



Red Herring Prospectus

Dated May 19, 2006

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

VIGNESHWARA EXPORTS LIMITED

(Originally Incorporated in India as Vigneshwara Exports Private Limited on 1st April, 1986 in Mumbai under the Companies Act, 1956 vide Registration No. 11-039425. The Company became a deemed Public Limited Company in terms of the provisions of Section 43A (1) of the Companies Act, 1956 w.e.f. 1st July, 1995 and was converted to a public limited Company vide Certificate dated 17th February, 2005. The Registered office of the company was shifted from Suite - 4, Ameeta Building, 1st floor, 7, G.J. Bhosale Marg, Mumbai- 400 021, to 450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013 wef from 18th December 1996)

REGISTERED OFFICE & CORPORATE OFFICE: 450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013. India Tel. No: 91-022-2492 6500 Fax. No. 91-022-24939704, www.vigneshwara.com , E-mail: ipo@vigneshwara.com.

Contact Person: Mr. A.Thanthoni Rao, Company Secretary & Compliance Officer.

PUBLIC ISSUE OF 47,60,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] LAKHS BY VIGNESHWARA EXPORTS LIMITED (VEL OR "ISSUER" OR THE COMPANY) INCLUDING A RESERVATION FOR ELIGIBLE EMPLOYEES OF 360,000 EQUITY SHARES OF RS. 10 EACH, AT THE ISSUE PRICE. THE NET ISSUE TO THE PUBLIC IS OF 44,00,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND THE ISSUE WOULD CONSTITUTE 46.21% OF THE TOTAL POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY.

PRICE BAND: RS. 121/- TO RS. 140/- PER EQUITY SHARE OF RS. 10/- EACH

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH. THE ISSUE PRICE IS 12.1 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 14 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to The Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE) where the Equity Shares of the Company are proposed to be listed and whose online IPO systems will be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein upto 50% of the net issue to the public shall be offered on a proportionate basis to Qualified Institutional Buyers. 5% of the portion available for allocation to QIBs shall be allocated proportionately to Mutual Funds. Further, not less than 15% of the net issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net Issue to the public 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 360,000 Equity shares would be allotted on a proportionate basis to eligible employees

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Vigneshwara Exports Limited, there has been no formal market for the shares of the Company. The face value of the equity shares is Rs. 10/- each. The issue price is 12.1 times the face value at the lower end of the price band and 14 times the face value at the higher end of the price band. The Price band (has been determined and justified by the Book Running Lead Manager and Vigneshwara Exports Limited as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on Page No. x to xvii of the Red Herring Prospectus.

IPO GRADING



Vigneshwara Exports Limited has not opted for IPO grading from any Credit Rating Agency.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited (BSE), (The Designated Stock Exchange) and The National Stock Exchange of India Ltd. (NSE). The in-principle approvals of the Stock Exchanges for listing Equity Shares have been received Vide their Letter No. List/Smg/sm/2006 dated April 24,2006 and NSE/LIST/21929-Z dated May 4, 2006 respectively.

BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
	Karvy Investor Services Limited. 46"Karvy House", Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 Andhra Pradesh, India Tel: 91 40 23320251/23312454 Fax: 91 40 23374714 Website: www.karvy.com E-mail : mbd@karvy.com SEBI Regn No - MB/INM/000008365		Bigshare Services Private Limited, E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri East, Mumbai 400 072. Tel: +91 - 22 - 2847 3747/3474 Fax: +91 - 22 - 2847 5207 Website: www.bigshareonline.com Email: bigshare@bom7.vsnl.net.in SEBI Regn No - INR000001385

ISSUE PROGRAMME

BID/ISSUE OPENS ON	June 07th 2006 (Wednesday)	BID/ISSUE CLOSES ON	June 13th 2006 (Tuesday)
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**SECTION I: DEFINITIONS AND ABBREVIATIONS****A. CONVENTIONAL/ GENERAL TERMS**

Act/ Companies Act/ the Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Depository	A Company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub section (1 A) of Section 12 of the Securities and Exchange Board of India Act,1992(15 of 1992)
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of equity shares at the year end
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
FCNR Account	Foreign Currency Non Resident Account
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
Financial Year / Fiscal/ FY	The twelve months ended March 31 of a particular year
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Mn / mn	Million
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued equity shares
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Ltd.
OCB/Overseas Corporate Body	A Company partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and overseas trust, in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Kala Chowkie Mumbai, Maharashtra
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended from time to time



B. ISSUE RELATED TERMS

Allotment	Issue of Equity Shares of the Company pursuant to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being issued
Bankers to the Issue	The Bankers with whom the escrow account for the issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ 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 / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for allotment of the equity shares in terms of the Red Herring Prospectus
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the 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.
BRLM	Book Running Lead Manager to the Issue, in this case Karvy Investor Services Limited.
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted
Cut-off	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies ('ROC'), following which the Board of Directors shall allot Equity Shares to successful bidders
Draft Red Herring Prospectus/DRHP	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 offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid/issue opening date. It will become a Prospectus after filing with ROC after finalisation of the Issue Price.



Eligible Employees	All or any of the following : * A permanent employee of our company who is physically present in India at the time of bidding * Director of our Company excepting those who are a part of the promoter group
Employee Reservation Portion	3,60,000 Equity Shares reserved for bidding by Permanent Employees of VEL
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) 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 which are clearing members and registered with SEBI as Banker to the issue with whom the Escrow Account for the issue 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
Fresh Issue	The Issue of 47,60,000 new Equity Shares of Rs. 10/- each at the Issue Price by the Company in terms of the Red Herring Prospectus
Issue or Public Issue or Offer	Public Issue by the Company of 47,60,000 equity shares of Rs. 10/- each for cash at a price of Rs. [●] aggregating Rs. [●] Lakhs
Issuer	Vigneshwara Exports Limited
Issue Size	47,60,000 Equity shares of the Company
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date and both these days inclusive
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
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 6,60,000 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-date	Bid/ issue closing date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid 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 closure of the Pay-in-Date as specified in the CAN

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Price Band	Being the Price band of a minimum price (Floor price) of Rs.121/- and the maximum price (Cap Price) of Rs. 140/- and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Prospectus	The Prospectus, filed with the ROC containing inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	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 specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs 25 Crores and Pension Funds with a minimum corpus of Rs. 25 Crores
QIB portion	The portion of the issue being 22,00,000 Equity Shares of Rs. Rs. 10/- each available for allocation to QIBs
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the equity shares are offered and size of the issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with the ROC at least three (3) days before the opening of the issue. It will become a Prospectus after filing with the ROC after the pricing and allocation.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 1,00,000/- in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 15,40,000 Equity Shares of Rs.10 each available for allocation to Retail Individual Bidder(s).
Registrars to the Issue	Bigshare Services Private Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Stock Exchanges	NSE and BSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.
Syndicate	The Syndicate members collectively
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 Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate members and the Company to be entered into on or after the Pricing Date

**C. COMPANY / INDUSTRY RELATED TERMS**

Term	Description
Articles/ Articles of Association	Articles of Association of Vigneshwara Exports Limited
Auditors	M/s Chaturvedi & Company, Chartered Accountants
Board/ Board of Directors/ Directors	Board of Directors of Vigneshwara Exports Limited or a committee thereof
Company /VEL/ Vigneshwara/ Vigneshwara Exports/ Issuer /Our Company/ The Company/ “We”/ “Us”/ “Our”	Vigneshwara Exports Limited
Committee	Committee of the Board of Directors of Vigneshwara Exports Limited authorized to take decisions on matters related to / incidental to this Issue
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
Home Textiles	Business comprising of Bed, Kitchen and Bathroom Furnishings,
Memorandum / Memorandum Of Association	The Memorandum of Association of the Company
Promoters	Mr. Sarwan Kumar Poddar, Mr. Krishna Murari Poddar, Mr. Mahendra Poddar and Mr. Gautam Poddar
Registered Office of the Company	450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013. India.

D. ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
Bn	Billion
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CC	Cash Credit
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Equity Share
Euro /€	Currency of European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and regulations framed there under
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Issue of Security by a person Resident outside India) Regulations 2000, registered with SEBI
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registration Number
GoI	Government of India

**Vigneshwara Exports Limited**

HUF	Hindu Undivided Family
IPO	Initial Public Offering
NA	Not Applicable
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
OEM	Original Equipment Manufacturer
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
R & D	Research and Development
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs.	Indian Rupees
SEBI (SAST) Regulations, 1997	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997
Sec.	Section
SIA	Secretariat for Industrial Assistance
US	United States of America
USD or \$ or US \$	United States Dollar



CERTAIN CONVENTIONS; USE OF MARKET DATA

In the Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lakh” or “Lac” means “one hundred thousand” and the word “Ten Lakhs” means “million” and the word “Crore” means “ten million”. In the Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout the Red Herring Prospectus, all figures have been expressed in Lakhs unless otherwise stated.

All references to “India” contained in the Red Herring Prospectus are to the Republic of India. For additional definitions used in the Red Herring Prospectus, see the section “Definitions and Abbreviations” on page ii of the Red Herring Prospectus. In the section entitled “Main Provisions of Articles of Association” on page 149 of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association. Industry data used throughout the Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in the Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.



SECTION II: RISK FACTORS

A. FORWARD-LOOKING STATEMENTS, MARKET DATA

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

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

- General economic and business conditions in India and other countries
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities
- Change in political condition in India

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

**B. RISK FACTORS**

Investors should consider carefully the following risk factors, together with the other information contained in the Red Herring Prospectus, before they decide to invest in the Company's equity shares. If any of the following risks actually occur, the Company's business, financial condition and results of the operations could suffer, the trading price of the Company's equity shares could decline and investors may lose all or part of their investment.

INTERNAL RISKS**Risk relating to our business and operations**

- A major portion of the Company's revenues are dependent on sales to a limited number of buyers in Germany. The loss of business or revenue from anyone of these buyers and/or any decline in volumes sold to them would adversely affect the profitability of the Company.***

VEL is a government recognized two star trading house. The products are targeted at large organisations based in Germany and other European markets. In FY2003, FY2004 and FY2005, Germany accounted for 84.35%, 86.46% and 85.55% respectively, of the textile revenues. The largest buyer accounted for 77.64%, 62.53% and 37.02% of the total textile revenues respectively and the top five buyers accounted for 92.62%, 91.50% and 78.09% respectively. As a result, it is possible that VEL could face pricing pressures from these buyers. The purchases by these countries/ buyers may also fluctuate from year to year depending on the requirements of the buyers and the fact that it is not exclusive suppliers to them.

The loss of business from any one of the Company's major buyers or any decline in volumes sourced by them from the Company, would adversely affect the profitability.

- Quotations received for the proposed expansion are not in line with the SBI appraisal report received by the Company and in the case of an increase in the rates it could adversely affect our performance and/or the inferences in the SBI appraisal reports.***

The costs in connection with the proposed expansion, has been appraised by State Bank of India. The other banks have given their sanction based on the report by the State Bank of India. The company has obtained quotations from the domestic and international market, for equipment and services required by it to implement the proposed expansion project, (for details, please refer to the section titled "Objects of the Issue" on page 20. In certain cases, there is a difference between the prices and quantity as per quotations received by VEL, as compared to the appraisal carried out. The company intend's to negotiate with suppliers and expect to get the equipment and services required at the bank appraised costs. In case it is not able to do so, any adverse variation could result in a time and cost overrun which would adversely affect the operations and profitability of the Company

Further, State Bank of India in its appraisal has highlighted certain risk factors details of which are as follows:

The Critical Risk Factors and their Mitigation as mentioned in the Appraisal Report of State Bank of India which has sanctioned a Term Loan for the project are as under :-

Risk Factor	Mitigation
Competition from small players and absence of entry restrictions	VEL has a steady market for its products and has established its significant brand goodwill in the market segment, in which it operates. The Company is a 100% EOU and was recently conferred with a competitive edge by the European Union, the EU decided to impose lowest anti dumping and anti subsidy duties in India on the products of the Company. While the rest of the exporters in India have been levied with a duty ranging from 10% to 12%, the Company enjoys a competitive edge with 2.7% anti dumping duty and 4.4% anti subsidy duty. The significant part of the Company's export are meant for the EU. Thus, the Company enjoys a competitive edge over other exporters for a period of five years. The directors of the company are in the textile business for more than 2 decades and with the group consolidation it is well equipped to withstand competition.
Industry Cyclicity / Low profitability	The profitability is more prone to the value of raw materials. However, with improved margins on account of increased turnover due to proposed expansion the company will be generating incremental profits every year. The estimates and projections show increasing trend and the company is generating adequate cash accruals to service the term liabilities.

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WTO Impact / Government Policy	The quota system has been abolished and garment exports have become free which may lead to more competitive environment for the industry. Presently countries such as India, China, Pakistan, Bangladesh, Sri Lanka and Indonesia etc. will enjoy an edge over other garment exporting countries due to low production cost, after abolition. The potential for growth of the industry is therefore bright. There will be favourable impact of WTO on the industry.
Process House is a polluting activity	The Effluent Treatment Plant which the company is proposing to set up for waste and effluent treatment is going to be based on a reverse osmosis process. Under this process the waste water is treated, wherein 85% to 90% of the waste water is made re-usable the balance effluent is disposed of by evaporation. Hence there is no solid or liquid discharge in any way of any harmful substance for the environment. This would make the plant a zero discharge and completely pollution free plant.
Project commissioning risk	The company has identified land for the proposed project. The company estimates about one year's time to fully commission the project which is considered adequate in view of simultaneous civil and P& M acquisition progress which is being assigned to the renowned textile consultants M/s Gherzi Eastern Limited who has successfully completed similar jobs for M/s Alok Industries Limited.
Marketing as there is a change in the product mix from Polyester to Cotton	The company hitherto has been selling entire output in European market where demand for Polyester made ups is more as compared to Cotton. U. K. / U.S.A. is the major market for cotton made ups. The company will be new to the US market. However, the company is confident of making a foothold in US market and have identified leading players in USA viz. Springs, Colts/Colby, JC Penning, Hemtex and QUC, to cater to the huge cotton market. Many buying houses based in India and abroad have approached the company for bulk orders for USA markets. Besides to cater UK market, the Company has incorporated a subsidiary in the UK in the name and style of "Vigneshwara UK Limited" to take care of marketing efforts. The company being one of the top exporters and with rich experience of directors for more than two decades are confident of capturing the European market for cotton fabric and easily selling cotton fabric products in USA / UK.

3. *If VEL defaults in repayments of debt to its lenders, some of them, by virtue of contractual provisions could enforce / seek to enforce security interests on VEL's assets, which in turn could adversely affect operations and/ or profitability of the Company.*

The current debt agreements with the Punjab and Sind Bank and State Bank of India contains certain restrictive covenants which require the company to obtain their prior consent before undertaking certain actions such as expansion/modernization/diversification of the business. The Company has obtained the written approval from all of its lenders for this offering.

If the company default's on the repayment of debt, the lenders could enforce their security interests on its assets limiting the ability to carry out operations. In addition, default under VEL's credit facilities could limit its ability to raise additional funds in the future.

For details of these loan agreements please refer to the "Auditors Report" Section on page 85 of the RHP.

4. *The proposed expansion project is partly funded by this Public Issue. Any delay in raising funds from this Public Issue may have an adverse impact on the proposed expansion, and consequently on the performance and profitability of the Company.*

Delays in raising and deploying funds are likely to have an impact on VEL's expansion plans. VEL's performance depends on the timely raising of funds. Any delay in raising funds by this Public Issue could adversely affect the cost and time involved in implementing the expansion plans, which would in turn adversely affect the operations and profitability.

5. *The promoters have no experience in running a Processing and Weaving house. Their inexperience may cause delay in establishing the Processing and Weaving house and the company may face operational problems in successfully running the unit. Apart from that the entire project is dependent on Key Managerial Personnel and may suffer if these people were to leave the company.*



6. *Some of the export orders are executed by the company without receiving Letters of Credit, which in turn exposes them to the possibility of recovery disputes and/ or bad debts. This could in turn adversely affect the operations and / or profitability*

Export orders not backed by Letters of Credit or advances constitute 75% of the Company's revenues. Many of the long term customers/ buyers do not open a Letter of Credit while placing an order with them. For these orders, the Company ships its products on a cash against documents basis. The documents evidencing title to goods are released to the buyers only on receipt of payment.. In case of any disputes or differences with regard to the release of monies by the buyers bank, the Company would have to institute appropriate recovery proceedings, and its recourse would not be as sound as it would have been in the case of any default, had such orders been backed by letters of credit.

7. *There could be an adverse effect on the profitability of the Company due to Inability to Provide the Latest Fashion Trends and to Maintain Creativity in Designs, as well as attract and retain creative manpower.*

VEL is in the business of manufacturing and exporting Home Textiles to various countries. Creativity is the key to success in this industry. Success in this business goes hand-in-hand with creation of appealing designs and color combinations to create buyer appeal. To roll out such designs, season after season, VEL's designers need to have an understanding of the latest fashion trends and also the design requirements of clients.

Inability on the part of the Company to anticipate, identify and recognize international trends could adversely affect the business. Failure to attract and retain creative manpower in this regard could also adversely affect the operations and profitability.

8. *The capacity utilization of the made ups was low 56.16% and 53.07% during the years 2003-04 and 2004-2005 respectively*
9. *The company intends to discontinue its diamond business which currently contributes about 30% of its revenues.*
10. *The company sourced 18% to 20% of its total requirements of raw materials in the past from M/s Shankarlal & Sons, a group concern. During the previous year this has been in the range of 8% to 10%.*
11. *The Company is, for the first time venturing to do business in overseas market the Overseas Officers and partners will take care of the overseas operations may lack the necessary experience and expertise which in turn could adversely affect the operations and profitability.*

The Company shall appoint overseas officers and strategic partners, to take care of the overseas operations and business of the company. The persons appointed may lack the necessary experience to handle the business which in turn could adversely affect the operations and profitability. The Company has also incorporated a limited company under the United Kingdom Companies Act 1985, namely Vigneshwara (UK) Limited. The Company is, for the first time, venturing to do business overseas and as such the lack of experience of the UK market may prevent it from achieving results as contemplated in the business plan, and may accordingly adversely affect the profitability of the Company.

12. *The Company's subsidiary M/s Vigneshwara (UK) Limited, has applied for registration of the brand name "Trademark Home" and the same is pending.*
13. *The post issue Promoter holding in the Company is likely to drop from 90.25% to 48.54% in which case, the Promoters would not be in a position to ensure that resolutions proposed by them are passed*

The Promoters and the promoter group are expected to hold 48.54% of the post-issue paid up capital of the Company. The Promoters and their group will hold relatively less equity in the Company post-issue, and as such would not be in a position to ensure that resolutions proposed by them are passed at the Board and/ or shareholder level. Accordingly, the decision of the Promoters could be hampered which could in turn affect operations of the Company.

14. *The Company's expansion plans are based on expected business opportunities and present market conditions in this industry. Any change in market conditions could adversely affect the revenue flows and profitability.*

So as to meet and capitalize on the growing demand for the products, the operations require capital expenditure for backward integration. In this regard, VEL has planned a capital expenditure of Rs. 19,612 Lakhs (Rupees Nineteen Thousand Six Hundred and Twelve Lakhs only). Please refer to the sections titled "Objects of the Issue" on page 20 and "Business" on page 47, for details of proposed capital expenditure. The figures in the capital expenditure plans are appraised by the bank. These capital expenditure plans are subject to a number of variables, including possible cost and time overruns among others. In view of these variables, there can be no assurance that VEL will be able to implement the capital expenditure plans as contemplated. Any delay or cost overrun in implementing the capital expenditure plans as contemplated could adversely affect the operations and profitability.



15. ***VEL has obtained quotations for procurement of all the equipment/machinery for the proposed expansion but have not yet placed orders for all the machinery and equipment as required for the proposed expansion. Any adverse change in these quotations would adversely affect the company's operation and/ or profitability.***

The company has initiated negotiations and has received quotations from domestic and international suppliers, for the equipment and services required by them to implement their proposed expansion. No orders have been placed in this regard. If at the time of placing such orders, there is an adverse change in the terms, conditions and/ or cost involved, the same would affect the operations and/ or profitability adversely.

For details of the proposed capital expenditure on plant and machinery, please refer to the section titled "Objects of the Issue" on page 20. Pending any use of the proceeds of this public Issue VEL intend's to invest the funds in fixed deposits with scheduled banks. VEL intends to rely on its internal systems and controls to monitor the use of such proceeds. Any increase in prices of the said equipment and services may adversely affect its estimates of project costs, which would in turn adversely affect the operations and profitability.

16. ***Textile industry is highly competitive with a large number of players, both domestic and international. These companies and any future new comers would pose a threat to, and could adversely affect, company's profitability.***

The textile industry in India and across the world is highly competitive with a large number of players. VEL expects the competition to intensify from a number of sources. It believes that the principal competitive factors, domestic and international, are price, quality and raw-material supply. There are many companies in India and abroad, across the value chain which hold a commanding position in the industry, such companies pose a threat to the Company. The textile industry across the world is highly competitive and many companies in India and abroad hold a commanding position in the industry. VEL believes that the principal competitive factors in the domestic and International markets are price, quality and raw material supply. All these factors together hold a threat to the position of the Company.

17. ***The Company is exposed to foreign currency risks. Any fluctuation in the exchange rate could impact sales, competition and profitability, as also the costing for equipment which is proposed to be imported for the proposed expansion.***

VEL is primarily an export oriented home textile manufacturer and its entire revenue is received in foreign currency. Their buyers compare the prices with that of the competitors after converting the same to EURO. Accordingly, any appreciation of the India Rupee vis-à-vis the US Dollar would weaken the competitive position, and negatively impact our revenues and profits in EURO.

The financial performance of the Company is vulnerable to fluctuations in foreign exchange rates. Recently, the Indian Rupee has experienced substantial appreciation against the US Dollar, from Rs.47.65/ US Dollar on March 31st 2003, to Rs.44.12/ US Dollar on March 31st 2004 and Rs.43.75/ US Dollar on March 31st 2005. If this trend of appreciation of the Indian Rupee continues it will impact the revenues and profitability in the short term and its competitiveness, (against home textile manufactures of China, Taiwan, Bangladesh etc.), in the long run. If the steps taken by the Company for hedging such risks are inadequate, the performance may adversely be affected.

Most of the equipment that VEL intend's to purchase for the implementation of our proposed expansion plan is expected to be imported and paid for in foreign currency. Accordingly, a fluctuation in foreign exchange rates could adversely affect the Rupee and the cost of implementing the proposed expansion plans. For details of the proposed capital expenditure on plant and machinery, please refer to the section titled "Objects of the Issue" on page 20 of the RHP.

18. ***Any unavailability of, or delay in procuring raw materials, and/ or any increase in prices thereof would adversely affect the operations and profitability of the Company.***

VEL is in the business of manufacturing home textiles, and as such are dependent on external suppliers for the raw materials for its products. Any supply constraints and/ or upward fluctuations in such raw material costs would adversely affect the operations and profitability.

19. ***VEL is dependent on its management team for success whose loss could adversely impact the company's profitability.***

VEL's success largely depends on the continued services and performance of its management and other key employees. The need for capable senior management in the industry is intense, and VEL may not be able to retain its senior management or attract and retain new senior management in the future. The loss of service of the promoters and other senior management could seriously impair the ability to continue to manage and expand the business efficiently. Further, the loss of any of the senior management or other key personnel may adversely affect the operations, finances and profitability of the company.

20. ***Failure to Comply With the EPCG Schemes' Export Obligation would adversely affect the Company's revenues, and consequently, its profitability.***



The Company enjoys the advantage of the Export Promotion Capital Goods Scheme, (“EPCG Scheme”), which allows the Company to import machinery without being subjected to the normal import duties. The EPCG Scheme does however impose an export obligation on the Company, which stands Nil as on 31st December 2005. Any failure to meet export obligations pursuant to import of machinery in future would adversely affect the profitability of the Company.

21. Delay or non-receipt of regulatory approvals may delay the proposed expansion plans which in turn could adversely affect VEL’s growth, operations and profitability.

Any delay/non-receipt of licenses and/ or approvals that may be required for the proposed additional facilities could result in a cost and time over run, and accordingly adversely affect the operations and profitability. For details of the said licenses and approvals, please see the “Government and Other Approvals” section on page 112 of the RHP.

22. All of VEL’s facilities are geographically located in one area. Any geographically concentrated adverse changes, (such as riots or changes in geographically concentrated regulations), would adversely affect the operations and profitability of the Company.

VEL is a Mumbai based company and all of the manufacturing units and offices are based in Gujarat and Maharashtra. The proposed expansion project at Vapi is also based in Gujarat. Accordingly, any local social unrest, natural disaster, infrastructure problems or insufficiency, or statutory or regulatory changes which affect western India, could adversely affect the business operations and profitability.

23. Changes In Applicable Regulations/ Statute Abroad would adversely affect the Company’s profitability.

Any adverse change of applicable laws, regulations and policies overseas where the Company markets its products would affect VEL’s profitability.

24. Litigations - judgments given by the court in matters where the Company is involved may adversely affect the operations and/ or profitability of the Company

The Company and some of its promoter group companies / entities are involved in various legal proceedings. No assurance can be given as to whether these matters will be settled in favour of or against the Company and / or these entities. Nor can any assurance be given that no further liability will arise out of these claims. For details please refer to section titled ‘Legal and Other Information’ on page no.110 of the RHP

Names of Mr. Mahendra Poddar, Mr. Sarwan K Poddar and Mr. Krishna Murari Poddar appear in Reserve Bank of India defaulters’ list. However the Company has certified that these do not refer to Mr. Mahendra Poddar, Mr. Sarwan Kumar Poddar and Mr. Krishna Murari Poddar who are directors of the Company. In furtherance of same the Company has also applied to RBI to issue a clarification to the effect that names of person which figure in the Defaulters’ list issued/ maintained by it do not reflect the personality of directors of the Company.

There are eight small scale creditors to whom the Company owes a sum exceeding Rupees one Lac, which is outstanding for more than thirty days, aggregating approximately Rs.263.41 Lakhs.

i. Proceedings against the Company:

Type of cases	No. of cases	Amount involved (Rs. in Lakhs - Approx.)
Civil	2	20.86

iii. Proceedings against group companies / entities / Promoter group of the Company:

Name of group company/entity/ promoter group	Type of cases	No. of cases	Amount involved (Rs. in Lakhs - Approx.)
Mohini Infrastructure Pvt. Ltd. (a group company)	Civil	1	NA
Vigneshwara e.biz Pvt. Ltd. (a Promoter group company)	Civil Dishonoured Cheques	1 3	28.23
Messrs Neelkamal Exports Inc. (a promoter group company)	Civil	1	NA

**Vigneshwara Exports Limited****25. The lack of Insurance cover to completely protect itself from future business losses may affect the profitability and the future functioning of the Company.**

VEL have not taken any insurance for protecting itself from future business losses and in the event of such losses occurring; the operations of the Company may be affected significantly. However, the company has insured all its assets and properties adequately.

26. The Company utilises various properties on a leasehold/license basis and any termination of these leases/licenses and/or non-renewal could adversely affect the operations of the Company

Some of the properties used by VEL for its business are leasehold or have been taken on a leave and license basis. Any termination of these leases/ licenses whether due to any breach or otherwise, or non-renewal thereof, could adversely affect the business operations.

27. Inadequate and/ or incomplete compliance with stamping and/ or registration requirements pertaining to the title deeds to some of the properties utilized by the Company make such documents inadmissible as evidence in a Court of Law, which could, if a future dispute or claim arises, affect the operations and/ or profitability of the Company

The title deeds to some of the properties may not be adequately stamped and registered. The potential consequence of this could be that the said title documents may not be admissible as evidence in a court of law, until the relevant stamp duties and penalties are paid and the relevant registration, if required, is done. Any claim or adverse order/ finding in connection with these properties could adversely affect the operations.

28. Title Lacunae for the land at Vapi could affect the operations and/ or profitability of the Company.

A conveyance and certain confirmation deeds need to be executed before the Company receives an unfettered right title and interest over and upon the ten hectares (approx.) of land at Vapi which they propose to use for its proposed expansion. For details of the "Objects of the Issue" please see page 20 of the RHP. Any claim or adverse order/ finding in connection with this property could adversely affect the operations and profitability

29. The Company has not entered into any agreements in connection with purchase orders of its customers like Kinzler GMBH and Kaufland Warenhandel GMBH & Co. KG., which merely contain details of the goods ordered. Accordingly, these purchase orders do not have any provisions for arbitration, liquidated damages or any other recourse. This could adversely affect the recovery of dues by the Company, and lead to claims for damages if the Company fails to deliver the goods as per the purchase order/s**30. M/s Neelkamal Exports Inc and M/s Shankarlal and Sons are partnership firms where promoters and their relatives are partners. Their business is similar to that of VEL and hence there are common pursuits with the main business of the company. Please refer to page 83 of the Red Herring Prospectus.****31. During the last twelve months, the Company has issued shares at a price lower than the issue price as per details given below:-**

Date of Allotment	No. of Equity Shares	Face Value Rs.	Issue Price Rs	Nature of Payment	Reasons for Allotment
4 th April, 2005	4,00,000	10	50	Cash	Further Issue
30 th April, 2005	1,00,000	10	50	Cash	Further Issue
31 st July, 2005	1,00,000	10	50	Cash	Further Issue
31 st August, 2005	2,50,000	10	60	Cash	Further Issue
30 th September, 2005	50,000	10	100	Cash	Further Issue
5 th January, 2006	5,40,000	10	100	Cash	Further Issue

32. Contingent Liability of the Company

As on, the contingent liabilities of the Company were as follows:

Sr. No.	CONTINGENT LIABILITIES	As At 31-12-2005 (Rs. In Lakhs)
1.	Letter of Credit	159.88
2.	Bank Guarantee	5.28
Total		165.16

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 129.75 Lakhs



33. *M/s Mohini Infrastructure Private Limited, a Group Company had incurred a loss of Rs.0.12 lakhs during the year ended 31st March 2003. Please refer to Page 102 of the Red Herring Prospectus.*

EXTERNAL RISK FACTORS

1. *Non Availability or Alteration of Promotional Policies Applicable To the Textile Sector could adversely affect the profitability of the Company.*

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. The non availability or alteration of such policies could adversely impact company's profitability.

2. *Political opposition to sourcing apparels from India may cause adverse regulatory and/or statutory impositions and restrictions which would in turn adversely affect the Companies profitability*

Some countries have from time to time faced growing internal political opposition to the sourcing of apparel at competitive prices from countries such as India and China. Such political opposition could translate into adverse regulatory and/ or statutory impositions and restrictions which would in turn adversely affect our business and profitability. Additionally, countries such as the USA might impose anti surge restrictions if exports from any country exceed certain acceptable limits, which restrictions would also adversely affect company's business and profitability.

3. *India is not a part of Free Trade Agreements (FTAs) and Preferential trade Agreement (PTA) , and does not enjoy its benefits unlike other major importing countries which adversely affects the Company's operations and profitability.*

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 which does adversely affect the company's/VEL's competitiveness and concurrently the operations and profitability.

4. *Instability of the Political Situation in India could adversely affect the Industry , and consequently, our profitability..*

The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date.

The Company's business, and the market price and liquidity of the Equity Shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Unstable internal and international political environment could impact the economic performance in both the short term and the long term.

5. *Risk Arising out of Volatility of Capital Markets could adversely affect the share price of the Company..*

There has been no public market for the Equity Shares of the Company till now and the prices of the equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that prices at which the Equity Shares are initially offered will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue. The share price of the Company could be volatile and may also decline.

The price of the Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and global securities market;
- The Company's results of operations and performance;
- Perceptions about VEL's future performance or the performance of Indian Home Textile companies;
- Performance of competitors in the Indian Apparel Manufacturing industry and market perception of investments in the Indian Home Textile Manufacturing sector;
- Adverse media reports on the Company or on the Indian Textile industry;
- Change in the estimates of the Company's performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations.

6. *Non compliance with Environment Laws could adversely affect the Company's operations and profitability*

In light of the proposed expansion plan, [see "Objects of the Issue" on page 20 of the RHP], the Company would be required to comply with environmental laws and regulations. Non compliance or inadequate compliance could result in litigation which could adversely affect the Company's operations and profitability.



Vigneshwara Exports Limited**Notes to Risk Factors:**

- The Book value per share is Rs. 41.56 as at 31st March 2005 and Rs. 59.60 as at 31st December 2005. .
- The net worth of the Company as per the Financial Accounts of the Company as on 31st December 2005 is Rs. 2980.05/- and the size of the Issue is Rs. [●] Lakhs
- Other than as disclosed either in related party transaction or otherwise, the promoters / directors / key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the Company or out of any business relation with any of the ventures in which they are interested. For interests of promoters and directors, and details on Related Party Transactions please refer Pages 83, 77 and 93 of the Red Herring Prospectus.
- Related party transactions are in the nature of purchases and remuneration to directors and the cumulative value of transactions involved is Rs. 865.94 Lakhs for the nine months ended 31st December 2005.
- M/s Neelkamal Exports Inc and M/s Shankarlal and Sons are the partnership firms where the Promoters and their relatives are partners. These firms are in similar lines of business as the Issuer Company.
- No loans and advances have been made to any person(s) / companies in which the Director(s) of the Company are interested except as stated in the Auditors Certificate dated April 21, 2006. For details please refer to page No. 98 of the RHP.
- The Investors are advised to refer to the Para on “Basis for Issue Price” before making any investment in this Issue.
- Investors may note that in case of over-subscription in the issue, allotment to QIB’s, non institutional, retail portion, and employees shall be on proportionate basis. For more information see “Basis of Allotment” beginning on page no. 146 of the RHP.
- The Investors may contact the Book Running Lead Managers or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.
- The average cost of acquisition of the equity shares by the promoters is Rs. 19.27/-, Rs.12.78/-, Rs.16.80/- and Rs.16.80/- for Mr. Sarwan Kumar Poddar, Mr. Krishna Murari Poddar, Mr. Mahendra Poddar and Mr. Gautam Poddar respectively.



