNTS :

A. Amalgamation of Gokaldas Exports Private Limited and The Unique Creations P Ltd with the Company :

Pursuant to the scheme of amalgamation sanctioned by the Honourable High Court of Karnataka on 20th November, 2004, Gokaldas Exports Pvt. Ltd and The Unique Creations (Blore) Pvt. Ltd have been amalgamated with the Company from 1st April 2004 being the appointed date.

The Scheme has been accordingly been given effect in the accounts. Pursuant to the scheme of amalgamation sanctioned, the entire business and all assets and liabilities of erstwhile Gokaldas Exports Pvt. Ltd and The Unique Creations (Blore) Pvt. Ltd, vest with the company. Accordingly the said assets and liabilities have been incorporated in the accounts.

Under the scheme, the company has to issue to the shareholders of erstwhile Gokaldas Exports Pvt. Ltd one fully paid up equity share of Rs.10 of the Company for every Ten fully paid up equity shares of Gokaldas Exports Pvt. Ltd, and thirteen fully paid up equity shares of Rs. 10 each of the company for every 10 equity shares to the shareholders of The Unique Creations (Blore) Pvt. Ltd. However, the process of allotment of shares has been completed on December 14, 2004.

The difference between the value of the net assets taken over and the paid up value of shares of the company issued, aggregating to Rs.97,51,18,591/- has been accounted as Capital Reserve. The immovable properties, vehicles and investments continuous to be in the erstwhile Gokaldas Exports Pvt. Ltd., and The unique Creations (B) Pvt. Ltd.,

	As On	
	30.9.2004	31.3.2004
2.1. Contingent Liabilities:		
a. Claims against the Company not acknowledged : as debts	1.28	Nil
b. Disputed demands of Direct Taxes (including interest) decided in department favour for which appeal has been filed.	274.77	Nil
c. Contingent Liability on Bank Guarantees	468.45	256.50
d. Contingent Liability on Lettters of Credit	3,266.76	4,181.30
e. Contingent Liability on Bills Discounted with Banks	12,571.47	4,348.08
2.2. Estimated amount of contracts remaining to be executed on Capital account and not provided for, approximately	Nil	Nil

2.3. Directors' Remuneration (In Rs. Lakhs):

a. Salaries	72.42	8.00
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2.4. Payments To Auditors (In Rs. Lakhs):

To Statutory Auditors :

a. Audit fees (including Service Tax)	3.60	0.75
b. Taxation matters	-	0.25

2.5. The balances shown under Sundry Debtors, Sundry Creditors, Loans & Advances, Advances to Suppliers and Advance from Customers are subject to Reconciliation / confirmation.

2.6. Information Pursuant to provisions to paragraphs (3) and (4) of Part II of Schedule VI of Companies Act. (as certified by the Management.)

(I) Description of the Product	:	Readymade Garments(Jackets)	
(ii) licensed Capacity	:	Not Applicable	NIL
(iii) Installed Capacity (Pcs)	:	Not Applicable	NIL
(iv) Production - Qty (Pcs)	:	76,93,257	15,98,496
(v) Purchases – Qty (Pcs)	:		31,316
(v) Sales - Qty (Pcs)	:	74.65,131	15,44,014
(vi) Sales - Value (Rs.Lakhs)	:	54,371	3.,896
(vii) Closing Stock	:		
Qty (Pcs)	:	6,98,974	3,67,699
Value (Rs.Lakhs)	:	2,518	1,292

2.9. Consumption of Rawmaterials & Consumable Stores :

In Lakhs				
(i) Raw Materials :	QTY	VALUE	QTY	VALUE
	IN Mtrs	Rs.	IN Mtrs	Rs.
Cloth :	160.95	10,927.12	21.57	1,574.89
Fusible interlining :	16.38	228.60	1.11	15.15
Resin	1.79	69.47	0.14	5.49
Fibre	2.52	163.48	0.23	13.35
Micro Fabric	6.20	512.81	2.31	185.77
Polywadding	38.20	1,181.54	0.72	5.41
Consumables		5,627.65		744.98
Others		5,568.93		2.08

2.10. C.I.F Value of Imports(In Rs. Lakhs):

a. Capital Goods	449.90	239.42
b. Raw Material & Consumables	17,453.77	2,791.15

2.11. Expenditure in Foreign Currency is on account of (In Rs. Lakhs):

Foreign Travel	67.30	12.78
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Brokerage & Commission	20.59	1.92
Export Claims	6.04	0.94

2.12. Earnings in Foreign Currency(In Rs. Lakhs) :

FOB value of exports	36,327.14	3,656.53
Freight and Insurance	30.75	14.50

2.13 The company has one business segment of manufacturing of garments. The following Table provides an analysis by secondary geographical segment(In Rs. Lakhs):

Sales		
European Union and Western Europe	9,540.20	1,013.84
USA, Canada and North America	26,062.88	2,633.97
Other Countries	731.06	8.70
India	493.17	239.61

2.14. DEFERRED TAX

In accordance with the Accounting Standard (AS-22) "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has accounted for the deferred taxes during the year.

Deferred Tax Asset/ (liability)(In Rs. Lakhs)

On Account of

Difference between book and tax Depreciation	(525.94)	(1.77)
On Account of Unpaid Gratuity	61.97	-
Net Deferred Tax Asset / (Liability)	(463.97)	(1.77)

2.15 Earning Per Share Calculation :

In Rs. Lakhs

The Components of basic and diluted earnings per share were as follows :

	As of 30.09.2004	As of 31.03.2004
a. Net Profit after taxation	2,470.10	293.73
b. Weighted average number of Outstanding equity shares		
Considered for basic EPS	135.63	100.00
Add : Effect of dilutive issue of any shares (if any)	-	-

Considered for diluted EPS	135.63	100.00
c Earnings per share (Nominal value per share Rs 10 each)		
Basic	18.21	2.94
Diluted	18.21	2.94

2.15. Related party disclosure:

As per Accounting standard –18 issued by the institute of Chartered Accountant of India, the Company's related parties and transactions are disclosed below

A . Related parties where there have transactions during the year in respect of Purchases and Services Paid :

Name of the related party (Key management personal /Relative of Key management personal)	Nature of transactions	Amount - Rs. In Lakhs
Asiatic exports	Job Work charges	175.77
Balaji finishing house	Job Work charges	283.57
Carnival Clothing Co	Job Work Charges	493.42
Euro Clothing CoI	Job Work Charges	804.63
Global Garments	Job Work Charges	345.48
Hinduja Fashion	Job Work charges	261.28
Hinduja Processing & finishing	Job Work Charges	381.99
Hinduja Sports Wear	Job Work charges	285.88
International clothing co	Job Work Charges	637.72
Intex	Job Work Charges	426.18
J.DCC	Job Work Charges	457.95
New Generation Apparels	Job Work Charges	201.74
Triangle Appearls	Job Work Charges	501.13
Venkateshwara Clothing Co.	Job Work Charges	246.73

WearCraft Appearls	Job Work charges	324.59
Wearwell	Job Work charges	207.41
Luckytex	Job Work Charges	122.99
Hinduja Trading Cp	Rent	2.70
Sri.Krishna Industries	Polywadding Purchases	17.50
VAG Exports Ltd	Rent	0.54

B . Related parties where there have transactions during the year in respect of Sales and Services Received :

Name of the related party (Key management personal /Relative of Key management personal	Nature of transactions	Amount - Rs. In Lakhs
Hinduja Fashions	Rent Received	1.50
Indev Wearhouse Container Services Ltd	Hire Charges Sale of Asset	1.90 8.13
Hinduja Trading Co	Sale of Garments	0.54
Triangle Apparels	Rent Received	0.54

2.16.Previous Year's figures have been rearranged and regrouped wherever necessary.

As per our Report of even date.

for GIRISH MURTHY & KUMAR
Chartered Accountants

for GOKALDAS INDIA PRIVATE LIMITED

(A.V.SATISH KUMAR)
Partner

Madanlal J Hinduja
Chairman & Managing Director

Rajendra J Hinduja
Executive Director

Place : Bangalore.
Date : 14th December 2004

L.Nandalal
Company Secretary

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

Gokaldas Exports Private Limited
70 Mission Road
Bangalore 560 027

Dear Sirs,

Attached herewith are the unaudited consolidated statements of Profit and Loss and Balance Sheet ('pro-forma information') of Gokaldas Exports Private Limited (the 'Parent Company') and its subsidiaries for the period ended 31 March 2000, four years ended 31 March 2004 and six months period ended 30 September 2004. The pro-forma information has been presented so as to reflect the performance of the group as a whole by including the results of the subsidiaries mentioned below even for the periods/years when these were not a subsidiary of the Parent Company:

1. Seven Hills Clothing Private Limited (taken over the business of Euro Clothing Company and Sunshine Enterprises other than immovable properties)
2. Magenta Trading Private Limited (taken over the business of International Clothing Company)
3. Madhin Trading Private Limited (taken over the business of Limited Carnival Clothing Company)
4. Rishikesh Apparels Private Limited (taken over the business of Global Garments).
5. Vignesh Apparels Private Limited (taken over the business of New Generation Apparels and Asiatic Exports)
6. Glamourwear Apparels Private Limited (taken over the business of The Intex and JD Clothing Company)
7. Rafter Trading Private Limited (taken over the business of Hinduja Sportswear)
8. DeeJay Trading Private Limited (taken over the business of Wearcraft Apparels)
9. All Colour Garments Private Limited (taken over the business of Hinduja Fashions)
10. Rajdin Apparels Private Limited (taken over the business of Hinduja Trading Company - other than immovable properties)
11. SNS Clothing Private Limited (taken over the business of The Central Wearhouse)
12. Reflexion Trading Private Limited¹
13. Gokaldas Exports Private Limited
14. The Unique Creations (Bangalore) Private Limited.

By virtue of restructuring of the group, the entities 1 to 11 became subsidiaries of the Parent Company effective 1 December 2004. However, for the purpose of this pro-forma information, these have been considered as subsidiaries effective 1 March 1999 so as to reflect the performance of the group as a whole by including the results for the respective periods/years.

Entities 12 and 13 have been amalgamated with the Parent Company as pursuant to the scheme of amalgamation approved by the High Court of Karnataka on 20 November 2004, the appointed date of

¹ Though inclusion or exclusion of Reflexion does not make any material difference since no business was transferred to Reflexion, the name of the same should be mentioned since it is also a subsidiary of Gokaldas as on date.

amalgamation being 1 April 2004. For the periods/years prior to 1 April 2004, the above two entities been considered as subsidiaries effective 1 March 1999 so as to reflect the performance of the group as a whole by including the results for the respective periods/years.

We have verified the amounts appearing in the Parent Company's and its subsidiaries' accounting records and found such amounts to be in agreement with the pro-forma information. However, we make no representation as to the appropriateness of such calculations.

For RSM & Co
Chartered Accountants

For Girish, Murthy and Kumar
Chartered Accountants

Vijay N. Bhatt
Partner
M. No.: F- 36647
Mumbai
Date: January 31, 2005

AV Satish Kumar
Partner
M. No F - 26526:
Bangalore
Date: January 31, 2005

GOKALDAS GROUP
STATEMENT OF PROFITS AND LOSSES, AS RESTATED

Rs. In Lakhs

		For the period/year ended					
		31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
A. INCOME:							
- Sales of Products							
- Local Sales		2,495.62	3,400.36	2,471.48	2,414.29	2,241.54	966.92
- Export Sales		23,640.84	35,971.63	43,911.71	44,398.98	51,367.49	36,411.58
Increase / (Decrease) in Stock of Garments		747.83	(379.52)	(80.95)	118.20	210.45	1,012.31
- Job Work Charges		2.05	-	0.35	0.55	-	54.91
Export Incentives		862.11	806.36	794.36	921.30	608.75	155.62
Total		27,748.45	39,798.82	47,096.95	47,853.33	54,428.23	38,601.34
Other Income		110.20	211.54	708.55	492.74	343.99	106.69
Total		27,858.65	40,010.37	47,805.50	48,346.07	54,772.22	38,708.03
B. EXPENDITURE:							
Garments purchased		187.60	149.11	431.22	97.78	113.67	31.27
Raw Materials Consumed		16,821.05	25,084.20	29,142.62	28,341.27	32,488.08	24,351.93
Staff costs		4,488.31	5,800.52	6,847.10	8,529.20	9,675.04	6,340.86
Other Manufacturing Expenses		1,753.91	2,611.40	2,345.90	2,658.81	2,918.09	1,525.16
Administrative Expenses		1,239.47	1,423.65	1,540.79	1,951.50	2,057.14	1,537.29
Selling & Distribution Expenses		1,064.33	1,596.04	1,627.38	1,797.41	1,925.80	930.85
Interest Costs		512.17	717.47	764.36	515.97	762.83	490.72
Preliminary Expenses Written Off		0.69	0.69	0.69	0.69	1.36	6.31
		26,067.53	37,383.08	42,700.06	43,892.63	49,942.00	35,214.39
Net Profit before Depreciation, Tax and							
C. Extraordinary items		1,791.12	2,627.29	5,105.44	4,453.44	4,830.22	3,493.64
Less: Depreciation		188.28	492.35	793.62	875.95	1,071.74	628.65
Net Profit before Tax and							
D. Extraordinary items		1,602.84	2,134.95	4,311.82	3,577.49	3,758.48	2,864.99
Provision for: Current Tax							
Deferred Tax							
Net Profit before							
E. Extraordinary Items		1,602.84	1,953.65	4,310.46	3,462.52	3,731.51	2,478.89
Extraordinary items (Net of tax)		-	-	-	-	-	-