SECTION III: INTRODUCTION

A. SUMMARY

Overview of the Indian Textile Industry

Textile is among the leading sectors in the Indian economy in terms of production, exports, employment and contribution to the exchequer. According to Confederation of Indian Industry (CII), textile industry has high growth potential given inherent strengths such as abundant raw materials, low labour cost and a thriving domestic market. Textile industry is also important from a foreign exchange and employment perspective. The sector employs 3.5 crore people and is the second highest employer in the country. It contributes to about 16.7% (US \$13.5billion) of India's total export earnings and about 4% to the country's GDP. The high capital employment ratio has immense potential to promote employment, especially in the rural areas.

Indian textile industry is multi-fibre based, using cotton, jute, wool, silk and man-made and synthetic fibre. India has a share of 14 per cent in \$31billion global cotton export trade. India accounts for 23 per cent of the world's installed capacity of spindles. Not surprisingly, cotton yarn accounts for a large portion of yarn production in the country. The country also has the largest cotton acreage of nine million hectares in the world. In fiscal 2003-04, India's cotton production totaled 2.84 million tons making it the third largest producer of cotton in the world, accounting for 13.90 per cent of the global production. Worldwide, India ranks fourth in staple fiber production and sixth in filament yarn production.

Indian textile industry comprises a diverse, fragmented group of establishments that produce and/or process textile-related products (fiber, yarn, fabric) for further processing into apparel, home furnishings, and industrial textiles. In its broadest sense, Indian textile industry comprises:

Spinning: India is the third largest producer of cotton in the world. It also has a strong production base for synthetic fibres. Indian spinning industry is dominated by cotton yarn. With an installed capacity of 40 million spindles, India accounts for about 23 per cent of the world's spindle capacity. In terms of rotors, India has 0.5 million rotors (6% of the world). This sub-segment of the industry is concentrated in Gujarat, Tamil Nadu, Maharashtra and Madhya Pradesh.

Weaving and knitting: The woven fabric production industry can be divided into three sectors: power loom, handloom and mill sector. The decentralized power loom sector accounts for 95 per cent of the total cloth production. The knitted fabric forms 18 per cent of the total fabric production. India is equipped with 1.80 million shuttle looms (45% of the world), 0.02 million shuttle less looms (3% of the world) and 3.90 million handlooms (85% of world). This segment is concentrated in Tamil Nadu and Gujarat.

Processing Industry: Processing is the weakest link in India's entire textile value chain. The processing industry is largely decentralized and marked by hand processing units and independent processing units. Composite mill sectors are very few falling into the organized category. Indian processing industry has deployed low-end technology with little investment initiative in technology upgradation. The decentralized processing industry lacks R&D and innovation.

Garment manufacturing: The apparel industry is the largest foreign exchange earner accounting for more than 8% of India's exports in 2004-05. It also accounts for 48% of India's total textile exports. This industry is structurally a labour intensive, low wage industry with some variations across its market segments. Pricing in the industry depends upon the extent of value addition in the end product, the more the value addition the higher per unit price realization. The competitive advantage of companies in this market segment is related to their ability to create designs that capture tastes and preferences, and even better - influence such tastes and preferences - in addition to cost effectiveness. This industry has also seen a significant amount of global relocation of production and outsourcing to lower-cost producers.

Business

VEL was formed in 1986 with the objective of producing home textiles for the international market. The Company started with multiple home textile products and found its niche in the bed linen and related accessories top of the bed sector. VEL was able to gain market share for its products due to their focus on quality, designs & reliability. The company's main product bed linen is made in different formats, mainly printed & woven. The top of the bed range is made with many innovative fabrics and designs. These are made in different formats like woven, printed, embroidered, special stitched etc. The company makes many ancillary home textiles for the bedroom and living room like cushions, bedspreads, quilts, sofa throws.

VEL has been exporting made-ups to the European market. The Company was first accorded the status of a **Export House** in April 1995 by the Director General of Foreign Trade under Ministry of Commerce, Government of India on the basis of Export Turnover achieved by the Company. Thereafter the Company's status was upgraded to **Trading House**



Vigneshwara Exports Limited

in January 2000 because of the growth in export turnover of the Company. As per the present EXIM Policy, the Company is a *Two Star Export House*. The Company has been catering to the export market by converting its out sourced fabric with its own cutting and sewing facilities. Now the company has decided to set up an integrated & modern weaving and processing plant to meet the growth requirement in the Home Textiles exports. This step of making the company a vertical unit shall enable the company to have its own full fledged facilities encompassing the entire chain of weaving, processing, cutting, sewing and packing used in the business.

Setting up its own vertical unit will give the company the needed back up access to a bigger world market. The Primary reason to set up this mill is the quest for higher quality and increase in capacities. The company with its past experience in the field of textiles wants to touch the unexplored segment of the world market by being a composite unit to cater to higher and medium segments of the market. The modern mill will help the company provide good print quality and shorter turnaround time. The mill will help the company achieve better costing which will enable the company to offer their products at more competitive prices.

**B. THE ISSUE**

Equity Shares offered:	
Fresh Issue by the Company	4,760,000 Equity Shares, constituting 46.21% of the post-issue paid up capital of the Company, constituting Rs. [●] lakhs
Of Which	
Reserved for Employees	360,000 Equity Shares aggregating Rs. [●] lakhs <i>(Allocation on a proportionate basis)</i>
Therefore, Net Issue to Public	4,400,000 Equity Shares aggregating Rs. [●]
Of which	
A) Qualified Institutional Buyers portion	2,200,000 Equity Shares of face value of Rs.10/- each constituting up to 50% of the Net Issue to the Public <i>(Allocation on a proportionate basis, of which 5% shall be reserved for Mutual Funds i.e. upto 110,000 Equity Shares)</i>
B) Non-Institutional Portion	6,60,000 Equity Shares of face value of Rs.10/- each constituting at least 15% of the Net Issue to the Public (Allocation on a proportionate basis)
C) Retail Individual Investors Portion	15,40,000 Equity Shares of face value of Rs.10/- each constituting at least 35% of the Net Issue to the Public (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	55,40,000 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	1,03,00,000 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please refer to the section titled “Objects of the Issue” on page 20 of the Red Herring Prospectus for a detailed discussion on the objects of the Issue

Corporate Information

REGISTERED OFFICE & CORPORATE OFFICE: 450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013. India, Tel. No: 91-022-24926500 Fax. No. 91-022-24939704

Website: www.vigneshwara.com, E-mail: vigneshwara@vsnl.com, Contact Person: Mr. A.Thanthoni Rao, Company Secretary and Compliance Officer



Vigneshwara Exports Limited

C. FINANCIAL SUMMARY

STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(Rs. In Lakhs)

	As at	31/12/05	31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
A.	Assets						
	Fixed Assets- gross block	494.01	449.89	356.52	249.55	229.98	256.37
	Less: Depreciation	280.17	240.62	191.88	156.99	133.84	128.58
	Net Block	213.84	209.27	164.64	92.56	96.14	127.79
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	213.84	209.27	164.64	92.56	96.14	127.79
	Capital Work in Progress (Vapi Project)	335.31	-	-	-	-	-
B.	Investments	-	-	-	-	-	-
C.	Current assets, loans and advances						
	Inventories	2,308.19	2,014.17	2,387.77	1,365.04	1,602.47	1,429.52
	Receivables	4,321.88	3,776.06	2,132.99	4,446.45	1,539.25	1,037.97
	Cash and bank balances	701.81	504.69	362.67	389.32	246.69	152.94
	Loans and advances	2,268.22	1,633.55	1,572.37	907.53	613.66	701.27
D.	Deferred Tax Assets	1.92	1.92	2.98	3.97	-	-
	Total assets	10,151.17	8,139.65	6,623.41	7,204.87	4,098.22	3,449.50
E.	Liabilities and provisions						
	Loan funds						
	Secured loans	2,834.31	1,725.92	1,749.28	2,420.21	1,572.35	1,174.13
	Unsecured loans	250.00	-	275.00	275.00	-	222.11
	Current liabilities and provisions						
	Sundry liability	3,700.37	4,349.63	3,485.25	3,529.82	1,683.41	1,244.95
	Provisions	386.44	159.99	28.44	9.44	-	-
		7,171.12	6,235.54	5,537.97	6,234.48	3,255.76	2,641.20
F.	Net worth	2,980.05	1,904.11	1,085.44	970.39	842.46	808.30
	Represented by:						
	Shareholders funds						
	Share capital	500.00	410.00	300.00	300.00	300.00	300.00
	Share Application Money	-	200.00	-	-	-	-
	Reserves and surplus	2,482.83	1,297.41	786.10	671.18	543.36	509.32
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	2,482.83	1,297.41	786.10	671.18	543.36	509.32
	Less: miscellaneous expenditure not written off	2.77	3.30	0.66	0.78	0.90	1.02
	Total	2,980.05	1,904.11	1,085.44	970.39	842.46	808.30



STATEMENT OF PROFIT AND LOSS FOR LAST FIVE YEARS (AS RESTATED)

(Rs. In lakhs)

Period ended on	Nine Month Ended	Year ended				
	31/12/05	31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
Income						
Sales:						
Of Products manufactured by the Company	8,383.62	8,906.84	7,584.24	6,229.23	3,101.21	3,010.61
Of products traded by the Company	3,020.78	5,790.89	2,250.06	3,462.50	1,466.53	2,643.60
Other Income		-	0.25	0.28	-	0.26
Increase (decrease) in inventory - Finished goods	152.16	(145.10)	810.67	(45.67)	51.18	168.58
Total Income	11,556.55	14,552.63	10,645.22	9,646.35	4,618.92	5,823.04
Expenditure						
Raw materials & Traded goods consumed	6,555.53	9,502.97	6,627.35	6,860.26	2,990.01	3,997.87
Staff Costs	50.86	64.29	51.54	29.85	27.58	13.30
Other Manufacturing expenses	1,972.91	2,017.69	1,885.66	1,142.98	633.53	858.40
Administrative, Selling & distribution expenses	1,768.03	2,226.24	1,735.83	1,250.96	749.02	670.42
Interest & Financial Exp.	143.73	223.80	171.22	203.84	161.52	185.85
Depreciation	39.54	49.50	38.59	25.05	22.37	21.81
Miscellaneous expenditure written off	0.52	0.26	0.12	0.12	0.12	0.12
Total expenditure	10,531.13	14,084.76	10,510.30	9,513.06	4,584.15	5,747.77
Net Profit before tax and extraordinary items	1,025.42	467.87	134.92	133.29	34.78	75.27
Provision for taxation	250.00	109.22	19.99	9.44	0.74	-
Net Profit after tax & before extraordinary items	775.42	358.65	114.93	123.85	34.04	75.27
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after extraordinary items	775.42	358.65	114.93	123.85	34.04	75.27
Earlier year adjustments	-	11.03	-	-	-	-
	775.42	369.68	114.93	123.85	34.04	75.27
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Proposed dividend	-	20.50	-	-	-	-
Tax on proposed dividend	-	2.88	-	-	-	-
Balance carried to Balance sheet	775.42	346.30	114.93	123.85	34.04	75.27



Vigneshwara Exports Limited

D. GENERAL INFORMATION

Registered & Corporate Office

Vigneshwara Exports Limited

450-451, Kewal Industrial Estate
Senapati Bapat Marg, Lower Parel,
Mumbai - 400013. India.
Tel. No. 022- 24926500 (6 lines)
Fax : 022- 24939704
Email: ipo@vigneshwara.com
Website : www.vigneshwara.com

Address of the Registrar of Companies

Department of Company law affairs

Hakoba Compound, 2nd Floor
Dattaram Lad Marg
Kalachowkie, Lalbaug
Mumbai 400 033,
Maharashtra

Board of Directors of the Company

Board of Directors of the Company comprises of the following members:

- Mr. Sarwan Kumar Poddar (Chairman)
- Mr. Krishna.Murari. Poddar (Executive Director)
- Mr. Mahendra Poddar (Executive Director)
- Mr. Gautam Poddar (Director)
- Mr. Hari Ram Gupta (Independent Director)
- Mr. Ashok Bansal (Independent Director)
- Mr. Sunil Bhargava (Independent Director)
- Mr. Nils Redvald Lie (Independent Director)

Brief Profile of the Directors

- (i) **Shri Sarwan Kumar Poddar: Chairman**, has experience in different industries in Finance, Marketing, Operations and Administration. He has over 35 years of experience in business and has worked with success in almost all areas of Business Management. As Chairman of the Company he is responsible for policy matters, project expansions, production, finance outlays and investments and overall operations of the Company.
- (ii) **Shri Krishna Murari Poddar, Executive Director** is the man behind the group's foray into diversified activities and is perceived as the man who designs the way the company can add newer avenues, services and businesses to the existing portfolio. He has experience of more than 25 years in handling Finance and Marketing matters and is seen as the main motivation behind the development and continuous growth of the diversified activities of the company. As Executive Director of the Company he is responsible for the Finance, Administration and Manufacturing operations at present.
- (iii) **Shri Mahendra Poddar, Executive Director** He is responsible for the overall Sales, Marketing and Product Design, Development & Production. He was pioneer for the introduction of export of Textile Madeup for the Company. He has a experience of 15 years and is the person who took the Company to Europe, America and created a niche for the Company's products and is continuously working towards adding more and more buyers and countries to the list of destinations of the Company's Home Textile Products.
- (iv) **Mr. Gautam Poddar, Director** has 10 years experience in Textiles Printing, Processing & Making up. He would be monitoring the processing and weaving unit of the company. He has independently handled manufacturing and exports of niche products like shower curtains, Kitchen Towels, and other home products. He is well versed with the European and American markets.



COMPANY SECRETARY and COMPLIANCE OFFICER	
Mr. A Thanthoni Rao 450-451, Kewal Industrial Estate Senapati Bapat Marg, Lower Parel, Mumbai - 400013. India. Tel. No 022- 24926500 (6 lines) Fax 022- 24939704 Email - ipo@vigneshwara.com	
LEGAL ADVISORS TO THE ISSUE	
J.Sagar Associates Advocates & Solicitors Vakils House, 18, Sprott Road Ballard Estate, Mumbai - 400 001 Tel - (022) 5656 1500 Fax No. - (022) 5656 1515 / 16 E Mail :- vigneshwaraipo@jsalaw.com Contact Person : Mr. Srinivas Parthasarathy / Mr. Nosh Modi	
BANKERS TO THE COMPANY	
State Bank of India Backbay Reclamation Branch Raheja Chambers Free Press Journal Marg Nariman Point, Mumbai - 400 021 Tel - 022-22841458 Contact Person - Mr. A.S.Mokashi Email - sbi.01593@sbi.co.in	Punjab and Sind Bank International Banking Division Dilwara, Opp. Cooperage Nariman Point, Mumbai - 400 021 Tel - 022 - 22029492 Contact Person - Mr. Bhupinder Singh Email - ibdmum@psb.co.in
BOOK RUNNING LEAD MANAGERS	
Karvy Investor Services Limited SEBI Registration No.: INM000008365 MAPIN No. UIN 100029413 46, "Karvy House", Avenue 4, Street No. 1 Banjara Hills, Hyderabad - 500 034 Contact Person: Mr. T R Prashanth Kumar Tel: 91 40 2332 0251/2331 2454 Fax: 91 40 2337 4714 e-mail: mbd@karvy.com Website: www.karvy.com	
REGISTRAR TO THE ISSUE	
Bigshare Services Private Limited, SEBI Regn No. INR000001385 UIN No. 100003467 E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri East, MUMBAI 400 072. Tel: +91 - 22 - 2847 3747/3474 Fax: +91 - 22 - 2847 5207 Website: www.bigshareonline.com Email: bigshare@bom7.vsnl.net.in Contact Person: Mr. V. Kumaresan	

**Vigneshwara Exports Limited**

BANKERS TO THE ISSUE	
Deutsche Bank AG Kodak House, 222, Dr. D.N. Road Fort, Mumbai-400001. Contact Person - Mr. Shyamal Malhotra Tel: +91 - 22 - 56584000 Fax; +91 - 22 - 22076553 Email: shyamal.malhotra@db.com Website: www.deutschebank.co.in	State Bank of India New Issues & Securities Services Division Mumbai Main Branch P. B. No.13, Fort Mumbai - 400 023 Contact Person :- Ms. Anuradha Kurma / Mr. Rajeev Kumar Tel: +91 - 22 - 22651579 / 22662133 / 22651363 Fax: +91 22 22670745 / 22695277 Email: anuradha.kurma@sbi.co.in Rajeev.kumar@sbi.co.in
ICICI Bank Limited Capital Markets Division 30, Mumbai Samachar Marg, Mumbai - 400 001. Contact Person: Mr. Sidhartha Routray Tel.: +91 22 2265 5285 Fax: +91 22 2261 1138 Email: sidhartha.routray@icicibank.com Website: www.icicibank.com	The Hongkong and Shanghai Banking Corporation Limited 52/60 Mahatma Gandhi Road Mumbai - 400 001 Contact Person : Mr. Dhiraj Bajaj Tel: +91 - 22 - 22681673 Fax :- +91 - 22 -22623890 Email: dhirajbajaj@hsbc.co.in Website:www.hsbc.co.in
BROKERS TO THE ISSUE	
All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue	
SYNDICATE MEMBERS	
Karvy Stock Broking Ltd. "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills Hyderabad - 500 034 Andhra Pradesh, India Tel.No.+91 40-2331 2545 Fax No. +91 40 2331 1968 Website: www.karvy.com	
AUDITORS	
M/s Chaturvedi & Company Chartered Accountants 81, Mittal Chambers, 228, Nariman Point, Mumbai -400 021 Tel.No.+91 22-2202 0687 Fax No. +91 22- 2287 2457 Email: chcoby@vsnl.com	



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

Since Karvy Investor Services Limited is the sole BRLM for this Issue, they will be responsible and coordination for all the following activities:

- Capital structuring with the relative components and formalities
- Due diligence of the Company's operations / management / business plans/legal documents etc.
- Drafting and Design of Issue Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI
- Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.
- Institutional Marketing Strategy - Finalisation of the list of investors for one to one meetings in consultation with the Company
- Retail /Non-Institutional Marketing Strategy - Finalize centres for holding conference for brokers etc, Finalise media, marketing and PR strategy, Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material, Finalise Collection orders.
- Managing the Book and Co-ordination with Stock Exchanges
- Pricing and allocation
- The post bidding activities including management of escrow accounts, intimation of allocation and despatch of refunds to bidders
- The post Issue activities of the Issue will involve essential follow up steps, which include finalisation of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business. BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Issuer Company.
- The selection of various agencies like Registrar to the Issue, Bankers to the Issue, Bank Collection Centres, Legal Advisor to the Issue, Underwriters to the Issue, Advertising Agencies, Public Relations Agencies etc. will be or have been finalised by the Company in consultation with Karvy Investor Services Limited

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

IPO Grading

The Company has not opted for grading of its Initial Public Offering.

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

MONITORING AGENCY

The Company has appointed Deutsche Bank, Kodak House, 222, Dr. D.N. Road, Fort, Mumbai-400001 as the monitoring agency for monitoring the use of the issue proceeds.

APPRAISING AGENCY

The project has been appraised by :

State Bank of India

Backbay Reclamation Branch

Raheja Chambers

Free Press Journal Marg

Nariman Point

Mumbai - 400 021

Tel - 022-22841458

Contact Person - Mr. A.S.Mokashi

Email - sbi.01593@sbi.co.in



Vigneshwara Exports Limited

BOOK BUILDING PROCESS IN BRIEF

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

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

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Net Issue to the public shall be allocated on a proportionate to QIBs (including 5% for the Mutual Funds). In case of under-subscription, if any, in Mutual Fund category, the shares may be made available to QIBs other than Mutual Funds. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the public 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. VEL will comply with the SEBI Guidelines for this Issue. In this regard, VEL has appointed the BRLM to procure subscriptions to the Issue.

The IPO is through the process of book building, under SEBI Guidelines so the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid / Issue Closing Date.

Please see the section entitled “Terms of the Issue” on page 123 of the Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given on page 138 of the Red Herring Prospectus and in the Bid cum Application Form.

Bid/Issue Programme

BID/ISSUE OPENS ON	JUNE 07, 2006 (WEDNESDAY)
BID/ISSUE CLOSES ON	JUNE 13, 2006 (TUESDAY)

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

UNDERWRITING AGREEMENT

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

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

Name & Address details of the Underwriter	Indicated no. of shares to be underwritten	Amount underwritten (Rs. Lakhs)
Karvy Investor Services Limited 46, “Karvy House”, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034	47,59,900	[●]
Karvy Stock Broking Limited 46, “Karvy House”, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034	100	[●]
Total	47,60,000	[●]



The above chart is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above underwriting agreement has been accepted by the Board of Directors the Company at the meeting held on [●] and the Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allotment to QIBs is proportionate as per the terms of the Red Herring Prospectus.



E. CAPITAL STRUCTURE

Capital Structure of the Company

	PARTICULARS	Nominal Value (in Rs.)	Aggregate Value (in Rs.)
A.	AUTHORISED CAPITAL 12500000 equity shares of Rs. 10/- each	12,50,00,000	
B.	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL 55,40,000 equity shares of Rs. 10/- each fully paid up	5,54,00,000	
C.	PRESENT ISSUE- PUBLIC ISSUE OF 47,60,000 equity shares of Rs. 10/- each at a premium of Rs. [•]/- per share	4,76,00,000	[*]
D.	OUT OF WHICH RESERVATION FOR PERMANENT EMPLOYEES 3,60,000 Equity Shares of Rs. 10/- each at a premium of Rs. [•]/- per share	3,60,00,000	[*]
E.	NET ISSUE TO PUBLIC 4,40,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. [•]/- per share	4,40,00,000	[*]
F.	TOTAL PAID UP SHARE CAPITAL AFTER THE PRESENT ISSUE 1,03,00,000 equity shares of Rs. 10/- each	10,30,00,000	[*]
G.	SHARE PREMIUM ACCOUNT Pre Issue Post Issue		10,61,00,000 [*]

* The figures to be finalised after the book building process

DETAILS OF INCREASE IN AUTHORIZED CAPITAL

Amount in Rupees

Date	Authorised Capital	Face Value	Particulars of Increase	Particulars
1 st April, 1986	100,000	10	-	Incorporation
October 5, 1987	1,000,000	10	900,000	Increase
November 16, 1989	2,500,000	10	1,500,000	Increase
March 25, 1996	7,500,000	10	5,000,000	Increase
March 3, 1999	30,000,000	10	22,500,000	Increase
December 29, 2004	50,000,000	10	20,000,000	Increase
March 18, 2005	125,000,000	10	75,000,000	Increase

**NOTES TO CAPITAL STRUCTURE****1. Capital History**

Details of capital build up and present equity share capital of the Company are as follows :

Date on which Equity shares allotted/Made fully paid-up	No Of Shares	Face Value(Rs.)	Issue Price (Rs.)	Consideration (Rs.)	Cumulative no. of shares	Cumulative Share Premium
1st April, 1986	20	10	10	Cash	20	nil
17th September, 1988	49,980	10	10	Cash	50,000	nil
31st May, 1989	50,000	10	10	Cash	100,000	nil
31st March, 1991	50,000	10	10	Cash	150,000	nil
29th March, 1996	6,00,000	10	10	Bonus	750,000	nil
22nd March, 1999	5,00,000	10	10	Cash (Rights Issue)	1,250,000	nil
25th March, 1999	17,50,000	10	10	Bonus	3,000,000	nil
29th December, 2004	11,00,000	10	25	Cash	4,100,000	1,65,00,000
4th April, 2005	4,00,000	10	50	Cash	4,500,000	3,25,00,000
30th April, 2005	1,00,000	10	50	Cash	4,600,000	3,65,00,000
31th July 2005	1,00,000	10	50	Cash	4,700,000	4,05,00,000
31st August, 2005	2,50,000	10	60	Cash	4,950,000	5,30,00,000
30th September, 2005	50,000	10	100	Cash	50,00,000	5,75,00,000
5th January, 2006	5,40,000	10	100	Cash	55,40,000	10,61,00,000

Notes :

- 6,00,000 Equity Shares of the Company were allotted as bonus in the ratio of 4 Equity shares for every 1 Equity share held in the Company by capitalisation of Rs. 60,00,000 from the Free Reserves on 29th March 1996
- 17,50,000 Equity Shares of the Company were allotted as bonus in the ratio of 7 Equity shares for every 5 Equity shares held in the Company by capitalisation of Rs. 1,75,00,000 from the Free Reserves on 25th March 1999

2. Promoters' contribution and lock-in period**Shareholding of the promoters**

Promoter	Date of allotment/ Date when made fully paid up	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Rs.)	Percentage to post issue Capital
Mr. Sarwan Kumar Poddar	April 1, 1986	10	10	10	Cash	0.00%
	September 17, 1988	7,290	10	10	Cash	0.07%
	March 29, 1996	29,200	10	Nil	Bonus	0.28%
	March 22, 1999	24,000	10	10	Cash	0.23%
	March 25, 1999	85,120	10	Nil	Bonus	0.83%
	December 29, 2004	53,500	10	25	Cash	0.52%
	April 4, 2005	19,500	10	50	Cash	0.19%
	April 30, 2005	4,900	10	50	Cash	0.05%
	July 31, 2005	16,700	10	50	Cash	0.16%
	August 31, 2005	41,750	10	60	Cash	0.41%
	September 30, 2005	8,350	10	100	Cash	0.08%
	Sub- Total (A)		290,320			


Vigneshwara Exports Limited

Promoter	Date of allotment/ Date when made fully paid up	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Rs.)	Percentage to post issue Capital	
Mr. Krishna Murari Poddar	April 1, 1986	10	10	10	Cash	0.00%	
	September 17, 1988	4,090	10	10	Cash	0.04%	
	March 31, 1991	10,400	10	10	Cash	0.10%	
	March 29, 1996	118,000	10	Nil	Bonus	1.15%	
	March 22, 1999	98,300	10	10	Cash	0.95%	
	March 25, 1999	343,700	10	Nil	Bonus	3.34%	
	December 29, 2004	216,300	10	25	Cash	2.10%	
	April 4, 2005	78,700	10	50	Cash	0.76%	
	April 30, 2005	19,660	10	50	Cash	0.19%	
	July 31, 2005	50,000	10	50	Cash	0.49%	
	August 31, 2005	125,000	10	60	Cash	1.21%	
	September 30, 2005	25,000	10	100	Cash	0.24%	
	Sub- Total (B)		1,089,160				10.57%
	Mr. Mahendra Poddar	September 17, 1988	12,600	10	10	Cash	0.12%
May 31, 1989		4,500	10	10	Cash	0.04%	
March 31, 1991		3,300	10	10	Cash	0.03%	
March 29, 1996		81,600	10	Nil	Bonus	0.79%	
March 22, 1999		68,000	10	10	Cash	0.66%	
March 25, 1999		238,000	10	10	Bonus	2.31%	
December 29, 2004		149,600	10	25	Cash	1.45%	
April 4, 2005		54,400	10	50	Cash	0.53%	
April 30, 2005		13,600	10	50	Cash	0.13%	
July 31, 2005		13,600	10	50	Cash	0.13%	
August 31, 2005		34,000	10	60	Cash	0.33%	
September 30, 2005		6,800	10	100	Cash	0.07%	
Sub- Total (C)			680,000				6.60%
Mr. Gautam Poddar	May 31, 1989	12,000	10	10	Cash	0.12%	
	March 29, 1996	48,000	10	Nil	Bonus	0.47%	
	March 22, 1999	40,000	10	10	Cash	0.39%	
	March 25, 1999	140,000	10	Nil	Bonus	1.36%	
	December 29, 2004	88,000	10	25	Cash	0.85%	
	April 4, 2005	32,000	10	50	Cash	0.31%	
	April 30, 2005	8,000	10	50	Cash	0.08%	
	July 31, 2005	8,000	10	50	Cash	0.08%	
	August 31, 2005	20,000	10	60	Cash	0.19%	
	September 30, 2005	4,000	10	100	Cash	0.04%	
	Sub- Total (D)		400,000				3.88%
Total (A+B+C+D)		2,459,480				23.88%	

**Final Shareholding of the Promoters:**

Name of Promoter	Shares Allotted as per Table above	Add: Shares acquired by way other than allotment	Less: Shares Transferred	Pre issue Shareholding
Mr. Sarwan Kumar Poddar	290,320	156,380	-	446,700
Mr. Krishnamurari Poddar	1,089,160	831,640	750,000	1,170,800
Mr. Mahendra Poddar	680,000	-	-	680,000
Mr. Gautam Poddar	400,000			400,000

The following shares will be locked in for a period of 3 years as part of the promoter's contribution.

Name	Date of allotment /Date when made fully paid up	Consideration	No. of Shares	Face Value	Issue Price	% of post issue	
Mr. Sarwan Kumar Poddar	March 22, 1999	Cash	24,000	10	10	0.23%	
	March 25, 1999	Bonus	85,120	10	Nil	0.83%	
	October 1, 2004	Cash	156,080	10	10	1.52%	
	December 29, 2004	Cash	53,500	10	25	0.52%	
		Sub Total(B)		318,700			3.09%
Mr. Krishna Murari Poddar	March 25, 1999	Bonus	343,700	10	Nil	3.34%	
	October 1, 2004	Cash	510,080	10	10	4.95%	
	December 29, 2004	Cash	216,300	10	25	2.10%	
		Sub Total(A)		1,070,080			10.39%
Mr. Mahendra Poddar	March 22, 1999	Cash	68,000	10	10	0.66%	
	March 25, 1999	Bonus	238,000	10	Nil	2.31%	
	December 29, 2004	Cash	149,600	10	25	1.45%	
		Sub Total(C)		455,600			4.42%
Mr. Gautam Poddar	March 29, 1996	Bonus	48,000	10	Nil	0.47%	
	March 22, 1999	Cash	40,000	10	10	0.39%	
	March 25, 1999	Bonus	140,000	10	Nil	1.36%	
	December 29, 2004	Cash	88,000	10	25	0.85%	
		Sub Total(D)		316000			3.07%
		Total(A+B+C+D)		2,160,380			20.97%

* The lock in period shall commence from the date of commencement of commercial production or the date of allotment of shares in the public issue whichever is later. ("Date of commencement of commercial production" means the last date of the month in which commercial production is expected to commence as stated under "Schedule of Implementation" on page 28 of the RHP). Written consent dated 14/2/06 has been obtained from shareholders whose securities have been included as part of promoters' contribution subject to lock-in and that these securities will not be disposed/sold/transferred by the promoters during the period starting from the date of filing the RHP with SEBI till the date of commencement of lock in period as stated in the RHP. The entire pre-issue capital, other than that locked in as minimum promoters' contribution shall be locked in for a period of one year from the date of allotment in the Public Issue or from the date of commencement of commercial production whichever is later.

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A total of 33,79,620 Equity shares shall be subject to a lock-in period of one year as per details given below :-

Sr. No.	Name	Number of Shares
1	Mr. Sarwan Kumar Poddar	128000
2	Mr. Krishna Murari Poddar	100720
3	Mr. Mahendra Poddar	224400
4	Mr. Gautam Poddra	84000
5	Ms. Neelam Poddar	515200
6	Ms. Shreya Poddar	53840
7	Ms. Kasturi Poddar	10160
8	Ms. Kamla Devi Poddar	973300
9	Mahendra Poddar Benefit Trust	750000
10	Kinzler GMBH & Co. KG	540000
	Total	3379620

- There is no “buy back” or “stand by” arrangement for purchase of equity shares by the Promoters, Directors, Company or Lead Managers for the equity shares offered through this Prospectus.
- An over-subscription to the extent of 10% of the net issue to public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot while finalizing the basis of allotment.
- The entire issue price per share shall be payable before allotment and hence there shall be no partly paid shares in this issue..
- In this Issue, in case of over-subscription in all categories, upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers, not less than 15% of the net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the net Issue to the public 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 would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLM.
- Only eligible employees would be entitled to apply in the Issue under the Employee Reservation Portion on competitive basis. Eligible employees can also make Bids in the net issue to the public and such Bids shall not be treated as multiple bids.
- Under-subscription, if any in the Employee Reservation Category would be met with spill over from the Net issue to the public at the sole discretion of the Company in consultation with the BRLM
- Shareholders

The shareholders two years prior to filing of RHP with RoC are as follows:-

S.No.	Name of the Shareholder	No. of Shares (of Rs.10/- each)
1	Kamladevi Poddar	706,080
2	Krishna Murari Poddar	589,920
3	Shreya Poddar	463,920
4	Mahendra Kumar Poddar	408,000
5	Neelam Poddar	336,000
6	Gautam Poddar	240,000
7	Sarwan Kumar Poddar	145,920
8	Kasturi Poddar	110,160
	Total	3,000,000



The ten largest shareholders 10 days prior filing of RHP with RoC are as follows:-

S.No	Name of the Shareholder	No. of Shares (of Rs.10/- each)
1	Mr. Krishna Murari Poddar	1,170,800
2	Ms. Kamladevi Poddar	973,300
3	Mahendra Poddar Benefit Trust	750,000
4	Mr. Mahendra Poddar	680,000
5	M/s Kinzler GMBH & Co. KG	540,000
6	Ms. Neelam Poddar	515,200
7	Mr. Sarwan Kumar Poddar	446,700
8	Mr. Gautam Poddar	400,000
9	Ms. Shreya Poddar	53,840
10	Ms. Kasturi Poddar	10,160

The ten largest shareholders as on date of filing of filing of RHP with RoC are as follows:-

S.No.	Name of the Shareholder	No. of Shares (of Rs.10/- each)
1	Mr. Krishna Murari Poddar	1,170,800
2	Ms. Kamladevi Poddar	973,300
3	Mahendra Poddar Benefit Trust	750,000
4	Mr. Mahendra Poddar	680,000
5	M/s Kinzler GMBH and Co. KG	540,000
6	Ms. Neelam Poddar	515,200
7	Mr. Sarwan Kumar Poddar	446,700
8	Mr. Gautam Poddar	400,000
9	Ms. Shreya Poddar	53,840
10	Ms. Kasturi Poddar	10,160

10. Pre-Issue and Post-Issue shareholding pattern of the company assuming full subscription of the present issue is given below:

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
Promoters				
Mr. Sarwan Kumar Poddar	446,700	8.06%	446,700	4.34%
Mr. Krishna Murari Poddar	1,170,800	21.13%	1,170,800	11.37%
Mr. Mahendra Poddar	680,000	12.27%	680,000	6.60%
Mr. Gautam Poddar	400,000	7.22%	400,000	3.88%
Sub-total (a)	2,697,500	48.69%	2,697,500	26.19%

**Vigneshwara Exports Limited**

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
Promoter Group (b)				
Individuals (I)				
Ms. Neelam Poddar	515,200	9.30%	515,200	5.00%
Ms. Shreya Poddar	53,840	0.97%	53,840	0.52%
Ms. Kasturi Poddar	10,160	0.18%	10,160	0.10%
Ms. Kamladevi Poddar	973,300	17.57%	973,300	9.45%
Total (I)	1,552,500	28.02%	1,552,500	15.07%
Others (II)				
Mahendra Poddar Benefit Trust	750,000	13.54%	750,000	7.28%
Total (II)	750,000	13.54%	750,000	7.28%
Sub-total (I)+(II)=(b)	2,302,500	41.56%	2,302,500	22.35%
Promoter Group's Total Shareholding [(a)+(b)] = (A)	5,000,000	90.25%	5,000,000	48.54%
Others				
Kinzler GMBH & Co. KG	540,000	9.75%	540,000	5.24%
Others - Sub-total (B)	540,000	9.75%	540,000	5.24%
Public (C)	-	0.00%	4,760,000	46.21%
Grand Total [(A)+(B)+(C)]	5,540,000	100.00%	10,300,000	100.00%

11. There is no sale/purchase of the shares of Vigneshwara Exports Limited by Promoters/Directors during the period of six months preceding the date of filing the RHP with ROC
12. There are no outstanding warrants, options or rights to convert debentures or other instruments into equity shares as on date.
13. The Promoters' contribution is not being brought-in less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.
14. The Company does not currently have an Employee Stock Option Plan.
15. Shares Issued for consideration other than cash
 - (a) 6,00,000 Equity Shares of the Company were allotted as bonus in the ratio of 4 Equity shares for every 1 Equity share held in the Company by capitalisation of Rs. 60,00,000 from the Free Reserves on 29th March 1996
 - (b) 17,50,000 Equity Shares of the Company were allotted as bonus in the ratio of 7 Equity shares for every 5 Equity shares held in the Company by capitalisation of Rs. 1,75,00,000 from the Free Reserves on 25th March 1999
16. The equity shares to be held by the promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the equity shares held by promoters, which are locked-in, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. The promoters may pledge their equity shares with bank's or financial institutions as additional security for loans whenever availed by them.



17. Shares held by the person other than the promoters, prior to the Initial Public Offering (IPO), which are locked-in, may be transferred to any other person holding shares which are locked-in subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
18. The Company has not issued any equity shares out of revaluation reserves.
19. The Company has not taken any “bridge loans” from any bank for any purpose whatsoever or for the proposed project.
20. 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 the Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.
21. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
22. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
23. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
24. The Company has 10 shareholders as on date of filing the RHP with RoC.



Vigneshwara Exports Limited**F. OBJECTS OF THE ISSUE**

With quota regime coming to an end for textiles, the Company is required to concentrate more and more on quality of products and delivery schedules. Hence it becomes imperative that the Company has its own printing and processing facilities instead of depending upon outside entities. Apart from this own weaving and processing facilities would remove bottlenecks in material supply to the company and also minimize the wastage. With this in mind, the Management has now decided to go for setting up of a *Textile Process and Weaving House*. VEL has appointed M/s Gherzi Eastern Limited (GEL), a textile consultancy firm to conduct a Techno economic feasibility study and submit their report. The company also requires some funds to meet the *Margin Money for Working Capital*.

Apart from the above the company also requires funds to meet the issue expenses and list the shares on The Bombay Stock Exchange Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”).

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue. Vigneshwara Exports Limited further confirms, that the activities of the Company carried out until now are in accordance with the objects of the Memorandum of Association of the Company.

SALIENT FEATURES OF THE PROPOSED PROJECT

M/S. VIGNESHWARA EXPORTS LIMITED (VEL) intends to set up a weaving and processing unit. With VEL’s past experience in Textile Business, discussions carried out with prospective buyers, technology providers, as well as with GEL and after considering the present market trends, VEL will manufacture:

15,480 meters per day of superior quality wider width (+320 cm) quality fabrics in the Weaving Division representing 12.90% of the installed capacity. Entire quantity will be internally consumed in the Processing Division, to derive the full benefit of value addition. The Grey Fabric will be of varieties ranging from Thread counts 200 and above up to 600, made out of cotton yarns in the range 20 singles to 100 singles (Numerical English used to check the yarn count or the thickness of the yarn) and also 100% Micro Filament fabrics.

The Processing Division will have a capacity of 120,000 meters per day of fabric. The final product viz bed sheets, pillow covers will be 100% bleached, and dyed and/or printed. These will be available in thread counts 150 to 600 and will be made out of own as well as outsourced Grey Fabrics. About 103,500 meters of Grey Fabric will be procured from outside and remaining 15,480 meters of Grey Fabric will be manufactured from the own weaving facilities to be installed in the Weaving Division.

WEAVING:

It is proposed to install 64 looms initially, which will be entirely imported. The looms will be of AIR JET technology, which has the advantage of high speed and productivity, and a lower overall cost of operation. The Weaving preparatory machinery will also be imported, and will be sufficient to even double the loom capacity at a later stage. The Weaving division will be modern with humidification and all required utilities to ensure quality and smooth operations.

PROCESSING:

The Processing Division will be modern, with continuous process technology. All the critical processes will be automated and the machineries imported. The Processing Division, which includes printing also, will have a capacity of 120,000 meters per day.

STITCHING: (ON JOB WORK)

The complete finished fabric production will be converted in the made up form from the existing cutting and stitching unit on job work basis. Thus the whole production in the made up form will cater to the requirement of bed sheets, pillow covers and packing them into sets as per customer requirements.

**COST OF THE PROJECT AND MEANS OF FINANCE**

The cost of the project as per the appraisal report dated 24th November 2005 of State Bank of India is as follows

A) Cost of the Project

S.No.	Particulars	Amount Rs. Lakhs
1	Land & Site Development	390.00
2	Buildings and civil works	2,250.00
3	Plant and Machinery	13,864.00
4	Preliminary & Pre- Operative Expenses	668.00
5	Contingencies	871.00
6	Margin money for working capital	1,320.00
7.	Issue Expenses	[●]
Total		[●]

B) Means of Finance

S. No.	Particulars	Amount Rs. Lakhs
1	Public Issue of Equity Shares	[●]
2	Private Placement of Equity Shares to M/s Kinzler GMBH and Co. KG	540.00
3.	Term Loan	13,075.00
4.	Internal Accruals	[●]
Total		[●]

A) Cost of the project

1. Land and Site Development

The Project is located near Vapi in Gujarat which is 160 Kms away from Mumbai. VEL has acquired a plot of about 28.95 acres of land for a total consideration of Rs 237.76 lakhs The details of the land acquired is as follows

(Amount in Rs.)

Dated	Survey No.	Acre	Land Bought from	Cost Per Acre	Consideration	Stamp duty	Registration Charges	Total
7/12/2005	Survey No. 220/2	9.23	Nirmalaben Desai	797,260.56	7,358,715	618200	110900	8,087,815
7/12/2005	Survey No. 228/2	4.37	Mr. Ajay Kumar T Desai	800,915.33	3,500,000	294000	52900	3,846,900
7/12/2005	Survey No. 226/Paikee	13.00	Sushilaben Desai	790,650.00	10,278,450	863500	154800	11,296,750
03/03/2006	Survey No. 223/2, 225/1	2.35	Champakbhai Patel	210,983.00	495,810	41700	7730	545240
Total		28.95			21,632,975.00	1,817,400.00	326,330.00	23,776,705.00

A conveyance and certain confirmation deeds need to be executed before the Company receives an unfettered right title and interest over and upon the ten hectares (approx.) of land at Vapi which they propose to use for its proposed expansion.

The Company has estimated that the cost for Site Development will be approximately Rs 3.33 Lakhs per acre. This includes



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1. Cost of leveling and filling
2. Culvert at the entrance
3. Cost of laying approach road and internal road
4. Compound Wall
5. Barbed wire fencing
6. Iron Gates

Company has incurred a cost of Rs. 52.69 lakhs on site development till 25th March 2006. The total cost incurred on land and site development so far is Rs. 248.70 lakhs

As per the appraisal report 27 acres of land worth Rs 300 lakhs was to be bought for the project. The Company has acquired 28.95 acres of land for a total consideration of Rs. 237.76 lakhs. The balance amount would be utilized for further acquisition of land in the due course.

2. Building and civil works

The Company will be setting up the various facilities, viz, weaving, processing, manufacturing, utilities, administrative block, etc. in a total built up area of approximately 41400 square meter at a total estimated cost of Rs. 2,250 lakhs as per details given below:

Sr. No	Description	Total Area m2	Total Rs Lakhs
1	Yarn Store	2400	108
2	Direct Warper	1500	75
3	Sizing	1500	72
4	Drawing In and Beam Store	1200	54
5	Weaving Shed	2100	126
6	Inspection and Gray Storage RCC	4800	216
7	Process house	19680	960
8	Inspection and Folding	4320	195
9	Miscellaneous	3900	444
	Total	41400	2,250

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

3. Plant and Machinery

Weaving Division

The details of the machinery which is proposed to be imported for weaving division whose orders have not been placed are as follows :

Sr No	Particulars	no of units	Price in Rs. Lakhs*	Name of Supplier from whom quotation has been obtained
1	Sheeting			
	Looms			
	Airjet Loom 340 cms with carn shedding	48	1135	Picanol NV Ter Wlarde
	Airjet Loom 340 cms with doobby shedding	16	458	Picanol NV Ter Wlarde
	Tool & Auxilliary with Insurance and freight	Lot	107	Picanol NV Ter Wlarde
2	Direct Warper - Benninger	1	128	Benninger Co.Limited., Switzerland
3	Sizing Machine- Benninger	1	392	Benninger Co.Limited., Switzerland
4	Warp tying Machine with frame	2	43	Jaitech Engineers
5	Warp Leasing machine	1	20	Jaitech Engineers
	Total CIF		2283	
	Duties, Transportation and other Expenses		189	
	Total		2472	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

*After considering discount on imported machinery



The details of Indigenous Machinery required for weaving division whose orders have not been placed are as follows

Sr No	Description	No of Units	Total Rs Lakhs	Name of Supplier from whom quotation has been obtained
1	Remnant Cone winding Machine	1	10	Jaitech Engineers
2	Warping Beams	56	21.28	Inditech International
3	Size Cooking and Storage Vessels	1	6	Inditech International
4	Inspection Cum Rolling Machine	11	55	Tech Shivam Industries
5	Drawing in stands	3	3	Inditech International
	Gross Total		95.28	
	Estimated Discount 10%		9.52	
	Cost after Discount		85.75	
	Transportation, Excise and Sales tax		23.82	
	Erection and Spares		3.81	
	Total Indigenous		113.38	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Processing Division

The details of the imported machinery required for the Processing Division whose orders have not been placed are as follows

Sr No	Particulars	no of units	Price in Rs. Lakhs*	Name of Supplier from whom quotation has been obtained
	Processing			
1	Singering and Desizing Machine	1	222	Osthoff-senge GmbH & Co KG
2	Continuous open width bleaching Machine	1	784	BTM Co Ltd., Korea
3	Chain Mercerising Machine	1	523	BTM Co Ltd., Korea
4	Jet dyeing machines	2	262	MCS Officina Meccanica S.p.A.
5	Peaching Machine	1	45	Moenus Textilmaschinen GmbH
6	Brushing Machine	3	136	Tubular Textile Machinery
7	Stenter	1	300	BTM Co. Ltd., Korea
8	Stenter	1	157	BTM Co. Ltd., Korea
9	Rotary Printing Machine	1	393	J. Zimmer, Austria
10	Rotary Printing Machine	1	312	J. Zimmer, Austria
11	Digital Engraving	1	126	J. Zimmer, Austria
12	Loop Ager	2	323	Arioli, spa, Italy
13	Pad Dry Machine	1	484	Aztec Machinery Company
14	Pad Steam Machine	1	678	GTM Goller Textilmaschinen GmbH
15	Finishing Stenter	1	300	BTM Co. Ltd., Korea
16	Weft Straightening Device	1	25	Mahlo GmbH Co KG
17	Continuous Washer	1	65	
18	Calendaring Machine	1	222	Officina Meccanica Tullio Guarneri S.R.L.
19	Sanforising Machine	1	321	A. Monforts Textilmaschinen GmbH Co KG
20	Track Sewing Machines	8	4	Monti Mac SRL Italy
21	Computerised printing	1	239	J. Zimmer, Austria
	Total CIF		5921	
	Import Duty, Transportation and other Expenses		485	
	Total		6406	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

*After considering discount on imported machinery

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The details of the indigenous machinery required for processing division whose orders have not been placed are as follows

Sr No	Description	No of Units	Total Rs Lakhs	Name of Supplier from whom quotation has been obtained
1	Grey Inspection Machine	11	56.32	Tech Shivam Ind.
2	Hydraulic Jiggers	2	80.00	Harish Enterprises Pvt. Ltd.
3	Sample Jet Machine	1	0.80	Fongs National Engineering co. Limited
4	Rope Opener	1	12.72	Bianco Textiles Solutions India Pvt. Ltd.
5	Fabric Rolling	2	4.00	Tech Shivam Industries
6	Finish Fabric Inspection Machines	9	35.60	Tech Shivam Industries
Gross Total			189.44	
Estimated Discount 10%			18.94	
Cost after Discount			170.49	
Transportation, Excise and Sales tax			42.62	
Erection and Spares			7.51	
Total Indigenous			220.62	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Miscellaneous Fixed Assets

The Miscellaneous Fixed Assets required for the new plant are as follows.

Sr No	Particulars	no of units	Price in Rs. Lakhs	Name of Supplier from whom quotation has been obtained
1	Humidification Plant	254000	68	Luwa India Pvt. Ltd.
2	Air Compressor for weaving	7	196	Atlas Copco
3	Material Handling Todo Carriers	4	25	Jaitech Engineers
4	Overhead Traveling Cleaner	4	75	Jaitech Engineers
5	Laboratory Equipment		184	James H. Heal
Total CIF			548	
Import Duty , Transportation and other Expenses		45		
Total			593	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Miscellaneous Indigenous Equipment

The estimated cost of Miscellaneous Indigenous Equipment is as under

Sr No	Description	Total Cost (Rs Lakhs)	Name of Supplier from whom quotation has been obtained
1	Humidification & Chilling Plant and Ventilation system	117	Luwa India Pvt. Ltd.
2	Electrical Installation	672	Rohini Industrial Electricals
3	HFO based Generator Sets	1500	Powerica Limited
4	DG set	113	Sudhir Genset
5	Boiler, heater, tank etc	581	Thermax Ltd.



Sr No	Description	Total Cost (Rs Lakhs)	Name of Supplier from whom quotation has been obtained
6	Water Treatment Plant	593	Concept India
7	Caustic Recovery Plant	224	Unittop Aquacare
8	Fire protection System	60	Kirloskar
9	Compressed Air System	87	Audco
10	Other equipment computers and vehicles	112	
	Total	4059	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

No orders have been placed for any of the Items of Plant and Machinery proposed to be acquired.

4. Preliminary and Pre-Operative Expenses

The details of the estimated preliminary and pre-operative expenses are as under

Sr No	Description	Cost in Rs. Lakhs
1	Establishment and Project Management Expenses	50
2	Financial Expenses	383
3	Project related consultation fee etc.	110
4	Start up expenses	95
5.	Others	30
	Total	668

5. Contingencies

Contingencies have been provided at 5% of the capital expenditure, which include land and buildings, plant and machinery, miscellaneous fixed assets and pre-operative and preliminary expenses. The total amount of Rs.871 lakhs has been provided for contingencies.

(Rs. in lakhs)

Description	Amount
Contingency on pre-operative expenses	46
Contingency on other items	387
Contingency on currency fluctuation	438
Total	871

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

6. Margin Money for working capital

The requirement of working capital in the first year of operation after the new project commences and the margin money requirement would be as under

(Rs. In Lakhs)

Particulars	Period in months	Amount	Bank Finance	Margin Money (30%)
Raw Material- Yarn	20 days	224	157	67
Raw Material- Fabric	20 days	725	507	217

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Particulars	Period in months	Amount	Bank Finance	Margin Money (30%)
Dyes & Chemicals	1 month	352	246	106
Consumables Stores and Spares	2 Months	40	28	12
Packing Material	20 days			
Job Work Charges	1 Month	187	131	56
Finished Goods	15 Days	1160	812	348
Work in Progress	20 days	1547	1083	464
Miscellaneous Deposit	1 Months	50	-	50
Creditors	5 days	(405)	(405)	-
Debtors	15 days	1315	1315	-
Total		5195	3875	1320

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

The requirement of additional working capital would be only after new project commences commercial operation and as per the implementation schedule the commercial operations are likely to commence in October 2006.

The Company presently enjoys the following Working Capital limits :-

Company enjoys a working capital limit of Rs. 1600 lakhs and Rs. 800 lakhs from Punjab and Sind Bank and State Bank of India respectively.

As per the estimates given in the above table, the requirement of total Working Capital for the Company as a whole after the new project commences operations would be Rs. 5,195 lakhs.

The requirement of the incremental margin money for working capital of Rs. 1,320 lakhs is proposed to be met from the Public Issue. The details of the fresh credit facilities obtained by VEL for the balance amount of Rs. 1,475 lakhs are as under:-

Sr. No.	Name of Bank	Amount (Rs. Lakhs)	Reference of Approval Letter	Date of Approval
1	State Bank of India	400	BRB/MC/NSN/2499	12/12/2005
2	Syndicate Bank	1000	2040/IFB/VE/KPM/2005	23/12/2005
3	Oriental Bank of Commerce	600	CN/373/2006	30/01/2006
4.	Punjab and Sind Bank	200	-	11/02/2006
5.	Bank of India	450	MMB/ADV/MNT/1030	16/02/2006
	Total	2650		

The company has already tied up for its requirement of the incremental working capital however the ratio and exact amount to be availed from each bank shall be decided in a consortium meeting to be held in due course.

Note on Project Expenses as Appraised

The Bank appraisal for the proposed expansion, (“**Project**”), has relied on and utilized figures as contained in the project report prepared by Gherzi Eastern Limited (“**Report**”). The Report in turn is based on estimates received by the Company; however, these figures as used in the Report have been rounded off upwards. As such, the overall Project cost as per the Report is higher than the actual Project cost as per the estimates received by The Company.



7. **Public Issue Expenses:** The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [●] Lakhs, which will be paid by the Company.

Rs. In Lakhs

Sr. No.	Preliminary & Preoperative Expenses	Amount
1	Issue Management	[●]
2	Registrars fees	[●]
3	Printing of Stationery	[●]
4	Advertising and marketing expenses	[●]
5	Underwriting, Brokerage and Selling commission	[●]
6	Other expenses	[●]
	Total	[●]

B) Means of Finance

- Public issue of 47,60,000 equity shares of Rs. 10/- each at a price of Rs. [●] per share**
- 5,40,000 Equity Shares of Rs.10/- each were allotted to M/s Kinzler GMBH and Co. KG, Germany at a price of Rs.100/- per equity share on January 5th 2006.**
- The total term loan component in the means of finance is Rs. 13075 lakhs. The Company has obtained sanction of term loans from the following banks**

- (a) **State Bank Of India:** SBI has sanctioned a Rupee term loan of Rs. 4,000 lakhs vide sanction letter dated 12/12/2005 (under the Technology Upgradation Fund Scheme) at a minimum rate of interest of 9.00% p.a. with monthly rests. The loan is repayable in 108 monthly installments commencing from April 2007 with a moratorium period of 12 months from the date of first draw down.

Security: First pari-passu charge with other term lenders over Fixed Assets to be acquired out of the term loan for the proposed project at Vapi, Gujarat.

- (b) **Syndicate Bank:** Syndicate Bank has sanctioned a Rupee term loan of Rs. 4000 lakhs vide sanction letter dated 23/12/2005 (under the Technology Upgradation Fund Scheme) at a minimum rate of interest of 9.00% p.a. with monthly rests. The loan is repayable in 108 monthly installments with a moratorium period of 12 months from the date of first draw down.

Security: First pari-passu charge with other term lenders over Fixed Assets to be acquired out of the term loan for the proposed project at Vapi, Gujarat.

- (c) **Oriental Bank of Commerce:** OBC has sanctioned a Rupee term loan of Rs. 2600 lakhs vide sanction letter dated 30/01/2006 (under the Technology Upgradation Fund Scheme) at a minimum rate of interest of 9.00% p.a. with monthly rests. The loan is repayable in 108 monthly installments commencing from April 2007 with a moratorium period of 12 months from the date of first draw down.

Security: First pari-passu charge with other term lenders over Fixed Assets to be acquired out of the term loan for the proposed project at Vapi, Gujarat.

- (d) **Punjab and Sind Bank:** PSB has sanctioned a Rupee term loan of Rs. 2000 lakhs vide sanction letter dated 11/02/2006 (under the Technology Upgradation Fund Scheme) at a minimum rate of interest of 9.00% p.a. with monthly rests. The loan is repayable in 108 monthly installments commencing from April 2007 with a moratorium period of 12 months from the date of first draw down.

Security: First pari-passu charge with other term lenders over Fixed Assets to be acquired out of the term loan for the proposed project at Vapi, Gujarat.

- (e) **Bank of India:** BOI has sanctioned a Rupee term loan of Rs. 1200 lakhs vide sanction letter dated 16/02/2006 (under the Technology Upgradation Fund Scheme) at a minimum rate of interest of 9.00% p.a. with monthly rests. The loan is repayable in 108 monthly installments commencing from April 2007 with a moratorium period of 12 months from the date of first draw down.

Security: First pari-passu charge with other term lenders over Fixed Assets to be acquired out of the term loan for the proposed project at Vapi, Gujarat.



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The debt in the project cost is Rs. 13,075 lakhs for which term loans worth Rs.13,800 lakhs have been sanctioned to the company.

The ratio decided in the consortium meeting held on 22nd February 2006 and the letter dated 23rd February 2006 by Punjab and Sind Bank (the Lead banker) is as follows

Figures in lakhs

Sr.no.	Name of the Bank	Proposed Share
1	Punjab and Sind Bank	2000
2	State bank of India	4000
3	Syndicate Bank	4000
4	Oriental Bank of Commerce	2000
5	Bank of India	1075
	Total	13,075

4. **Internal Accruals :** The shortfall in funds, if any, will be met by internally generated cash accruals. As of December 31st 2005 the company has a cash and bank balance of Rs. 701.81 lakhs and the reserves were Rs. 2482.83 lakhs.

In the event of funds being raised in excess of the requirement of funds, the same shall be used for general corporate purposes.

The company confirms that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed public issue have been made. The company also confirms that no part of the issue proceeds is to be paid as consideration to promoter, directors, key managerial personnel, associate or group companies.

(d) APPRAISAL

State Bank of India, has appraised the project vide their appraisal report dated 24th November 2005 for the purpose of term loans sanctioned to the company. The Appraisal was carried out for the purposes of sanctioning a Term Loan under the Technology Upgradation Fund Scheme. There has been no revision in the project cost or the means of finance after the date of issue of the Appraisal Report.

(e) SCHEDULE OF IMPLEMENTATION

The schedule as envisaged by the company is given below

Activity	Estimated Start Date	Estimated Completion Date	Status
Appointment of Consultant	June 2005	June 2005	Completed
Techno-Economic Feasibility Report	June 2005	September 2005	Completed
Acquisition of Land	October 2005	February 2006	Partly Acquired
Civil work	January 2006	June 2006	Commenced
Placement of Order for imported machinery	May 2006	June 2006	Pending
Placement of order for indigenous machinery	May 2006	June 2006	Pending
Utilities and electrical related work	June 2006	July 2006.	Pending
Erection of machinery	July 2006	August 2006	Pending
Trial Run	September 2006	September 2006	Pending
Commercial Production	October 2006		

The IPO of the Company was initially scheduled for April 2006 and as the same has been delayed, the schedule of implementation has been revised.

**(f) SOURCES AND DEPLOYMENT OF FUNDS**

The details of the sources and deployment of funds as on 25th March 2006 as certified by the Statutory Auditors of the Company M/s Chaturvedi & Company vide their certificate dated 12th May 2006.

Rs in Lakhs

Sr. No.	Particulars	TOTAL
1	Land & Site Development	269.02
2	Building	305.61
3	Plant & Machinery	13.36
4	Pre operative expenses	112.75
5	Issue Expenses	33.29
	Total	734.03
Financed by		
	Promoters contribution and Internal Accruals	354.72
	Kinzler Gmbh &co. KG	379.31
	Total	734.03

(g) Details of Balance Fund Deployment

The breakup of proposed deployment of funds is mentioned below:

Amt. in Rs. Lakhs

Particulars	Upto 25th March 2006	26th March 2006 to June 2006	July 2006 to September 2006	October 2006 to December 2006	Total
Land & Site Development	269.02	120.98	-	-	390.00
Buildings and civil works	305.61	1,494.39	450.00	-	2,250.00
Plant and Machinery	13.36	7,586.64	6,264.00	-	13,864.00
Preliminary & Pre- Operative Expenses	112.75	261.87	200.00	92.38	667.00
Contingencies	-	400.00	400.00	71.00	871.00
Margin money for working capital	-	-	-	1,320.00	1,320.00
Issue Expenses	33.29	[●]	-	-	[●]
Total	734.03	[●]	7,314.00	1,483.38	[●]

(h) INTERIM USE OF FUNDS

Pending any use as described above, VEL intends to invest the proceeds of this Issue in fixed deposits with scheduled commercial banks for the necessary duration. These investments would be authorised by Board of Directors of the Company or a duly authorised committee thereof.

**Vigneshwara Exports Limited****G. BASIC TERMS OF ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of the Red Herring Prospectus, Bid-cum-Application Form, the Bid Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Quantitative Factors**(i) Adjusted Earnings per share ***

Financial year	EPS * (Rs.)	Weightage
31st March, 2003	4.13	1
31st March, 2004	3.83	2
31st March, 2005	11.27	3
Weighted Average EPS	7.60	

*EPS on Equity Share of face value of Rs.10/-

The EPS for the nine month period ended 31st December 2005 is Rs. 22.40 (annualized)

(ii) Price/Earning Ratio (P/E Ratio) in relation to Issue price of Rs.[●] per share

Particulars	Rs.
Based on 31st March, 2005 EPS	[●]
Based on weighted average EPS	[●]

Industry P/E

Sr. No.	Particulars	Industry P/E
1	Highest	19.40
2	Lowest	10.20
3	Average	14.21

(Source: Capitaline)

Note: - the industry P/E ratios have been taken from the group in which Welspun India Limited appears. The companies considered for comparison appear in different industry groups and hence the industry high, low and average are not strictly comparable.

(iii) Return on Net worth

Financial year	RONW %	Weightage
31st March, 2003	12.76	1.00
31st March, 2004	10.59	2.00
31st March, 2005	21.69	3.00
Weighted Average RONW	16.50	

(iv) Minimum return on total net worth needed after the Issue to maintain EPS at Rs.11.27 is [●] (at an issue price of Rs. [●]/- per share)

(v) **Net Asset Value ***

Particulars	Rs.
As at 31st March, 2004	36.18
As at 31st March, 2005	41.56
After Issue at Issue price of Rs. [●]/-	[●]

*NAV on Equity Share of face value of Rs.10/-

The NAV of the equity share was Rs. 59.60 as on 31st December 2005. .

(vi) Comparison of accounting ratios of the Company with industry average and accounting ratios of peer group for Financial Year 2005.

Name of the Company	Face Value of Equity Shares (Rs)	EPS (Rs.)	PE Ratio	RONW (%)	NAV (Rs.)
Vigneshwara Exports Limited	10	11.27	[●]	21.69	41.56
Peer Group					
Bombay Dyeing	10	4.10	88.50	4.93	88.60
Welspun India	10	5.30	19.40	14.19	66.00
Alok Industries	10	5.78	15.20	17.93	42.20
Bombay Rayon	10	1.50	81.20	27.27	30.30

Source: Capitaline (Except data in respect of Vigneshwara Exports Limited)

Note: the peer group has been prepared by taking into consideration companies which are in groups other than the one in which Welspun India Limited appears.

(vii) The face value of the equity shares is Rs. 10/- each. The issue price is 12.1 times the face value at the lower end of the price band and 14 times the face value at the higher end of the price band

Qualitative Factors**Professional Management**

The Company is managed by a management team with several years of relevant experience. The management team is supported by Board of Directors who are qualified and having a vast experience in textile industry.

Strong customer relationships

VEL's design team interacts closely with the customers to understand their needs and create the designs as per their quality requirements. VEL has built a track record for timely deliveries and excellent design capabilities which has further strengthened relationships with each of these clients. The Company has been supplying home textiles to these customers for the last 15 years.

Capability to Manage Multiple and Large Orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning, and ability to ensure timely delivery to the customer. Over the years, the Company has developed the expertise to manage multiple large orders concurrently. The Company has also developed a diversified product range which has helped it grow.

Global Sourcing Capabilities

VEL has developed capabilities to source raw materials globally. VEL sources raw materials in large quantities and has hence developed an efficient supply-chain which allows it to reduce input costs and enhance competitiveness. This also allows VEL to reduce lead times, where required, by being able to source from suppliers who can meet delivery time schedules.

Design Capabilities

Design is a critical element of Home Textile manufacturing. VEL's ability to identify and stay abreast of evolving fashion, colour trends, and design Home Textiles that meet with buyers' requirements allows it to enhance market share with existing



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buyers and develop new customers. Additionally, the ability to add value to the designs or design ideas which the customers bring to VEL helps it develop stronger relationships with these customers and further strengthen competitive position vis-à-vis competitors.

Quality Control

We maintain strict quality control for complying with the customer's requirements. VELs Quality Assurance team has adopted strict standards at each stage of production to ensure the quality of VELs products. The Quality Assurance department monitors the quality of raw material, process control and quality of the end product.

Timely delivery

Meeting customer deadlines on a consistent basis is paramount for VEL's business. Fashion is time bound and any delay in meeting deadlines results in loss of sales. To ensure timely deliveries, VEL meticulously plans the entire range of activities well in advance.

Reliability

VEL is in business for over a decade and has built long-term relationships with the buyers. VEL maintains complete confidentiality of buyers' designs and innovations so as to avoid any conflict of interest.

Transparency

Most buyers work backwards from their retail price to work out the optimal product price at which they can source. VEL works closely with 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.

Pricing Advantage

The Company has a competitive edge by way of the lowest anti subsidy duty for its exports to the European Union while the rest of the exporters in India have been levied with a duty ranging up to 12%. VEL enjoys an advantage till the January 18, 2009 with 4.4% anti subsidy duty on its exports a significant portion of which are made to the European Union.



H. STATEMENT OF TAX BENEFITS

May 13, 2006

The Board of Directors

Vigneshwara Exports Limited

451/452 Kewal Industrial Estate,

Senapati Bapat Marg,

Mumbai - 400 013.

Dear Sirs,

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

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

Unless otherwise specified, sections referred to below are sections of the Income tax Act, 1961. All the provisions set out below are subject to conditions specified in the respective sections.

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

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

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in preparation of this opinion, Chaturvedi & Company accepts no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

For CHATURVEDI & COMPANY

Chartered Accountants

-Sd/-

S.N.CHATURVEDI

Partner

Membership No. 40479



**BENEFITS UNDER THE INCOME TAX ACT, 1961
(HEREINAFTER REFERRED TO AS THE IT ACT)**

A: TO THE COMPANY

The Company is eligible to exemption under section 10(34) in respect of income by way of dividend received from other Domestic Companies.

The Company is eligible to exemption under section 10(35) in respect of income by way of dividend received from mutual fund specified under section 10(23D) and other specified undertakings/companies.