Net Profit as per Audited						
F. Statement of Accounts	1,602.84	1,953.65	4,310.46	3,462.52	3,731.51	2,478.89
Adjustments on account of :						
1 Provision for Taxation	2.25	7.78	26.32	135.34	44.19	-
2 Difference between depreciation accounted and depreciation as per schedule XIV of Companies Act.	(145.20)	115.68	233.38	48.85	37.59	6.70
3 Provision for Deferred Tax	-	-	-	159.86	151.77	(308.59)
G. Adjustments on account of changes in Accounting Policies	(147.45)	107.89	207.05	(246.34)	(158.37)	315.28
Adjusted Profits (F+G)	<u>1,455.38</u>	<u>2,061.54</u>	<u>4,517.52</u>	<u>3,216.18</u>	<u>3,573.13</u>	<u>2,794.17</u>

GOKALDAS GROUP**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

For the period/year ended

Rs. In Lakhs

	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	30.09.2004
A Fixed Assets						
Gross Block	3,359.18	4,739.55	6,471.43	9,048.25	11,961.43	13,343.03
Less: Depreciation	937.28	1,273.62	1,827.60	2,631.22	3,639.48	4,202.42
Net Block	2,421.90	3,465.93	4,643.83	6,417.04	8,321.95	9,140.61
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	-	-	-	-	-	-
	2,421.90	3,465.93	4,643.83	6,417.04	8,321.95	9,140.61
	-	-	-	-	-	-
B Investments	6.73	6.73	6.73	6.57	6.90	5.88
	-	-	-	-	-	-
Current Assets, Loans and Advances :	-	-	-	-	-	-
C						
Inventories	11,871.79	9,912.39	8,942.72	10,294.92	14,657.59	15,983.16
Sundry Debtors	1,464.91	1,890.71	4,550.56	1,996.93	2,482.66	5,039.24
Cash and Bank Balances	519.63	452.58	1,351.62	4,668.40	3,076.88	2,095.28
Loans and Advances	1,175.30	2,760.91	2,018.58	1,341.93	1,632.66	1,791.60
Other Current Assets	1,406.25	931.60	894.69	1,193.41	1,484.90	1,244.25
Deferred Revenue Expenditure	-	-	-	-	-	-
	16,437.88	15,948.19	17,758.17	19,495.59	23,334.69	26,153.53
Liabilities and Provisions						
D :	-	-	-	-	-	-
Secured Loans	3,624.83	2,304.26	1,164.16	3,384.98	8,572.23	6,686.24
Unsecured Loans	2,057.11	108.67	102.56	-	3,834.51	6,257.80
State Investment Subsidy	35.15	-	-	-	-	-
Current Liabilities and Provisions	3,174.30	3,153.77	3,232.07	3,684.12	4,666.23	5,939.06
Deferred Tax Liability	-	-	-	271.94	431.14	488.08
	8,891.38	5,566.71	4,498.79	7,341.04	17,504.10	19,371.19
	-	-	-	-	-	-
E Networth	9,975.13	13,854.14	17,909.95	18,578.15	14,159.44	15,928.83
	-	-	-	-	-	-
F Represented by	-	-	-	-	-	-
1. Share Capital	1,356.30	1,356.30	1,356.30	1,356.30	1,356.30	1,356.30
2. Reserves	8,622.30	12,500.61	16,378.21	17,223.24	12,809.78	14,335.77
Restatement Reserve	-	-	177.52	-	-	293.94
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	8,622.30	12,500.61	16,555.73	17,223.24	12,809.78	14,629.72

TOTAL	<u>9,978.60</u>	<u>13,856.91</u>	<u>17,912.03</u>	<u>18,579.54</u>	<u>14,166.08</u>	<u>15,986.02</u>
	-	-	-	-	-	-
Miscellaneous Expenditure						
G to the extent	3.47	2.78	2.08	1.39	6.64	57.19
not written off or adjusted	-	-	-	-	-	-
	-	-	-	-	-	-
H. Networth (F-G)	9,975.13	13,854.14	17,909.95	18,578.15	14,159.44	15,928.83

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER UNCONSOLIDATED RESTATED FINANCIAL STATEMENT)

You should read the following discussion of our financial condition and results of operations together with our restated financial statements for the financial year ended March 31, 2000; March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and six months period ended September 30, 2004 including the notes thereto and the reports thereon, which appear elsewhere in this Draft Red Herring Prospectus. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor’s report of M/s RSM & Co. and Girish Murthy & Kumar dated January 25, 2005, on page 142 titled “Financial Information”.

The following discussions is based on our restated financial statements for the financial year ended March 31, 2002; March 31, 2003; March 31, 2004 and September 30, 2004 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year, except for the fiscal year 2000, when the accounts were made for the period February 1, 2000 to March 31, 2000.

OVERVIEW

Our group, the Gokaldas Exports Group, was set up 25 years ago by the late Jhamandas H. Hinduja in Bangalore and has grown over the years to emerge as India’s leading apparel manufacturer exporters. We have consistently received awards for our export performance from various industry organisation right from 1980-81 and were recently awarded “Highest Exporter Award” from Confederation of Indian Apparel Exporters (CIAe) in 2004. We were also awarded “Highest Export Award for Non-Quota Market” from Confederation of Indian Apparel Exporters (CIAe) for our export performance in 2004.

We design, manufacture and sell a wide range of garments for men, women & children, catering to the needs of several leading international fashion brands & retailers. Over the years, we have developed expertise in manufacturing Outerwear - coats, suits, jackets, parkas, windcheaters, ski wear; Active wear – warm-ups, surf wear, swim wear; Bottoms - trousers, shorts; Casual Wear – Shirts, ladies blouses and dresses for top end customers in the international market.

Several international buyers outsource their designing & manufacturing requirements to us. These buyers include apparel brands like Nike, GAP, Old Navy, Banana Republic, Tommy Hilfiger, Abercrombie & Fitch, Hollister, The Children’s Place, Reebok, Adidas, O’Neil, Mexx, Decathlon, Tom Tailor. We also work with manufacturers like The Steilmann Gruppe, Lebek, and retailers like Walmart, Sears, The Metro Group, etc. Today, our goods dock into to countries like USA, Canada, Mexico, UK, Germany, Austria, Spain, Italy, France, Netherlands, Middle East, South Africa, Japan, Denmark, Taiwan & Hong Kong.

As on December 31, 2004 we have 43 factories housed over 19 lakh square feet located in Bangalore (Karnataka, India), employing over 30,000 employees, with 258 production lines. Our facilities are fully integrated with in house manufacture of components such as labels, tags,

elastics, cords, woven tapes. We also have in house facilities for value added services like poly fill quilting, embroidery, printing & laundry.

As per our proforma consolidated financial statement, our total revenue from sales of garments grew at a CAGR of 19.67% from Rs 26136 lakhs in 1999-2000 to Rs 53609 lakhs in 2003-2004 and our PAT grew at a CAGR of 23.52% from Rs 1602.84 lakhs in 1999-2000 to Rs. 3731.51 lakhs in 2003-04. Revenue from sale of garments The total sales and PAT of our group for the six months ended September 30, 2004; as per our proforma consolidated financial statement, were Rs 37379 lakhs and Rs 2478.89 lakhs respectively.

Gokaldas Exports Limited (formerly known as Gokaldas Exports Private Limited) was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India Pvt Ltd under part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka on November 20, 2004, M/s Gokaldas Exports Private Limited and M/s The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company with effect from April 1, 2004.

As a result of the said merger the Company now owns two 100% Export Oriented Units and a Domestic Tariff Area Unit (DTA).

Pursuant to the merger, the financial statements for the period ended September 30, 2004 represents the combined operations of three entities.

Significant Accounting Policies

1. FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes cost of acquisition, freight, installation charges, taxes and other costs of acquisition.

2. DEPRECIATION:

Depreciation on fixed assets is provided on Written Down Value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

3. FOREIGN EXCHANGE TRANSACTIONS:

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions. Monetary foreign currency assets and liabilities held as at the Balance Sheet date are restated at the exchange rate prevailing on the said date, except where forward contract exists. Any income or expense on account of exchange difference either on settlement or on translation at the Balance Sheet date is recognized in Profit and Loss Account in the period in which it arises.

4. INVENTORY VALUATION:

Inventory of Raw Materials is valued at Weighted Average Cost. Stock of finished goods is valued at lower of Cost or Net Realisable Value. Cost of finished goods is ascertained on average of all manufacturing expenditure.

5. INVESTMENTS:

Investments are accounted by capitalising the acquisition cost including the charges incurred for such acquisition.

Long Term Investments are carried in Financial Statements at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

Short Term Investments are carried in Financial Statements at lower of Cost or Fair Market Value.

6. EXPORT BENEFITS:

- (i) Duty Drawback is accounted for on accrual basis.
- (ii) Other benefits are accounted for on realisation basis.

7. REVENUE RECOGNITION:

Revenue is recognised on dispatch of goods to the customer and is exclusive of duties and taxes.

8. EMPLOYEE BENEFITS:

- (i) Company's contribution to defined scheme such as Provident Funds are charged to the Profit and Loss account on accrual basis;
- (ii) Provision for gratuity is made as per actuarial valuation at the end of the financial year; and
- (iii) Provision for leave encashment is made on accrual basis as at the end of the financial year.

9. PRELIMINARY EXPENSES:

Preliminary expenses are amortised over a period of ten years.

10. ACCOUNTING FOR TAXES ON INCOME:

Provision for current income tax is made at current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax act, 1961.

Deferred tax resulting from timing difference between book profit and taxable profit is accounted for, after considering reversal of deferred tax asset / liability during tax holiday period, using the tax rates and laws that have been enacted or substantively enacted as at Balance Sheet date. Deferred Tax Asset is recognised and carried forward only to the extent that there is reasonable certainty that the assets will be realised in future.

Our unconsolidated restated total income and profit after tax (before extraordinary items) for the six month period ended September 30, 2004, was Rs 38,284.29 lakhs and Rs

2,470.40 lakhs respectively. For details on our financial statements, refer to the 'Section: Financial Information' on page 142 of this Draft Red Herring Prospectus.

OVERRUNS & DEFECTS

Overruns is defined as surplus production generated after shipment & defects are defined as loss in production due to variation in stitching, damage in the fabric quality & accessories, colour variations etc. Continuous efforts have been made by the company to reduce the number of defects & their percentage vis-à-vis the total production. We have installed fabric defects detecting machines through which all the fabrics are passed to test for any defects in quality or variation in colour. Through every step in the production, workers are made to sign off on the work done or garments inspected by them. This ensures responsibility of the workers for their output.

Particulars	FY 2002	FY 2003	FY 2004	Half year ended September 30, 2004
Overruns & Defect (% of total production)	1.44%	1.07%	1.25%	1.18%

INVENTORY TURNOVER RATIO

Inventory turnover ratio is the number of times the manufacturer is able to turn his inventory in a year and is determined as the ratio of cost of goods sold during the year to average inventory. This helps the manufacturer to better align the manufacture-supply chain.

Period ending March 31	2002	2003	2004
Inventory turnover ratio	8.04	5.78	4.66

SALES MIX

We manufacture a range of garments in the broad range of Outerwear, bottoms, active wear, casual wear, babies garments & others. The mix of sales within these regions is as under:

Period ending March 31	2002	2003	2004	For the period ended September 30, 2004
Outer Wear	42.82%	45.77%	53.31%	64.41%
Active Wear	4.65%	4.28%	4.32%	2.92%
Bottom Wear	34.34%	30.42%	29.53%	23.53%
Casual Wear	9.25%	9.27%	5.67%	4.06%
Babies Garments	1.57%	4.17%	2.61%	2.39%
Others	7.36%	6.09%	4.56%	2.70%
Total	100%	100%	100%	100%

Our sales mix may change from year to year depending on the customer's requirements and changing fashion trends.

TOTAL INCOME

Income for the last 5 years, as per our audited unconsolidated financial statement, is as under.

Particulars	For the year ended March 31					(Rs In Lakhs)
	2000	2001	2002	2003	2004	For the period ended September 30, 2004
Sales of traded goods	-	365.36	181.93	34.31	278.14	-
Sale of manufactured goods	2.07	231.67	36,054.73	37,036.32	45,810.03	36,894.30
Increase/(Decrease) in stock of garments	1.87	138.63	604.01	188.58	358.45	1,144.54
Job work income	-	32.18	-	-	-	-
Duty Drawback	-	-	-	-	-	155.62
Other Income	-	1.44	171.64	258.28	126.59	89.83
Total Income	3.94	769.27	37,012.30	37,517.49	46,573.20	38,284.29

Our revenues for the years 2000 to 2004 reflect sales of apparel and some accessories from our EOU. Our revenues for the period ended September 30, 2004 additionally include the revenues from the units operated by erstwhile Gokaldas Exports Pvt Ltd (DTA) and The Unique Creations Bangalore Pvt Ltd (100% EOU), which merged with us with effect from April 1, 2004.