In accordance with the provisions of section 10(38) the long-term capital gains arising on the transfer of securities in a transaction entered into in a recognized Stock Exchange in India and such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004, shall be exempt from income tax. However, such long-term capital gains will be taken into consideration to calculate book profit u/s 115JB for the purpose of calculating minimum alternate tax.

The long-term capital gains accruing to the company otherwise than as mentioned in 3 above, shall be chargeable to tax in accordance with and subject to the provisions of section 112 of the IT Act as follows:

a. If long term capital gain is computed with indexation @ 20% (Plus applicable surcharge and education cess)

In the case of certain listed shares, securities and units, in a transaction not entered into in a recognized stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)

The Company is eligible to claim exemption in respect of tax on long-term capital gains under sections 54EC if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in the section.

The short term capital gains accruing to the company, from the transfer of a short-term capital asset, being securities, in a transaction entered into in a recognized stock exchange in India, and such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (Nos.2) Act, 2004 shall be chargeable to tax at the rate of 10% (Plus applicable surcharge and education cess) as per the provisions of section 111A.

The company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under section 32 of the IT Act.

The company is eligible under section 35D of the IT Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for period of five successive years subject to the limits provided and the conditions specified under the said section.

The Company will be entitled to claim expenditure incurred in respect of voluntary retirement under section 35DDA of the IT Act in five equal annual installments.

B. TO THE SHAREHOLDERS OF THE COMPANY:

I. RESIDENTS

- 1 Under section 10(32) of the IT Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) of the Act will be exempt from tax to the extent of Rs 1500 per minor child.
- 2 Members will be entitled to exemption, under section 10(34) of the IT Act in respect of the income by way of dividend received from the Company.
- 3 The long-term capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after the 1st day of October 2004 and the transaction is chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).
- 4 The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after the 1st day of October 2004 and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
- 5 As per the provisions of section 112 of the IT Act, the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
 - a) @ 20% (plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
 - b) @ 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.



- 6 The members are entitled to claim exemption in respect of tax on long term capital gains under section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in the section.
- 7 Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

II. NON-RESIDENTS

1. Under section 10(32) of the IT Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) of the Act will be exempt from tax to the extent of Rs 1500 per minor child.
2. Non-resident members will be entitled to exemption, under section 10(34) of the Income Tax Act, 1961, in respect of the income by way of dividend received from the Company.
3. The long-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after the 1st day of October 2004 and the transaction is chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).
4. The short-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after the 1st day of October 2004 and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
5. As per the provisions of section 112 of the IT Act, the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
 - a. @ 20% (Plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
 - b. @ 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
6. The members are entitled to claim exemption in respect of tax on long term capital gains under sections 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in the section.
7. Individuals or HUF members can avail exemption under section 54F by utilization of the sale consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.
8. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.
9. Non-Resident Indians (as defined in section 115C(e) of the IT Act), being shareholders of an Indian Company have the option of being governed by the provisions of Chapter XII-A of the IT 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.
 - a. As per the provisions of section 115E of the IT Act, and subject to the conditions specified therein, long-term capital gains arising on the transfer of Company's shares will be charged to Income Tax @ 10% (plus applicable surcharge and education cess).
 - b. As per the provisions of section 115F of the IT Act and subject to the fulfillment of the conditions specified therein, the Long Term Capital gains arising on the transfer of Company's shares shall be exempted from income tax entirely / proportionately if all or a portion of the net consideration is invested within 6 months of the date of transfer in specified assets as defined in section 115C (f) or any savings certificates referred to in section 10(4B) of the IT Act. The amount so exempted shall, however, be chargeable to tax as long term capital gains under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
 - c. As per the provisions of section 115G of the IT Act, Non-resident Indians are not obliged to file a return of income under section 139(1) of the IT 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-A of the IT Act.



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- d. Under section 115H of the IT Act, where a Non-Resident Indian, in relation to any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he/she may furnish to the Assessing Officer a declaration in writing, along with his/her return of income under section 139 of the IT Act for the assessment year for which he/she is so assessable, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/her in relation to such income for that assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
- e. As per the provision of section 115-I of the IT Act, when a Non Resident Indian, elects not to be governed by the provision of Chapter XII-A of the IT Act, then his/her total income shall be computed and charged in accordance with other provisions of the IT Act.

III FOREIGN INSTITUTIONAL INVESTORS

1. Income by way of dividend received on shares of the Company is exempt under section 10(34) of the IT Act.
2. The long-term Capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after 1st October 2004 and the transaction is chargeable to Securities Transaction Tax, would be exempt from tax as per the provisions of section 10(38).
3. The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India on or after 1st October 2004 and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of section 111A.
4. Under Section 115AD(1)(b)(ii) of the IT Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 3 above) held in the Company for a period of less than 12 months will be taxable @30% (plus applicable surcharge and education cess).
5. Under section 115AD(1)(b)(iii) of the IT Act, Income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to Foreign Institutional Investors.
6. Long Term Capital Gains on sale of shares of the Company by the members shall be exempt from income tax if such gains are invested in bonds/equity shares specified in section 54EC subject to the fulfillment of the conditions specified in the section.
7. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.

IV 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 authorized by the Reserve Bank of India would be exempt from income tax.

BENEFITS 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.

BENEFITS UNDER THE GIFT-TAX ACT, 1958

Gift tax is not leviable in respect of any gifts made on or after Oct 1, 1988. Therefore, any gift of shares of the Company will not attract gift tax. Gift of shares of the company to the unrelated persons exceeding Rs. 25,000 could however be taxed as income of the recipient in terms of section 56(1)(v) of the Act.

**SECTION IV: ABOUT THE ISSUER****A. INDUSTRY****INDIAN TEXTILE AND MADE-UPS INDUSTRY****Overview of the Indian Textile Industry**

Textile is among the leading sectors in the Indian economy in terms of production, exports, employment and contribution to the exchequer. According to Confederation of Indian Industry (CII), textile industry has high growth potential given inherent strengths such as abundant raw materials, low labor cost and a thriving domestic market. Textile industry is also important from a foreign exchange and employment perspective. The sector employs 3.5 crore people and is the second highest employer in the country. It contributes to about 16.7% (US \$13.5billion) of India's total export earnings and about 4% to the country's GDP. The high capital employment ratio has immense potential to promote employment, especially in the rural areas.

Indian textile industry is multi-fibre based, using cotton, jute, wool, silk and man-made and synthetic fibre. India has a share of 14 per cent in \$31billion global cotton export trade. India accounts for 23 per cent of the world's installed capacity of spindles. Not surprisingly, cotton yarn accounts for a large portion of yarn production in the country. The country also has the largest cotton acreage of nine million hectares in the world. In fiscal 2003-04, India's cotton production totaled 2.84 million tons making it the third largest producer of cotton in the world, accounting for 13.90 per cent of the global production. Worldwide, India ranks fourth in staple fiber production and sixth in filament yarn production.

Indian textile industry comprises a diverse, fragmented group of establishments that produce and/or process textile-related products (fiber, yarn, fabric) for further processing into apparel, home furnishings, and industrial goods (*see Table*).

Table on segment-wise Fabric Production in the country

FY	Cotton Fabric			Blended Fabric			100% Non Cotton Fabric			Total	
	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth rate
2001	19627	3%	49%	6348	7%	16%	14358	5%	36%	40333	4%
2002	19769	1%	48%	6288	(1%)	15%	15334	7%	37%	41390	3%
2003	19296	(2%)	47%	5877	(7%)	14%	16289	6%	39%	41462	0%
2004	18062	(6%)	43%	6078	3%	14%	17970	10%	43%	42109	2%
2005	20578	14%	46%	6025	(1%)	13%	18388	2%	41%	44991	7%

(Source: Ministry of Textiles, Government of India)

In its broadest sense, Indian textile industry comprises:

Spinning: India is the third largest producer of cotton in the world. It also has a strong production base for synthetic fibres. Indian spinning industry is dominated by cotton yarn. With an installed capacity of 40 million spindles, India accounts for about 23 per cent of the world's spindle capacity. In terms of rotors, India has 0.5 million rotors (6% of the world). This sub-segment of the industry is concentrated in Gujarat, Tamil Nadu, Maharashtra and Madhya Pradesh.

Weaving and knitting: The woven fabric production industry can be divided into three sectors: power loom, handloom and mill sector. The decentralized power loom sector accounts for 95 per cent of the total cloth production. The knitted fabric forms 18 per cent of the total fabric production. India is equipped with 1.80 million shuttle looms (45% of the world), 0.02 million shuttle less looms (3% of the world) and 3.90 million handlooms (85% of world). This segment is concentrated in Tamil Nadu and Gujarat.

Processing Industry: Processing is the weakest link in India's entire textile value chain. The processing industry is largely decentralized and marked by hand processing units and independent processing units. Composite mill sectors are very few falling into the organized category. Indian processing industry has deployed low-end technology with little investment initiative in technology upgradation. The decentralized processing industry lacks R&D and innovation.

Garment manufacturing: The apparel industry is the largest foreign exchange earner accounting for more than 8% of India's exports in 2004-05. It also accounts for 48% of India's total textile exports (*see Table below*). This industry is structurally a labour intensive, low wage industry with some variations across its market segments. Pricing in the industry depends upon the extent of value addition in the end product, the more the value addition the higher per unit price realization. The competitive advantage of companies in this market segment is related to their ability to create designs that capture tastes and preferences, and even better - influence such tastes and preferences - in addition to cost effectiveness. This industry has also seen a significant amount of global relocation of production and outsourcing to lower-cost producers.


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Table on Trend in Textile Exports

Indicator (Figures in Rs crore)	As at 31st March				
	2001	2002	2003	2004	2005
Exports	201,356	209,018	255,137	293,367	356,069
Textiles (excluding readymade garments) export	26,114	24,799	28,684	30,144	29,599
Yarns, fabrics, made-ups exports	22,333	21,310	24,608	25,700	24,864
Jute manufacture excluding floor coverings export	626	537	785	950	996
Carpets exports	2,657	2,433	2,578	2,691	2,679
Other textiles excl. RMG exports	497	519	714	803	1,060
Readymade garments export	25,441	23,878	27,536	28,634	27,077
Readymade garments cotton incl. accessories export	17,941	17,646	21,510	22,009	20,521
Readymade garments silk export	844	720	664	760	801
Readymade garments manmade fibres export	4,454	3,694	3,520	3,530	3,140
Readymade garments wool export	1,357	1,130	1,057	1,285	1,557
Readymade garments of other textile materials export	845	687	785	1,050	1,058

(Source: CMIE)

Though ready made garments account for a significantly large chunk of textile exports from India, exports of cotton made-ups as a category is also growing, thanks to investments made by large organized players in the processing segment of the Industry. Cotton made-ups as a sub-segment accounted for 12.7% of the total textile exports from India, and 2.1% of the India's total exports in 2004-05 (see Table below).

Key Textile Export Categories

Indicators (Rs in crore)	FY2004	%	FY2005	%
Total Exports	293,367		361,879	
<i>Of which:</i>				
Textile Exports	61,942	21.1%	60,641	16.8%
<i>Of which:</i>				
Total RMG Export	28,634	46.2%	27,077	44.7%
Cotton RMG	22,009	35.5%	20,521	33.8%
Cotton Made-ups	7,230	11.7%	7,723	12.7%
Cotton Yarn	5,878	9.5%	5,138	8.5%
Cotton Fabrics	4,685	7.6%	4,165	6.9%

(Source: TEXPROCIL and CMIE)

Removal of quotas and its impact on Indian textile and clothing exports

For 40 years, the international trade in textiles and clothing was regulated by special arrangements outside the rules of General Agreement on Tariff and Trade (GATT). The framework of Multi-Fibre Arrangement (MFA) applied to international trade in textiles and clothing for the period 1974 to 1994. This MFA imposed restrictions on exports from low-cost Asian textile/garment producers.

Consequent upon the establishment of the World Trade Organisation (WTO) with effect from January 01, 1995, the quantitative restrictions in the bilateral agreements under the MFA were being governed by the Agreement on Textiles and Clothing (ATC) contained in the final Act of the Uruguay Round negotiations.



The ATC was a transitory regime between the MFA and the full integration of textiles and clothing into the multilateral trading system. Four countries carried the MFA restrictions into the ATC (Canada, the EU, Norway and the United States). As per the ATC agreement, the signatory members were to remove all the quantitative restrictions in four phases over a 10-year period.

Integration of textiles and clothing into GATT

Date	Minimum volume integrated (%)	Accumulated volume integrated (%)	Remaining quota growth rate (%)
01.01.1995	16	16	16
01.01.1998	17	33	25
01.01.2002	18	51	27
01.01.2005	49	100	Full Integration

(Source: Staff of the WTO Secretariat)

The quota regime in the textile sector as a result now stands completely phased out by the end of 2004.

World trade in textiles and clothing amounted to US \$385 billion in 2003, of which textiles accounted for 43 percent (US \$169bn) and the remaining 57 percent (US \$226bn) for clothing. Developed countries accounted for little over one-third of the world export in textiles and clothing.

The expiry of ATC has increased the size of the accessible global market for Indian exporters of garments and that of made-ups to developed markets of U.S, Canada and European Union. Especially in made-ups (or home furnishings / textiles), the overall shrinkage in the supply base in developed markets due to adverse cost structures has thrown up a unique opportunity of Indian exports. Further, as global retailers and merchandisers are looking to outsource a greater share of their need from low-cost manufacturing bases, India is slowly emerging as a major outsourcing destination, next to China.

As a fallout to the quota regime, there would be consolidation of production and restriction on supplying countries, which would necessarily mean improved scale operations. Indian players should also integrate to achieve operating leverage and demonstrate high bargaining power. It is reported that Chinese textile firms have already invested heavily to expand and grab huge market share in the quota free world. In India, organised players in this sector would require huge investments to remain competitive in the quota-free world. According to a research report by Exim Bank, Textiles Exports: Post MFA Scenario, it is estimated that the industry would require Rs1.5trillion (US\$35bn) new capital investment in the next ten years (by 2014) to tap the potential export opportunities of US\$70bn. It is estimated that USA and European Union (EU) together would offer a market of US\$42bn for Indian textiles and garments in 2014.

Share of India in Textile & Clothing

FY	Textiles			Clothing		
	World Exports	India's Exports	India's Shares	World Exports	India's Exports	India's Shares
1990	104.35	2.18	2.09%	108.13	2.53	2.34%
1995	152.32	4.36	2.86%	158.35	4.11	2.60%
2001	146.87	5.38	3.66%	194.49	5.48	2.82%
2002	152.76	6.03	3.95%	202.31	6.04	2.99%
2003	169.42	6.51	3.84%	225.94	6.46	2.86%

Figures in US \$ Billion (Source: WTO International Trade Statistics Book 2004)

The Opportunity for India in Made-ups

The global market for home textiles is estimated at around US \$70bn (at retail prices), of which USA and Europe account for around 70%. Imports into US and EU are to the tune of about US \$13bn and U.S \$6.5bn respectively. Post the abolition of quotas in global trade, home textiles i.e. bed sheets, curtains, towels, pillow covers, etc, are expected to grow very fast. These are lifestyle products that fit into definition of both necessity and luxury. Though home textile has still to catch-up as a concept in India, it has deep penetration in developed countries. In USA, home textiles account for almost half the consumption of total textile and clothing products i.e. garments, etc. Similarly, share of home textiles in total textile & clothing consumption in the EU is around 32%. Due to the high costs, several home textile facilities have shut down in the developed world and the manufacturing has moved to low-cost developing countries. Pillowtex, the largest home textiles company in the world with capacities of around 45,000 tonnes per annum shut down, this has left a large demand for home textiles from India and China.



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Competition from low-cost global suppliers has customers aggressively shopping around the world and without quotas this becomes easy. India is among the world's top three suppliers of home textile products. Most of the annual US \$1.72 billion exports are shipped to the US and the European Union. Growth is forecast to be robust, especially as Western customers come to appreciate traditional Indian specializations in embellishments such as embroidery and patchwork. However, Indian companies are also becoming more competitive by establishing in-house dyeing facilities, adding high-speed looms and taking other steps to stay ahead. Cotton made-ups as a sub-segment accounted for 12.7% of the total textile exports from India, and 2.1% of the India's total exports in 2004-05. Bedlinen's, Terry Towels and Bedsheet's are largest categories within cotton made-ups (See Table below).

Itemwise Exports of Cotton Made-ups

	April 2004/ March 2005			April 2003/ March 2004		
	Rs. Cr	Mn. (US\$)	% age	Rs. Cr	Mn. (US\$)	% age
Bedlinen/Coverlets/Counter pane etc	1,141.5	254.3	14.8%	937.9	202.8	13.0%
Towels (Terry)	656.9	146.3	8.5%	686.4	148.4	9.5%
Bedsread/Bed Sheets	627.3	139.7	8.1%	493.6	106.7	6.8%
Durries/Drugetts/Rug	554.4	123.5	7.2%	539.3	116.6	7.5%
Table Toilet kitchen Linen	538.9	120.1	7.0%	389.8	84.3	5.4%
Carpets/Carpetting Mats	495.9	110.5	6.4%	464.9	100.5	6.4%
Arab Rumals/Turbans	397.8	88.6	5.2%	401.5	86.8	5.6%
Table Cloth	328.5	73.2	4.3%	364.6	78.8	5.0%
Cushion Cover	288.6	64.3	3.7%	311.7	67.4	4.3%
Curtains	204.1	45.5	2.6%	261.0	56.4	3.6%
TOTAL (including others)	7,723.3	1,720.5	100.0	7,229.8	1,562.9	100.0

(Source: *TEXPROCIL*)

USA: A fast growing market for Home Textiles

According to data from the US Department of Commerce, US imports of made-ups grew 15.7% between 2002 and 2005 from US \$8.42bn to US \$13.06bn. The U.S market the largest and fastest growing market for made-ups (see Table below) post-removal of quota from January 2005.

The US textile and apparel industry has witnessed a significant structural change over the past decade. Cheaper imports from China, India and Pakistan and the growing clout of large retailers have led to a gradual decline in the domestic manufacturing capacity of several textile items.

According to data from *TEXPROCIL*, the total number of hours that shuttle looms operated in US in 1992 was 204.7mn; in 2002 it had decreased 93.4% to 13.5mn. The total number of hours shuttle-less looms operated decreased 48.8% in that ten-year period.

U.S General Imports in US Dollars

Country	2002	2003	2004	2005	Market Share (%)
World	8,421,611,452	9,554,117,132	11,257,093,723	13,059,066,235	100.0
China	2,739,400,958	3,883,914,037	5,054,533,400	6,365,429,258	48.7
India	959,448,496	1,069,167,919	1,265,650,980	1,456,837,196	11.2
Pakistan	676,466,215	783,393,350	899,248,431	1,234,215,103	9.5
Mexico	551,256,638	432,288,894	453,912,295	493,245,017	3.8
Turkey	308,175,418	329,513,471	386,845,938	427,288,588	3.3

Data for category 14 { Source: US Department of Commerce (*OTEXA*)}



For imports of cotton made-ups into US, the growth rate has been 17.8% between 2002 and 2005 from US \$3.46bn to US \$5.66bn. However, post removal of quota, this growth has been 25% YoY to US \$5.66bn for December 2005 (see Table below). In terms of market share, China has the largest share of imports of made-ups into the US, while India and Pakistan are close competitors.

US Imports of Cotton Made-ups

Country	2002	2003	2004	YTD Sep 2004	YTD Sep 2005	% Share
World	3,467	3,940	4,545	3,363	5,666	100.00
China	958	1,182	1,403	1,046	2,056	36.29
Pakistan	477	581	681	499	1,041	18.38
India	645	701	836	620	990	17.47
Turkey	162	176	208	157	262	4.64
Portugal	210	195	203	155	187	3.31
Brazil	134	144	133	107	197	3.48

Sum of Categories:360, 361, 362, 363, 369, {Source: US Department of Commerce (OTEXA)}

With the quota system in place, all imports to the US were classified under a harmonised tariff schedule (HTS) numbers with a specific textile or apparel category number. Cotton home textile imports to US were classified mostly under number 360, 361, 362, 363 and 369. As an aggregate they were classified under number 14. The break-up of these imports from India to US and their growth rate is shown as under:

US Home Textile Imports from India

(US \$ Million)	2002	2003	2004	2005	CAGR
Aggregations					
14 - Made-ups & Misc.	959	1,069	1,266	1,457	14.94%
Cotton					
360 - Pillowcases	17	27	31	47	41.64%
361 - Sheets	53	93	134	204	56.21%
362 - Bedspreads & quilts	69	64	57	71	1.25%
363 - Terry & other Towels	121	135	182	238	23.67%
Towels					
369 - Other Cotton	385	382	432	439	4.48%
Wool					
465 - Floor coverings	234	244	290	313	10.27%
469 - Other Wool	3	2	3	4	15.24%
Man-Made Fibres					
665 - Floor coverings	12	10	8	12	-1.41%
666 - Other MMF Furnishings	34	60	70	74	29.12%

Note 369 is a very broad category that covers shop towels, dish towels, pillow covers, table cloth, window curtains, bedding articles and so on.

(Source: Compiled data from US Department of Commerce, OTEXA)

According to Texprocil, There are about 124 different HS (harmonised system) Lines under the product category of Bed Linen (incl. bed spreads and shells for pillows and quilts). The table gives the import scenario in the past two years as well as year to date (YTD - Jan) figures (for the top 10 exporting countries). The totals were obtained by adding all Bed Linen HS codes for all fibers at the ten digit level.



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US Imports of Bed Linen - all fibers (Value in US\$)*

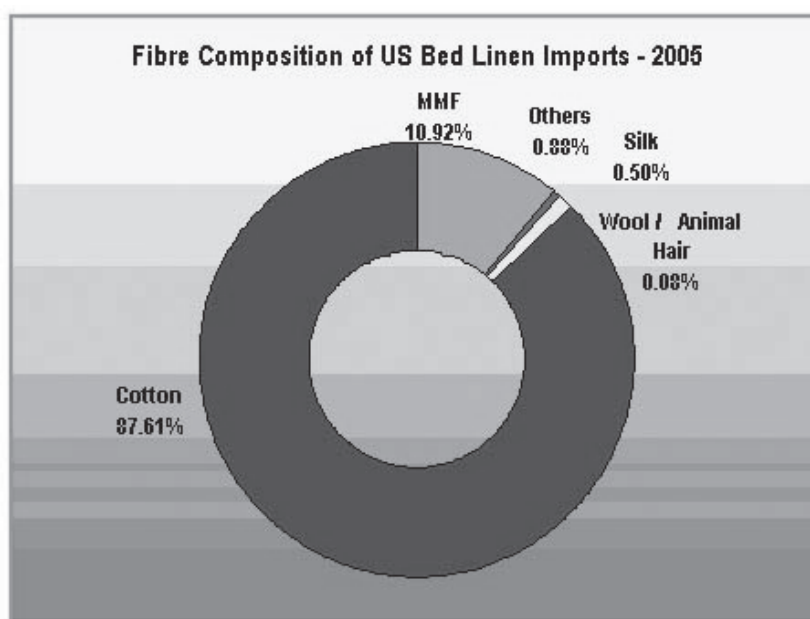
Country	2004	2005	YTD-Jan/ 2005	YTD-Jan/ 2006	2005 Mkt. Sh.	% Ch 04/05
World	1,369,599,445	1,892,590,505	107,471,811	173,813,311	100.0	38.2
Pakistan	261,508,810	495,279,694	16,685,683	50,435,876	26.2	89.4
China	136,469,318	424,287,586	11,700,310	47,646,698	22.4	210.9
India	194,497,730	289,566,207	17,463,161	25,774,113	15.3	48.9
Turkey	93,433,897	98,363,573	6,366,615	8,427,932	5.2	5.3
Portugal	120,134,453	98,203,130	6,439,020	4,450,314	5.2	-18.3
Mexico	54,801,588	79,165,002	3,231,592	4,320,512	4.2	44.5
Israel	57,256,922	59,717,062	6,802,563	6,723,229	3.2	4.3
Brazil	66,981,273	59,691,474	3,602,002	6,157,385	3.2	-10.9
Italy	52,209,407	52,605,451	4,048,150	4,338,595	2.8	0.8
Bahrain	39,776,824	29,732,909	9,657,249	1,685,206	1.6	-25.3

YTD = Year to date. % Ch = Percentage Change * Bed Spreads and Pillow Shells Quilt shells, comforter shells not added

According to data from Texprocil:

- The total import market size for bed linen in the US market was US \$ 1.89bn in 2005. (US \$ 2.14bn with the addition of bed spreads, quilt, pillow and comforter shells)
- In 2005, the first year after the abolition of quota, total imports of bed linen grew at a rate of 38% from US \$ 1.37bn in 2004. (Imports were US\$ 1.63bn in 2004 with the addition of bed spreads, quilt, pillow and comforter shells)
- During the first month of this year for which final figures are available, imports of bed linen continued to gallop at 62.6% as compared to the first month of 2005. Imports of bed linen in Jan 2006 were US \$173.80mn as compared to \$ US107.50mn in Jan 2004.
- India, the third largest supplier of bed linen to the USA in value terms, had a more modest growth of about 49% in 2005 from US\$ 194mn to about US\$ 289mn, with a market share of 15.3% in 2005.
- USA bought 1.848bn sq. m of bed linen in 2005 (2.09bn sq. m. with the addition of bed spreads, quilt, pillow and comforter shells) as compared to 1.374bn sq.m. in 2004. (2.09bn sq. m with the addition of bed spreads, quilt, pillow and comforter shells) This was an increase of 34.5%.
- While US imports grew by 38.2% in value terms, it grew only by 34.5% in terms of square meters, indicating the patronage of higher value goods within the bed linen group.
- India was the fourth largest supplier to the USA in the year 2005 in quantity terms.

Fiber-wise break up of the total imports into U.S. of Bed Linen in Value terms



**European Union: An attractive Destination of Home Textiles for Indian Suppliers.**

According to The Cotton Textiles Export Promotion Council home textiles is one of the strategic areas where India is expected to perform well in a free trading environment. In fact, initial import trends in the US market after the removal of quotas has been encouraging with India being able to register growth in most of the categories of commercial significance.

The EU on the other hand, continues to be the most important destination for Indian home textile suppliers with a total market size of around ₹26billion in the year 2003 for household and furnishing articles, out of which the level of import is pegged at around ₹5.5billion. The major seven national markets within the EU for household and furnishing textiles are United Kingdom, Germany, Italy, France, Spain, The Netherlands and Belgium. These countries are the leading consumers of household and furnishing textiles and, in another sequence, the leading importers. Besides, among the ten new accession countries, Hungary, Poland and the Czech Republic are the countries to be watched in the future.

India has a market share of roughly 9% in the top fifteen countries representing the EU. Turkey, Pakistan and China are key competitors.

EU-15 leading suppliers of household and furnishing textiles by product groups in 2003

	Mn Euros (₹)	Leading suppliers in 2003 (import share in % between brackets)
Blankets	289	China (37), Germany (8), India (7), Turkey (6), Italy (5), Spain (4), Portugal (3)
Bed Linen	1891	Pakistan (22), Turkey (15), Portugal (8), India (5), China (5), France(5)
Table Linen	439	India (19), China (18), Turkey (8), Germany (6), Czech Republic (5), Belgium (4)
Bath/kitchen linen	1185	Turkey (25), Portugal (13), Belgium (9), Pakistan (9), China (5), India (5)
Curtains	825	Turkey (12), China (11), India (10), Pakistan (9), Germany (7), Czech Republic (6)
Bedspreads	138	India (38), China (13), Portugal (11), Spain (5), UK (4), Turkey (4)
Other furnishings	524	China (20), India (15), Turkey (11), Portugal (9), Germany (5), Poland (5)
Total imports	5291	Turkey (15), Pakistan (12), China (11), India (9), Portugal (8), Germany (5), Belgium (4), France (3), Poland (3), Czech Republic (3), Italy (2)

(Source: *TEXPROCIL newsletter 30th July 2005*)

The EU market for household and furnishing textiles can be divided into a residential/consumer one and a commercial contract one. Both markets have their own market structure and market characteristics and differ considerably in size. The EU-25 consumer market for household and furnishing textiles amounted to €26.4billion in 2003, 0.1 percent lower than in the previous year. Despite the slump in 2003, the household and furnishing textiles market in the EU countries has experienced non-stop growth for many years now. The United Kingdom is the largest market since 2002, despite a considerable fall in consumption in 2003, followed by Germany. Other important markets in the EU are Italy, France and Spain. The Netherlands ranked sixth before Belgium, Austria and Sweden. Five countries (UK, Germany, France, Italy and Spain) account for 76 percent of EU-25 household and furnishing textiles consumption.

Consumers in the UK, Ireland, Austria and Denmark are the biggest spenders per capita on household and furnishing textiles in the EU, followed by Belgium and Sweden. In South European countries, consumption was less than the EU average consumption.

The bulk of household and furnishing textiles purchased in the EU during any particular year is for replacement purposes rather than a primary purchase. New dwellings account for a relatively small number. Most purchases of household and furnishing textiles are made to replace old, worn or unfashionable textiles. These purchases can in most cases be deferred or not, depending upon economic circumstances at a particular time. Just like in the situation on the consumer market, the biggest commercial market is the UK, followed by Germany, France and Italy. The Netherlands ranked sixth behind Spain. The situation on the market for office buildings, the health and the hotel sector led to decreased investments and a related fall in textile consumption, in the EU countries Germany, Belgium and The Netherlands.



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Imports of household and furnishing textiles into EU-15 in volume and value, 2001-2003

	2001		2002		2003	
	'000 tons	Mn€.	'000 tons	Mn€.	'000 tons	Mn€.
Blankets and travelling rugs	38	239	53	254	60	289
Bed Linen	231	1734	261	1838	292	1891
Table Linen	43	456	42	427	49	439
Bath and Kitchen Linen	178	1191	172	1151	191	1185
Curtains	63	696	70	753	85	825
Bedspreads	21	140	21	133	25	138
Other Furnishing Textiles	47	422	52	449	68	524
Total EU imports	621	4878	671	5005	770	5291
Of which from :						
-other EU countries	184	1704	177	1701	225	1733
-developing countries	349	2435	406	2600	488	2862
-other countries outside the EU	88	739	88	704	92	696

(Source: *TEXPROCIL newsletter 30th July 2005*)

EU countries can be divided as to developments in the value of imports (annual average) during this period into:

- Falling imports in the UK, Ireland, The Netherlands and Sweden;
- Slowly growing imports (less than EU average) in Denmark, Portugal and Luxembourg
- Strongly growing imports (more than EU average but less than 10%) in Germany, France, Austria and Finland;
- Fast growing imports (more than 10% and less than 20%) in Greece, Belgium and Italy;
- Booming (more than 30%) imports in Spain.

Government initiatives for promoting the textile industry

The Government has recognised the urgency to revive and modernise the industry and hence the Ministry has set the following targets to be achieved in a 5-year period:

1. Upgradation of the technology of the industry for achieving a growth of the textile economy from the current \$ 37 billion to \$ 85 billion by 2010;
2. Creation of supportive environment for facilitating massive investment in the sector and thereby creating additional 12 million jobs in Textile Sector;
3. Increasing India's share in world textile trade from the current 4% to 8% by 2010 and achieving export value of \$ 50 billion by 2010;
4. Expediting the process of modernisation and consolidation for creating a globally competitive industry;
5. Undertaking effective schemes for ensuring handsome growth in handlooms, power looms and handicrafts, thereby substantially enhancing the incomes of the weavers and artisans; and
6. Turning the Public Sector Undertakings from chronic loss making units into self-reliant entities.

Strategy

A multi-disciplinary strategy has been formulated to:

- i. Continue and give stability to the fiscal duty reform process and thereby encouraging fresh investment into the Sector;
- ii. Make the Banks to proactively invest in Textile Sector;



- iii. Provide an additional allocation of Rs. 1000 crore in the balance Xth Plan period for Technology Upgradation Fund Scheme (TUFS), Technology Mission on Cotton (TMC), Textile Infrastructure Development Scheme and Apparel Parks for Export Scheme (APE);
- iv. Provide 10% Capital subsidy for processing under TUFS;
- v. De-reserve knitting sector from the ambit of Small Scale Industries (SSI);
- vi. Accelerate Labour & Power reforms to enhance the competitiveness of the Indian textiles and
- vii. Accelerate the process of leveraging assets of PSEs for funding already approved rehabilitation schemes.

Fiscal Duty Reforms

Far-reaching decisions have been taken to remove the discriminatory excise duty structure, which placed the organised industry at a disadvantaged position and throttled investment in the modern mills.

- In the Budget 2004-05, the duty structure of textiles was completely revised. The excise duty for textiles was made optional with mandatory duty only on man-made fibres / yarns;
- Except for mandatory duty on man-made fibres / yarns, all other textile goods were fully exempt from excise duty;
- For those opting to pay the duty and thereby avail of duty credit, the duty was reduced to a nominal rate of 4% for cotton textile items (i.e., yarns, fabrics, garments and made-ups) and 8% for other textile items including yarn, fabrics, garments, and made-ups;
- Additional Excise Duty was abolished;
- Customs duty on a number of textile items was also reduced; and
- The process of fiscal duty reforms continued in the Budget 2005-06
- Excise duty on Polyester Filament Yarn and customs duty on a number of textile machinery items reduced.
- Texturising of Polyester Filament Yarn exempted from excise duty.