Sales from traded goods represent readymade apparels purchased and sold, which are not manufactured by us. These are procured domestically. Sales from manufactured goods represent domestic & export sales of garments manufactured by us or through outsourcers.

In FY 2001, we manufactured apparels for the erstwhile The Unique Creations Bangalore Pvt Ltd, which is indicative in the above job work charges. This company is now merged with us. For the half-year ended September 2004, we received duty drawbacks for sales effected by our DTA unit, which was part of the erstwhile Gokaldas Exports Pvt Ltd.

OTHER INCOME

In past years, other income mainly comprised of Transfer of past performance entitlements (quotas), order cancellation reimbursements, purchase tax refund from government departments, lease rentals, profit on sale of asset and interest income on Fixed deposits etc.

EARNINGS BEFORE INTEREST, DEPRECIATION, TAX AND AMORTIZATION (EBITDA)

A comparison of EBITDA in absolute amount as well as a percentage of total income is as under:

Particulars	For the year ended March 31					For the period ended September 30, 2004
	2000	2001	2002	2003	2004	
Total Income	3.94	769.27	37,012.30	37,517.49	46,573.20	38,284.29
Profit before tax & extraordinary items	(3.01)	8.11	3,742.43	3,216.25	3,505.03	2,834.74
Add: Depreciation	1.23	5.38	278.62	322.45	529.30	519.43
Add: Interest Cost	0.02	34.80	545.07	394.27	654.22	489.17
Earnings before interest, tax & depreciation	(1.76)	48.30	4,566.13	3,932.97	4,688.55	3,843.34
EBITDA as a % to total Income (EBIDTA margins)	(44.56%)	6.28%	12.34%	10.48%	10.07%	10.04%

For FY 2000, our operations were only for 10 days, hence this year is not comparable with the other years. In FY 2001, our EBITDA margin was 6.28% because this was the first year of our operations and the factory was being set up in this year. Our EBIDTA margins improved from 6.28% in FY 2001 to 12.34% in FY 2002, with the growth in our revenues from Rs 769.27 lakhs in FY 2001 to Rs 37,012.30 lakhs in FY 2002. As a result of this growth, the overheads were apportioned over a larger revenue base.. Our revenues increased as we emerged as the flag ship entity for the Gokaldas Exports Group. Additionally, we benefited as The reason for this increase in revenues was that the orders were diverted to us from other sensitive countries due to the terrorist attack on September 11, 2001. Thereafter our EBIDTA margins have been constant in the range of 10-10.5%.

RESTATED PROFIT AFTER TAX (PAT)

A comparison of restated PAT (before extraordinary items) in absolute amount as well as a percentage of total income is as under:

Particulars	For the year					For the period ended September 30, 2004
	2000	2001	2002	2003	2004	
Total Income	3.94	769.27	37,012.30	37,517.49	46,573.20	38,284.29
PAT as per audited results	(3.01)	8.11	3,742.43	3,216.25	3,497.49	2,470.10
PAT as a % to total Income	(76.40%)	1.05%	10.11%	8.57%	7.51%	6.45%
Adjusted PAT	(1.88)	11.04	3,869.16	2,907.56	3,306.83	2,762.67
Adjusted PAT as a	(47.70%)	1.44%	10.45%	7.75%	7.10%	7.22%

% to Total Income						
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In FY 2002, due to additional orders & increased revenue base, we had a PAT% of 10.11%. Thereafter, PAT % declined due to stabilizing of the EBIDTA% in the range of 10-10.5%. In FY 2003, our gross block increased due to additional machinery & buildings worth Rs 1,797.48 lakhs which also led to a higher depreciation cost. In FY 2004 also we increased our gross block by adding buildings & machinery worth Rs 22,00.50 lakhs resulting in higher depreciation. In the same year, the interest cost also increased due to additional borrowings for purchase of machines & increase in the inventories. For the half year ended September 2004, PAT is 6.45% due to the merger of Gokaldas Exports Pvt Ltd and The Unique Creations Bangalore Pvt Ltd with our company. These entities had higher depreciation, interest, and taxes increased on account of the merger with the DTA unit coming into our company, resulting in lower PAT%.

EQUITY AND RESERVES & SURPLUS

Particulars	For the year					For the period ended September 30, 2004
	2000	2001	2002	2003	2004	
Share Capital	1.99	2,038.39	5,183.12	5,742.08	774.78	1,356.30
Reserves & Surplus (net of revaluation reserves)	1.13	4.06	130.79	-	293.73	12,613.43
Preliminary Expenses to the extent not w/off	-	-	-	-	(5.95)	(56.21)
Networth	3.12	2,042.45	5,313.91	5,742.08	1,062.56	13,913.52

Equity: partner's capital restated. Issue of equity on conversion + at par + merger

Till February 29, 2004, the company was a partnership firm. The firm has been converted into a Private Limited company under part IX of the Companies Act, 1956 on March 1, 2004 with a paid up capital of Rs 95 lakhs, allotted at par. The balance partner's capital was converted into unsecured loans of Rs 3,834.51lacs.

Subsequently on March 29, 2004, the promoters have subscribed to additional the equity capital of the Company at par taking the equity capital to Rs 1000 lakhs. However, on accounts of adjustment of debit balance in revaluation reserve, our equity capital got reduced to Rs. 774.78 lakhs as on March 31, 2004.

Prior to the Part IX conversion, the partner's capital & profits for the years have been classified under share capital & no bifurcation of reserves & surplus have been made as above. In FY 2003, the adjustment on account of restatement of financials have resulted in negative reserves & surplus, which has been adjusted against share capital. In FY 2004, the accounts reflect that of the partnership firm till February 29, 2004 (till the conversion into a company) and that of the was a

cCompany for one the month of March 2004. The reduction in the share capital is on account of write back of Rs 10,729,418 of the difference in depreciation accounted and depreciation as per schedule XIV of the Companies Act of Rs 10,729,418. There is also an adjustment on account of provision for taxation and accumulated deferred taxation of Rs 33,251,606. Part of the partner's capital has been converted into unsecured loans when we converted to a company.

The reserves & surplus in FY 2004 represents one month's of profit of our company..

As on September 30, 2004, the equity share capital has increased by Rs 356.30 lakhs on account of the equity shares issued pursuant to the merger of with Gokaldas Exports Pvt Ltd and The Unique Creations Bangalore Pvt Ltd with us. to the tune of Rs 356.30 lakhs. These shares were allotted at a premium of Rs 27.36. The reserves & surplus also increased due to the impact of the merger.

BORROWINGS

Particulars	For the year					For the period ended September 30, 2004
	2000	2001	2002	2003	2004	
Secured Loans	-	135.31	534.02	2,915.27	8,572.23	6,686.24
Unsecured loans	-	-	-	-	3,834.51	6,257.39
Total	-	135.31	534.02	2,915.27	12,406.73	12,943.63

Please refer to page 183 and page 184 for further details of our unsecured loan and secured loan respectively.

The unsecured loans of Rs 3,834.51 lacs as on March 31, 2004 reflects the unsecured loans that arose from the conversion of partner's capital to unsecured loans when we converted from a partnership firm to a company. This loan has been retained in us on an interest free basis.

Our partners have extended additional interest free unsecured loans to us during the first quarter of FY 2005 to help us meet our funding requirements.

The secured loans reflect our bank borrowings to fund our working capital and capital expenditure requirements.

FIXED ASSET

Gross block of our Fixed Asset has increased from Rs 5,894.48 lakhs as on March 31, 2004 to Rs. 10,813.88 lakhs as on September 30, 2004. Net block (after adjustment for revaluation reserves) of the same has also increased from Rs 4,866.85 lakhs as on March 31, 2004 to Rs. 7,567.98 lakhs for the same period. This increase is on account of additions to the fixed assets to the tune of Rs 1,174.12 lakhs & the rest is on account of the merger.

SUNDRY DEBTORS

The following table presents the details of our debtors:

(Rs In Lakhs)

Particulars	For the year					For the period ended September 30, 2004
	2000	2001	2002	2003	2004	
Total Income	3.94	769.27	37,012.30	37,517.49	46,573.20	38,284.29
Outstanding debtors at the end of the period	-	235.62	3,252.55	942.97	2,220.51	4,681.03
Outstanding debtors as a percentage of Total Income	-	30.63%	8.79%	2.51%	4.77%	12.23%
Debtors less than 180 days	NIL	235.62	3,252.55	942.97	2,220.51	4,681.03
Debtors more than 180 days	NIL	NIL	NIL	NIL	NIL	NIL
Debtors less than 180 days as a percentage of total debtors	100%	100%	100%	100%	100%	100%
Debtors more than 180 days as a percentage of total debtors	NA	NA	NA	NA	NA	NA
Provision for Doubtful Debts as at end of the year	NIL	NIL	NIL	NIL	NIL	NIL
Provision for bad/doubtful debts during the year as % to Total Income	NA	NA	NA	NA	NA	NA
No. of days outstanding Debtors (Days) on an average	-	112	32	9	17	45

Debtors, as shown above, are net of bill discounting. Most of the bills in our company are discounted immediately & the above represents bills sent for collection & bills yet to be discounted. In FY 2003 & FY 2004, we got the advantage of getting faster realizations due increase in volumes with our top 10 customers. These customers gave us better realizations. For the period ended September 30, 2004, due to the merger with Gokaldas Exports Pvt Ltd and The unique creations Bangalore Pvt Ltd, the realizations in number of days increased as both the merged companies had different payment terms with the buyers. Over 90% of our sales is against LCs.

CURRENT LIABILITIES & PROVISIONS

Current liabilities & provisions includes creditors, employee outstandings, provision for income tax, provision for statutory liabilities, advances from customers, bank book overdraft etc. For the period ended September 30, 2004 current liabilities & provisions have decreased from Rs 7,999.59 lakhs as on March 31, 2004 to Rs. 6,968.00 lakhs.

LIQUIDITY

Our primary liquidity needs have been historically to finance our working capital requirement and capital expenditure. We have relied on cash flows from operations to meet our working capital needs.

For our cash flows for Fiscal 2004 and six months period ended September 30, 2004 refer page 162 of this Draft Red Herring Prospectus.

CURRENT LIABILITIES & PROVISIONS

Current liabilities & provisions includes creditors, employee outstandings, provision for income tax, provision for statutory liabilities, advances from customers, bank book overdraft etc. For the period ended September 30, 2004 current liabilities & provisions have decreased from Rs 7,999.59 lakhs as on March 31, 2004 to Rs. 6,968.00 lakhs.

RELATED PARTY TRANSACTION

Please refer to page 176 of this Draft Red Herring Prospectus for further details on 'Related Party Transaction'.

CONTINGENT LIABILITY

Our contingent liability as on September 30, 2004 vis-à-vis that as on March 31, 2004 is given below

(Rs In Lakhs)			
Sr.	Particulars	As on September 30, 2004	As on March 31, 2004
1	Letter of Credit	3,266.76	4,181.30
2	Bank Guarantees	468.45	256.50
3	Bill Discounted	12,571.47	4,348.08

Break-up of the Bank Guarantees/Corporate Guarantees/Outstanding Letter of credit for which the company has given counter guarantees is as under:

Rs. In Lakhs				
Sr no	Bank guarantee Details /no	Provided on behalf of	In favour of	Amount
1	04EPG026	The Unique Creations (B) Pvt. Ltd.,	AEPC, Bangalore	3,500,000.00
2	04EPG086	Gokaldas India Pvt.	AEPC, Bangalore	23,500.00

	04EPG087	Ltd.,		90,500.00
	04EPG089			4,800.00
	04EPG074			15,100.00
	04EPG072			5,200.00
	04EPG073			90,000.00
	04EPG056			300,000.00
	04EPG057			369,500.00
	04EPG058			70,500.00
	04EPG059			3,489,000.00
	04EPG064			48,000.00
	04EPG065			120,000.00
	04EPG068			876,000.00
	04EPG069			46,800.00
	04EPG004			22,300,000.00
	040PG038			332,744.00
	04EPG055			571,000.00
	04EPG071			7,580.00
	04EPG080			33,120.00
	04EPG088			29,800.00
	04EPG093			8,700.00
	04EPG091			165,200.00
	04EPG092			10,000.00
	04EPG090			14,700.00
3	04EPG098	Gokaldas Exports	AEPC, Bangalore	2,410,000.00
	04EPG079	Pvt. Ltd.,		11,200.00
	00EPG0079			130,000.00
	04EPG067			232,000.00
	02EPG45			2,055,192.00
	04EPG007			8,500,000.00
	97PG0300			300,000.00
	04EPG060			580,000.00
	04EPG075			26,400.00
	04EPG076			42,000.00
	04EPG078			36,880.00

OUR RESULTS OF OPERATION

The table below sets forth various line items from our restated financial statements for fiscal 2001, 2002, 2003 and 2004, as a percentage of Total Income.

Particulars	As on 31st March,			(Rs In Lakhs)
	2002	2003	2004	As on September 30, 2004
Total Income	37,012.30	37,517.49	46,573.20	38,284.29
Garments Purchased	151.32	33.72	246.53	0.46

Garments Purchased as a percentage of total income	0.41%	0.09%	0.53%	0.00%
Raw Materials Consumed	23,739.04	22,831.79	28,236.99	24,250.67
Raw Material Expenses as a percentage of total income	64.14%	60.86%	60.63%	63.34%
Staff Costs	444.66	962.05	1,335.06	1,668.29
Staff Costs as a percentage of total income	1.20%	2.56%	2.87%	4.36%
Other Manufacturing Expenses	6,660.84	8,061.46	9,961.71	6,742.48
Other Manufacturing Expenses as a percentage of total income	18.00%	21.49%	21.39%	17.61%
Administrative Expenses	456.13	542.28	767.78	907.50
Administrative Expenses as a percentage of total income	1.23%	1.45%	1.65%	2.37%
Selling & Distribution Expenses	994.19	1,153.22	1,335.91	865.31
Selling & Distribution Expenses as a percentage of total income	2.69%	3.07%	2.87%	2.26%
Interest Expense, net	545.07	394.27	654.22	489.17
Interest Expense, net as a percentage of total income	1.47%	1.05%	1.40%	1.28%
Preliminary Expenses	-	-	0.66	6.25
Preliminary expenses as a percentage of total income	-	-	0.00%	0.02%
Depreciation	278.62	322.45	529.30	519.43
Depreciation as a percentage of total income	0.75%	0.86%	1.14%	1.36%
Profit/(Loss) before Tax & Prior Period Item	3,742.43	3,216.25	3,505.03	2,834.74
Profit/(Loss) before Tax & Prior Period Item as a percentage of total income	10.11%	8.57%	7.53%	7.40%
Net Profit/ (Loss)	3,742.43	3,216.25	3,497.49	2,470.10
Net Profit/ (Loss) as a percentage of total income	10.11%	8.57%	7.51%	6.45%
Adjustments on account of				
Provision for taxation	17.94	125.40	31.07	-
Difference between depreciation accounted and depreciation as per schedule XIV of the Companies Act	144.67	(22.54)	(18.90)	(8.88)
Provision for deferred tax	-	160.75	140.69	(301.44)
Adjusted Profits	3,869.16	2,907.56	3,306.83	2,762.67

COMPARISON OF FISCAL 2003 WITH FISCAL 2002

SOME OF THE KEY DEVELOPMENTS THAT OCCURRED DURING FISCAL 2003 INCLUDE THE FOLLOWINGS

Fiscal 2002 was an extra ordinary year for us and we witnessed a significantly higher growth in revenues and margins as compared to our normal years. We witnessed a reduction in margins in

Fiscal 2003 in line with our normal performance, which is reflected in a higher growth in expenses even as revenues increased marginally.

Total Income

Our total income increased marginally by 1.36 % from Rs 37,012.30 lakhs in Fiscal 2002 to Rs. 37,517.49 lakhs in Fiscal 2003. During this period, revenues from manufacturing operations increased by 2.72% from Rs 36,054.73 lakhs to Rs. 37,036.32 lakhs. Other income increased by 50.48%% from Rs 171.64 lakhs to Rs. 258.28 lakhs. Two new factories were commissioned in the year, which started operations towards the end of the financial year, hence these facilities did not contribute to the fiscal year 2003.

Garments Purchased

These consist of finished garments purchased from the domestic markets for exports. Procurement of these garments depends on the type of orders received. Garments purchased was lower by 77.71% as compared to previous year because there was no order these goods from our buyers as we focused more on inhouse manufacturing.

Raw Materials Consumed

Raw Materials Consumed decreased by 3.82% in comparison to previous year on account of change in the fabric mix used.

Staff Costs

Staff costs increased by 116.36% in absolute terms due to a higher level of manufacturing done inhouse, leading to an increase in the number of employees and also the revised wage rates. Inflationary increments and changes in headcount. As a percentage of total income it also increased from 1.20% to 2.56%.

Other Manufacturing Expenses

Other manufacturing expenses increased by 21.03% in comparison to previous year on account of increase in power costs due to tariff changes, increased own manufacturing and outsourcing job work charges instead of purchase of finished products, freight inwards, dyes & chemicals, machinery maintenance, boiler fuel

Administrative Expenses

Administrative Expenses increased by 18.89% in comparison to previous year on account of increase in lease rentals due to opening of additional factories, insurance, legal & professional fees and communication expenses.

Selling & Distribution Expenses

Selling & Distribution expenses increased by 16.00% in comparison to previous year on account of Increase in brokerage & commission, traveling expenses, clearing forwarding & freight charges, cost of quota purchase, advertisements and duties & taxes on domestic sales.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA decreased by 13.87% from Rs 4,566.12 lakhs in 2001-2002 to Rs. 3,932.97 lakhs in 2002-2003. . This has been constant since FY 2003 in the range of 10-10.5%.

Interest Expense

Interest Expense has declined decreased by 27.67% due to availability of cheaper packing credit in foreign currency loans.

Depreciation

Depreciation increased by 15.73% from Rs 278.62 lakhs in 2001-2002 to Rs. 322.45 lakhs in 2002-2003. During the year, we expanded capacities by inducting new machinery & constructing new buildings

Income Tax

Provision for tax is not provided for in FY 2001 & FY 2002 due to the availability of the benefits under section 10B of the Income Tax Act. These benefits are available on the profits derived from 100% EOU operations till 2009.

Profit After Tax (PAT)

PAT decreased by 14.06% from Rs. 3,742.42 lakhs in Fiscal 2002 to Rs. 3,216.25 lakhs in Fiscal 2003 mainly on account of higher depreciation.

COMPARISON OF FISCAL 2004 WITH FISCAL 2003

SOME OF THE KEY DEVELOPMENTS THAT OCCURRED DURING FISCAL 2004 INCLUDE THE FOLLOWING:

Total Income

Total Income in the Fiscal 2004 were Rs. 46,573.20 lakhs compared to Rs. 37,517.49 lakhs for Fiscal 2003, representing an increase of 24.14%. This was due to utilization of capacities added in the fag end of Fiscal 2003.

Other income in the Fiscal 2004 was Rs. 126.59 lakhs compared to Rs. 258.28 lakhs for the Fiscal 2003 due to lower order cancellation income , which has resulted in better order executions & lower no income on account of exchange differences. However, interest income on bank deposits has increased in FY 2004.

Garments Purchased

Garments purchased was higher by 631.04% as compared to previous year on account of higher demand as we looked at outsourcing to meet the demandfor those goods from our buyers.

Raw Materials Consumed

Raw Materials Consumed increased by 23.67% in comparison to previous year on account of change in the product mix.

Staff Costs

Staff costs increased by 38.77% in absolute terms due to inflationary increments and changes in headcount due to increase in the number of manufacturing facilities. As a percentage of total income it also increased from 2.56% to 2.87%.

Other Manufacturing Expenses

Other manufacturing expenses increased by 23.57% in comparison to previous year as we ran our expanded manufacturing facilities besides the impact of on account of increase in power tariff, increase in machinery maintenance & increase in job work charged paid.

Administrative Expenses

Administrative increased by 41.58% in comparison to previous year on account of Lease lease rentals, insurance, legal & professional charges and losses on account of exchange differences.

Selling & Distribution Expenses

Selling & Distribution expenses increased by 15.84% in comparison to previous year on account of increase in quota purchases, clearing forwarding & freight and foreign travel.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA increased by 19.21% from Rs 3,932.97 lakhs in 2002-2003 to Rs. 4,688.52 lakhs in 2003-2004. This was primarily due to increase in revenues as EBITDA as a % of total income remained in the range of 10-10.5%.

Interest Expense

Interest expense has increased by 65.93% due to increase in secured loans.

Depreciation

Depreciation increased by 64.15% from Rs 322.45 lakhs in 2002-2003 to Rs. 529.30 lakhs in 2003-2004. During the year, we increased capacities in terms of machinery & building, thus increasing depreciation.

Income Tax

Provision for tax is not provided for in FY 2003. In FY 2004, Provision for tax was Rs 7.53 lakhs. We have started providing for Income Tax due to presence of domestic sales in the total income.

Profit After Tax (PAT)

PAT increased by 8.74% from Rs. 3,216.24 lakhs in Fiscal 2003 to Rs. 3,497.48 lakhs in Fiscal 2004 mainly on account of increase in the total income.

COMPARISON OF FIRST SIX MONTHS ENDED SEPTEMBER 30, 2004 WITH FISCAL 2004

The merger of Gokaldas Exports Pvt Ltd and The Unique Creation Bangalore pvt Pvt Ltd was effected from April 1, 2004. Hence, all the figures for Half year ended September 30, 2004 are indicative of the effect of this merger. Hence, these are not comparable with the previous years.

MATERIAL DEVELOPMENTS AFTER LAST BALANCE SHEET DATE

Inclusion of Subsidiaries - 12 private limited companies were made 100% subsidiaries from December 1, 2004. These were earlier a part of the promoter group & have been made subsidiaries by acquiring the shares at book value for cash. The total consideration paid is Rs 3,081 lakhs.

Setting up of factories and investments made – 3 factories were set up after September 30, 2004. These include Wear Craft Apparels (Unit III), J.D.Clothing Company (Unit III) & New Generation Apparels (Unit II). After addition of the three factories, the total number of factories of the group is 43. For further details please refer to the “Business Overview”.

Placement of equity shares – We allotted 5 lakh equity shares have been placed in on January 31, 2005 at an issue price of Rs 330 per share aggregating Rs for a consideration of Rs 1,650 lakhs.

SECTION V: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters or Directors.

A. LITIGATIONS BY THE COMPANY

No.	Case No.	Parties	Brief description of the matter	Forum	Liability Amount (Rs.)
1.	O.S. No. 4422/1990	Gokaldas Exports Limited v. Mohan Rao, Canara Bank and Syndicate Bank <i>(Gokaldas Exports Limited was merged into the Company with effect from 01.04.2004)</i>	The defendant was working as an accountant with the Company and his duties included writing of cheques and obtaining the signatures of partners (the Company was originally a partnership firm) and dispatching the same to payees. The Company initiated these proceedings against the defendant, alleging forgery, breach of trust, misappropriation, theft, illegality and undue and wrongful loss, on account of the defendant having forged a cheque of Rs. 2,00,000. The matter is currently pending.	City Civil Court, Bangalore	2,00,000 along with interest at the rate of 1.5% per month
2.	ESI Application No. 37/1997	Gokaldas Exports v. the Regional Director, ESI Corporation, Bangalore	Certain quality incentives were introduced for the employees by the Company's management. The defendant held these incentives to be 'wages'	The Employees State Insurance Court, Bangalore	Amount due to be reimbursed is 16,82,330 along with interest at the

No.	Case No.	Parties	Brief description of the matter	Forum	Liability Amount (Rs.)
		(Gokaldas Exports was converted into a limited liability company, i.e., Gokaldas Exports Private Limited (later renamed Gokaldas Exports Limited), which was subsequently merged into the Company with effect from 01.04.2004)	under Section 2 (22) of the Employees' State Insurance Act, 1948 and held that contribution was liable to be made in respect of the same. The defendant also initiated revenue recovery proceedings against the Company. The Company therefore paid the contributions under protest and filed an application before the court, praying for a refund of the amount wrongly collected by the defendant. The matter is presently pending.		rate of 6% per annum
3.	CC No. 8021 of 1994	Gokaldas Exports v. Prakash	The Company initiated a suit for misappropriation against Prakash. The matter is currently pending.	Court of the Additional Chief Metropolitan Magistrate	69,171.63
4.	W. P. No. 25781 of 2000	Srinivas Jagirdar v. Bangalore Development Authority and Gokaldas Exports Limited	This is a writ petition filed by Srinivas Jagirdar against an order dated 11.7.2000 of the Bangalore Development Authority directing the execution and registration of a 'rectification deed' rectifying the 'absolute sale deed' (originally issued in the name of the petitioner) dated 31.08.1998 in favour of the Company. The property in question was originally mortgaged in favour of the Karnataka State Financial Corporation ("KSFC") by Shyam Industrial Complex (the original allottees of the property), and was subsequently auctioned in	High Court of Karnataka at Bangalore	N.A.