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The Indian Gem and Jewellery Industry

The Indian gem and jewellery industry has established itself as the world's largest manufacturer of cut and polished diamonds. India's massive diamond manufacturing sector employs nearly one million people and contributes about 72 percent of the total gems and jewellery export basket. India's exported cut and polished diamonds is worth US\$11.18bn in 2004-05 up from US\$8.62bn in 2003-04. The country's share of the world's polished diamond market is 60 percent in terms of value, 85 percent in terms of volume and 92 percent in terms of pieces. Today, there is a ready availability of an entire range of diamonds in virtually every size, quality and cut as eleven out of twelve diamonds in jewellery worldwide are polished in India.

The growth of the diamond industry to its present status has happened through a combination of the enterprise and initiative of the Indian diamantaires, the cutting skills of the artisans and the favourable economic and political environment that came about as a result of the economic liberalisation that has been followed by successive governments since the 1990's. The latter came at a very opportune time and helped the fast growing Indian diamond industry to take the leap towards world leadership status. By the mid 1990s, India has emerged as the largest cutting centre in the world, doing more than 50 percent of the total value of polished diamonds worldwide and 90 percent of the volume. The massive industry employed over a million people, over 90 percent of the world's work force in the diamond industry.

Diamond Import / Export Trade of India

Year	Import			Export			Added Value		% of Added Value wrt. Import
	Cts. In Lakhs	Rs. In Crores	US \$ In Millions	Cts. In Lakhs	Rs. In Crores	US \$ In Millions	Rs. in Crores	US\$ in Million	
1999-2000	1,337	20,925	4,812	331	28,707	6,648	7,782	1,836	37
2000-2001	1,004	19,833	4,350	299	28,042	6,187	8,209	1,837	41
2001-2002	1,292	20,099	4,205	329	28,346	5,972	8,248	1,766	41
2002-2003	2,082	30,504	6,271	372	34,298	7,111	3,794	840	12
2003-2004	1,991	33,064	7,141	377	39,551	8,627	6,487	1,486	20
2004-2005 (P)	1,762	34,242	7,595	479	50,074	11,182	15,832	3,586	46

Figures for 2002-05 are provisional, Source: Gem and Jewellery Export Promotion Council



B. BUSINESS OVERVIEW

VEL was formed in 1986 with the objective of producing home textiles for the international market. The Company started with multiple home textile products and found its niche in the bed linen and related accessories top of the bed sector. VEL was able to gain market share for its products due to their focus on quality, designs & reliability. The company's main product bedlinen is made in different formats, mainly printed & woven. The top of the bed range is made with many innovative fabrics and designs. These are made in different formats like woven, printed, embroidered, special stitched etc. The company makes many ancillary home textiles for the bedroom and living room like cushions, bedspreads, quilts, sofa throws.

VEL has been exporting made-ups to the European market. The Company was first accorded the status of a *Export House* in April 1995 by the Director General of Foreign Trade under Ministry of Commerce, Government of India on the basis of Export Turnover achieved by the Company. Thereafter the Company's status was upgraded to *Trading House* in January 2000 because of the growth in export turnover of the Company. As per the present EXIM Policy, the Company is a *Two Star Export House*. The Company has been catering to the export market by converting its out sourced fabric with its own cutting and sewing facilities. Now the company has decided to set up an integrated & modern weaving and processing plant to meet the growth requirement in the Home Textiles exports. This step of making the company a vertical unit shall enable the company to have its own full fledged facilities encompassing the entire chain of weaving, processing, cutting, sewing and packing used in the business.

Setting up its own vertical unit will give the company the needed back up access to a bigger world market. The Primary reason to set up this mill is the quest for higher quality and increase in capacities. The company with its past experience in the field of textiles wants to touch the unexplored segment of the world market by being a composite unit to cater to higher and medium segments of the market. The modern mill will help the company provide good print quality and shorter turnaround time. The mill will help the company achieve better costing which will enable the company to offer their products at more competitive prices.

Lowest anti subsidy duty

The Company has a competitive edge by way of the lowest anti subsidy duty for its exports to the European Union while the rest of the exporters in India have been levied with a duty ranging up to 12%. VEL enjoys an advantage till the January 18, 2009 with 4.4% anti subsidy duty on its exports a significant portion of which are made to the European Union.

Trading Activities in Gems and Jewellery

The Company has also been engaged in the business of trading in Gems and Jewellery for the last five years. VEL had ventured into this business mainly for the purpose of leveraging on the benefits accruing from the turnover in this business. The management is considering exiting from this business over a period of time as the growth in exports of Textile products has enabled the company to derive advantage of the benefits referred above from the Textile business alone.

The percentage of Gems and Jewellery Trading in total sales in the last three years ended 2003, 2004 and 2005 was 34.9%, 9.3% and 39.4% respectively. Thus it is apparent that this is not an activity seriously undertaken by the Company. The Company at present is a recognized Two Star Trading House as per Ministry of Commerce guidelines. The Ministry has envisaged certain additional exports incentives for status holder exporters for achieving a certain level of growth in exports. The trading activity in Gems and Jewellery has enabled the Company to achieve that growth for earning extra incentives on its exports.

All the Gems and Jewellery exports made are direct exports only and there are no third party exports.

The Company does not foresee any permanent role of this activity in its future plans. In any case the Company is confident of achieving growth after commissioning of proposed plant. After the plant, the Company plans to concentrate only on the core activity of textiles.

Location of the Project

The proposed project will be located near Vapi in Gujarat which is 160 Kms away from Mumbai. VEL has acquired a plot of land admeasuring approximately 28.95 acres which will also be adequate to meet future requirements. The proposed location is close to Mumbai, Surat and Ahmedabad which are major textile centres in India. Availability of adequate water, and skilled and semi skilled labour are very critical in determining the location of a project of this nature. The proposed location fulfills both the requirements.

Over the years Vapi has emerged as a Textile processing hub with various companies opting to locate their facilities there. Therefore textile manufacturing culture prevails at the proposed location and required trained workforce as well as technical and managerial manpower is available. Being near to Mumbai there will not be any problem in exporting the goods to other countries though JNPT / Mumbai ports.



Vigneshwara Exports Limited

Plant and Machinery

The details of the existing plant and machinery at various production facilities are as under :-

Sr. No.	Location	Details of Plant & Machinery
1	Factory 1 At Ahmedabad (Narol)	The Factory has 50 Juki Machines and 4 Cutting tables
2	Factory 2 At Ahmedabad (Vatwa)	The Factory has 45 Juki Machines and 4 Cutting tables
3	Factory 3 At Bhivandi (Thane E2)	The Factory has 75 Juki Machines and 10 Cutting tables.
4	Factory 4 At Bhivandi (Thane J5)	The Factory has 76 Juki Machines and 10 Cutting tables.
5.	Factory 5 At Bhivandi [Thane J5(1)]	The Factory has 64 Juki Machines and 5 Cutting tables. 16 Lock stitch machines with Under bed Trimmer, 32 Lock stitch machines with Under Bed Trimmers and ISU, 10 (5 -thread) ruffle over lock machines with piping attachment, 6 (5 -thread) over lock machines.
6.	Factory 6 At Bhivandi (Thane J4)	The Factory has 50 Juki Machines and 5 Cutting tables

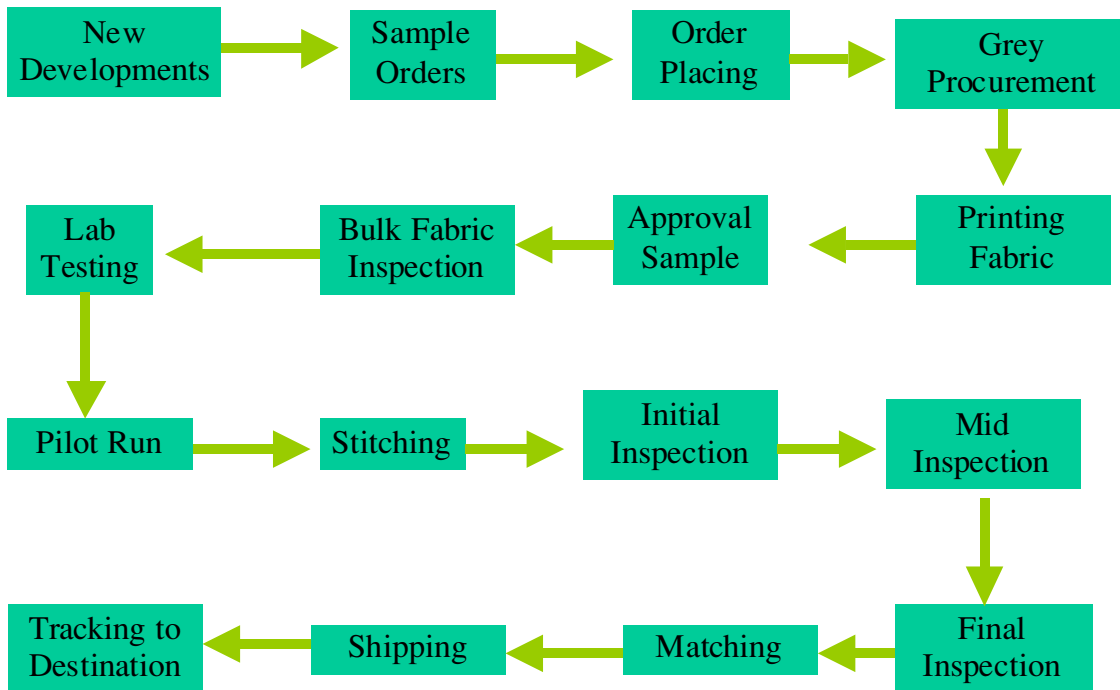
The details of the plant and machinery proposed to be installed for the new project have been mentioned under the section “Objects of the Issue” on page 20 of the RHP.

Technology

Since a major part of the production process at present is being outsourced by the Company, the products manufactured by the company do not have any significant involvement of technology on Company’s part at present. However in the proposed project the Company envisages to introduce modern weaving and processing machinery taking care of all areas of production process.

Process

Existing Business Process





Conceptualisation and Development of Design

To start with there is a continuous process of conceptualization and development of design which is to be printed on the Bed Set. Design is the key activity of Vigneshwara's products along with innovations in fabric. The company's team continuously works to make innovative fabric which involves introducing a new mix of fabric for a product. This process is undertaken with tastes, trends and fads of target customers in mind. The sales team makes several visits to the customer countries in a year and takes part in several trade fairs, exhibitions, shows, promotions which gives it the idea about changing needs of the customers. These ideas are then transformed into various designs which are first vetted by an in-house team and then sent to some select bulk buyers. After initial response, these designs are converted into samples of actual bed sets.

The Company has an in-house facility of CAD/CAM for design development along with fabric innovation. Designs are also bought from designers in Europe, more particularly from France and UK.

Sampling

Sampling is the activity where an idea is converted into a concept and concept is modeled into a product. Sampling brings into existence the new product. The sampling is done by way of procuring small quantities of grey fabric of requisite quality and then getting the design printed on it on job work. After that actual sets of different sizes are cut and sewed at our dedicated sampling units at Mumbai, Ahmedabad and Bhivandi. These sets are then used for launch of the products at appropriate forum. The company launches its own fabric innovation and designs in two main collections, Spring Summer and Autumn Winter with several intermediary collections aiming at different markets, promotions and festivals. Most of the newly developed/acquired designs, styles and fabric innovations under Autumn Winter collection are first displayed at the Hemtextil Fair in Germany during the month of January every year. The fair is the most visited textile event in the world where almost every significant textile trader/buyer makes a presence. The Company has been a regular exhibitor at this fair since last 15 years. The Company also plans to start launching some of its designs, styles and fabric innovations during New York Market Weeks.

Once a design/pattern is approved and interest is shown by the customers, the price negotiation, quantities, delivery schedules, terms of payment are decided and a purchase order confirmation is obtained from the customer.

Grey Procurement (Raw Material)

After obtaining order confirmation and in some cases after receiving the Letter of Credit the Production schedule is prepared and Grey requirement, schedule and quality is ascertained by the production planning team. Offers are then taken from different suppliers for the grey quantity needed and one or more grey suppliers are finalized by the Purchase Department. Here also a written purchase order is executed in favor of supplier(s).

Grey fabric suppliers are finalized on the basis of type, width, quantities and quality of grey required. The Company, at present, exports both Cotton Bed Sets and Micro (Polyester) Bed Sets in almost equal proportions. Micro Grey is mostly procured from Surat where the company always gets that made to order. Surat is the hub for micro fabric in India because of its proximity to micro yarn manufacturers and climatic conditions. The Surat suppliers procure the requisite Yarn as per specifications and grey weaving is also done under supervision of personnel deployed by VEL. The quality of grey weaved and schedules of deliveries are strictly followed by the team of production planning at Vigneshwara.

In Cotton Grey, there are again sub-qualities of Sheeting, Satin and Flannel. Sheeting grey is available from South India from markets like Erode, Tirupur etc. Here again the factors like proximity to Yarn manufacturers, climatic conditions plays an important role. VEL, also, deals mostly in wider widths of sheeting Grey, which are more than 72 inches in width and may go upto 120 inches. The wider width mainly requires good quality looms like airjet etc. This is known as Mill fabric in trade parlance. The process of quality control remains same. Satin Grey is procured from markets like Ichalkaranji in Maharashtra, Ahmedabad and Indore. The company does not work a lot in satin at present because of its dependence on the sourcing arrangements. In comparison, the procurement of Micro and Sheeting and is through some traders and brokers. However post the proposed project the company intends to concentrate on this segment too because its of a major interest in the American markets. Flannel grey is mostly procured from markets like Indore and some other small places in M.P.

The Grey of smaller width is procured on the basis of order requirements and specification supplied by the customers. The company adheres to the thread count and construction committed to the customers and also whether mill grey or powerloom grey will be used.

Grey inspection and checking

All the grey purchased is routed to the grey godown at Ahmedabad where it is again inspected for quality, weaving defects and right quantities. The company always buys grey which is good for a given order. Anything below that is returned to suppliers. The Grey sometimes is also directly delivered to the Process and Printing Unit to meet the delivery schedules after the



Vigneshwara Exports Limited

inspection for quality and quantity.

Dyeing, Printing and Processing

The activity of dyeing, bleaching, printing and processing at present is being done by independent units on job work most of which are based at Ahmedabad. Most units of that width are based in Ahmedabad because of its history in Textiles, labour requirement, power and plenty of water. At present the company is dealing with about 10 job workers because of volumes required. The home furnishing products are mostly wider width products which require rotary printing machines of wider width. The company has made arrangement with different units for different types of fabric to be processed. A purchase order is given to unit for quantity, quality and design required. Required amount of grey is then supplied to unit taking into consideration the shrinkage/elongation, wastage during the printing etc. VEL has fixed standards with all the units as regards to shrinkage/elongation and wastage and the loss on these accounts are billed to the particular unit. At every location, VEL has a dedicated team of people tracking every order/job on continuous basis and also ensuring the deliveries of processed fabric to VELs stitching units.

Quality issues, delivery schedules, technology used in process house and the volumes handled and future expected volumes will be too difficult to get completed in future on job work basis. The job workers have factories which are very low on technology and high on labour, which become a hurdle for VEL in reaching new markets and targeting new customers. Also, the Company loses on account of an unfavourable shrinkage/elongation and wastage factor even though it is fixed. The unit may make good the loss on these accounts but it cannot make good the loss on account of short quantities supplied and the additional costs incurred by the Company due to this. The importance of this critical activity has prompted VEL to set up our own vertical unit to meet the future challenge of high quality products, increased volumes and newer markets with better realisations.

Receipt of Printed/Processed fabric: Quality Control

The printed and/or processed fabric is then directed to our stitching units at Bhivandi/Ahmedabad. The location is decided by production planning team as per their schedule of production and depending upon delivery schedule, capacity available etc. At the respective stitching unit this fabric is subjected to a quality control process for checking the quantity and quality of printing. At Bhivandi unit a fabric checking machine moves the fabric against a special light checking for printing defects, but at Ahmedabad, this checking is done manually by spreading the fabric on checking tables and inspecting every meter of it. The defective part is cut from the lot at this stage and this cut portion is again checked to see the possibility of using it for smaller products like pillow cover.

Cutting and Stitching (Production)

After inspection the fabric is passed to cutting department where again it is spread on cutting tables. A cut size is determined on the basis of committed size of bed linen or pillow cover. In cutting of printed fabric due care has to be taken for determining 'repeats' of a particular element of design and placement of particular portion of design on pillow cover. Cut size is determined on the basis of actual product size and stitching margins and in some cases including hem. Cutting machines are used to cut the full pile of spread fabric.

After this the cut pieces are sent to stitching section. Before stitching, the supervisor or master demonstrates the particular way of stitching and the stitching is done on Juki machines. Company has about 360 such machines at its units. Apart from stitching the Company also has overlock and lock stitching machines for products wherever the customer requirement is. In most cases the wash care labels etc are also stitched on product as per requirement.

Final Product: Quality Control

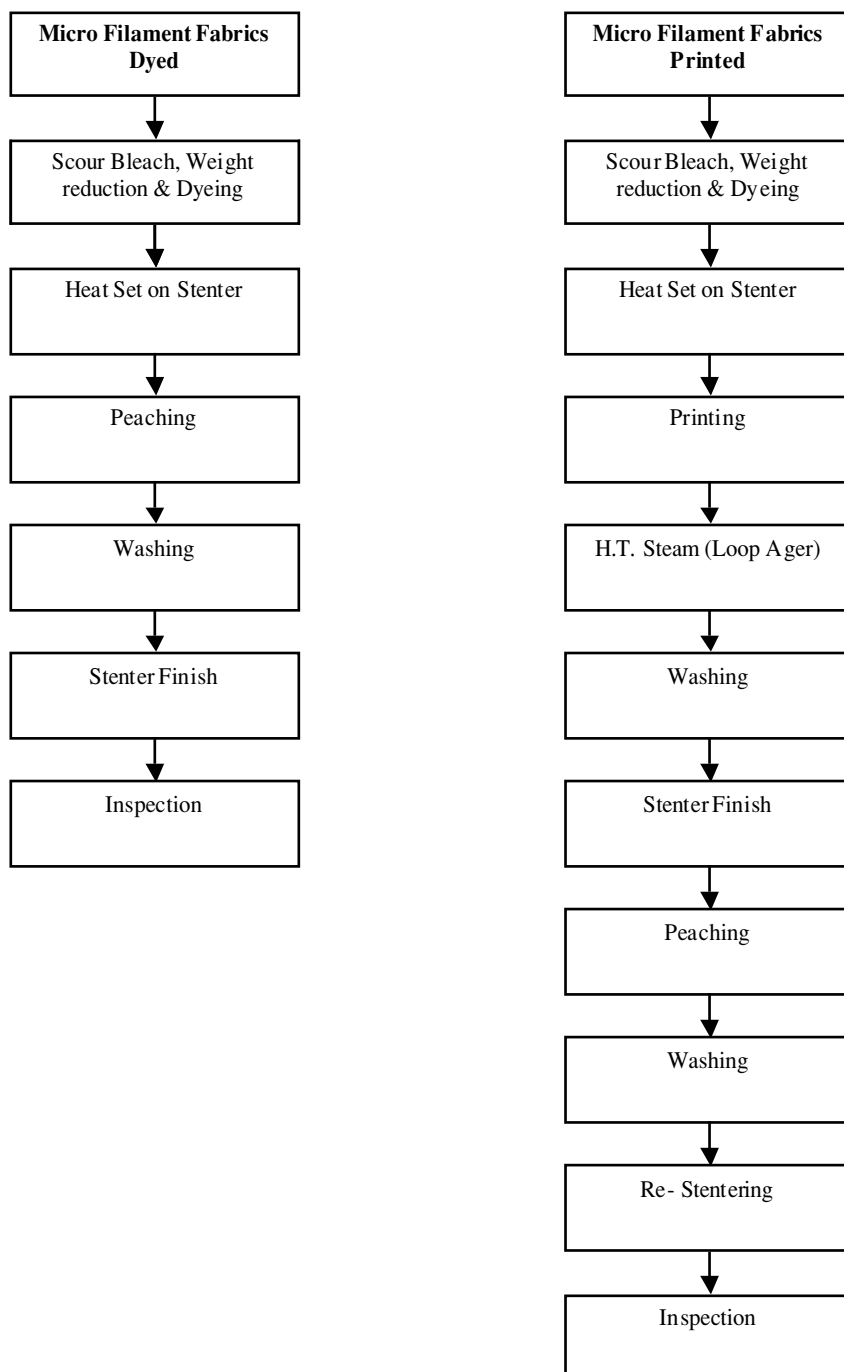
After stitching each set or piece is checked for stitching defects and trimming of loose threads etc. Wherever possible the defective sets are re-stitched. After approval the piece is sent for ironing.

Packing and Container Stuffing

From ironing the product reaches packing. Here it is folded as per the requirement of the buyers/ customers and packed and is directly loaded into the container for exports.



Detailed Process Flow after the Process House Project is implemented





Vigneshwara Exports Limited

The detailed explanation of each process is as follows:

Fabric Weaving**Grey Yarn on Cones**

Normally yarn received for weaving is in cone forms either from ring spinning or from open end spinning in single or double fold as required. The yarn used for weaving is categorized into:

- a. Warp yarn
- b. Weft yarn

Normally for Weaving, yarn used as warp should be sufficiently strong to withstand stress and strains exerted during Weaving Operations. Hence they are having higher Count Strength Product (CSP) and further sized to increase its strength.

The Weft yarn is directly used on weaving machines and in some cases, if required, is rewound so as to enhance its performance in weaving.

Warping on Sectional / Direct Warping

The warp yarn is required to be presented into sheet form to the weaving machines. At warping the individual cones are put into creel (the number of cones depends upon fabric construction) and yarn from individual cones is pulled together in sheet form, wound on a barrel called warping beams (for Direct warping) or on weaving beams (for Sectional Warping). Normally if warp sheet is with patterns of different colored yarns it is processed on sectional warping machine.

Sizing of yarn in set/Beam to beam position

The object of sizing is to improve the strength of yarn by chemically binding the fibers with each other and also improve upon its friction resistance capacity by chemically coating the surface of yarn/fibres.

Further, number of threads in warper beam sheet is very less against number of threads required in whole width of fabric. Hence multiplication of sheets by drawing yarns together from many warps beams and again making one more sheet is also performed on sizing machine. In case the yarn sheet presented to sizing is from sectional warping machine, this multiplication is not required. On sizing, normally, 10-15 % size material on warp thread is applied.

This improvement in strength and frictional resistance characteristic of warp yarn is essential because during weaving, yarn has to undergo severe strain & stress as well as frictional operations.

Drawing - in

Weaving is basically interlacing of two sets i.e. warp and weft threads in desired sequence and pattern. To obtain this interlacement, warp yarn sheet is bifurcated & opened in form of two layers/sheet and weft thread is inserted between so opened two warp sheets. During subsequent cycle, the sheet forming upper layer is lowered and made to form lower layer and vis-à-vis for opposite sheet. Thus the interlacement is formed. In order to get this sheet separation and their up and down movement, each warp thread is to be drawn through heads, reeds and drop pins.

This operation is called "Drawing - in".

Beam Gaiting / Knotting on Weaving Machine

The drawn Weavers Beams are fixed on weaving machines, threads are tied and heald shafts are coupled. This operation is called Beam Gaiting. If undrawn warp threads are directly knotted to the threads of finished beams, is called Knotting. These operations are essential because normally weavers beam can carry only certain length of warp sheet on it and when so woven, whole length is converted to the fabric by weaving machine. Further warp length is required to be fed which can be done by knotting or gaiting other beams on weaving machine.

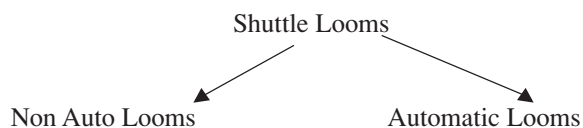
Weaving

As said earlier weaving is interlacing two sets of yarn and making fabric. One set is called warp thread which is in sheet form, the other one is called weft thread which is inserted between two layers of warp sheet by means of a suitable carrier i.e. Shuttle, Projectile, Rapiar, Air current, Water current, etc., depending upon the type of the weaving machines.



The different types of technologies available for weaving machines are briefly explained as below:

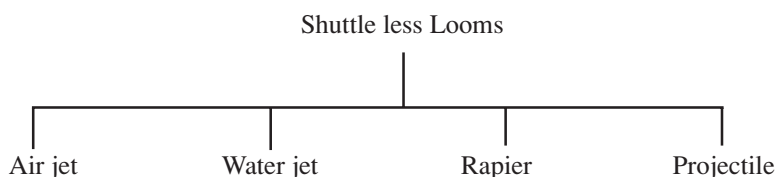
Conventional Shuttle Weaving System



Here weft yarn is inserted with the help of shuttles for interlacing with warp yarn.

Shuttle loom Technology is a conventional Technology with very much less production on account of slow speeds and excessive wear and tear of machinery. This shuttle loom technology has now become obsolete with developments taking place in Textile Industry.

Shuttle less Weaving System



The types of looms are distinguished by weft insertion methods, which are briefly discussed hereunder.

Air jet Looms

These types of looms are the latest development in Weaving Technology where weft insertion is done with the help of compressed air. A very high weft insertion rate up to 1800 meter per minute is achieved. Compared to rapier and projectile looms, these looms are highly productive and suitable for producing sheeting fabrics up to 600 TC.

Water jet Looms

As the name suggests, Jet of water is the means for weft insertion and hence the use of these looms is restricted to Weaving of hydrophobic yarns only, thus restricting their use to the weaving of synthetic fabrics only. Apart from being less versatile, for constraints of water, this technology has very limited applications.

Rapier Looms

In this case, weft insertion is achieved with the help of rapiers. These looms are versatile and can be suitable for weaving all types of fabrics, including fancy fabrics. Rate of weft insertion is 900 to 1300 meter /minute. These looms are mainly used for yarn dyed fabrics of size up to 160 cms.

Projectile Looms

In this type of loom, a small gripper shuttle known as Projectile inserts weft. The smaller size of projectile permits high weft insertion rates upto 1200 meter /minute. Further in view of high velocity and comparatively low frictional resistance during flight of the projectile, very wider width applications are feasible and available. This facilitates weaving of multiple widths of cloth on the looms.

Grey Fabric Inspection

The finally woven fabric wound on a cloth roll is taken out from weaving machines at certain intervals and checked on inspection machines for possibilities of any weaving fault. If such faults are seen anywhere in fabric during inspection, certain corrective steps are taken at weaving, warping, sizing, etc. This is a quality control exercise.

Mending / Thread Clipping

Mending operations manually rectifies the fault observed during inspection in fabric. Also the loose threads if any left out at fabric body / selvedge are clipped off to improve the overall quality and look of the fabric.

Dispatch for Processing

The fabric woven on weaving machines is in Grey stage and needs certain chemical / mechanical treatments to get its final finished stage. Since these operations are altogether specialized and different from weaving technology fabric is sent to process department.



Fabric Processing

Singeing & Desizing

In Singeing the fabric runs on gas flame at a speed of about 120 Mtrs /min and the protruding fibres on the surface of fabrics are burnt during this process. After singeing the fabric appears as clean shave look and then sent for next process of desizing.

During desizing the fabrics are impregnated with enzyme solution to remove size chemicals (used prior to weaving during sizing process). Impregnated resized fabrics are kept on rotating batches for a period of 6 to 8 hours for effective removal of sizing chemicals.

Open width scouring and bleaching

Desize fabrics are first washed in water and then treated for scouring and bleaching with caustic soda, good detergent /soap and peroxide with stabilizer. Fabric then passed through steamer so that reaction takes place with impurities and they are fully dissolved. The fabrics so washed are then clean and absorbent. This process is very important for obtaining good quality results in dyeing and printing.

Open-width Merceriser

Fabrics are treated on Merceriser to obtain luster for good appearance and dye absorbency. This also results in saving in quantity of dyes and hence cost of dyeing. Also it improves strength of fabrics for better life. To achieve this, fabrics are impregnated with caustic soda solution of 57 Tw (Treated water) along with wetting agent, processed further under tension and washed to remove surplus caustic soda and neutralized before drying.

Dyeing

Fabrics are normally dyed with reactive dyestuffs on PAD/BATCH process and washed subsequently. Pad Batch Process is the widely accepted process for dyeing cotton fabrics with reactive dyes and is called cold pad- batch process. As the method name suggests, it is a process wherein the cotton fabrics are padded with reactive dyes and batched in the form of rolls. The rolls are then wound with the help of a polyethylene wrapper and kept rotating for 8-12 hours for fixation. The unfixed dyes are washed off so as to achieve the desired fastness characteristics.

PAD DRY is also a widely accepted process for dyeing pigments on cotton fabrics. This process of dyeing would be used in dyeing of cotton fabrics with pigments, vat dyestuffs and certain reactive dyestuffs. The process involves padding the Pigments on the fabric followed by drying and curing for pigments. In case of vat dyes, the dye would be padded on the fabric and dried. Development of the vat colour after padding and drying would take place in jiggers. Certain reactive colors can also be dyed using pad dry process. In this project, the pad dry process would be predominantly used for dyeing of cotton fabrics with pigments and vat dyestuffs. Some shades are also dyed in open width Jigger. In the Project, Jiggers shall be used for development of vat dyestuffs and for batch corrections and washing.

Printing

In order to obtain combination of different designs and colors on fabrics, Printing is done. First of all designs are prepared with the help of latest cad-cam design Equipments and then they are engraved on rotary screens using photo exposure. They are then checked for any defects. If the designs are to be printed using flat Bed Screen printing systems, Screens are prepared using bolting cloths separately for each matching and fixed on frame for use on flat Bed Screen printing machine. Normally 6 to 8 colors are used for printing on Rotary Screen as well as Flat Bed Screen Printing Machine. For smaller repeats up to 64 cms. Rotary screen-printing is used while larger repeats up to 3.2 Meter are printed on flat bed screen-printing. Similarly vertical stripes / lines are printed on Rotary screens while cross border designs, rectangular large repeats are printed on flat bed screen printing. Rotary screen Printing machine can be operated on higher speed than flat bed screen-printing machine hence production capacity of rotary screen-printing is much higher compared to flat bed screen-printing,

As in the business of home textiles there are smaller prints with intricate designs, it is advisable to go for Rotary printing, which has a higher productivity. Considering the good quality printing possible with high productivity and the nature of home textile business, the project envisages Rotary screen-printing.

Colour Kitchen for printing

Colour paste used for printing is prepared in colour Kitchen. Dyestuff solution for each dye shade is prepared separately. Also thickeners/binders solutions are prepared separately and then are mixed with individual dyestuff solutions prior to printing.



Print Dryer

The Rotary screen-printing machine is connected to dryer in continuous manner so that wet cloth is immediately dried after printing. This is important as if wet cloth after printing is stored then design /colors gets tampered/damaged. Drying is done by either using steam or heated thermic oil by means of heat exchangers located near fans of dryer.

Print Steamer (Loopager)

After printing, colors are to be fixed on fabric, which is done by using saturated steam. During steaming yarns of fabric swells up and colour, which was fixed mechanically, gets fixed up on fabrics.

Soaper and Dryer

Loose colour remaining on fabrics after printing has to be washed out to achieve fastness properties and proper brilliancy of prints, which is done by soaping the cloth, and then it is washed and dried in continuous machine.

Finishing

Cloth is finished to finally keep control on width, bow and skew and its shrinkage. Also to improve handle of fabrics special chemicals are used. Finishing is also done for obtaining stain free, soft and supple finish on fabrics. At Present Eco-friendly process are used so that skin of younger/older people does not get affected. By using properly processed fabrics with appealing colors fast to washings, light, rubbing perspiration and having specialty finishes, fabrics look and value is added.

Stenter

The final finishing of fabric is always done on a stenter. The stenters are normally provided with a padder in the front, a bow and weft straightener device. The cloth to be finished passes through the padder, where finishing chemicals are added and goes through bow and weft correction device before entering the drying chamber. It can be either pad or dip stenter. The pair chains hold the cloth horizontally. The process is pad-dry and drying is achieved by blowing hot air in the stenter chamber. The stenter is the most important machine in the finishing.

Sanforiser

This is the last process in the fabric finishing. The basic function of this machine is to control the shrinkage warp wise and weft wise. Any cloth having undergone Sanforising will not shrink abnormally any further even after repeated wash, meaning dimensional stability is maintained on the fabric.

Over and above Laboratory is provided to keep quality control on Bleaching, dyeing and Printing process. Various fastness tests are carried out before final finishing is done on the fabrics. Similarly lab is also planned to exercise control on the quality of dyes and chemicals and other materials of dyes/printing auxiliaries.

The plant and machinery have been so envisaged as of International standard. Fabrics processed, dyed and printed in the manner described meets International quality standards and marketing them in Indian as well as export markets will not be difficult. The fabrics, made-up produced in above manner will have ready acceptance in countries like America, Europe, Japan, Middle East and Canada. Made-ups have ready market with departmental stores and will attract good labels of overseas. Plant has enough flexibility to cater to changing fashion in home textile market front.

Making - up.

Bed Linen and pillow covers sizes are dependent on the size of bed on which they are to be used. Weaving of fabrics on such multi size fabrics is not economical, hence a standard width fabrics is then sent to making up. The process flow in making up section is:

Laying on Table

Finished fabrics from processing section are laid on wide table where marking is done on the fabrics as per bedding size.

Fabric Cutting

The fabrics are cut into the desired dimensions as per marking.