No.	Case No.	Parties	Brief description of the matter	Forum	Liability Amount (Rs.)
			favour of the Company by the KSFC due to a heavy default in the repayment of a loan obtained from KSFC by Shyam Industrial Complex. The auction in favour of the Company is now being challenged on the basis of documents which the Company maintains are fabricated. The Company has filed an impleading application making themselves a party in the writ petition. The Company has initiated criminal proceedings against Srinivas Jagirdar before the Additional Chief Metropolitan Magistrate, Bangalore. The matter is currently pending.		
6.	ITA.No.1 062/2004	Gokaldas Exports Private Limited v. Deputy Commissioner of Income Tax	This appeal arises out of the order passed by the Income Tax Commissioner (Appeals) on the reopening of the assessment for the year 1995-96. The Company contends that the Commissioner and the Assessing Officer have erred in computing the capital gains for the said assessment year since there was no transfer of assets as contemplated by Section 2 (47) of the Income Tax Act upon transformation of the Company from a partnership firm into a company. The entire demand of capital gains tax has been adjusted by the IT Department from our refunds. The matter is currently pending before ITAT.	Income Tax Appellate Tribunal, Bangalore	1,11,22,590

B. LITIGATIONS AGAINST THE COMPANY

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
1.	Misc. Application No. 387 of 2003, OS No. 6647 of 1994	Seshadri and Company v. Gokaldas Exports	The plaintiffs have claimed to be the owners of certain property leased out to the defendants pursuant to a lease agreement. The suit was filed by the plaintiffs on account of the alleged non-payment of electricity bills amounting to Rs. 85,014 to the Karnataka Electricity Board. The matter is currently pending.	City Civil Court, Bangalore	85,014, along with interest thereon at the rate of 18%, and legal costs
2.	O.S. No. 98 of 1997	Radha Dinesh v. Gokaldas Exports	The case was filed for the alleged non-settlement of bills raised in respect of certain job works of finishing fabrics entrusted to the plaintiff. The matter is currently pending.	City Civil Court, Bangalore	As on 01/10/1997, the plaintiff claimed an amount of 14,17,283.25, along with interest at the rate of 18% per annum on a principal amount of 8,22,838.35
3.	(O.S. No. 2617 of 2001)	N. Nanjamma and M. Ramachandra v. Saroja, G. S. Venkataraju and Gokaldas Exports	This case relates to a dispute regarding payment of rent between the plaintiffs, Saroja and G. S. Venkataraju. The involvement of Gokaldas Exports is only with respect to the prayer of the plaintiffs for a mandatory injunction directing Gokaldas Exports to pay rent in respect of certain leased premises directly to the plaintiffs, as opposed to the defendants. No default of any kind was attributed to Gokaldas Exports. The case is currently pending before the High Court.	City Civil Court, Bangalore. First Appeal (W.P.No.814 /2002) pending before the High Court of Karnataka at Bangalore	N.A.
4.	ITA 26 of 2003	Commissioner of Income Tax v.	This appeal by the Department arises out of an order of the Income Tax	High Court of Karnataka at Bangalore	Rs.58,69,342/-

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
		Gokaldas Exports	Appellate Tribunal holding that the losses shown by Gokaldas Exports for the assessment year 1995-96 should be ignored while computing the deduction under Section 80HHC of the Income Tax Act, 1961. The tribunal, in holding so, had allowed the entire deduction claimed by Gokaldas Exports in this regard. The matter is currently pending.		
5.	ITA No 25 of 2003	Commissioner of Income Tax v. Gokaldas Exports	This appeal for the A.Y. 1994-95 arises out of an order of the Income Tax Appellate Tribunal holding that only the net interest after deducting the payments made to the bankers of Gokaldas Exports should be considered while computing the deduction under Section 80HHC of the Income Tax Act. The tribunal, in holding so, had allowed the entire deduction claimed by Gokaldas Exports. The matter is currently pending.	High Court of Karnataka at Bangalore	Rs.20,61,828/-
6.	Appeal No 1328 B of 2003	Assistant Commissioner of Income Tax, Circle 11 (2) v. Gokaldas Exports	This appeal arises out of an order of the Commissioner of Income Tax (Appeals) holding that the losses shown by Gokaldas Exports for the assessment year 1997-98 be ignored while computing the deduction under Section 80HHC of the Income Tax Act, 1961. The Commissioner, in holding so, had followed the decision of the Income Tax Appellate Tribunal on the same question for the year 1995-96 and allowed the entire deduction	Income Tax Appellate Tribunal, Bangalore	Rs.32,50,148/-

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
			claimed by Gokaldas Exports. The matter is currently pending.		
7.	GTA 1062 of 2004	Gokaldas Exports v. Assistant Commissioner of Income Tax, Circle 11 (2) Bangalore	The Commissioner (Appeals) has passed an order against Gokaldas Exports, holding that the allocation of immovable properties to partners in a partnership firm towards the withdrawal of their capital was a gift and liable to be taxed as such. Gokaldas Exports has filed an appeal with the ITAT to oppose the above order. The ITAT has granted a stay and the matter is currently pending.	The Appellate Tribunal under Section 23 and 25 of the Gift Tax Act, Bangalore	1,63,54,852

C. LITIGATIONS AGAINST OUR DIRECTORS

There are no claims or complaints filed against the Directors of the Company.

D. LITIGATIONS AGAINST OUR PROMOTER GROUP AND SUBSIDIARIES

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
1.	O.S. No. 439 of 2003	Japan Tobacco, Inc. and Another v. Smt. D. Jhamnadas, Smt. Janaki Madanlal Hinduja, Smt. Veena Rajendra Hinduja, Smt. Nalini Dinesh Hinduja (all trading as the 'Central Wearhouse'), The Central Wearhouse, Gokaldas	This is a suit for permanent injunction against the defendants, their promoters and directors, and all others acting for and on their behalf, from using generally or in relation to their goods and services, the trademark 'CAMEL', 'CAMEL COLLECTION' or other similar marks, or adoption of the device of a camel amounting to infringement of copyright therein. Additionally, the plaintiffs prayed for a rendition of profits earned due to infringement of copyright and by passing off, and for a decree against	High Court, New Delhi	25,00,000 as damages, in addition to rendition of profits, legal costs, etc.

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
		Exports Limited (Central Warehouse has, pursuant to a business transfer agreement effective from October 1, 2004, sold its business to SNS Clothing Private Limited)	the defendants in the sum of the amount ascertained. It is the contention of the defendants that they have been using the trademark since 1992 and no trademarks have been infringed. The High Court passed an order on March 21, 2003, <i>inter alia</i> , stating that in view of the claim of the defendants that they have been using the trademark since 1992, the defendants may use the trademark CAMEL without the device of CAMEL and the logo being used by the plaintiff, so as to facilitate the defendants to sell the existing stock lying with it till the next date. The matter is currently pending.		

E. LITIGATIONS AGAINST THE PROMOTER GROUP ENTITIES

No.	Case No.	Parties	Brief description of the matter	Forum	Amount (Rs.)
1.	Appeal No 2979 B of 2004	Assistant Commissioner of Income Tax, Circle 12 (3) v. The Unique Creations (Bangalore) Private Limited (The Unique Creations (Bangalore) Private Limited has merged into the Company with effect from 01.04.2004)	This appeal arises out of the order of the Commissioner of Income Tax (Appeals) for the assessment year 2001-02 holding that interest on default and deferment to pay advance tax under Sections 234B and 234C of the Income Tax Act, 1961 were to be calculated only after giving The Unique Creations (Bangalore) Private Limited MAT credit under Section 115JAA of the Income Tax Act, 1961. The matter is currently pending and the Unique Creations (Bangalore) Private Limited has paid an amount of Rs. 24,75,798 under protest for	Income Tax Appellate Tribunal	9,61,615/-

		the demand.		
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In addition to the above, the Promoter Group Entities are also parties to various labour disputes before labour courts and the High Court of Karnataka at Bangalore, a majority of which deal with reinstatement of service and payment of back wages. The aggregate amount claimed in these disputes is Rs. 7,68,175.

Furthermore, several disputes have been initiated by the Apparel Export Promotion Council against the Company, certain of our Subsidiaries and two Promoter Group Entities in various quasi-judicial and judicial fora for non-fulfillment of prescribed minimum export obligations. As on December 14, 2004, the total financial exposure of the Company, the applicable Subsidiaries and the two Promoter Group Entities in respect of these matters was Rs. 1,32,99,473 of which an amount of Rs. 81,96,035 has already been paid under protest and the balance amount is secured by bank guarantees.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further major approvals from any Governmental authority are required to continue the aforesaid activities.

It must be distinctly understood that, in granting this license the Government of India does not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

We have received the following major Government approvals pertaining to our business:

We require various approvals and registrations for us to carry on our business in India and overseas. The approvals and registrations that we require include the following:

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 Karnataka Tax on Professions Trades, Callings and Employment Act, 1996.
7. Registration under the Karnataka Sales Tax Act, 1957
8. Registration under the Central Sales Tax Act, 1956
9. Registration under the Apparel Export Promotion Council.
10. Obtaining an Importer / Exporter Code with the Director General of Foreign Trade.
11. Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961 and
12. Registration under the local shops and establishment legislations of Karnataka.

Some of the licences provided above have expired in the ordinary course of business and applications for renewal of these approvals have been submitted.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and 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. Since we are a newly incorporated Company we have not yet declared a dividend.

STATEMENT OF TAX BENEFITS

Please refer to page 164 of this Draft Red Herring Prospectus.

SECTION VI: 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 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, RBI, 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 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 the Company held on January 7, 2005.

The Board of Directors of Gokaldas Exports Private Limited at its meeting held on December 14, 2004 have approved the Issue.

RANKING OF EQUITY SHARES

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari-passu* with the existing Equity Shares of our Company, including receipt of dividend, if any.

FACE VALUE AND ISSUE PRICE

The Equity Shares with a face value of Rs.10 each are being issued in 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 will have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;

- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page 276 of this in this Draft Red Herring Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares in this Issues shall be allotted only in dematerialized form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialized form.

Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment of the Equity Shares upon allocation will be done only in electronic form in lots of [●] equity shares, subject to a minimum allotment of [●] Equity Shares.

JURISDICTION

Exclusive jurisdiction for the purpose of this Issue is with the competent courts in Bangalore, 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 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 the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied

with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized 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 the nomination, they are requested to inform their respective depository participant.

APPLICATION BY DOMESTIC INVESTORS/NRIS/FIIS

It will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However it is to be distinctly understood that there is no reservation for domestic investors, NRIs and FIIs and all domestic investors, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation. The transfer of Equity Shares to domestic investors, NRIs and FIIS shall be subject to the conditions as may be prescribed by Government of India or RBI while granting such approvals. There are also restrictions in the laws of other jurisdictions for the offer or sale of Equity Shares to domestic investors, NRIs and FIIs. The allotment of equity shares to Non-residents shall be subject to the conditions as may be prescribed by the Government of India, the Ministry of Finance and Company Affairs (Department of Economic Affairs) and the RBI while granting such permissions.

ISSUE STRUCTURE

The present Issue, for cash at a price of Rs. [●] per equity share aggregating total consideration of Rs.[●] million is being made through a 100% book building process.

	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares ²	Atleast 18,75,000 Equity Shares	'Issue Size' less allocation to QIBs and Retail Individual Bidders upto 4,68,750 Equity Shares.	'Issue Size' less allocation to QIBs and Non-Institutional Bidders subject to not less than 7,81,250 Equity Shares.
Percentage of Issue Size available for allocation	Atleast 60% of Issue size	Upto 15% or Issue size less allocation to QIBs and Retail Portion whichever is less	Not less than 25% or Issue size less allocation to QIBs and Non Institutional Portion whichever is more
Basis of Allocation or Allotment if respective category is oversubscribed.	Discretionary	Proportionate	Proportionate
Minimum Bid	In multiples of [●] Equity Shares such that the Bid Amount exceeds Rs. 50,000	In multiple of [●] Equity Shares such that the Bid Amount exceeds Rs. 50,000	[●] Equity Shares
Maximum Bid	Not exceeding Issue size subject to applicable limits.	Not exceeding Issue Size subject to applicable limits.	In multiples of [●] Equity Shares such that the Bid Amount does not exceed Rs.50,000.
Allotment Mode	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Bidding lot	[●] Equity Shares	[●] Equity Shares	[●] Equity Shares
Who can Apply	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered	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 up to Rs. 50,000 amount

² Subject to valid bids being received at or above the Issue Price. Undersubscription, if any, in any of the categories (other than QIB portion), would be allowed to be met with spill over from any of the other categories, at the direction of the Company, in consultation with the BRLM.

	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 and pension funds with minimum corpus of Rs. 250 million		
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 Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin money	Nil	Full Bid Amount	Full Bid Amount

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% book building scheme wherein at least 60% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, upto 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Our Company, in consultation with the BRLM, Co-BRLM reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons therefor in the case of QIBs. In the 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 Equity Shares would be allotted to all successful Bidders only in dematerialized form.

Illustration of Book Building and Price Discovery Process *(Investor 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 the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	27.77%
1000	23	1500	83.33%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

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 Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form

shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	Yellow
Non-residents including NRIs or FIIs applying on a repatriation basis	Green

Who can bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs. 250 million;
- Pension funds with minimum corpus of Rs. 250 million;
- Multilateral and bilateral development financial institutions;

- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and that are authorised under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
- Scientific and/or industrial research organisations authorised to invest in equity shares.

Note: The members of the Syndicate and any associate of the members of the Syndicate (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Co-BRLM 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.

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 by 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 capital carrying voting rights.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of equity shares to a single FII should not exceed 10% of the post-Issue issued capital of the Company (i.e. 10% of 1,71,88,000 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. As of now, the aggregate FII holding in the Company cannot exceed 24% of our total issued capital. With approval of the Board of Directors and that of shareholders by way of a special resolution, the aggregate FII holding can go up to 100%; however, till date, no such resolution has been recommended to our shareholders for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered venture capital funds and foreign venture capital investors.

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor. Equity Shares allotted to venture capital fund/ foreign venture capital investor through this IPO shall be locked-in for a period of one year.

The above information is given for the benefit of the Bidders. Our Company, the BRLM and the Co-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 shares thereafter, such that the Bid Amount does not exceed Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. 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 Non-Institutional and QIB Bidders

The Bid must be for a minimum of such number of equity shares and in multiples of [●] equity shares thereafter, that the Bid Amount exceeds Rs. 50,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs.50,000. In case the Bid Amount reduces to Rs.50,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail Portion.

Information for the Bidders

1. Our Company has filed the Red Herring Prospectus with the RoC.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our corporate office or from any of the members of the Syndicate.
4. Investors who are interested in subscribing for our Company's equity shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
5. 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 that do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

1. Our Company, the BRLM and the Co-BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band in the Red Herring Prospectus filed with RoC and

- publish the same in two national newspapers (one each in English and Hindi) and a regional newspaper (Kannada). This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.
2. The Bidding Period shall be open for at least 5 days and not more than 10 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 (Kannada) and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.
 3. During the Bidding Period, the 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.
 4. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page 248 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of equity shares bid for). 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.
 5. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of equity shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph “Build up of the Book and Revision of Bids” on page 252 of this Red Herring Prospectus.
 6. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS) for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
 7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into Escrow Account” on page 250 of this Red Herring Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs.[●] to Rs.[●] per equity share, Rs.[●] being the floor of the Price Band and Rs.[●] being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. [●].

2. Our Company, in consultation with the BRLM and Co-BRLM, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper (Kannada) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. Our Company, in consultation with the BRLM and the Co-BRLM, can finalise the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of equity shares at a specific price. Retail Individual Bidders may bid at “**Cut-off**”. However, bidding at “**Cut-off**” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-Off 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 shall deposit in the Escrow Account the Bid Amount based on cap of the Price Band. In the event the Bid Amount is higher than the allocation amount payable by the Retail Individual Bidders (i.e., the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-Off could either (i) revise their bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the member of the Syndicate to whom the original bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the bidder does not either revise the bid or make additional payment and the Issue Price is higher than the Cap of the Price Band prior to revision, the number of shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

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 amount from Bidders in a certain category would be deposited in the Escrow Account of the Company. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow

Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement with the Company.

The Escrow Collection Banks, as per the terms of the Escrow Agreement and this Red Herring Prospectus, if any, shall also make payment of refund, from the Escrow Account. The Bidders shall note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), the Company, CDP, the Registrar to the Issue, the BRLM, the Co-BRLM and the Syndicate Members to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form, draw a cheque or demand draft for the maximum amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph “Payment Instructions” on page 258 of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. 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. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accessed from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. 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 adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable will be available with the members of the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where a Bidder has been allocated lesser number of equity shares than it 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.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city where a Stock Exchange Centre is located in India, and where Bids are accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, we will upload the Bids until such time as permitted by the Stock Exchanges.
3. BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a half-hourly basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at 'www.bseindia.com' or NSE's website at 'www.nseindia.com'.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor;
 - Investor Category — Individual, Corporate, NRI, FII or Mutual Funds, 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; and
 - Depository Participant Identification number and Client Identification number of the demat account of the Bidder.
5. 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 the Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. It is to be distinctly understood that the permission given by the 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 or the BRLM are cleared or approved by 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, Promoters, management or any scheme or our project.

It is also to be distinctly understood that the approval given by NSE should not in any way be deemed or construed to mean that this 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 Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and by indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. During the Bidding Period, any Bidder who has registered an interest in the equity shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.
5. Revisions can be made in both the desired number of equity shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options, that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
7. 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 Red Herring Prospectus. In the case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidder.

8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.
9. In case of a discrepancy of data between NSE and BSE and the members of the Syndicate, the decision of the BRLM and Co-BRLM based on the physical records of the Bid cum Application Form shall be final and binding to all concerned.

Price Discovery And Allocation

1. After the Bid/Issue Closing Date, the BRLM and Co-BRLM shall analyse the demand generated at various price levels and discuss pricing strategy with our Company.
2. Our Company, in consultation with the BRLM and Co-BRLM, shall finalise the “Issue Price” and the number of equity shares to be allotted and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.
3. The allocation to QIBs of 60% of the Issue Size would be discretionary. The allocation to Non Institutional Bidders and Retail Individual Bidders of upto 15% and not less than 25% of the Issue Size, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price.
4. Undersubscription, if any, in any category (other than the allocation to QIBs portion), would be allowed to be met with spill over from any of the other categories, at the sole discretion of our Company, in consultation with the BRLM and Co-BRLM.
5. Allocation to eligible Non Residents. NRIs or FIIs applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue of equity shares to them.
6. The BRLM, Co-BRLM and our Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.
7. Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason therefor.

Signing of Underwriting Agreement and RoC Filing

1. Our Company, the BRLM, the Co-BRLM and the other members of the Syndicate shall enter into an Underwriting Agreement on reaching agreement upon the Issue Price and allocation(s) to the Bidders.
2. After the Underwriting Agreement is signed among our Company, the BRLM, the Co-BRLM and the other members of the Syndicate, we will file the Red Herring Prospectus

with the RoC, which would then be termed 'Prospectus'. The Prospectus would have details of the Issue Price, size of the Issue, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

1. The BRLM, Co-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.
2. The Members of the Syndicate would send the CAN to their Bidders who have been allocated equity shares in the Issue. The despatch 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 full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
3. Bidders who have been allocated equity shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The despatch 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 allotted to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

After the funds are transferred from the Escrow Account of the Company to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalisation of the basis of allotment.

On the Designated Date, successful Bidders will receive credit for the equity shares directly in their depository account. **Equity shares will be allotted only in the dematerialised form to the allottees.** Successful Bidders will have the option to re-materialise the equity shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company will ensure the allotment of equity shares within 15 days of the Bid/Issue Closing Date and also ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of allotment.

General Instructions

Do's:

- Check if you are eligible to apply;

- Read all the instructions carefully and complete the Resident Bid cum Application Form (yellow in colour) or Non-Resident Bid cum Application Form (green in colour), as the case may be;
- Ensure that you Bid only in the Price Band;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as there will be no allotment of equity shares in physical form;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have collected a TRS for all your Bid options; and
- Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not Bid at Cut-off price (for Non Institutional and QIB bidders);
- Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of equity shares that can be held by a Bidder under applicable law.

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 Revision of Bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (yellow colour for Resident Indians and NRIs applying on non-repatriation basis and green colour for NRIs or FIIs applying on repatriation basis).

2. 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.
3. For Retail Individual Bidders, the Bids must be for a minimum of [●] equity shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 50,000.
4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of equity shares that the Bid Amount exceeds Rs. [●] and in multiples of [●] equity shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of equity shares that can be held by them under applicable laws.
5. In single name or in joint names (not more than three).
6. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in 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

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected. It is the Bidder's responsibility to ensure that the details of the Bidder's depository account are correct.

Bidders Depository Account Details

Equity shares shall be allotted only 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. Please ensure that in case of joint names, the names stated in the Bid cum Application Form are in the same order as the names stated in the Bidders' depository account.

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 and Articles of Association and/or bye laws must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made 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 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 therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms and conditions as we may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our registered cum corporate office at No. 70 Mission Road, Bangalore 560 027 or from the members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians.

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 (green 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. By NRIs -Bids for a Bid Amount of up to Rs. 50,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and bids for a Bid Amount of more than Rs. 50,000 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 Amount exceeds Rs. [●] for further details see “Issue Procedure - Maximum and Minimum Bid Size”.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, firms or partnerships, foreign nationals or their nominees.
5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In the case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or, if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation. The allotment of equity shares to Non-residents shall be subject to the conditions as may be prescribed by the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) and the RBI while granting such permission.

Payment Instructions

Our Company shall open an Escrow Account of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLM, Co-BRLM and Syndicate Member(s) shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.
2. In case the above margin amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLM.
3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - (a) In case of Resident Bidders: **“Escrow Account —GEL Public Issue”**
 - (b) In case of Non Resident Bidders: **“Escrow Account – GEL Public Issue -NR”**
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be

accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

- In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
4. Where a Bidder has been allocated a lesser number of equity shares than 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 the Company.
 5. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
 6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
 7. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

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 cum Application Form unless waived by a member of the Syndicate at its sole discretion.

The collection center 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. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids In The Case Of Individuals

Bids may be made by individuals in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched 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.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in all or any categories.

'PAN' or 'GIR' Number

Where the maximum Bid for equity shares by a Bidder is for a total value of Rs. 50,000 or more, i.e., the actual numbers of equity shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961, as amended or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

Unique Identification Number - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified, its promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Our Right to Reject Bids

Our Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, our Company has the right to reject Bids only on technical grounds.

Consequent refunds will be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of equity shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. UIN number not given for Body Corporates
7. Bids for lower number of equity shares than specified for that category of investor;
8. Bids at a price less than the floor of the Price Band and higher than the cap of the Price Band;
9. Bids at cut-off price by a QIB or a Non Institutional Bidder;
10. Bids for number of equity shares which are not multiples of [●];
11. Category not ticked;
12. Multiple Bids;
13. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
14. Bid cum Application Form does not have the stamp of a member of the Syndicate;
15. Bid cum Application Form does not have the Bidder's depository account details, including as specified below;
16. Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
17. In case no corresponding record is available with the Depository that matches three parameters; name of bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number.

18. Bids by OCBs
19. Bids by US residents or US persons other than “Qualified Institutional Buyers” as defined in Rule 144A of US Securities Act of 1933.
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations (see the details regarding the same at page [●] of this Draft Red Herring Prospectus); or
21. Bids not duly signed by the sole/joint Bidders.

Equity Shares in Dematerialised Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the equity shares in this Issue shall be allotted/transferred only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

We have applied to CDSL and NSDL vide our letters dated January 24, 2005 and January 25, 2005 respectively for tripartite agreements between the Registrar to the Issue, the Depositories and the Company.

Bids from any Bidder without the following details of his or her depository account are liable to be rejected.

1. A Bidder applying for equity shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant’s Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity shares allotted/transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form or Revision Form.
6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
7. It may be noted that equity shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where our equity shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of our equity shares would only be in dematerialized form for all investors.

9. As this Issue also comprises an Issue for Sale by the existing shareholders, investors are advised to instruct their Depository Participants to accept the equity shares that may be allocated to them pursuant to this Issue

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of equity shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Despatch of Refund Orders

Our Company shall ensure despatch of refund orders of value over Rs. 1,500/- by registered post/speed post only and adequate funds for the purpose shall be made available to the Registrars by the Company.

Undertaking by Our Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that we shall take all steps to ensure that the dispatch of refund orders and demat credit is completed and the allotment and listing documents submitted to stock exchanges within 2 working days of finalization of basis of allotment.
- that we shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the equity shares are to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further Issue of equity shares shall be made until the equity shares Issued through this Draft Red Herring Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

Utilisation of Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- details of all monies utilised out of Issue referred to above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

Our Company shall not have any recourse to the Issue proceeds until approval for the trading of equity shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the Issue as specified under the section “Objects of the Issue” the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration. We may also use the same to fund our working capital requirement on a temporary basis.

Procedure and Time Schedule for Allotment of equity shares

Our Company reserves, at our absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the equity shares within 15 days from the Bid/Issue Closing Date. Our Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of **finalisation of the basis of allotment of equity shares**. Our Company shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the equity shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company, further undertakes that:

- Allotment of equity shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- Our Company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and

- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Our Company will provide adequate funds to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

BASIS FOR ISSUE PRICE

QUALITATIVE FACTORS

We believe that the following factors have contributed to our being a vendor of choice for several of our buyers.

ABILITY TO MANAGE MULTIPLE LARGE ORDERS

Apparel manufacturing is highly labour intensive, and requires managing complex supply chains of raw materials to be sourced globally. Large orders require managing large workforce, complex sourcing, production planning, and ensuring timely delivery to the customer. With the removal of quotas, buyers are consolidating their vendor base to fewer suppliers having larger capacities and multiple product range. Over the years, we have developed the expertise to manage multiple large orders concurrently as well as have developed a diversified product range which has helped the company grow.

GLOBAL SOURCING CAPABILITIES

We have developed capabilities to source raw materials globally. Since the quantities sourced are large, we have developed an efficient supply-chain which allows us to reduce our input costs and enhance our competitiveness. This also allows us to reduce lead times, where required, by being able to source from suppliers who can meet our delivery time schedules.

DESIGN CAPABILITIES

Design is a critical element of apparel manufacturing. Our ability to identify and stay abreast of evolving fashion trends, and design apparel that meets with our buyers' requirements allows us to enhance our market share with existing buyers and develop new customers. Additionally, our ability to add value to the designs or design thoughts that the customers bring to us help us develop stronger relationships with these customers and further strengthen our competitive position vis-à-vis our competitors.

SAMPLING CAPABILITIES

A fully equipped sample room with approximately 400 machines, including certain specialized machines backed with a pattern making and a fully-automated CAD room enhances our ability to provide samples as per buyer requirement with quick turnaround times.