Sewing - Bed sheets

Manual Sewing machines are used for manufacturing of Bed sheets. These Bed sheets are then further folded as per the requirement in the packed set.

Sewing - Pillow covers

The process sequence is almost same as that of Bed sheets.



Vigneshwara Exports Limited**Packing and inspection**

The ready Bed sheets and pillowcases are thoroughly checked for various types of defects such as:

1. Weaving Defects
2. Uneven Dyeing
3. Length and Width of Bed Sheets and pillowcases
4. Bleaching and Dyeing Defects.
5. Stitching Defects.
6. Oil Stains
7. Patches / Pattas.

Here the final product is categorized quality-wise. The fully inspected non-defective products are segregated and sent to packing department whereas defective ones are sent for correction.

Set Preparation

Since bed linens and pillowcases are sold into the set form of matching designs and colors, set are formed as per the requirements of buyer in desired numbers and sizes and are packed together.

Polythene Wrapping / Poly bag Packing

After inspection, the set are wrapped in polythene bags and sent for packing in suitable form as per buyer's specifications.

Dispatch

Set so formed and packed as per buyers requirements are then sent for final dispatches.

Benefit derived by the company by setting up this Process House (Vertical Mill)

Setting up of the vertical mill will give VEL the needed access & back up to a bigger world market. The primary reason to set up this Mill is the quest for higher quality and multi-fold hike in capacities. The company with its vast and rich experience in the field of textiles wants to touch the unexplored segments of market by being a composite unit to cater higher and medium segments of market. The Modernised Mill will be in tandem with International standards to provide high print quality and shorter turn around times. This Mill will help VEL achieve better costing thereby enabling the company to offer products at more competitive prices and also enables us to gain higher margins.

Vigneshwara at its current operational levels, consumes about 65,000 meters of fabric a day. However it has the capacity to sew at least 75,000 meters a day which cannot be achieved due to constraints at processing levels. There are very few processors handling the printing of high quality cloth of wider width on job-work basis. Secondly, there is further limitation of the processors that will be able to do a reasonable quality job within the given time schedule. Hence Vigneshwara has the difficulty to ship more bed sets from the present set of processors available to it. The volumes handled by Vigneshwara have now reached a level where it makes more economic sense to have its own facilities. Further in this competitive export market it is not wise to be dependent upon processors because most of these processors are exporters themselves. The strength of Vigneshwara lies in its exclusive designs apart from other factors and these designs are exposed when sent to these processors for job work.

At the dyeing, bleaching and printing stage the fabric either shrinks or elongates depending upon the type of fabric. However, this shrinkage /elongation are never allowed on actual by the job workers and this results into a monetary loss to the company. The Company also is not in a position to press the issue with processors because of compulsions of taking deliveries on time. Hence some agreed percentages are applied for shrinkage/ elongations for taking delivery. This agreed percentage always result in loss to company because they are adverse than actual. The own process house would eliminate these extra costs which are as high as 5-6% of actual costs.

Similarly, all the processors in India use some old local machines for processing which result in printing defects being higher than what they should be. Due to rigorous quality controls these defects results in wastage at the time of cutting the fabric because the Company cannot use the defective fabric. Once VEL has its own state of art modern process house, it is confident of considerably reducing this wastage.

Various bottlenecks in Processing result in delayed shipments which have to be then airlifted. This results in reduction in margins of the Company. Also the Company sometimes has to pay discounts to the customers due to the delayed shipments.



Apart from own process house, the significant weaving capacity would also allow the Company to tap markets like USA for Bed Linen of high quality fabric having thread counts in excess of 400 whereas currently the company's products have a thread count in the range of 140 to 220.

Quality

VEL maintains strict quality control for complying with the customer's requirements. The Quality Assurance team has adopted strict standards at each stage of production to ensure the quality of the products. The Quality Assurance department monitors the quality of raw material, process control and quality of the end product.

In printing and stitching, efforts are taken by the Company to minimize the mistakes and producing the right set of Bed Linen. The processing at present is outsourced, where a team of people continuously keeps a check of quality of fabric being printed at job workers unit. Before sending the grey cloth to processors also, the grey cloth is subjected to checking by the quality control of the department of the Company for weaving defects.

After printing the fabric comes to VEL's own stitching units, wherein every meter is further checked before cutting for printing as well as weaving defects. Finally after cutting and stitching also, a final check is performed for finding out the stitching defects. In case of many of customers the product is again inspected at random by independent agencies appointed directly by the customers. Cost of such inspection is also borne by VEL only.

Marketing and Sales

At present the Company is approaching the customers through various intermediaries like Sales Agents, Buying Houses based in India, Importers overseas and through trade fairs. The company works on two fold policy of Marketing and sales. The first option is to route through the direct importers who in turn sell the merchandise to the shops and chain of retail outlets. These importers mark-up the goods and sell it forward. The second option is to sell to a direct buyer who has its own retail distribution network with shops in various cities in various countries. VEL offers business solutions like direct deliveries to the warehouses which is a win-win situation for both the parties. The company gains in terms of profitability and the buyer gets merchandise at cheaper prices instead of the high prices when bought from an importer.

VEL participates in trade fairs like Heimtextil in Frankfurt Germany wherein the products are displayed for a week and which is attended by almost every textile businessman from Europe and USA. This fair facilitates the meeting of all the intermediaries as well as the actual importers with the exhibitors who get the opportunity to take note of latest trends in trade. In addition, the Company keeps in touch with the various Overseas Agents, Local Buying Houses and importers for their requirements. The Company also keeps a note of various promotions planned by Tele Shopping Networks and Chain Stores in Europe which are events requiring huge supplies. Our Sales Team headed by a Director makes overseas visits at regular intervals to keep track of happening in market.

The Company's main strength is its unique design and quality in printing and stitching. These designs are developed by the design houses in Europe. The Company also has an in-house team of designers who constantly work on offering novel designs to the buyers. After development of designs, some sample sets of products are prepared by the Company and sent to the prospective customers. Upon inquiries & subsequent negotiations the final deal is closed.

Export Obligation

There is no export obligation pending as on 31st December 2005

Infrastructure Facilities

Raw Material

The present activities of the Company mainly require Grey Fabric which is sourced from regular weavers and mills. Apart from this Stitching accessories, Packing Materials and threads required for stitching the products are sourced from the market and are available in abundance.

Vigneshwara would require the following raw materials for the proposed project:

- Yarn for in house weaving
- Grey for the balance capacity of printing and processing.
- Consumables like dyes and chemicals for the printing and processing.

All the requisite raw materials are available within India, except a small number of dyes and chemicals may also be imported from countries like China and Korea. Yarn for weaving is in abundant supply in India through different manufacturers. Weaved



Vigneshwara Exports Limited

Grey cloth is presently being outsourced from weavers in Southern India, Ichalkaranji in Maharashtra, Surat, Ahmedabad and some parts of Rajasthan. Vigneshwara has existing arrangements with the weavers for procurement of grey cloth of various qualities and width like cotton sheeting, cotton satin, flannel and micro fibre polyester. Micro Polyester can also be imported in large quantities from China.

Apart from option of importing from China and Korea, dyes and chemicals are also available within India. There are no restrictions whatsoever on domestic or overseas procurement of any of the raw materials.

Utilities

Power

The Company would need a power supply of about 5 MW for weaving and processing. The Power requirement has been proposed to be met from own generation from Heavy Furnace Oil (HFO) based Generator Sets. These sets would be convertible to Gas based generation once the gas supply is commenced in the area. The company plans to install two sets of 2.5 MW capacity and shall also have a DG set as a stand by arrangement for about 35% of total requirement.

Water

The existing facilities of the company do not require any water for the production activities of the company. The requirement of water for the proposed project would be as under :-

The water requirement has been pegged at about 3000 M3 per day which is proposed to be met from a combination of following:

- Supply from Daman Ganga Project in Vapi.
- Rain Water Harvesting on the adjacent plot of about 7 acres.
- Borewell on adjacent plot.
- Recycling of waste water through complete RO process

The Company has started procedures about necessary clearances from concerned departments for water supply. In Damanganga Project the entire demand can be met.

Steam

The steam required for weaving and processing (530 tons/day) would be generated from lignite fired/oil fired boilers. These boilers will also be replaced by gas fired ones after the commencement of gas supply.

Labour

The skilled and semi skilled labour required for the current facilities at various locations are sourced from the areas where they are located as these units are located in Textile hubs where abundant labour are available. The existing facilities of the Company at the six units employ approximately 205 skilled and 643 unskilled labour. There are 637 workers engaged on a contract basis and 211 permanent employees in the company.

The skilled and semi skilled labour required for the proposed activities are available easily in and around Vapi and Bilad because of many existing similar plants.

Compressed Air

The Company is installing three compressors for the requirements of compressed air in manufacturing. Similarly a humidification plant is proposed for requirement of air-conditioning with adequate capacities.

Effluents

The proposed activities of the Company would generate a fair amount of waste water and effluents. The Company is taking maximum possible steps for effluent treatment for zero impact on environment. The Company has decided to go in for a Effluent Treatment Plant based on 100% Complete Reverse Osmosys (RO) process. This ETP facility would recycle about 85% of the waste water generated in the unit and balance effluent would be taken care of by way of evaporation and solid waste disposal facilities. The proposed ETP facility is a modern concept designed to take maximum care of the environment with Zero negative impact. At the same time this facility would also enable the Company to take care of its heavy water requirement through process of recycling.

Environment Clearance

The existing facilities do not involve any generation of effluent and hence no clearances are required. However for the proposed project, the company will make the necessary application for obtaining the permissions for operating the facilities at Vapi which will generate effluent in the manufacturing process.



The company has applied to the authorities for the permission for waste product disposal site.

Man Power requirement Details

Existing Manpower as on 31st March 2006 is 848 which includes temporary and permanent employees of the company.

Manpower Requirement for the proposed project

Sr. No.		Total
1	Weaving Division	264
2	Processing Division	341
	Total (A)	605
3	Supervisory & Technical Staff	97
4	Administrative Staff	36
	Total (B)	133
	Total (A+B)	738

As per the revised schedule of implementation, the erection of machinery is scheduled to commence in July 2006 and the commercial production is slated for commencement in October 2006. The Company shall take necessary steps for recruitment of the required manpower in due course of time.

Products of the Company

- **Bed Linen** - The Company manufacture Bed-Linen in different sizes and composition from various fabrics like Sheetings, Seersuckers, Flannels and Satin to cater to a wide market.
- **Made ups** - The Made-Up section includes a comprehensive range of items for daily household requirements, complete with Table Linen, Bed Linen, & Cushions, Kitchen Linen, Printed & Yarn Dyed Fabrics.
- **Yarn Dyed Fabrics** - This collection comprises of 100% cotton dyed & woven fabric. Besides the regular hand woven fabric, it also includes Yarn dyed Auto loom woven representations.

Bed Linen

- **Micro**
This range is available in all widths possible. They are peached on one side with an ever lasting finish and an ultimate look. One of the best quality and superb finish available.
- **Sheetings**
The Company makes Printed & Dyed Bedsets in cotton and polycottons of various constructions. Apart from this, the company also make bedsets in various confection styles.
- **Seersuckers**
The company manufacture Seersucker bedsets in dyed and printed variations of any width requested. These Seersuckers can be manufactured in various constructions using Powerloom and Autoloom as required.
- **Satin**
The Satins are made with high quality Combed Yarn Shringed, Mercerized and reactive printed. The thread counts starting from 210's to 1000's along with various weaves like dobby & Jacquards. The cloth is also made in various styles like basic, lace, piping and frills.
- **Glanz**
The Satins are made from Fine Yarn Polyester and Glanz are available in all widths possible.
- **Flannels**
The Flannels is available in all widths possible. They are brushed on both sides with considerable care taken to avoid any distortions during the manufacture. The Flannels is made in counts of Tens and Eights.



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Market

For details of “Market” for the products of the company please refer to the Section titled ‘About the Issuer’ under the heading ‘Industry’ and sub heading ‘The Opportunity for India in Made -ups’ on page 39 of the RHP.

Competition

Some of the company’s key listed competitors in India are Alok Industries, Welspun, The company primarily caters to the medium and higher end of the price segment in Europe. Internationally company faces competition from Pakistan among other countries. For more details on competition please refer to the Section ‘About the Issuer’ under the heading ‘Industry’ and sub heading ‘The Opportunity for India in Made -ups’ on page 39 of the RHP

Business Strategy

VEL’s principal operating strategy is to increase presence in the Home Textiles Made up business in international markets due to phasing out of quota restrictions by becoming an integrated textile manufacturer by entering the processing and weaving of home textile products.

Weaving

The weaving unit will have 64 looms with modern sizing and warping facilities. The looms would be of AIR JET technology, which has the advantage of high speed and productivity, and a lower overall cost of operation. The Weaving preparatory machinery will also be imported, and will be sufficient to even double the loom capacity at a later stage. The Weaving division will be modern facility, with humidification and all required utilities to ensure quality and smooth operations. New facility would accommodate the trends of the market in terms of product quality and range.

Processing

With the increasing necessity of being a one stop shop for global buyers, a processing plant is envisaged in the near future. The Processing division will be modern, having continuous process technology. All the critical processes will be automated and the machineries imported. The processing division, which includes printing also, will have a capacity of 120,000 meters per day.

Marketing Strategy

Apart from existing approach towards sales, the Company shall also work for adding new markets in the fold of the Company.

After commissioning of plant, the Company will explore the USA market. The Company plans to have representative offices in UK, Germany, Italy, France, Austria, Norway and USA. The Company will project itself as one of the very few Indian Companies having composite unit with modern facilities with full social compliances in place.

Future Prospects

The Indian Textile Sector appears well poised to optimally benefit from quota-free regime as well as the increasing and changing dynamics resulting from the increasing popularity of organized retail market in domestic market.

While China has dwarfed India on all fronts in the textile segment, the latter still has significant growth potential from the current levels. The players have realized that they can excel in niche segment with their superior designing skills than in the hard-core volume game when pitched against China.

Capacity and Capacity Utilisation

Products		Units	2003-04	2004-05	2005-06	2006-07	2007-08
Weaving	Installed Capacity	Looms	-	-	-	64	64
	Utilised capacity	Mtrs/ per day	-	-	-	12221	13851
	% of Capacity Utilised		-	-	-	75%	85%
Processing	Installed Capacity	Mtrs/ per day	-	-	-	120000	120000
	Utilised capacity	Mtrs/ per day	-	-	-	83918	95107
	% of Capacity Utilised		-	-	-	69.93%	79.26%
Made Ups	Installed Capacity	Sets per day	16000	16,000	16,000	22000	22000
	Utilised capacity	Sets per day	8985	849	11500	16295	18467
	% of Capacity Utilised		56.16%	53.07%	71.88%	74.07%	83.94%



COMPETITIVE STRENGTHS

Professional Management

The Company is managed by Board of Directors who are qualified and having a vast experience in textile industry and is supported by a team of professionals with several years of relevant experience.

Strong customer relationships

VEL's design team interacts closely with the customers to understand their needs and create the designs as per their requirements. VEL has built a track record for timely deliveries and excellent design capabilities which has further strengthened relationships with each of these clients. The Company has been supplying home textiles to these customers for the last 15 years.

Capability to Manage Multiple and Large Orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning, and ability to ensure timely delivery to the customer. Over the years, the Company has developed the expertise to manage multiple large orders concurrently. The Company has also developed a diversified product range which has helped it grow.

Global Sourcing Capabilities

VEL has developed capabilities to source raw materials globally. VEL sources raw materials in large quantities and has hence developed an efficient supply-chain which allows it to reduce input costs and enhance competitiveness. This also allows VEL to reduce lead times, where required, by being able to source from suppliers who can meet delivery time schedules.

Design Capabilities

Design is a critical element of Home Textile manufacturing. VEL's ability to identify and stay abreast of evolving fashion trends, and design Home Textiles that meet with buyers' requirements allows it to enhance market share with existing buyers and develop new customers. Additionally, the ability to add value to the designs or design ideas which the customers bring to VEL helps it develop stronger relationships with these customers and further strengthen competitive position vis-à-vis competitors.

Quality Control

VEL maintains strict quality control for complying with the customer's requirements.. The Quality Assurance team has adopted strict standards at each stage of production to ensure the quality by. monitoring the quality of raw material, process control and quality of end product.

Timely delivery

Meeting customer deadlines on a consistent basis is paramount for VEL's business. Fashion is time bound and any delay in meeting deadlines results in loss of sales. To ensure timely deliveries, VEL meticulously plans the entire range of activities well in advance.

Reliability

VEL is in business for over a decade and has built long-term relationships with the buyers. VEL maintains complete confidentiality of buyers' designs and innovations so as to avoid any conflict of interest.

Transparency

Most buyers work backwards from their retail price to work out the optimal product price at which they can source. VEL works closely with 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. This transparency has helped VEL in gaining the customer's confidence and in building long lasting relationships.

Insurance

The Company has insurance coverage, which VEL considers adequate to cover all normal risks associated with the operation of the business. The insurance covers the entire plant and machinery at the factories, the transit and other risks of the raw materials and the finished goods and the breakdown of electrical and electronic equipments. The Company believes that its current level of insurance coverage is in line with industry norms in India.



Vigneshwara Exports Limited**Property**

VEL has offices and manufacturing facilities at various locations as per details given below

Registered Office

450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013. India	Leasehold
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Other Offices

Godown at Virar	Owned
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Production Facilities

Ahmedabad Narol	Leasehold
Ahmedabad Vatwa	Leasehold
Bhivandi - Thane E2	Leasehold
Bhivandi - Thane J5	Leasehold
Bhivandi - Thane J5 (1)	Leasehold
Bhivandi - Thane J4	Leasehold
Vapi (Proposed Project)	Owned

Purchase of Property

There is no property which the Company has 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 the Red Herring Prospectus, other than property:

- 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
- as respects which the amount of the purchase money is not material

VEL has not purchased any property in which any of the promoters and directors, have any direct or indirect interest in any payment made thereof.



C. KEY INDUSTRY-REGULATION

Technology Upgradation Fund Scheme

Technology Upgradation Fund Scheme is the first of its type in any industry specific financing for modernization and technology upgradation. TUFs was launched by GoI on April 1, 1999 for a period of five years. Operation of this scheme was further extended upto March 31, 2007. TUFs is intended to be a focal point for modernization efforts through technology upgradation in the Indian textiles industry and has an objective of making available adequate capital from banks and financial institutions for modernization at internationally comparable rate of interest and it provides a 5% reimbursement of interest actually charged by the identified financial institution on the sanctioned projects.

With effect from January 1, 2002 an option was provided to small scale textile and jute industries to avail of either 12% (increased to 15% w.e.f. January 13, 2005) Credit Linked Capital Subsidy (CLCS-TUFs) or 5% interest reimbursement. An additional option has also been provided to the powerloom units to avail 20% capital subsidy in lieu of 5% interest reimbursement or 15% CLCS-TUFs in certain cases.

GoI has provided an additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFs for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

The WTO 2005 Initiative

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

Apparel/readymade garments were not included in GATT provisions. In 1947, 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/ready-made garments and textile industries before opening them up to competition from developed 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 has laid down. Almost simultaneously, the GATT was replaced by the World Trade Organisation (WTO).

The most important underlying principles of the ATC are:

- The quotas would be phased out to an agreed timetable (16% of Imports quota-free by January 11, 1995, further 17% by January 1, 1998, further 18% by January 1, 2002 and the remaining 49% by January 1, 2005)
- 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.

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.



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Duty Exemption Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized.

However, these export incentives are to be reviewed shortly to make it WTO-compatible.

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.

From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

New duty drawback rates of 2005-2006: The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/ output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As education cess is being collected as duties of excise/ customs, the element of education cess has been factored in the drawback rates. The incidence of duty on HSD/Furnace Oil has also been factored in the drawback calculation. The production, import and price data used for calculation of drawback rates have been obtained from the various sources, such as, the field formations of Central Excise/Customs, the Export Promotion Councils and trade bodies, Government publications and other reputed journals. The changes in drawback rates reflect the changes in applied duties and changes in prices.

Ready Made Garments: In the ready made garment sector, the new drawback rate for knitted blouses/shirts/tops of cotton is 6% with a cap of Rs. 19 per piece as against the existing rate of Rs.42/kg. The new rate for knitted blouses/shirts/tops of man-made fibre is 7.5% with a cap of Rs. 24 per piece as against the existing rate of Rs.53.50/kg. For knitted blouses/shirts/tops of cotton and man made fibre blend the new drawback rate is 6.8% with a cap of Rs. 21 per piece as against the existing rate of Rs.48/kg. The drawback rates on woven garments have been revised accordingly. As for ready made garments made up of silk, the rate provided is 6% with a cap of Rs. 36/45 per piece as against the existing rate of Rs.130/kg. The drawback rate on dyed woollen shawls has been revised upwards from Rs.20.50/kg to 6% with a cap of Rs. 30 per piece.

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

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

Construction of Apparel International Mart: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government. For this purpose a grant of Rs. 15 Crore was released during the year 2001-02 and of Rs.30 Crore has been released during the year 2003-04.

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.

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).

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.

Meanwhile, in the recent Budget, the government reduced the import duty textile machinery from 20% to 10%.

Export Promotion Credit Guarantee Scheme (EPCG)

The project is contemplated in the EPCG scheme, which will carry the advantage of concessional import duty of 5.05% only on all or the imported machinery, while being also eligible to avail the DEPB benefits on exports. Although the project is envisaged as exports driven considering the burgeoning domestic market for quality home textiles. VEL would like to keep the



flexibility of entering into the domestic market depending on the market conditions which the EPCG scheme facilitates vis-à-vis the EOU scheme. Moreover, the exports under the EPCG scheme are entitled for 4.4% DEPB benefit which more than compensates the additional investment of Rs.500 lakhs in the import duties and sales tax payable under EPCG scheme.

INDUSTRY SPECIFIC REGULATIONS

List of Industry specific Regulations and Policies i.e. any specific statutes, ministry, regulations that apply:

(i) Various Acts

- a. Cotton Textiles Cess Act, 1948
- b. Sick Textile Undertakings (Nationalisation) Act, 1974
- c. Textile Undertakings (Nationalisation) Act, 1995
- d. Textile Undertakings (Taking Over of Management) Act, 1983
- e. Textiles Committee Act, 1963

(ii) Policies and Schemes

- a. National Textile Policy — 2000
- b. National Jute Policy-2005
- c. Textile Export Quota Policy 2000-2004
- d. Export Promotion Capital Goods Scheme
- e. Duty Exemption Pass Book Scheme



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D. HISTORY AND CORPORATE STRUCTURE

Vigneshwara Exports Limited (VEL) was incorporated under the name of Vigneshwara Exports Private Limited on 1st April 1986 in Mumbai pursuant to Certificate of Incorporation No.11-039425 of 1986 dated 1st April 1986 issued by the Registrar of Companies, Maharashtra. The Company became a deemed public limited Company with effect from 1st July 1995 and was converted to a public limited company vide certificate dated 17th February 2005.

Vigneshwara Exports Limited (VEL), is a Two-Star rated export house (as per the current EXIM policy) engaged in manufacturing and export of Home Textiles, Gems and Jewellery. The promoters originate from Myanmar where they had interest in businesses like cotton ginning, pressing and oil exploration. It was formed by the Late Founder Chairman Mr. Shankar Lal Poddar and is now headed by second generation entrepreneur under the chairmanship of Mr. Sarwan Kumar Poddar.

Currently majority of VEL's export revenue comes from the European markets, which helps it sustain higher realization because of relatively lesser competition in this part of the world as compared to the American markets. As of FY2005, the company earned upto 61% of its revenue from the home textiles division and the remaining 39% came from export-trading in Gems and Jewellery.

The ranking of VEL in terms of performance of exports of category 20 to EU countries during the years 2000 to 2004 is as follows:-

Year (Jan - Dec)	Rank
2004	1st
2003	1st
2002	2nd
2001	3rd
2000	8th

(Source : The Cotton Textile Export Promotion Council certificate dated 20th March 2006)

In the home textiles segment, VEL currently purchases grey fabric and outsources the processing on job-work basis. Once processed, the fabric is cut, stitched, and packed in-house into bed-linen sets, which are then ready for exports. It has been in this business for more than a decade now and with the removal of quotas in the global textile & clothing trade it is planning to integrate backwards into fabric weaving and processing. The company has planned a capex of Rs 19,600 lakhs to set up fresh weaving capacity of 15,480 meters/ day and processing capacity of 120,000 meters/ day. It is undergoing this capex with primary intent of reducing its dependence on outside processors because this is one of the most technology and quality sensitive segments in the entire textile & clothing value addition chain. Further, this also happens to be the weakest link in the Indian textiles & clothing industry. Domestic industry is highly fragmented and unorganized one, which caps technological development.

Post the capacity set-up, the company would be able to produce and market around 70 lakhs bed-linen sets per annum. This is significantly higher than 24 Lakhs sets that it marketed in FY2005. The company believes that while on one hand it would increase its annual revenues, on the other margins would improve because of reduction in various operating cost components. In outsourcing its fabric processing needs, the company incurs high freight cost and fabric wastage during the cutting and stitching process is also high, which should come down significantly.

Some of the major clients of the company are as under :-

Kinzler GMBH & Co. KG Germany	QVC , Germany	Hemtex AB, Sweden
Wellon Cotton, Hongkong	Klingel, Germany	Bernardi SPA, Italy
Karstadt Warehaus, Germany	Kid, Norway	Springs Global, USA
Deutsche Woolworth, Germany	Textiles Markenhaus, Germany	Zeeman, Netherlands

In its gems & jewellery export division the company earns trading turnover, which currently does not offer significant margins. One of the major reasons being in this business is to reap the benefit of export incentives. But as the home textile export business grows in size and scale, this division would be closed. In the past, the company also used to trade in other products like Fishes, and T-shirts, which are now discontinued.

**Major Events**

Year	Events Achievement
April 1986	Incorporated under the Companies Act, 1956 as Private Limited Company
April 1995	The Company was accorded a status of Export House by the Director General of Foreign Trade under Ministry of Commerce, Government of India.
1998	The Company was awarded National Award for Export Excellence by the Hon. President of India Shri Shankar Dayal Sharma
January 2000	The status of Export House was upgraded to Trading House because of the Growth in Export Turnover
2001	The Company wins the Prestigious “Niryaat Shree” award from Federation of Indian Exporters.
March - 2004	The European Trade Union imposes lowest Anti Dumping in India on the products of the Vigneshwara
March - 2004	The European Trade Union imposes lowest Anti Subsidy Duties in India on the products of Vigneshwara.
March 2004	Received Certification for production of Textiles with Non Harmful Substances as per the European Legislation
January 2005	Placed in the Pride of Asia Section at the Heimtextil Fair 2005
February 2005	Ranked 423rd among the top 500 unlisted companies of India(Business Standard. Issue-February 2005)

Awards & Achievements

Vigneshwara Exports is a recipient of various awards for excellence in export performance. It is a government recognized trading house and one of the top 5 home textile exporters in India. It was first awarded a status of **Export House** in April 1995 by the Director General of Foreign Trade (DGFT) under the ministry of commerce, government of India. Then on, owing to strong growth performance it was upgraded to **Trading House** in January 2000. Based on its cumulative export performance during the last 3-years (FY2003 to FY2005) the company has been accredited a rating of **Two-Star Export House** under EXIM policy. Star Export Houses enjoy a number of privileges including fast-track clearance procedures, exemption from furnishing of bank guarantee, eligibility for consideration under target-plus scheme.

Criterion for according Star Export House status

Category	Total exports over three years
One Star Export House	Rs 1,500 lakhs
Two Star Export House	Rs 10,000 Lakhs
Three Star Export House	Rs 50,000 Lakhs
Four Star Export House	Rs 150,000 Lakhs
Five Star Export House	Rs 500,000 Lakhs

Changes in the Registered Office of the Company

Previous Address	New Address	Reasons for change in office	Date of Change
Suite - 4, Ameeta Building, 1st floor, 7, G.J. Bhosale Marg. Mumbai-21	450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013	For Larger Premises	18th December 1996



Vigneshwara Exports Limited

THE MAIN OBJECTS TO BE PURSUED BY THE COMPANY ARE:

The Main Objects of the company are

1. To carry on the business of Buyers, Sellers, Importers, Exporter, Agents, Dealers of Iron and Steel, Metals and Mineral Products, Engineering Goods, Electrical and Electronic Products, Machinery, Components, Spare parts, Dyes, Chemicals, Pigments, Papers, Polyester Products, Plastics, Polymers and P.V.C. Products Shelac, Leather and Leather Goods, Synthetic resins, Oil and Farm Processed Foods, Sea Foods, Marine Products, Jems and Jewelry, Tobacco, Tea, Jute, Hemp and its finished products like Gunny Bags, Hessian Textiles including cotton, woolen arts silk, ready made garments and to act as import and export houses, advisors, for import and export indenting agents, sellers and purchasers of licenses, release orders, permits, quotas, entitlements, and enter into joint venture agreement relating to the above referred goods and commodities in all their branches.
2. To carry on in India or abroad the business of manufacturing, processing, producing, washing, dyeing, ginning, pressing, spinning, weaving, crimping, texturising, carding, bleaching, combing, doubling, finishing, calendaring, sizing, colouring, printing, mercerizing, reeling, winding, throwing, embroidering, blending, sorting, garneting, stretching, drying, drawing, cutting, improving, buying, selling, reselling, importing, exporting, transporting, storing, fabricating, developing, marketing or supplying and to act as broker, trader, agent, CNF agent, distributor, representative, consultant, collaborator, adatia, stockiest, liaisoner, job worker, export house or otherwise to deal in all types of textile goods, home textiles, furnishings, made ups, garments, industrial garments, dress materials, fabrics, cloths, yarns, such as knits, matting hosiery, plastic cloths, water proof fabrics, pave liners, americal cloths, imitation leather and rubber cloths, tents, durries, newar ropes, rugs, furnishing cloths, tapestries, curtain cloths, blankets, carpets, carpet backing, gloves, laces, terry fabrics, velvet, georgette, gabardine, pashminas, floor cloths tweed, pattu, canvas, khaddar, denim, stone wash, suitings, shirtings, saris made on power loom, handloom, or mill by man made or natural material like cotton, flax, hamp, linen, wool, nylon, viscose, ramie, polyester, silk, arts silk, rayon, jute, paper, staple fibers, cashmilon, filaments, teri cotton, mono filaments, multi filaments, acrylics, polynolic, polypropylene, polyimide, polymethene, cellulose, dropping, spun or any other combination there of.

Changes in Memorandum of Association

Date of Shareholders Approval	Changes in the Memorandum of Association
October 5, 1987	Increase in Authorised Share Capital
November 16, 1989	Increase in Authorised Share Capital
March 25, 1996	Increase in Authorised Share Capital
March 3, 1999	Increase in Authorised Share Capital
December 29, 2004	Increase in Authorised Share Capital
February 17, 2005	Alteration of Main Objects, Conversion from deemed limited company to limited company and insertion of clause relating to minimum capital
March 18, 2005	Increase in Authorised Share Capital



Subsidiaries

1. Vigneshwara UK Limited

Constitution: Limited Company

Date of incorporation: November 8th, 2005

Board of Directors

Mr. Mahendra Poddar

Mr. Andrew Graham

Nature of activities: It is a newly incorporated company with a objective of marketing VELs products in the overseas markets.

Shareholding-

Name of the shareholders	Shareholding
Mr. Vigneshwara Exports limited	70%
Mr. Andrew Graham	30%
Total	100%

Financials:

The Company was incorporated only on 8th November 2005 and the first financial statements of the Company are yet to be drawn up, hence the same have not been furnished.

Shareholders Agreements

There are no shareholders agreements entered into by Company with any of the shareholders

Other Agreements

There are no other agreements entered into by Company.

Strategic Partners

There are no strategic partners agreements entered into by Company.

Financial Partners

There are no financial partnership agreements entered into by Company.