MANUFACTURING SCALE AND COST EFFICIENCY

We run 43 factories in and around Bangalore with 258 production lines with advanced equipment. We also run various ancillary units which manufacture some of our input material such as labels, tags, elastics, cords and woven tapes. We also have in-house facilities for value added services like poly fill quilting, embroidery, printing & specialized washes. Our scale of operations, high level of automation, in-house ancillary units as well as ability to plan production across specialised factories as required allows us to reduce costs and lead times..

In addition, we believe our business philosophy focusing on Punctuality, Quality, Reliability, Speed, Transparency and Flexibility further helps us enhance our competitive strengths:

Punctuality

Meeting customer deadlines on a consistent basis is paramount for our business. Fashion is time bound and any delay in meeting deadlines results in loss of sales or exhibiting incomplete collections on the retailer's shelves.

To ensure timely deliveries, we meticulously plan our entire range of activities well in advance, right from sourcing of fabric and components to manufacturing to shipping.

Quality

We are passionate about quality – of our products, our processes and our partnerships. Buyers are keen to work with vendors who are capable of meeting quality needs to enable them to maintain their brand equity with their customers and enhance their sales.

Reliability

We have been in this business for over three decades and have built long-term relationships with our buyers. We maintain complete confidentiality of our buyers' designs & innovations so as to avoid any conflict of interest. We also strive to meet our commitments to our buyers. In case of delays we air ship the garments to our buyers at our cost, to meet the client's deadline.

Speed

Buyers want to reduce their fashion related risks by shortening the time frame from design to market. Hence, our ability to strategically source raw materials in the shortest time possible contributes to speedy delivery of goods to our buyers. As quite a few of our ancillary services such as accessories, packing materials, cord, label, elastic making, poly fillquilting, printing, embroidery and specialized washes are vertically integrated, it helps us reduce delivery time. We also take positions on fabric that are commonly used to further reduce lead time.

Transparency

Most buyers work backwards from their retail price to work out the optimal garment price at which they can source. We work closely with our key customers to help them meet their desired purchase price. This is done through a process of identifying areas wherein costs can be reduced by re-engineering the product or sourcing. Transparency helps gain customer confidence and converts us from supplier to partner.

Flexibility

We offer flexibility both in sourcing and manufacturing. Our global sourcing capability allows us to procure raw materials from any part of the world. This way, we can ensure that we can get the best quality at competitive rates and at the specified delivery schedules. Even our facilities are equipped to manufacture varied run sizes and can be re-configured to handle different products as per changing seasonal requirements.

QUANTITATIVE FACTORS

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

1. Adjusted earning per share (EPS)

		Rupees	Weight
1	Year ended March 31, 2002	38.69	1
2	Year ended March 31, 2003	29.08	2
3	Year ended March 31, 2004	33.07	3
	Weighted Average	32.67	

A. The above ratios have been computed on the basis of the adjusted profits/losses for the respective periods/years as per the statement of Profits and Losses, as restated

B. The status of the company prior to March 2004 was that of a partnership firm. Hence EPS per share has been computed for all the periods/years prior to March 31, 2004 by considering weighted average number of equity shares outstanding as at March 31, 2004

C. Share Capital as at September 30, 2004 comprises share capital issued to the shareholders of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) private Limited pursuant to the scheme of amalgamation

D. Earnings per share is computed in accordance with Accounting Standard 20 :Earningd Per Share” issued by the Institute of Chartered Accountants of India

E. Figures for the period ended March 31, 2004 comprise one month figures only and hence are not comparable

F. Figures for the period ended September 30, 2004 comprise figures of the amalgamated entity and are not comparable

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

- Based on year ended March 31, 2004 EPS is Rs. 33.07
- P/E based on year ended March 31, 2004 is [●]
- Industry P/E ⁽¹⁾

i)	Highest	27.61
ii)	Lowest	4.09
iii)	Industry Composite	19.87

(2)

(1) Source: Capital Line (Category: Readymade Apparels)

3. Average Return on Net Worth

Sr. No.		Return in %	Weight
1	Year ended March 31, 2002	72.81	1
2	Year ended March 31, 2003	50.64	2

3	Year ended March 31, 2004	311.21	3
	Weighted Average	184.61	

- A. The above ratios have been computed on the basis of the adjusted profits/losses for the respective periods/years as per the statement of Profits and Losses, as restated
- B. The status of the company prior to March 2004 was that of a partnership firm. Hence average return on net worth per share has been computed for all the periods/years prior to March 31, 2004 by considering weighted average number of equity shares outstanding as at March 31, 2004

4. The minimum return on increased net worth required to maintain pre-Issue EPS is [●]
5. The net asset value per equity share as on March 31, 2004 is Rs 10.63
6. Net Asset Value per equity share after Issue is Rs.[●]
Issue Price per equity share: Rs.[●]
Issue Price per Share will be determined on conclusion of book building process.
7. Comparison of Accounting Ratios

		Face Value of Equity Shares (Rs.)	EPS	P/E	RONW(%)	NAV
Gokaldas Limited	Exports	10	33.07	[●]	311.21	10.63
Industry Average				19.87	15.17	
Peer Group						
Zodiac Company	Clothing	10	18.18	27.61	17.13	162.65
Arvind Mills		10	5.28	22.37	8.39	56.91
Peer Average	Group		11.73	24.99	12.76	109.78

Source: Capital Line

SECTION VII: OTHER INFORMATION

STATUTORY AND OTHER INFORMATION

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bank, Registrar to the Issue and Legal Advisors to the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Karnataka, Bangalore, 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 Red Herring Prospectus for registration with the RoC.

RSM & Co., chartered accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Girish, Murthy and Kumar, chartered accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

If we do not receive the minimum subscription of 60% of the Issue amount from Qualified Institutional Buyers within Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount we shall pay interest as per section 73 of Companies Act.

If the number of allottees in the propose issue is less than 1000 allottees, our Company shall forthwith refund the entire subscription amount received

EXPERT OPINION

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS

RSM & Co, Chartered Accountants, Mumbai has been appointed as our Statutory Auditor in the Extra-Ordinary General Meeting dated December 16, 2004.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The 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 which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 7,81,250 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 7,81,250 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] equity shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non Institutional Bidders who have bid in the Issue at a price which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,68,750 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 4,68,750 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] equity shares. For the method of proportionate basis of allotment refer below.

The aggregate allocation to Retail and Non Institutional Bidders shall not exceed 12,50,000 Equity Shares.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Issue Price.
 - At least 60% of the Issue size shall be available for allocation to QIBs who have bid in the Issue at a price which is equal to or greater than the Issue Price.

- The allocation would be decided by the Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.

The aggregate allocation to QIB Bidders shall not be less than 18,75,000 Equity Shares.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalised by us 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, Co-BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio subject to allocation being equal to or more than the minimum application size.
- d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e) If the 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.

EXPENSES OF THE ISSUE

The expenses of this Issue include, among others, underwriting and management fees, selling

commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are under :

Activity	Expense (Rs. In Lakhs)
Lead management, underwriting and selling commission	[•]
Advertising budget	[•]
Printing and stationery	[•]
Others (Registrars fee, Legal fee, Listing fee, etc.)	[•]
Total estimated Issue Expenses	[•]

All expenses with respect to the Issue would be borne by the 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 January 25, 2005 issued by our Company, a copy of which is available for inspection at our corporate office.

Fees Payable to the Co Book Running Lead Manager

The total fees payable to the Co Book Running Lead Manager will be as per the letter of appointment dated January 25, 2005 issued by our Company, a copy of which is available for inspection at our corporate 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 January 19, 2005 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, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst us, the BRLM, Co-BRLM and Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned elsewhere in the Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in this Prospectus, 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.

Previous Rights and Public Issues

We have not made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time, except as stated in the section entitled “Capital Structure” on page no. 37 of this Prospectus.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Application in Issue

Equity Shares being Issued through this Prospectus can be applied for in the dematerialized form only.

Details of Directors

Purchase of Property

There is no property which we have purchased or acquired or proposes to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus

Except as elsewhere stated in this Prospectus, we have not purchased any property in which any of our promoters and directors, have any direct or indirect interest in any payment made thereof.

Revaluation of Assets

We have not revalued any of our assets since inception.

Classes of Shares

Our authorized capital is Rs. 20,00,00,000 which is divided into 2,00,00,000 equity shares of Rs. 10 each.

Payment or Benefit to Promoters or Officers of Our Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below.

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act be such as are contained in these Articles of Association.

Capital and Shares

Increase of Capital

Article 61 (a) provides that "The Company may from time to time in general meeting increase its share capital by the issue of new shares of such amount as it thinks expedient."

Redeemable Preference Shares

Article 61 (b) provides that "Preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed."

Commission for placing shares, debentures, etc

Article 15 provides that "The Company may subject to the provisions of Section 76 and other applicable provisions (if any) of the Act at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe or his procuring or agreeing to procure subscription, whether absolutely or conditionally, for any shares or debentures of the Company but so that the amount or rate of commission does not exceed in the case of shares 5% of the price at which the shares are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful."

On what condition new shares may be issued

Article 61(b) provides that "Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the general meeting creating the same shall be directed 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 any Preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed."

How far shares to rank with existing shares

Article 63 provides that "Except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the

payment of calls and instalments, transfer and transmission, forfeiture, lien, voting and otherwise.”

Reduction of capital

Article 66 provides that “The Company may from time to time by Special Resolution reduce its share capital in any way authorised by law and in particular may pay off any paid up share capital upon the footing that it may be called up again or otherwise and may if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.”

Consolidation, division and sub-division of shares.

Article 67 provides that “The Company may in general meeting alter the conditions of its Memorandum as follows:-

- a. Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.
- b. Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of these Articles.
- c. Cancel shares which at the date of such general meeting 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.”

Buyback of shares

Article 65 provides that “Notwithstanding anything contained in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company’s own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by law.”

Issue of Shares with differential rights

Article 5 provides that “In the event it is permitted by the Law to issue shares with non-voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.”

Article 61(b) inter alia provides that the Company may issue shares which “may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company.”

Modification of rights

Article 69 provides that “If at any time the share capital by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions contained in these Articles as to general meetings (including the provisions relating to quorum at such meetings) shall *mutatis mutandis* apply to every such meeting. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly prohibited by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.”

Board of Directors to make calls

Article 20 provides that “The Board of Directors may from time to time, but subject to the conditions hereinafter mentioned, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the Company or where payable to a person other than the Company to the person and at the time or times appointed by the Directors. A call may be made payable by instalments.”

Article 70(b) provides that “The joint-holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.”

Calls to carry interest

Article 26 provides that “If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made or the instalment shall be due shall pay interest on the same at such rate of interest as may be determined by the Directors from time to time from the day appointed for the payment thereof to the time of actual payment but the Directors may waive payment of such interest wholly or in part.”

Interest payable on calls in advance

Article 29 provides that “The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys due upon the shares held by him beyond the sums actually called for; and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made upon the Company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon and the Company may at any time repay the amount so advanced upon giving to such member three months’ notice in writing.”

Calls to date from resolution

Article 23 provides that “A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors.”

Forfeiture of shares

Article 30 provides that “If any member fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same the Directors may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.”

Article 31 provides that “The notice shall name a day (not being less than 15 days from the date of the notice) on or before which such call instalment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid and if payable to any person other than the Company the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the

Company) to the person appointed the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.”

Article 34 provides that “Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof, or to any other person, upon such terms and in such manner as the Directors shall think fit.”

Further, Article 35 provides that “The Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of annul the forfeiture thereof upon such conditions as they think fit.”

Liability to pay money owing at the time of forfeiture

Article 36 provides that “Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, instalments, interest expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate of interest as may be determined by the Directors from time to time and the Directors may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation to do so.”

Company’s lien on shares

Article 37 provides that “The Company shall have no lien on its fully paid shares. In the case of partly paid-up shares the Company shall have a first and paramount lien only for all moneys called or payable at a fixed time in respect of such shares. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company’s lien, if any, on such shares. The Directors may at any time declare any shares to be wholly or in part exempt from the provisions of this Article.”

Sale of shares on which Company has lien

Article 38 provides that “For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the certificates in respect of the shares sold shall stand cancelled and become *null and void* and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned.”

Application of proceeds of sale

Article 39 provides that “The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of the debts, liabilities or engagements of such member and the residue (if any) paid to such member or the person (if any) entitled by transmission to the shares so sold.”

Promoter Rights

Article 128A provides that “So long as each of the promoters of a company whether individually or together with his family, holds atleast 15% of the paid up equity share capital of the company (including the shareholding of the investment company promoted by him), each of the promoters shall be entitled to nominate one director on the Board of Directors of the company and such nominee shall hold office at the pleasure of the concerned promoter who has nominated him/her, and subject to the provisions of Section 255 of the Act, such nominee shall not be liable to retire by rotation. After the lifetime of the promoter, the aforesaid right shall be exercised by the son of the concerned promoter, and after the lifetime of the son by any other member of the family of the concerned promoter.

In these Articles the terms:

“Promoter” shall mean individually Mr.Madanlal J. Hinduja, Mr. Rajendra J Hinduja and Mr. Dinesh J.Hinduja.

“Family” in relation to a promoter shall mean and include his spouse, son, son’s wife and son’s children.