**Vigneshwara Exports Limited****E. MANAGEMENT**

The Board of Directors of the Company comprises of the following members:

Name, Designation, Qualification, Age, Experience, Address and Occupation	Appointment in the Company and date of expiration of current term of office	Other Directorships
Mr. Sarwan Kumar Poddar Chairman Qualification: Intermediate , Age: 58 years Experience: 38 years Address: 35/ A, Ameeta, G.J. Bhosale Marg, Nariman Point, Mumbai 400 021 Occupation : Businessman	March 2005 for a term of 5 years	Vigneshwara E-Biz Pvt. Ltd. Mohini Infrastructure Pvt. Ltd.
Mr. Krishna Murari Poddar Executive Director Qualification: B.Com Age: 44 years Experience: 24 years Address: 4, Ameeta, G.J. Bhosale Marg, Nariman Point, Mumbai 400 021 Occupation : Businessman	March 2005	Vigneshwara E-Biz Pvt. Ltd. Mohini Infrastructure Pvt. Ltd. Trend Compusoft (India) Ltd.
Mr. Mahendra Poddar Executive Director Qualification: B.Com Age: 37 years Experience: 17 years Address: 45/ A, Ameeta, G.J. Bhosale Marg, Nariman Point, Mumbai 400 021 Occupation : Businessman	March 2005	Vigneshwara (UK) Limited
Mr. Gautam Poddar Director Qualification: B.Com Age: 32 Experience: 10 Years Address: 35/A, Ameeta, G.J.Bhosale Marg, Nariman Point, Mumbai - 400 021. Occupation : Businessman	December 2005 Liable to retire by rotation	Nil
Mr. H R Gupta, Independent Non Executive Director S/o Late Shri Sadhu Ram Qualification B Com Age: 59 years Experience : 35 Years Address: 1178, Sector 15 Faridabad (Haryana) Occupation : Businessman	December 2005 Liable to retire by rotation	SPL Industries Limited Sadhu Forging Ltd , Elkay Telelink Limited, Elkay International Limited



Name, Designation, Qualification, Age, Experience, Address and Occupation	Appointment in the Company and date of expiration of current term of office	Other Directorships
Mr. Ashok Bansal Independent Non Executive Director Qualification: B.Com, FCA Age: 41 years Experience: 18 years Address: A, 603, Emerald Court, Kondivita Lane, Andheri (East) Mumbai 400 059 Occupation : Profession	August 2005 Liable to retire by rotation	Professional Knowledge Management Solutions Pvt. Ltd. Progressive Portfolio Manager Pvt. Ltd.
Mr. Sunil Bhargava Independent Non Executive Director Qualification: B.Com, FCA, LLB,PGDT Age: 51 years Experience: 28 years Address: 1 Parikh College Road, Bunny Marg, Jaipur 302 006 Occupation : Profession	August 2005 Liable to retire by rotation	Neyveli Lignite Corporation Limited Rajasthan Fastners Limited Indian Institute of Management Indore
Mr. Nils Redvald Lie Independent Non Executive Director Qualification: Mechanical Engineer Age: 56 years Experience: 36 years Address: Daga liveien 37B, N-0783, Oslo, Norway, Occupation : Business	August 2005 Liable to retire by rotation	Hometextile Agency, Norway

Brief profile of the Directors

Mr. Sarwan Kumar Poddar (Chairman), Mr. Krishna Murari Poddar and Mr. Mahendra Poddar (Executive Directors) and Mr. Gautam Poddar (Director), of the Company respectively, their profiles are mentioned under the head 'Promoters'. Please refer to page 82 of the Red Herring Prospectus for further details

1. **Mr. Hari Ram Gupta : (Independent Non Executive Director)** Aged 59 years, is a Commerce graduate with over 35 years of business experience. He is also the chairman and managing director of SPL Industries Limited. He is the Chairman of Sadhu group of Industries comprising of Sadhu Forging Ltd. (Steel, Forging & Gear division), Elkay Telelinks Ltd. (Cable Division), and has over 14 Years of experience in the Textile & garments industry. Mr. Gupta has looks after the financial and commercial activities of the various companies. He is also responsible for new projects and initiatives of the Company. He is President of Faridabad Industries Association.
2. **Mr. Ashok Bansal (Independent Non Executive Director):** is a Practicing Chartered Accountant having 18 years of professional experience. He is handling professional services like Audits, Tax consultancy, advisory services, management consultancy etc. for various industries like manufacturing, finance and service sector.
3. **Mr. Sunil Bhargava (Independent Non Executive Director):** is a practicing Chartered Accountant and dealing in International Protective Trade Laws including Anti Dumping, Anti Subsidy, rules of origin and safe guard duty. He has about 30 years of experience in WTO related matters, Audits, Management, Financial and Tax Consultancy. He is the first Indian consultant to represent the Government of India at the WTO consultations/penal proceedings in Anti Dumping duty matters. He is on the Board of various public sector and private sector undertakings including Neyveli Lignite Corporations Limited.



Vigneshwara Exports Limited

4. **Mr. Nils Redvald Lie (Independent Non Executive Director):** is a resident of Norway and has more than 35 years of experience in the textile trade. He is aged about 56 and is an engineer by qualification. He has a business of sales agency for textiles for Scandinavians. He was a director in Home textile agency a company involved in manufacture of home textile. He has vast experience in marketing in the Europe market.

Details of Borrowing Powers:

The Members of the company, vide a resolution pursuant to section 293(1)(d) of the Companies Act, 1956 passed at the Extra Ordinary General Meeting held on 31st October, 2005 had authorised the Board of directors to borrow from time to time any sum or sums of monies which together with the monies already borrowed by the company (apart from temporary loans obtained or to be obtained from the company's bankers in the ordinary course of business) may 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, provided that the total amount so borrowed by the Board of Directors shall not at any time exceed the limit of Rs. 200 Crores (Rupees two hundred Crores only)

Compensation of Managing Directors/ Whole time Directors

The remuneration for Mr. Sarwan Kumar Poddar, Wholetime Director, Mr. Krishna Murari Poddar, Wholetime Director and Mr. Mahendra Poddar, Wholetime Director has been approved in the Extra Ordinary General Meeting on March 2, 2005. The details are as given below:

Name	Mr. Sarwan Kumar Poddar
Designation	Wholetime Director
Date of Appointment	1st March, 2005
Period	5 Yr.
Salary	1,50,000/- P.M.
Perquisites	<ul style="list-style-type: none">● Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such rule, perquisites shall be evaluated at actual cost and use of Company car and Telephone at residence for official purposes shall not be included.● Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and encashment of leave at the end of the tenure, shall not be included in the computation of limits for perquisites.● The Wholetime Director is entitled to reimbursement of all actual expenses including on entertainment and traveling incurred in the ordinary course of Company's business.● The Whole time Directors is also entitled to the benefits under all other schemes, privileges and amenities as are granted to the senior executives of the company in accordance with the company's policies, practice(s), rule(s), and regulation(s) in force from time to time.

Name	Mr. Krishna Murari Poddar
Designation	Wholetime Director
Date of Appointment	1st March, 2005
Period	5 Yr.
Salary	1,50,000/- P.M.
Perquisites	<ul style="list-style-type: none">● Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such rule, perquisites shall be evaluated at actual cost and use of Company car and Telephone at residence for official purposes shall not be included.● Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and encashment of leave at the end of the tenure, shall not be included in the computation of limits for perquisites.



	<ul style="list-style-type: none"> ● The Wholetime Director is entitled to reimbursement of all actual expenses including on entertainment and traveling incurred in the ordinary course of Company's business. ● The Whole time Directors is also entitled to the benefits under all other schemes, privileges and amenities as are granted to the senior executives of the company in accordance with the company's policies, practice(s), rule(s), and regulation(s) in force from time to time.
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Name	Mr. Mahendra Poddar
Designation	Wholetime Director
Date of Appointment	1st March, 2005
Period	5 Yr.
Salary	1,50,000/- P.M.
Perquisites	<ul style="list-style-type: none"> ● Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such rule, perquisites shall be evaluated at actual cost and use of Company car and Telephone at residence for official purposes shall not be included. ● Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and encashment of leave at the end of the tenure, shall not be included in the computation of limits for perquisites. ● The Wholetime Director is entitled to reimbursement of all actual expenses including on entertainment and traveling incurred in the ordinary course of Company's business. ● The Whole time Directors is also entitled to the benefits under all other schemes, privileges and amenities as are granted to the senior executives of the company in accordance with the company's policies, practice(s), rule(s), and regulation(s) in force from time to time.

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The provisions of the listing agreement to be entered into with the Stock Exchanges with regard to corporate governance will be applicable to the Company immediately upon the listing of the Company's Equity Shares on the Stock Exchanges. The Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to the listing.

The SEBI Guidelines issued in respect of Corporate Governance will be applicable to the company immediately upon applying for in-principle approval for listing of its Equity Shares on the Stock Exchanges. Accordingly, they have undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

The Company believes in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

- Recognition of the respective roles and responsibilities of Board and the management;
- Independent verification and assured integrity of financial reporting;
- Protection of shareholders' right and priority for investor relations; and
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

The Board of Directors consists of

Name of the Director	Designation	Status
Mr.Sarwan Kumar Poddar	Chairman	Non - Independent
Mr.Krishna Murari Poddar	Executive Director	Non - Independent
Mr. Mahendra Poddar	Executive Director	Non - Independent
Mr. Gautam Poddar	Director	Non - Independent
Mr. Hari Ram Gupta	Independent Non- Executive Director	Independent
Mr. Ashok Bansal	Independent Non- Executive Director	Independent
Mr. Sunil Bhargava	Independent Non- Executive Director	Independent
Mr. Nils Redvald Lie	Independent Non- Executive Director	Independent



Vigneshwara Exports Limited

Details of the existing Committees are as under:

(i) Audit Committee

Constitution of Committee

The Audit Committee has been reconstituted by the Board of Directors of the Company in their meeting held on 1st February 2006. The reconstituted Audit Committee comprises following members.

Name of the Director	Status
Mr. Sunil Bhargava	Chairman Independent Non Executive Director
Mr. Ashok Bansal	Independent Non- Executive Director
Mr. Hari Ram Gupta	Independent Non- Executive Director

Membership

The Audit Committee of the Company consists of three Directors and are appointed by the Board of Directors. The Board of Directors also ensures that atleast one member of the committee has experience in Finance & Accounts field. However, a majority of the Directors, including the chairman, are independent Directors. The quorum is considered complete when 2 members or 1/3rd of the total number of members, whichever is higher, are present. However, at least 2 members, among those present, have to be independent directors.

Secretary

The Company Secretary of Vigneshwara Exports Limited is the Secretary of the Committee.

Attendance at meetings

The Statutory Auditors, Internal Auditors and the Managing Director are invitees to the Audit Committee Meetings.

Powers of the Audit Committee

The Audit Committee is bestowed with following powers to:

- Investigate any activity within its terms of reference
- Seek information from any employee of VEL
- Obtain outside legal or professional advice
- Secure attendance of outsiders with relevant experience, if considered necessary

Role of Audit Committee

a) Financial reporting

Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. To review and challenge where necessary, the actions and judgments of management, in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board and Auditors. The Committee would pay particular attention to:

- Critical accounting policies & practices and any changes therein
- Decisions involving a significant element of judgement
- Accounting & disclosure of exceptional items
- Clarity of disclosures
- Significant audit adjustments
- Going Concern adjustment
- Compliance with accounting standards
- Compliance with legal requirements & stock exchange requirements
- Other areas as defined by the Board.



b) Internal Control & Risk Management

- To review procedures for detection of fraud, including procedures for reporting frauds by staff in confidence.
- To review management & internal audit reports on the effectiveness of the systems for internal financial control, financial reporting & risk management.
- To monitor the integrity of internal financial controls
- To review disclosures on internal controls & risk management framework.
- To assess the scope & effectiveness of risk monitoring & control systems.
- To approve related party transactions. One member shall be authorised to pre-approve such transactions.

c) Internal Audit

- To appoint / dismiss the Internal Auditor & fix their remuneration for services.
- To assess the qualifications, expertise, resources, effectiveness and independence of the internal auditors.
- To review the internal audit function & internal audit programme.
- To ensure access of Internal Auditor to the Chairman of board / Audit Committee.
- To receive periodic internal audit reports.
- To review management response(s) to the internal audit report.
- To review effectiveness of internal audit in the Company's risk management system.
- To review other services by the internal auditor to ensure internal auditor's independence / objectivity.

d) External Audit

- To recommend appointment / removal of External auditors of the Company to the Board and fix remuneration.
- To assess the qualifications, expertise, resources, effectiveness and independence of the external auditors annually.
- To discuss the nature and scope of audit before commencement of audit.
- To ensure completeness of coverage and optimum use of audit resources.
- To review the audit issues which are resolved / unresolved, errors encountered during audit, accounting / audit adjustments & management explanations.
- To review audit representation letters before approval by Board.
- To review audit process at the end of audit by discussion with external auditors on audit plan, audit risks, internal controls & feedback from key personnel involved.
- To review the management letter received from external auditors.
- To review non-audit services by the auditor to ensure external auditor's independence / objectivity.
- To annually review the accounts, audit of subsidiary companies with their Auditors & Audit Committee, so far it concerns the Company.

e) Systems Audit

- To appoint / dismiss Systems Auditors & fix their remuneration for services.
- To assess the qualifications, expertise, resources, effectiveness and independence of the systems auditors.
- To review the scope of systems audit programme.
- To ensure access of Systems Auditor to the Chairman of board / Audit Committee.
- To review management response to systems audit report.
- To review effectiveness of systems within the Company.



Vigneshwara Exports Limited

Reporting

The Company Secretary circulates the minutes of the meetings of the Committee to all Directors. The Chairman of Audit Committee attends the Board meetings at which the accounts are approved. The Chairman of the Committee also attends the Annual General Meeting and answers questions related to accounts, audit & the other activities of the Audit Committee.

The Audit Committee has the right to review its terms of reference & recommend any necessary changes to the Board annually.

The Audit Committee approves the report on its role, names & qualifications of members, number of meetings & attendance and comments on the way in which its responsibility was discharged and unresolved disagreements with the Board for inclusion in the Annual Report.

(ii) Share Transfer Committee

a. Brief description of Terms of reference

The Share Transfer Committee has been constituted to do all such acts, deeds and things relating to Share transfers, transmission, splitting of share certificates, issue of duplicate share certificates and other related matters as may be deemed necessary.

b. Constitution of Committee

The Share Transfer Committee has been re-constituted by the Board of Directors of the Company in their meeting held on 1st February 2006. The Share Transfer Committee comprises of 3 members :-

Name of the Director	Status
Mr. Krishna Murari Poddar	Chairman
Mr. Mahendra Poddar	Executive Director
Mr. Ashok Bansal	Independent Non- Executive Director

(iii) Remuneration Committee

The present Remuneration Committee of the Company was re-constituted by the Board of Directors in their meeting held on 1st February 2006. The Remuneration Committee of the Board has been constituted to determine the Company's policy on remuneration for directors / managerial remuneration.

Membership

The Committee consists of three Directors, to be appointed by the Board of Directors. The members of the Committee are non-executive directors and must necessarily include two independent Directors including the chairman of the committee.

The quorum is deemed to be complete when either 2 members or 1/3rd of the total number of members, whichever is higher, are present. However, at least 2 members among those present, must be independent directors.

The Board appoints the Chairman of the Remuneration from amongst the independent directors. Currently, the members of the Remuneration Committee are:

Name of the Director	Status
Mr. Ashok Bansal	Chairman Independent Non- Executive Director
Mr. Sunil Bhargava	Independent Non- Executive Director
Mr. Mahendra Poddar	Executive Director

Secretary

The Company Secretary is the Secretary of the Committee.

Attendance at meetings

Only members are entitled to attend meetings of the Remuneration committee. The Chairman and joint Managing Director of the Company, other non-executive Directors, CEO, Finance Director, CFO, tax consultant or other persons may attend meetings at the invitation of the Committee.

Frequency of meetings

The Committee shall meet such number of times as required and can take decisions by circular resolutions or through subcommittees.

**Powers / Role of Remuneration Committee**

Subject to the supervision and control of the Board, the functions of the Remuneration Committee include approval / recommendation to Board for approval of:

- Remuneration / commission payable to directors
- Managerial remuneration
- Frame policies to attract, motivate & retain personnel
- Other functions of a Remuneration Committee as required / recommended in the Listing Agreement

Reporting

The Secretary would circulate the minutes of the meetings of the Committee to all Directors. The remuneration Committee will annually review its terms of reference & recommend any necessary changes to the Board.

Shareholding of Directors, including details of Qualification Shares

As per Memorandum and Articles of Association no qualification shares are required.

The Details of the Shareholding of Directors is given below:-

Sr. No.	Name of the Directors	Number of Equity Shares
1	Mr. Sarwan Kumar Poddar	4,46,700
2	Mr. Krishna Murari Poddar	11,70,800
3	Mr. Mahendra Poddar	6,80,000
4	Mr. Gautam Poddar	4,00,000

Interest of Directors

Except as stated under Common pursuits on page 83 of the Red Herring Prospectus, all the Directors may be deemed to be interested to the extent of remuneration and/or sitting fees payable to them for attending the meeting of the Board or Committee thereof apart from reimbursement of traveling/incidental expenses, if any, as per the Articles of Association of the Company.

The Managing Director/Directors/Promoters of the Company shall be deemed to be interested to the extent of shares held by them and/or their friends and relatives and which may be allotted to them out of the present Issue, and are also deemed to be interested to the extent of remuneration and perquisites being drawn by them from the Company.

Except as stated under Auditors Report on page 85 of the Red Herring Prospectus, the Company has entered into contract, agreements or arrangement during the preceding two years from the date of the Red Herring Prospectus in which the Directors are interested directly or indirectly as under:

- Rent Agreement dated 6th January 2006 in connection with an industrial cum commercial gala being No.429 A, Kewal Industrial Estate, Senapati Bapat Marg, Lower Parel, Mumbai with Mohini Infrastructure Private Limited
- Agreement For Use of Premises dated 3rd October 2005 in connection with an industrial cum commercial gala being No.450, Kewal Industrial Estate, Lower Parel, Mumbai with Mr Sarwan Kumar Poddar, for a period of eleven months.
- Agreement For Use of Premises dated 3rd October 2005 in connection with an industrial cum commercial gala being No.451, Kewal Industrial Estate, Lower Parel, Mumbai with Mr Krishna Murari Poddar, for a period of eleven months.

(i) Changes, if any, in the Directors in last three years and reasons thereof , wherever applicable

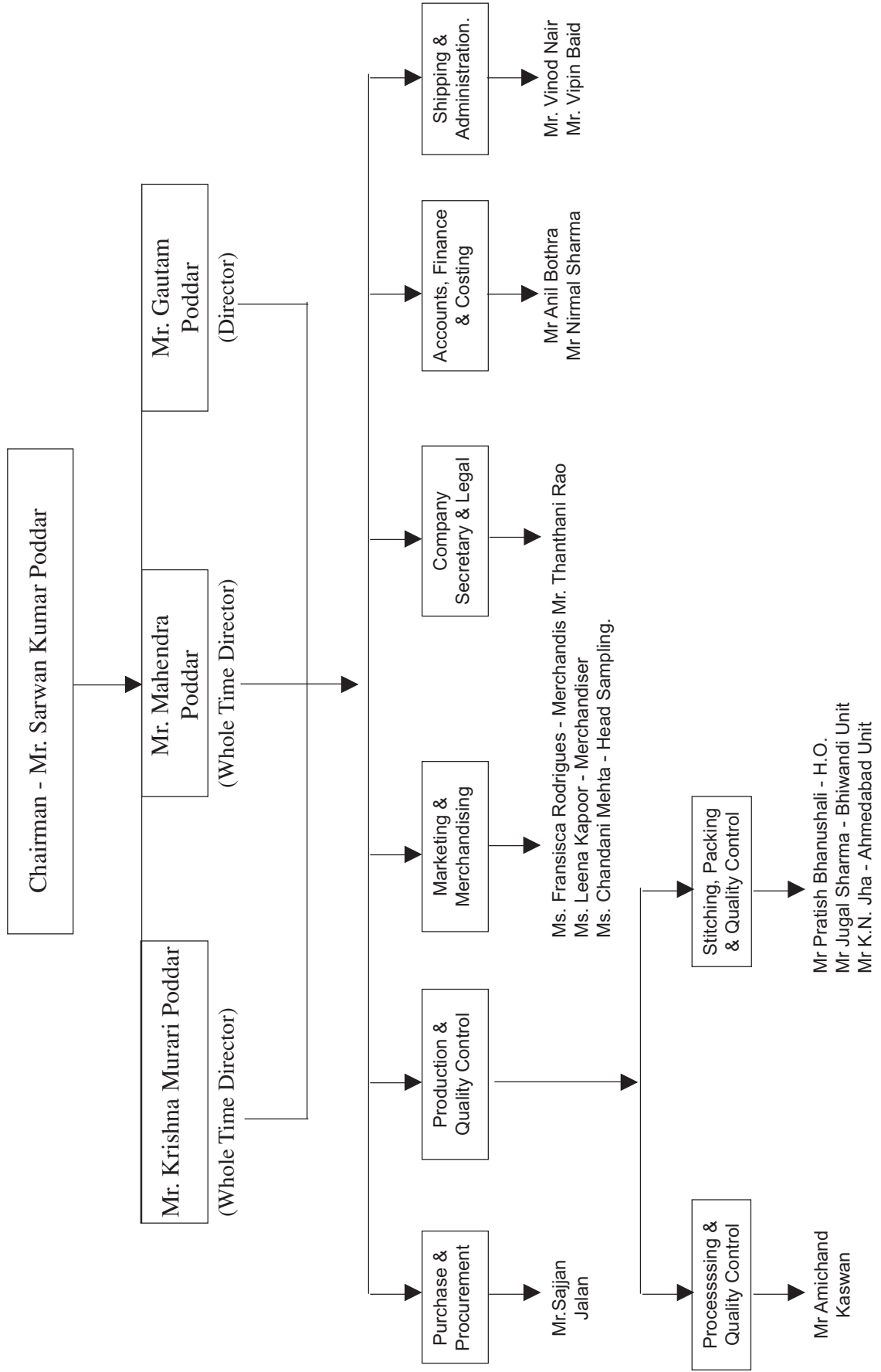
Name	Date of Appointment	Date of Cessation	Reason for change
Mr. Sarwan Kumar Poddar	12.10.2004		Appointed as Additional Director
Mrs Kamla Devi Poddar		16.07.2005	Resigned as Director
Mrs. Neelam Poddar		16.07.2005	Resigned as Director
Mr. Ashok Bansal	01.08.2005		Appointed as Additional Director
Mr. Nils Redvald Lie	01.08.2005		Appointed as Additional Director
Mr. Sunil Bhargava	01.08.2005		Appointed as Additional Director
Mr. Gautam Poddar	19.12.2005		Appointed as Additional Director
Mr. HariRam Gupta	19.12.2005		Appointed as Additional Director



(ii) Management Organization structure

VIGNESHWARA EXPORTS LIMITED

ORGANISATION CHART



**(iii) Key managerial personnel**

Sr. No.	Name of the Employee	Designation / Responsibilities	Age	Qualification	Experience	Date of joining	Previous Employment
1	Mr. Robert Ervine	President- Technical & Processing	56	City & Guilds Textile Dyeing, Numerous Company in-house & external courses covering Management, Accountancy, Textile Testing, Quality Control, Corporate Member of Society of Dyers & Colourists, Member of the Textile Institute Chartered Textile Technologist A.T.I	40 years	December 2005	Gul Ahmed, Karachi
2	Mr. David Brodigan	President - Weaving	59	Standard British education to 6 "O" level GCE, "ONC" Mechanical Engineering, "HNC" Textile Technology, Member of the Textile Institute Chartered Textile Technologist A.T.I.	43 years	May 2006	Sinar Agung Perkasa, Indonesia.
3	Mr. Maurice Hitchen	President (Stitching)	57	Mechanical Engineering, I.W.S.P., M.I.M.S., M.C.F.I	41 years	December 2005	Self Employed Technical Consultant
4	Mr. Vinod Nair	GM (Admin & Logistics)	36	B.A.	15 years	February 1992	Shilpa Creation Exports
5	Mr. Anil Bothra	GM (Accounts and Finance)	36	C.A. (Intermediate)	12 years	September, 2004	Corcoise Films Pvt. Ltd.
6	Mr. A Thanthoni Rao	Company Secretary	70	B.com, ACS, AICWA, LLB, MFM	45 years	May 2005	B. Vijaykumar Group of Companies
7	Mr. Nirmal Sharma	Manager (Accounts and Costing)	31	B.Com	7 years	January 2003	Ganesh Benzoplast Ltd
8	Mr Vipin Baid	Manager (Liasoning & Exports)	30	Commerce Graduate	9 years	January 2000	—
9	Ms. Chandani Mehta	Head Sampling	34	Commerce Graduate	11 years	April 1998	ANS Exports
10	Mr. Jha Krishnanand Shashimohan	GM (Ahmedabad Plant)	52	FY B.Sc	31 years	August 1990	M/s. Carona Sahu Co. Ltd
11	Mr. Pratish Bhanushali	Executive Assistant to Director	25	Chartered Accountant	3 years	January 2004	Citibank
12	Mr. Sajjankumar S. Jalan	Manager (Purchase)	62	Intermediate (Science)	35 years	May 1993	Self Employed
13	Ms Leena Kapoor	Head Merchandiser	29	Graduate in Home Science	8 years	March 2001	J.C.S.Exports
14	Mr. Juggal Kishore Sharma	G M (Bhiwandi Plant)	36	Chartered Accountant	12 years	September 2003	Creative Mobus Fabric Ltd.
15	Ms. Francisca Rodrigues	Marketing Head	27	Fashion Designing	8 years	September 2001	Petal Shamrock Exports



Vigneshwara Exports Limited**● Mr. Robert Ervine, 56 years, President- Technical & Processing**

He is originally from Northern Ireland and now resident in England has had a long extensive career in Textile Processing. He originally trained as a Textile Printing Technologist, studying at Belfast College of Technology and Nottingham Trent University. Apart from specializing in Printing, he branched out into General Management within large vertical Textile Mills and has held Director level positions with companies such as Courtaulds, Coats Viyella and Wills Holdings in the UK and also with companies in Asia. He has generally been in charge of Manufacturing and Processing in the production of Household Textiles, including the supervision of Design Layout, Equipment Selection, Construction, Commissioning and eventual day to day operation of several manufacturing units. He brings an experience in excess of three decades to Vigneshwara. Gross Salary payable to him is USD 96000 p.a. (equivalent to Rs. 43,24,800/- at the rate of Rs.45.05 per dollar as on 12th May 2006).

● Mr. David Brodigan, 59 years, President -Weaving

He is a British National and has joined Vigneshwara with vast experience in Textile Technology spanning around 43 years. He is originally trained on "ONC" Mechanical Engineering from Bury Technical College and "HNC" Textile Technology from Bolton Technical College. He has worked at various positions with companies like Arrow Vale Mills, Wills Textiles Ltd, Weatex Weaving Co. Mr. David is a Chartered Technologist with The Textile Institute, Manchester, England. Gross Salary payable to him is USD 72000 p.a. (equivalent to Rs. 32,43,600/- at the rate of Rs.45.05 per dollar as on 12th May 2006)

● Mr. Maurice Hitchen, 57 years, President - Stitching

He is a British National and has joined Vigneshwara, having an experience of 30 years in Textiles of which a majority has been gained in sewn production. He has held positions from Work Study Engineer through Production and Factory Management to Manufacturing and Technical Director both in the United Kingdom and importing businesses. Gross Salary payable to him is GBP 240000 p.a. (equivalent to Rs. 20,39,040/- at the rate of Rs.84.96 per Great Britain Pound as on 12th May 2006)

● Mr. Vinod Nair, 36 years, General Manager (Administration & Logistics)

He is an Arts Graduate and has an experience of more than 15 years. Having started his career in Shilpa Creation Exports, he then Joined Vigneshwara. He is incharge of Administration & Logistics. He handles the logistics for movement of the goods from factory to the overseas customers. Gross Salary payable to him is Rs.3.25 Lakhs P.A.

● Mr. Anil Bothra, 36 years, General Manager (Accounts and Finance)

He is a C.A. (Intermediate) and has an experience of 12 years in the field of Accounts & Finance. He has worked with a number of companies such as , Ganesh Benzoplast Ltd, Kanoi Group, Faldrup Finance P.Ltd, and Corcoise Films P.Ltd. He joined the company in September, 2004. He Heads the Accounts & Finance Department and looks after financial planning and budgeting including liaisoning with Banks .& Statutory Authorities. Gross Salary payable to him is Rs. 4.16 Lakhs P.A.

● Mr. A Thanthoni Rao, 70 years, Company Secretary

He is an Associate member of Institute of Company Secretaries of India (ACS), and has a Masters Degree in Financial Management from Jannalal Bajaj Institute of Management. Apart from this he is also an Associate Member of the Institute of Costs and Works Accountants of India and has an experience of 45 years. Before this he was working with B. Vijaykumar Group of Companies since 1995 as a company secretary. His current nature of work includes Secretarial Work and handling legal & compliance matters. Gross Salary payable to him is Rs. 1.56 Lakhs P.A

● Mr. Nirmal Sharma, 31 years, Manager (Accounts and Costing)

He is a Graduate in Commerce and has 7 years of experience,. He has worked with companies like Ganesh Benzoplast Ltd, Rupin Textiles. He is working with the company since January 2003. His profile includes Costing, Monitoring Inventories, liasoning with Process House, Factory accounting and MIS. Gross Salary payable to him is Rs. 2.73 Lakhs P.A

● Mr Vipin Baid, 30 years, Manager (Liasoning & Exports)

He is a commerce graduate from the Mumbai University. He has started his career with the company 1n 1996 as Liasoning Officer. he deals with all authorities such as DGFT (for export incentives), RBI, ECGC, Customs Department for export, Import. Gross Salary payable to him is Rs.2.73 Lakhs P.A

● Ms. Chandani Mehta, 34 years, Head (Sampling)

She is a commerce graduate from Mumbai University. She had started her career in December 1994 with ANS Exports as a sampling assistant. She joined Vigneshwara in April 1998. She started as a head of kitchen, table and living room linen and coordinates, creating a market for new products besides bed sets. Currently she is heading the sample development and design team for bedsets, looking after and coordinating new designs and product development for various markets. Gross Salary payable to her is Rs1.82 Lakhs P.A



● **Mr. Jha Krishnanand Shashimohan, 52 years, General Manager, Ahmedabad Unit**

He has completed first year in bachelor of science. He has a total experience of 31 years. He has worked with companies like Hindustan Tools Limited, Goodearth Limited, Carona Sahu Co. Ltd. He was working in the Export Division of M/s. Carona Sahu Co. Ltd. as a Chief Quality Inspector prior to joining Vigneshwara in the year 1990. In Vigneshwara as General Manager of Ahmedabad plant he is responsible for overall supervision of the production. Gross Salary payable to him is Rs. 4.94 Lakhs P.A

● **Mr. Pratish Bhanushali, 25 years, Executive Assistant to Director**

He is a Chartered Accountant by qualification and is working with Vigneshwara Exports Ltd since January 2004 as Executive Assistant to Director. He looks after Production Planning, which includes logistics for execution of Export orders & Supply chain Management. Gross Salary payable to him is Rs. 5.85 Lakhs P.A

● **Mr. Sajjankumar S. Jalan, 62 years, Manager (Purchase)**

He has an experience of 35 years in the business of textiles. He is incharge of Grey(Raw Material) Purchases. He supervises the purchases of the Grey Fabric and the inspection thereof. Gross Salary payable to him is Rs.2.73 Lakhs P.A

● **Ms. Leena Kapoor, 29 years, Head (Merchandiser)**

She is a graduate in Home Science with "Textile" as a major subject. Before Vigneshwara she worked with J.C.S Exports for 3 years as a merchandiser. In Vigneshwara she is the head of the Merchandising Department. Her responsibility includes coordination of merchandisers, production and customers. She also ensures the timely execution of orders. Gross Salary payable to her is Rs 3.90 Lakhs P.A

● **Mr Juggal Kishore Sharma, 36 years, General Manager Bhiwandi Plant**

He is a Chartered Accountant by qualification. He has worked with M/s Creative Mobus Fabric Ltd. for three years as Manager (Accounts and Finance). He is responsible for maintaining a balance between Production and costing. He supervises the operations at the Bhivandi Plant. Gross Salary payable to him is Rs. 4.94 Lakhs P.A

● **Ms. Francisca Rodrigues, 27 years Marketing Head**

She has done her Fashion Designing course from CVTI institute of Fashion Technology, Mumbai. She has worked with companies like Petal Shamrock Exports and Essjay International. She has 8 years experience in the Textile Industry. In Vigneshwara she plays a lead role in getting the orders for the company. Gross Salary payable to her is Rs. 1.97 Lakhs P.A

All the above mentioned key managerial personnel are permanent employees of our company

Shareholding of the Key Managerial Personnel

The Key Managerial Personnel do not hold any shares in the company as on the date of filing this Red Herring Prospectus.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

Changes in Key Managerial personnel

Following have been the changes in the key managerial personnel during the last one year

Sr. No.	Name of Key managerial person	Date of Appointment	Date of Resignation	Designation	Reason
1	Mr. A.Thanthoni Rao	01/05/2005	NA	Company Secretary	NA
2	Mr. Robert Ervine	20/12/2005	NA	President - Technical & Processing	NA
3	Mr. David Brodigan	03/05/2006	NA	President - Weaving	NA
4	Mr. Maurice Hitchen	12/12/2005	NA	President - Stitching	NA

Disclosures regarding the Employee stock option scheme

There is no employee Stock Option Scheme as on date in the Company.

Payment or benefit to officers of the Company

There is no payment or benefit to given to the officers of the Company other than salary.



Vigneshwara Exports Limited

PROMOTERS

Shri Sarwan Kumar Poddar (Chairman) Age 58 years



Voter ID number	MT/04/019/285488
PAN	ABPPP2266B
Driving license number	75399/1966
Passport number	A3514929
Bank account number	Punjab and Sind Bank IBD 837

Shri Sarwan Kumar Poddar: Chairman, has experience in different industries in Finance, Marketing, Operations and Administration. He has over 35 years of experience in business and has worked with success in almost all areas of Business Management. As Chairman of the Company he is responsible for policy matters, project expansions, production, finance outlays and investments and overall operations of the Company.

Shri Krishna Murari Poddar (Executive Director) Age 44 years



Voter ID number	Not Available
PAN	ABPPP2268R
Driving license number	81/W/5490/19
Passport number	F 1609830
Bank account number	Punjab and Sind Bank IBD 839

Shri Krishna Murari Poddar, Executive Director is the man behind the group's foray into diversified activities and is perceived as the man who designs the way we can add newer avenues, services and businesses to our existing portfolio. He has experience of more than 25 years in handling Finance and Marketing matters and is seen as the main motivation behind the development and continuous growth of the diversified activities of the company. As Executive Director of the Company he is responsible for the Finance, Administration and Manufacturing operations at present.