Article 128B provides that “Notwithstanding anything to the contrary contained in these Articles of Association:

- (i) The presence of at least two directors nominated in accordance with Article 125A above shall be required to constitute a valid quorum for all meetings of the Board of Directors.
- (ii) No resolution of the Board of Directors by circulation shall be deemed to have been passed unless it has received the positive assent of at least two directors nominated in accordance with Article 125A above.

The positive assent of at least two directors nominated in terms of Article 125A shall be required for any resolution to be validly passed at a meeting of the Board of Directors in respect of the following matters:

- (i) The Capital expenditure or any agreement to become obligated to pay in excess of Rs 1 Crore in any one transaction or any series of related transactions.
- (ii) The acquisition in one transaction or a series of related transactions, stock or other assets of a third party valued in excess of Rs 1 Crore.
- (iii) The issuance of additional securities whether shares, debentures, bonds, stocks or otherwise;
- (iv) The declaration and payment of any dividend on the equity shares or any other security of the company, other than as stated in the security as issued.
- (v) Initiation of a law suit involving a claim of more than Rs.50 lakhs ;
- (vi) Employing auditors, solicitors, financial, management or other consultants or advisors whose annual fees exceeds Rs 10 lakhs;
- (vii) Amendment to the Memorandum or Articles of Association;

- (viii) Any proposal of amalgamation, restructuring, demerger, reduction or re-organization of capital;
- (ix) Proposal to take up any new business activity;
- (x) Establishment of any subsidiary;
- (xi) Entering into joint ventures with any other company person or organization;
- (xii) Disposal of any capital asset of value exceeding Rs. 10 lakhs;
- (xiii) Extending guarantee or security in respect of third party borrowings;
- (xiv) Appointment of any Wholetime Director or employees with any other designation discharging similar duties and functions.

Transfer and Transmission of Shares

Form of transfer

Article 43 provides that “Subject to the provisions of Section 108 of the Act or any other applicable provisions, the shares in the Company shall be transferred by an instrument in writing in such form and by such procedure as may from time to time be prescribed by law. Subject thereto the Directors may prescribe a common form for instruments of transfer, which may from time to time be altered by the Directors. The Directors may from time to time alter or vary the form of such transfer.”

Transfer not to be registered except on production of instrument of transfer

Article 46 provides that “The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupations, if any, of the transferee, has been delivered to the Company along with the certificate relating to the shares, or if no such share certificate is in existence, along with the letter of allotment of the shares; Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.”

Directors may refuse to register transfer

Article 47 provides that “Subject to the provisions of Section 111 of the Act, or any statutory modification thereof for the time being in force, the Directors may, at their absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares and shall not be bound to give any reason for such refusal and in particular may so decline in respect of shares upon which the Company has a lien or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of a transfer shall be conclusive evidence of the approval by the Directors of the transferee.”

Article 56 provides that “A fee not exceeding Rupees two and fifty Paise per share may be charged in respect of the transfer or transmission to the same party of any number of shares of any class or denomination subject to such maximum on any one transfer or transmission as may from time to time be fixed by the Directors. Such maximum may be a single fee payable on any one transfer or on transmission of any number of shares of one class or denomination or may be on a graduated scale varying with the number of shares of any one class comprised in one transfer or transmission or may be fixed in any other manner as the Directors may in their discretion determine.”

Register of transfers

Article 42 provides that “The Company shall keep a book to be called the “Register of Transfers” and therein shall be fairly distinctly entered the particulars of every transfer or transmission of any share.”

Title to share of deceased holder

Article 52 provides that “The executors or administrators or a holder of a Succession Certificate in respect of the estate of a deceased member not being one of two or more joint holders shall be the only person whom the Company will be bound to recognise as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration as the case may be, from a duly Constituted Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with production of Probate or Letters of Administration or Succession Certificate and under the next Article 53, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.”

Article 53 provides that “Subject to the provisions of the Act and these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these presents, may, with the consent of the Directors (which they 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 his title as the Directors shall require either be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares; Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his 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 such shares. This Clause is herein referred to as the Transmission Clause.”

Board may require evidence of transmission

Article 55 provides that “Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.”

Borrowing Powers

Power of borrowing

Article 72 provides that “Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles the Directors shall have the power from time to time at their discretion to borrow any sum or sums of money for the purposes of the Company provided that the total amount borrowed at any time together with the money already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) shall not without the consent of the Company in General Meeting exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose.”

Conditions on which money may be borrowed

Article 73 provides that “Subject to the provisions of the Act and these Articles the Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture-stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.”

General Meetings

Quorum

Article 90 provides that “Five members entitled to vote and present in person shall be a quorum for a general meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.”

How questions to be decided at meetings

Article 99 provides that “A poll demanded on any question (other than the election of the Chairman or on a question of adjournment which shall be taken forthwith) shall be taken at such place and at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct, subject to provisions of the Act the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.”

Article 108 (1) provides that “Subject to the provisions of the Act and these Articles upon show of hands every member entitled to vote and present in person (including a body corporate present by a representative duly authorised in accordance with the provisions of Section 187 of the Act and the Article 111 or by attorney or in the case of a body corporate by proxy shall have one vote.”

Article 108(2) provides that “Subject to the provisions of the Act and these Articles upon a poll every member entitled to vote and present in person (including a body corporate present as aforesaid) or by attorney or by proxy shall be entitled to vote and in respect of every Share (whether fully paid or partly paid) his voting right shall be in the same proportion as the capital paid up on such Share bears to the total paid-up capital of the Company.”

Business may proceed notwithstanding demand of poll

Article 101 provides that “The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.”

Objection to vote

Article 118 provides that “Subject to the provisions of the Act and these Articles, no objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be

tendered and every vote whether given personally or by proxy or by any means hereby authorised and not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.”

Chairman to judge validity

Article 119 provides that “Subject to the provisions of the Act and these Articles, the Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting, and subject as aforesaid the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.”

Votes of Members

Vote of Members

Article 106 provides that “Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representative duly authorised under Section 187 of the Act.”

Motion how decided in case of equality of votes

Article 102 provides that “In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.”

Votes of Joint holders

Article 70 (f) provides that “Any one of two or more joint-holders may vote at any meeting either personally or by attorney duly authorised under a power of attorney or by proxy in respect of such share as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting; Provided always that a joint-holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by an attorney duly authorised under power of attorney or by proxy although the name of such joint-holder present by an attorney or proxy stands first or higher in the register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member’s) sole name any share stands shall for the purposes of this sub-clause be deemed joint-holders.”

No member entitled to vote, etc. while call due to the Company

Article 111 provides that “Subject to the provisions of the Act no member shall be entitled to be present or to vote at any General Meeting either personally or by proxy or attorney or as a proxy or attorney for any other member or be reckoned in quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares of such member.”

Instrument appointing proxy to be in writing

Article 114 provides that “Every proxy shall be appointed by an instrument in writing signed by the appointor or his attorney duly authorised in writing, or, if the appointor is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.”

Instrument appointing proxy to be deposited in office

Article 115 (1) provides that “The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be

deposited at the office of the Company not less than forty-eight hours before the time of 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 except in the case of adjournment of any meeting first held previously to the expiration of such time. An attorney shall not be entitled to vote unless the power of attorney or other instrument appointing him or notarially certified copy thereof has either been registered in the records of the Company at any time not less than forty-eight hours before the time for holding the meeting at which the attorney proposes to vote or is deposited at the office of the Company not less than forty-eight hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of attorney or other instrument appointing him or notarially certified copy thereof or other authority has been registered in the records of the Company, the Company may by notice in writing addressed to the member or the attorney given at least fourteen days before the meeting require him to produce the original power of attorney or authority and unless the same is thereon deposited with the Company not less than forty-eight hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the Directors in the absolute discretion excuse such non-production and deposit.”

When vote by proxy valid though authority revoked

Article 117 provides that “A vote given in accordance with the terms of an instrument of proxy or a power of attorney shall be valid notwithstanding the previous death of the principal or revocation of the proxy or the power of attorney as the case may be or of the power of attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death revocation or transfer shall have been received at the office of the Company before the meeting.”

Appointment of Chairman

Article 153 (1) provides that “The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office.”

Article 153 (2) provides that “The Directors may appoint a Deputy Chairman or a Vice Chairman of the Board of Directors to preside at meetings of the Directors at which the Chairman shall not be present.”

Dividend

Declaration of Dividend

Article 176 provides that “The profits of the Company subject to any special rights relating thereto created or authorised to be created by the Memorandum or 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 on the shares held by them respectively.

Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which a dividend is declared shall, unless the Directors otherwise determine, only entitle and shall be deemed always to have only entitled, the holder of such share to an apportioned amount of such dividend as from the date of payment.”

Interim Dividend

Article 181 provides that “Subject to the provisions of the Act, the Directors 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 at interest not to earn dividends

Article 177 provides that “Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.”

Article 178 provides that “All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.”

Dividends not to carry interest

Article 180 provides that “No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Sections 205, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declarations of the Directors as to the amount of the net profits of the Company shall be conclusive.”

Debts may be deducted

Article 183 provides that “Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares otherwise howsoever either alone or jointly with any other person or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.”

Dividends, how remitted.

Article 185 provides that “Unless otherwise directed any dividend may be paid by cheque or warrant sent through 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 the register in respect of the joint-holding. Every such cheque 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 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 fraudulent or improper recovery thereof by any other means.”

Capitalisation

Power to capitalise

Article 188 (1) provides that “Any general meeting may, upon the recommendation of the Board, resolve that any amounts standing to the credit of the share premium account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and, where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other Fund of the Company or in the hands of the Company and available for dividend be capitalised :-

- a. by the issue and distribution as fully paid up, of shares and if and to the extent permitted by the Act, of debentures, debenture stock, bonds or other obligations of the Company, or
- b. by crediting shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

- c. Provided that any amounts standing to the credit of the share premium account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as herein provided) as fully paid bonus shares.”

Article 188 (2) provides that “Such issue and distribution under (1)(a) above and such payment to credit to unpaid share capital under (1)(b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under (1)(a) or payment under (1)(b) above shall be made on the footing that such members become entitled thereto as capital.”

Article 188 (3) provides that “The Directors shall give effect to any such resolution and apply such portion of the profits, General Reserve, Reserve or Reserve Fund or any other Fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture-stocks, bonds or other obligations of the Company so distributed under (1)(a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under (1)(b) above provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.”

Article 188 (4) provides that “For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement, for the acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as they may think fit.”

Article 189 (5) provides that “When deemed requisite a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.”

Capitalisation in respect of partly paid up shares.

Article 189 provides that “Subject to the provisions of the Act and these Articles in cases where some of the shares of the Company are fully paid and others are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied *pro rata* in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.”

Winding Up

Article 194 provides that “If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by

the members in proportion to the capital paid-up, or which ought to have been paid-up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.”

Article 195 (1) provides that “If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories, or any of them, as the liquidators, with the like sanction shall think fit.”

Article 195 (2) provides that “If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.”

Article 195 (3) provides that “In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the liquidators shall if practicable act accordingly.”

Rights of shareholders in case of sale

Article 196 provides that “A special resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said section.”

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

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 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 Red Herring Prospectus, delivered to the Registrar of Companies, [•] at [•] for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at 70, Mission Road, Bangalore 560 027 from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

MATERIAL CONTRACTS

1. Letter of appointment dated January 25, 2005 to Enam Financial Consultants Private Limited and IL&FS Investsmart Limited from the Company appointing them as BRLM and Co-BRLM respectively.
2. Letter dated January 19, 2005 to Karvy Computershare Private Limited from Company appointing them as Registrars to the Issue.
3. Memorandum of Understanding amongst our Company and the BRLM.
4. Memorandum of Understanding/ Agreements executed by our Company with Bankers to the Issue, Registrar to the Issue, etc.
5. Escrow Agreement dated [•] between [•],[•] and [•].
6. Syndicate Agreement dated [•] between [•], [•] and [•].
7. Underwriting Agreement dated [•] between [•], [•] and [•].

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 auditors, formation and revision of Audit, Remuneration and other committees.
3. Resolution of the Board of Directors
4. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, domestic legal counsel to the Manager/Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
5. Initial listing applications dated [•] and [•] filed with NSE and BSE respectively.
6. In principle listing approvals from NSE dated [•] and BSE dated [•].
7. Application dated January 24, 2005 to CDSL for tripartite agreement
8. Application dated January 25, 2005 to NSDL for tripartite agreement.
9. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated [•].
10. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated [•].

11. Due diligence certificate dated February 4, 2005 to SEBI from Enam Financial Consultants Limited and IL&FS Investsmart Limited.

12. SEBI observation letter No. [•] dated [•].

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and fair.

Signed pursuant to the approval of this Draft Red Herring Prospectus by the Board of Directors of the company, in its meeting held on February 1, 2005.

SIGNED BY ALL THE DIRECTORS

Madanlal J Hinduja
Managing Director

Rajendra J Hinduja
Executive Director

Dinesh J Hinduja
Executive Director

H S Nagraj
Independent Director

Pradip P Shah
Independent Director

K.P.Kumar
Independent Director

SIGNED BY THE COMPLIANCE OFFICER
L.Nandalal