Shri Mahendra Poddar (Executive Director) Age 37 years



Voter ID number	Not Available
PAN	ABPPP2269Q
Driving license number	86/C/7156
Passport number	E 5453572
Bank account number	Punjab and Sind Bank IBD 838

Shri Mahendra Poddar, Executive Director He is responsible for the overall Sales, Marketing and Product Design, Development & Production. He was pioneer for the introduction of export of Textile Madeup for the Company. He has a experience of 15 years and is the person who took the Company to Europe, America and created a niche for the Company's products and is continuously working towards adding more and more buyers and countries to the list of destinations of the Company's Home Textile Products.

Shri Gautam Poddar (Director) Age 32 years



Voter ID number	Not Available
PAN	AIJPP0706B
Driving license number	MH-01-2002/39843
Passport number	A0226057
Bank account number	Punjab & Sind Bank, IBD, Savings A/c. No 880

Mr. Gautam Poddar, Director has a 10 years experience in Textiles Printing, Processing & Making up. He would be monitoring the processing and weaving unit of the company. He has independently handled manufacturing and exports of niche products like shower curtains, Kitchen Towels, and other home products. He is well versed with the European and American markets.



The promoters have no experience in running a Processing and Weaving house. Their inexperience may cause delay in establishing the Processing and Weaving house and the company may face operational problems in successfully running the same. Apart from that the entire project is dependent on Key Managerial Personnel and the project may suffer if these people were to leave the company. Further, the Company has recruited personnel with relevant experience in this field. Mr. David Brodigan has been appointed as the President (Weaving), Mr. Robert Ervine has been appointed as President (Process House) and Mr. Maurice Hitchen has been appointed as the President (Stitching). For details regarding these personnel please refer to the heading “Key Managerial Personnel” under the Section titled “Management” page 70 of the RHP.

Common Pursuits

M/s Neelkamal Exports Inc and M/s Shankarlal and Sons are the partnership firms where the Promoters and their relatives are partners. These firms are in similar lines of business as the Issuer Company. Mr. Gautam Poddar is also a partner to the extent of 12.50 % in M/s Neelkamal Exports Inc. Mr. Sarwan Kumar Poddar and Mr. Krishna Murari Poddar are partners to the extent of 50 % each in M/s Shankarlal and Sons.

M/s Shankarlal and Sons supplies diamonds to the Issuer Company and M/s Neelkamal Exports Inc. supplies semi-finished fabric to the company.

Interest of the Promoters

The Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits and their shareholding in the Company, if any

Payment or benefit to promoters of the Company

There is no payment or benefit to be given to the promoters of the Company other than being a shareholder or remuneration as a Director.

Relationship between the Promoters, Directors and Key Managerial Personnel

Promoters	Directors/ Promoters	Relationship
Mr. Sarwan Kumar Poddar	Mr. Krishna Murari Poddar	Brother
	Mr. Mahendra Poddar	Son
	Mr. Gautam Poddar	Son
Mr. Krishna Murari Poddar	Mr. Sarwan Kumar Poddar	Brother
	Mr. Mahendra Poddar	Nephew
	Mr. Gautam Poddar	Nephew
Mr. Mahendra Poddar	Mr. Sarwan Kumar Poddar	Father
	Mr. Krishna Murari Poddar	Uncle
	Mr. Gautam Poddar	Brother
Mr. Gautam Poddar	Mr. Sarwan Kumar Poddar	Father
	Mr. Krishna Murari Poddar	Uncle
	Mr. Mahendra Poddar	Brother

Except as stated above, there is no relation between any promoters, Director and Key Managerial Personnel of the company.

Related Party Transactions

For details of related party transactions please refer to the Auditors Report on page 85 of the RHP. M/s Kinzler GMBH & Co. KG is a shareholder of the Company holding 9.75% of the pre Issue paid up equity share capital of the company and is one of the largest customers of the Company. Its purchases accounted for 37.02% of the total Home Textile Exports of the Company for the year 2004-05 and 22.43% of the total exports of the company.

Currency of Presentation

In the RHP unless the context otherwise requires all references to “Rs.” and Indian Rupees” are to the legal currency of the Republic of India.



6. DIVIDEND POLICY

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



SECTION V FINANCIAL STATEMENTS

A. AUDITOR'S REPORT

To,
The Board of Directors,
Vigneshwara Exports Ltd.,
450/451, Kewal Industrial Estate,
Lower Parel, Mumbai - 400 013.

Dear Sirs,

We have examined the books of accounts of M/s. VIGNESHWARA EXPORTS LTD., for the years ended 31st March, 2001, 2002, 2003, 2004, 2005 and Nine Month ended 31st December 2005, being the last date up to which the accounts have been made up and audited by us.

We state that the above financial statements have been drawn up by the Company in compliance with Securities Exchange Board of India, DIP guidelines, 2000 as amended and in accordance with the requirements of Clause 24 of Part II of schedule II of Companies Act, 1956 as amended from time to time, we report that the profits, assets and liabilities and dividends of the Company subject to our reports thereon are as set out below.

For CHATURVEDI & CO.
Chartered Accountants.

Sd/-

S.N.CHATURVEDI
(Partner)
Membership Number : 40479
Place : Mumbai.
Date : April 21, 2006



Vigneshwara Exports Limited

To,
The Board of Directors,
Vigneshwara Exports Ltd.,
450/451, Kewal Industrial Estate,
Lower Parel, Mumbai - 400 013.

- A. a) We have examined the annexed financial information of M/s.Vigneshwara Exports Ltd. For the Five Financial Years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004, March 31, 2005 and Nine Month ended 31st December 2005 being the last date upto which the accounts have been made up and audited by us.
- b) In accordance with the requirements of
- Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (“ the Act”);
 - The Securities and Exchange Board of India (Disclosure and Investor Protection) Guideline, 2000 (“the SEBI Guidelines”) issued by the Securities and Exchange Board of India Act, 1992 and related amendments and
 - Our terms of reference with the Company Letter dated 20th January 2006 requesting us to work in connection with the Offer Documents as aforesaid,

We report that the restated assets and liabilities of the Company as at March 31, 2001, 2002, 2003, 2004, 2005 and 31st December 2005 are set out in Annexure 1 to this report after making adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure 3 and Notes to the Statements appearing in Annexure 4 to this report.

We report that the restated profits/ losses of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004 and 2005 and Nine Month ended 31st December 2005 are as set out in Annexure 2 to this report. These profit/ 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 Significant Accounting Policies as appearing in Annexure 3 and Notes to the Statements appearing in Annexure 4 to this report.

- 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:
- Statement of Cash flow as appearing in Annexure 5 to this report;
 - Statement of Operational Income as appearing in Annexure 6 to this report;
 - Statement of Other Income as appearing in Annexure 7 to this report;
 - Accounting ratios as appearing in Annexure 8 to this report;
 - Statement of Unsecured Loans appearing in Annexure 9 to this report;
 - Statement of Debtors enclosed as Annexure 10 to this report;
 - Details of Loans and advances as appearing in Annexure 11 to this report;
 - Statement of Tax Shelters as appearing in Annexure 12 to this report;
 - Statement of dividends paid for last five years as appearing in Annexure 13 to this report;
 - Capitalization Statement as at December 31, 2005 as appearing in Annexure 14 to this report;
 - Statement of Secured Loans as appearing in Annexure 15 to this report.
 - Details of Contingent Liabilities as appearing in Annexure 16 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 enclosed in Annexure 3 to this report, after making adjustments/restatements and regrouping as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) 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 CHATURVEDI & CO.
Chartered Accountants.

Sd/-
S.N.CHATURVEDI
(Partner)
Membership Number : 40479
Place : Mumbai.
Date : April, 21 2006



ANNEXURE 1:

STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(Rs. In Lakhs)

	As at	31/12/05	31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
A.	Assets						
	Fixed Assets- gross block	494.01	449.89	356.52	249.55	229.98	256.37
	Less: Depreciation	280.17	240.62	191.88	156.99	133.84	128.58
	Net Block	213.84	209.27	164.64	92.56	96.14	127.79
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for						
	Revaluation Reserve	213.84	209.27	164.64	92.56	96.14	127.79
	Capital Work in Progress (Vapi Project)	335.31	-	-	-	-	-
B.	Investments	-	-	-	-	-	-
C.	Current assets, loans and advances						
	Inventories	2,308.19	2,014.17	2,387.77	1,365.04	1,602.47	1,429.52
	Receivables	4,321.88	3,776.06	2,132.99	4,446.45	1,539.25	1,037.97
	Cash and bank balances	701.81	504.69	362.67	389.32	246.69	152.94
	Loans and advances	2,268.22	1,633.55	1,572.37	907.53	613.66	701.27
D.	Deferred Tax Assets	1.92	1.92	2.98	3.97	-	-
	Total Assets	10,151.17	8,139.65	6,623.41	7,204.87	4,098.22	3,449.50
E.	Liabilities and provisions						
	Loan funds						
	Secured loans	2,834.31	1,725.92	1,749.28	2,420.21	1,572.35	1,174.13
	Unsecured loans	250.00	-	275.00	275.00	-	222.11
	Current liabilities and provisions						
	Sundry liability	3,700.37	4,349.63	3,485.25	3,529.82	1,683.41	1,244.95
	Provisions	386.44	159.99	28.44	9.44	-	-
		7,171.12	6,235.54	5,537.97	6,234.48	3,255.76	2,641.20
F.	Net worth	2,980.05	1,904.11	1,085.44	970.39	842.46	808.30
	Represented by:						
	Shareholders funds						
	Share capital	500.00	410.00	300.00	300.00	300.00	300.00
	Share Application Money	-	200.00	-	-	-	-
	Reserves and surplus	2,482.83	1,297.41	786.10	671.18	543.36	509.32
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	2,482.83	1,297.41	786.10	671.18	543.36	509.32
	Less: miscellaneous expenditure not written off	2.77	3.30	0.66	0.78	0.90	1.02
	Total	2,980.05	1,904.11	1,085.44	970.39	842.46	808.30



1. STATEMENT OF PROFIT AND LOSS FOR LAST FIVE YEARS (AS RESTATED)

(Rs. In lakhs)

Period ended on	Nine Month Ended	Year ended				
		31/12/05	31/3/05	31/3/04	31/3/03	31/3/02
Income						
Sales:						
Of Products manufactured by the Company	8,383.62	8,906.84	7,584.24	6,229.23	3,101.21	3,010.61
Of products traded by the Company	3,020.78	5,790.89	2,250.06	3,462.50	1,466.53	2,643.60
Other Income	-	-	0.25	0.28	-	0.26
Increase (decrease) in inventory - Finished goods	152.16	(145.10)	810.67	(45.67)	51.18	168.58
Total Income	11,556.55	14,552.63	10,645.22	9,646.35	4,618.92	5,823.04
Expenditure						
Raw materials & Traded goods consumed	6,555.53	9,502.97	6,627.35	6,860.26	2,990.01	3,997.87
Staff Costs	50.86	64.29	51.54	29.85	27.58	13.30
Other Manufacturing expenses	1,972.91	2,017.69	1,885.66	1,142.98	633.53	858.40
Administrative, Selling & distribution expenses	1,768.03	2,226.24	1,735.83	1,250.96	749.02	670.42
Interest & Financial Exp.	143.73	223.80	171.22	203.84	161.52	185.85
Depreciation	39.54	49.50	38.59	25.05	22.37	21.81
Miscellaneous expenditure written off	0.52	0.26	0.12	0.12	0.12	0.12
Total expenditure	10,531.13	14,084.76	10,510.30	9,513.06	4,584.15	5,747.77
Net Profit before tax and extraordinary items	1,025.42	467.87	134.92	133.29	34.78	75.27
Provision for taxation	250.00	109.22	19.99	9.44	0.74	-
Net Profit after tax & before extraordinary items	775.42	358.65	114.93	123.85	34.04	75.27
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after extraordinary items	775.42	358.65	114.93	123.85	34.04	75.27
Earlier year adjustments	-	11.03	-	-	-	-
	775.42	369.68	114.93	123.85	34.04	75.27
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Proposed dividend	-	20.50	-	-	-	-
Tax on proposed dividend	-	2.88	-	-	-	-
Balance carried to Balance sheet	775.42	346.30	114.93	123.85	34.04	75.27



ANNEXURE 3

SIGNIFICANT ACCOUNTING POLICIES

A) ACCOUNTING POLICIES:

(i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

- a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and materially comply with applicable accounting standards and the provisions of the Companies Act, 1956.
- b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles.

(ii) FIXED ASSETS:

Fixed Assets are stated at cost, which includes cost of acquisition/ construction, and directly attributable costs.

(iii) DEPRECIATION:

- a) Depreciation on fixed assets is provided on Written Down Value Method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956.
- b) Depreciation on all addition of assets, are provided from the date it is put into use on Written Down Value Method in the manner as specified in the above paragraph.

(iv) FOREIGN CURRENCIES:

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Foreign currency denominated current assets & current liabilities are translated at the year-end exchange rates. The resulting gain / loss is recognized in the Profit & loss account.

(v) INVENTORIES:

All Inventories are valued at lower of cost or net realisable value.

(vi) RECOGNITION OF INCOME AND EXPENDITURE:

- a) The Company follows the mercantile system of accounting and recognizes income and expenditure on the accrual basis, except those with significant uncertainty.

(vii) CUSTOM DUTY BENEFIT:

Custom duty entitlements eligible under Duty Entitlement Pass Book Scheme/Duty Draw -Back benefit scheme/Duty Free Replenishment Certificate is accounted in the year in which the exports are made.

(viii) CUSTOM DUTY:

Custom duty payable on imported goods is recognised to the extent assessed and charged by the customs department.

(ix) CONTINGENT LIABILITIES:

Contingent liabilities are not provided for in the accounts and are shown separately in the notes to accounts.

(x) DEFERRED REVENUE EXPENSES:

Preliminary expenses are written off proportionately

(xi) RETIREMENT BENEFITS:

Gratuity is accounted on the basis of payments to LIC as actuarially determined.

(xii) EARNING PER SHARE:

Basic earning per share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period in accordance with AS - 20, "Earning per Share" issued by Institute of Chartered Accountant of India.



(xiii) TAXES ON INCOME:

Provision for current income tax is made in accordance with the Income Tax Act, 1961.

In accordance with the accounting standard AS - 22 issued by the Institute of Chartered Accountants of India, the provision for Deferred Tax has been made in account. Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate tax, to the extent that the timing differences are expected to crystallize. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

(xiv) SEGMENT INFORMATION:

The company operates its activity in two segments: Export of own manufactured textile goods and Export of traded goods. Revenue, Expenses, Assets and Liabilities have been identified to segments on the basis of relationship to the operating activities of the segment.

Revenue, Expenses, Assets and Liabilities that relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under Unallocable Expenditure.



ANNEXURE 4

B) NOTES TO THE ACCOUNTS

(Rs. In Lacs)

1	Managerial Remuneration	Nine Month Ended 31.12.2005	Year Ended 31.3.2005
	Salary & Allowances	40.50	4.50

2 Auditors Remuneration: (Rs. In Lacs)

	Nine Month Ended 31.12.2005	Year Ended 31.3.2005
	Audit Fees	1.10
	Tax Audit Fees	0.27
	Reimbursement of Expenses	0.20
3	CIF Value of Imports	
	Consumables	-
	Plant & Machinery	14.28
	Packing Material	6.44
	Stitching Material	70.89
	Made-ups import	0.00
4	Expenditure in Foreign Currency	
	Travelling	16.87
	Other Matters	171.58
5	Earnings in Foreign Currency	
	Export of Goods (FOB Value)	13,735.62

6 Based on information available with the company, sundry creditors include Rs.358.43 Lacs due to Small Scale and Ancillary undertakings The undertakings from whom amount is outstanding for more than 30 days in respect of Small Scale Undertakings where such

1) Anjani Synthetics Ltd 2) Anjani Fabrics Ltd 3) Rajkamal Textile 4) Omkar Textiles Mills Ltd 5) Shree Prakash Textiles(Guj) Ltd 6) Mahalaxmi Impex 7) Shanti Processors Ltd

7 Interest paid is net of interest received on FDR with Banks.

8 Balances in the Customers, Suppliers and Deposit Accounts are subject to confirmation/reconciliation & subsequent adjustments

9 Cost of raw material is net of the duty neutralisation under DEPB scheme

10 Contingent Liabilities as on 31.12.2005

A	Bank Guarantee	Rs. 5.28 Lakhs
	L/C Outstanding	Rs 159.88 Lakhs


Vigneshwara Exports Limited

B Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 129.75 Lacs

11	A.	Earning Per Share:	Nine Month ended 31/12/2005	Year ended 31/03/2005
	a)	Weighted average number of equity Shares of Rs.10 each		
		(I) Number of shares at the beginning of the Period	4,100,000	3,000,000
		(I) Number of shares at the end of the Period	5,000,000	4,100,000
		(I) Weighted average number of equity shares outstanding during the Period	4,615,847	3,280,274
	b)	Net Profit after tax and after prior period adjustment [Rs.]	77,541,871	36,967,913
	c)	Basic & Diluted earning per share (in Rupees)	16.80	9.02
	d)	Basic & Diluted earning per share (in Rupees) - Annualised	22.40	9.02

B. Taxes

Deferred Tax for the Nine Month Ended 31/12/2005 is not provided for. The same shall be provided for at the end of the Financial Year.

C **Business Segments Disclosure for the Nine Month Ended 31st December 2005.**

Rs. in Lacs

Textile Goods	Trading Goods	Consolidated	Total
REVENUE			
External Sales	8,383.62	3,020.78	11,404.39
Inter segment sales	-	-	-
Total Revenue	8,383.62	3,020.78	11,404.39
RESULT			
Segment result	1,076.98	92.17	1,169.15
Operating profit			1,169.15
Finance Expenses			143.73
Income taxes			
Profit from ordinary activities			1,025.42
Extraordinary Loss:			-
uninsured earthquake damage to factory			-
Net profit			1,025.42
OTHER INFORMATION			
Segment assets	1,461.36	2,860.52	4,321.88
Unallocated Corporate assets			1,745.26
Total assets			6,067.14
Segment liabilities	1,677.09	963.36	2,640.45
Unallocated Corporate liabilities			3,426.69
Total liabilities			6,067.14
Capital expenditure			335.31
Depreciation			39.54
Non-cash expenses other than depreciation			0.52



D. “Related Party Disclosures” for the Nine month ended 31.12.05 in accordance with AS - 18 issued by the Institute of Chartered Accountant of India :

I) Related Parties and their relationship:

(a) Associates:

Vigneshwara Ebiz Pvt Ltd
Mohini Infrastrastructure Pvt.Ltd.

(b) Key Management Personnel

Mr. S.K.Poddar- Director, Mr.K.M.Poddar - Director
Mr.Mahendra Poddar- Director, Mr.Gautam Poddar - Director

(c) Enterprise in which persons referred in (b) above or their relatives, are able to exercise significant influence:

M/s Shankarlal & Sons, M/s Neelkamal Exports Inc

II) Transaction with the related parties

Rs. in Lacs

	(a)	(b)	(c)
	Associates	Key Management Personnel	Enterprise in which persons referred in (b) are able to exercise
I) Purchases			825.44
II) Remuneration to directors		40.50	
III) Loan/Advances Given			
IV) Loan/Advances received back			
V) Loan/Advances Received			
VI) Loan/Advances Repaid			
VII) Outstanding Balances as on 31st December 2005			
Debit Balance			132.46
Credit Balance			4.35

**Vigneshwara Exports Limited**

“Related Party Disclosures” for the year ended 31.03.05 in accordance with AS - 18 issued by the Institute of Chartered Accountant of India :

Details of Related Party Transactions for the year ended 31/03/2005

D) Related Parties and their relationship:

(a) Associates:

Vigneshwara Ebiz Pvt Ltd
Mohini Infrastructure Pvt.Ltd.

(b) Key Management Personnel

S.K.Poddar- Director
K.M.Poddar- Director, Mahendra Poddar- Director
Kamladevi Poddar- Director, Neelam Poddar- Director

(c) Enterprise in which persons referred in (b) above or their relatives, are able to exercise significant influence:

M/s Shankarlal & Sons, M/s Neelkamal Exports Inc

II) Transaction with the related parties

Rs. in Lacs

	(a) Associates	(b) Key Management Personnel	(c) Enterprise in which persons referred in (b) are able to exercise
I) Purchases			1,587.87
II) Directors Remuneration		4.50	
II) Loan/Advances Given			
III) Loan/Advances received back			
IV) Loan/Advances Received			
V) Loan/Advances Repaid			
VI) Outstanding Balances as on 31st Mar 2005			
Debit Balance			293.50
Credit Balance			5.03

E) During the Nine Month Ended ended 31/12/2005, there were unprecedented floods in the month of July, 2005 that affected the Bhiwandi factory premises of the company destroying certain books/vouchers/records and stocks having a value of around Rs. 5.93 crores. The company has been able to fully reconstruct the said records that were destroyed based on off site backup data. In respect of the stocks, the company has lodged a claim with the Insurance Company. According to information provided by the Insurance Company, it is understood that a claim having a value of Rs. 4.21 crores has been admitted. After considering the salvage value, the company has estimated a loss of Rs. 0.77 crores which has been provided for in the books of accounts.



12	Closing Stock :	Unit	Nine Month Ended 31.12.2005		YEAR ENDED 31.3.2005	
			Qty	Value	Qty	Value
			Grey Fabric	Meters	2780961	66827691
Processed Fabric	Meters	5651444	158651403	3669040	136158074	
Packing Material			5339622		5022565	
			230818716		201416672	

13	Raw Materials consumed :	Unit	Nine Month Ended 31.12.2005		YEAR ENDED 31.3.2005	
			Qty	Value	Qty	Value
			Grey Fabric	Meters	14910280	423357104.5

14	Trading Items Purchases :	Unit	Nine Month Ended 31.12.2005		YEAR ENDED 31.3.2005	
			Qty	Value	Qty	Value
			Gems & Jewellery	CTS	22827.49	270071072

15 Consumption of indigenous raw materials and percentage of each to the consumption.

	Unit	Nine Month Ended 31.12.2005		Year Ended 31.3.2005	
		Value	%	Value	%
		Grey Fabric		423357105	100

16	Sales :	Unit	Nine Month Ended 31.12.2005		Year ended 31.3.2005	
			Qty	Value	Qty	Value
			Made - Ups	Sets/Pieces	1943544	826396568
Grey Fabric	Mtrs	460206	11965356			
<u>Trading Goods</u>						
Gems & Jewellery	CTS	22827.49	302077527	35690.99	579088808	
TOTAL			1140439451		1469772939	



Statement of Cash Flows from the Restated Financial Statements

(Rs. In Lacs)

	Particulars	Nine Month ended 31/12/05	YEAR ENDED				
			31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
A	CASH FLOW FROM OPERATING ACTIVITIES						
	Net Profit After Tax and before prior period/extra ordinary items.	775.42	358.65	114.93	123.85	34.04	75.27
	Adjustment for:						
	Expenses amortised	0.52	0.26	0.12	0.12	0.12	0.12
	(Profit)/Loss on Sale of Fixed Assets	-	0.88	(0.25)	(0.28)	7.77	-
	Loss Due to flood	77.53	-	-	-	-	-
	Bad Debts W/off	-	115.94	-	-	-	-
	Depreciation	39.54	49.50	38.59	25.05	22.37	21.81
	Provision for tax/Tax for earlier years	250.00	109.22	19.99	9.44	0.74	-
	Interest & Financial charges	184.80	223.80	171.22	203.84	161.52	185.85
	Exchange Fluctuation	(41.06)	76.59	1.03	25.92	0.23	5.60
	Operating Profit before Working capital changes	1,286.75	934.85	345.61	387.94	226.79	288.64
	Adjustments for:						
	(Increase)/Decrease in Trade and Other Receivable	(545.83)	(1,759.00)	2,313.46	(2,907.20)	(501.28)	401.20
	(Increase)/Decrease in Inventories	(294.02)	373.60	(1,022.73)	237.43	(172.95)	(299.53)
	Increase/(Decrease) in Trade Payable	(649.26)	864.38	(44.57)	1,846.41	447.20	32.00
	Cash Generated from Operations	(202.36)	413.82	1,591.78	(435.41)	(0.25)	422.32
	Direct Taxes Paid	(78.17)	(111.02)	(13.64)	(66.00)	(29.82)	-
	Cash Flow before Prior Period & Extraordinary items	(280.53)	302.80	1,578.13	(501.41)	(30.07)	422.32
	Prior Period Items	-	11.03	-	-	-	-
	Loss due to flood	(77.53)	-	-	-	-	-
	Net Cash from/(used in) Operating Activities	(358.06)	313.83	1,578.13	(501.41)	(30.07)	422.32
B:	CASH FLOW FROM INVESTING ACTIVITIES:						
	Purchase of Fixed Assets (Net)	(44.12)	(98.00)	(111.52)	(22.89)	(37.29)	(39.20)
	Capital Work in Progress (Vapi Project)	(335.31)	-	-	-	-	-
	Sale of fixed Assets	-	3.00	1.10	1.71	38.80	0.99
	Movement in Loans & Advances	(556.67)	49.84	(651.19)	(227.87)	117.43	235.76
	Dividend Paid	(23.38)	-	-	-	-	-
	Net Cash from/(used in) investing Activities	(959.48)	(45.16)	(761.61)	(249.05)	118.94	197.55
C:	CASH FLOW FROM FINANCING ACTIVITIES						
	Proceeds from issue of Share Capital	300.00	275.00	-	-	-	-
	Share Application Moneys Received	-	200.00	-	-	-	-
	Net Proceeds from/ (Reduction in) Short Term Borrowings	1,358.39	(298.35)	(670.94)	1,122.86	176.10	(449.95)
	Interest Paid	(184.80)	(223.80)	(171.22)	(203.84)	(161.52)	(185.85)
	Expenses on Issue of Shares/Increase in Capital	-	(2.90)	-	-	-	-
	Exchange Fluctuation	41.06	(76.59)	(1.03)	(25.92)	(0.23)	(5.60)
	Net Cash from/(used in) Financing Activities	1,514.65	(126.65)	(843.18)	893.10	14.35	(641.40)
	Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	197.12	142.02	(26.66)	142.63	103.23	(21.54)
	Opening Balance of Cash & Cash Equivalents	504.69	362.67	389.32	246.69	143.46	174.48
	Closing Balance of Cash & Cash Equivalents	701.81	504.69	362.67	389.32	246.69	152.94

**ANNEXURE 6:****DETAILS OF OPERATIONAL INCOME**

(Rs. In lacs)

Period ended on	Nine Month ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
Sales:						
Of Products manufactured by the Company	4,527.17	8,906.84	7,584.24	6,229.23	3,101.21	3,010.61
Of products traded by the Company	2,259.96	5,790.89	2,250.06	3,462.50	1,466.53	2,643.60
Total	6,787.13	14,697.73	9,834.30	9,691.74	4,567.75	5,654.21

ANNEXURE 7:**Details of Other Income**

(Rs. In Lacs)

Particulars	Nine Month ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
Profit on sale of Car	-	-	0.25	0.28	-	-
Sales Tax Refund	-	-	-	-	-	0.26
	-	-	0.25	0.28	-	0.26

ANNEXURE 8**MANDATORY ACCOUNTING RATIOS**

	Nine Month ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
	(Annualised)					
Earning per Share -Diluted (Rs)	22.40	11.27	3.83	4.13	1.13	2.51
Cash earning Per share - Diluted (Rs)	23.56	16.35	5.12	4.97	2.14	3.24
Return on net worth (%)	34.69%	21.69%	10.59%	12.76%	4.04%	9.31%
Net Asset Value per share (Rs)	59.60	41.56	36.18	32.35	28.08	26.94

1. EPS represents basic earnings per share calculated as Net Profit after Tax divided by number of equity shares at the end of the fiscal year
2. Cash EPS represents PAT for the year plus non-cash charges divided by the number of equity shares at the end of the fiscal year. Non-cash charges comprise depreciation, amortization of business development expenses, loss on sale of fixed assets.
3. Return on net Worth is arrived at by dividing PAT by total shareholder's funds (Net Worth) at the end of the year
4. Net Assets value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the year miscellaneous expenses not written off and divided by the number of equity shares at the end of the fiscal year.

**Vigneshwara Exports Limited****ANNEXURE 9**

Statement of Unsecured Loans

(Rs. In Lacs)

Particulars	Nine Month ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
1. Trade Deposits	-	-	-	-	-	136.02
2. From Others	250.00	-	-	-	-	-
3. From Associate companies & Firms (see note '1' below)	-	-	275.00	275.00	-	86.10
	250.00	-	275.00	275.00	-	222.11

Note:

- 1) Interest free loans taken are 'on call', there are not stipulation regarding their repayments.

ANNEXURE 10

Age wise analysis of Sundry Debtors

(Rs. In Lacs)

Age-wise break-up	Nine Month Ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
Less than six months	2,995.88	3,623.91	527.46	2,931.74	751.93	244.03
More than six months	1,326.00	152.14	1,605.53	1,514.72	787.32	793.94
Total	4,321.88	3,776.06	2,132.99	4,446.45	1,539.25	1,037.97

ANNEXURE 11

Loans and advances (Unsecured, considered good)

(Rs. In Lacs)

Particulars	Nine Month Ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
1) Deposits	18.85	18.00	16.74	9.25	9.18	5.62
2) Advance to suppliers	217.67	392.28	148.62	154.50	89.74	108.32
3) Advance recoverable in cash or kind or for value to be received	757.17	248.34	140.34	102.53	88.89	158.90
4) Other Current Assets	1,274.53	974.93	1,266.67	641.25	425.86	428.44
	2,268.22	1,633.55	1,572.37	907.53	613.66	701.27



The above includes the following receivable from Promoters/promoter group or those related to promoters:*

(Rs. In Lacs)

Particulars	Nine Month Ended 31/12/05	Year ended				
		31/3/05	31/3/04	31/3/03	31/3/02	31/3/01
Shankarlal & Sons	132.46	293.50	550.50	398.62	-	119.76
Neelkamal Exports Inc.	-	-	-	-	36.27	-
	132.46	293.50	550.50	398.62	36.27	119.76

* Parties as identified by the Company & relied upon by us.

ANNEXURE 12

Statement of Tax Shelters

(Rs.in Lacs)

Year ending March 31st	31/12/05	31/3/05	31/3/04	31/3/03	31/3/02
Tax Rate	35%	35%	35%	35%	35%
Surcharge	2.50%	2.50%	5%	2%	13%
Education Cess	2%	-	-	-	-
Net Profit before Tax & Extra Ordinary Items	478.90	134.92	133.01	34.78	75.27
Tax at Normal Rate	175.24	48.40	48.88	12.42	29.77
Adjustments					
Difference between Tax depreciation Book Depreciation	(4.00)	(1.71)	(1.01)	0.66	2.75
Other Adjustments	(174.59)	(79.93)	(103.32)	(33.34)	(78.01)
Net Adjustments	(178.59)	(81.63)	(104.33)	(32.68)	(75.27)
Tax Savings thereon	(65.35)	(29.29)	(38.34)	(11.67)	(29.77)
Total Taxation	109.89	19.12	10.54	0.75	-
Taxation on extra ordinary items	-	-	-	-	-
Tax on profits after extraordinary items	109.89	19.12	10.54	0.75	-
Profit & Loss as per Income tax returns	475.78	133.21	133.70	44.10	-
Brought Forward Losses Adjusted	-	-	-	-	-
Taxable Loss/Income	300.31	53.28	28.68	2.10	-
Tax as per Income tax Returns	109.89	19.12	10.54	0.75	-

**Vigneshwara Exports Limited****ANNEXURE 13**

Statement of Dividends paid for last Five Years

(Rs. In Lacs)

Period ended	Equity Share Capital	Dividend Amt.	Tax on dividend	Dividend %
Nine Month ended 31st December, 2005	500.00	Nil	Nil	Nil
Year ended 31st March, 2005	410.00	20.50	2.88	5
Year ended 31st March, 2004	300.00	Nil	Nil	Nil
Year ended 31st March, 2003	300.00	Nil	Nil	Nil
Year ended 31st March, 2002	300.00	Nil	Nil	Nil
Year ended 31st March, 2001	300.00	Nil	Nil	Nil

ANNEXURE 14**Capitalisation Statement****(Rs. In Lacs)**

Particulars	Pre Issue as at 31/12/2005
<u>Share holder's Funds</u>	
Equity Share Capital	500.00
Reserves & Surplus	2,482.83
Share application money	-
	2,982.83
Less: Misc. Expenditure to the extent not written off	2.77
Total Share holder's Funds	2,980.05
<u>Borrowings</u>	
Secured Loans	
Working capital Loan	2,803.44
Loan against Vehicle	30.87
Unsecured Loans	
	250.00
	3,084.31
Debt/Equity ratio	1.03



ANNEXURE 15

Details of Secured Loans outstanding as on 31st December , 2005

(Rs. In Lacs)

Particulars of Loans	Bank	Nature of Loan	Santioned Amount	Amount Outstanding	Rate of Interest p.a.(%)	Securities Offered
1) Working Capital Facility	Punjab & Sind Bank	PCL/PCFC	1,280.00	1,292.02	As per RBI/H.O. Guidelines from Time to Time	Hypothecation of Stocks meant for Exports against confirm orders.
	State Bank of India	-- do - - -	710.00	702.92	As per RBI/H.O. Guidelines from Time to Time	-- do - - -
	Punjab & Sind Bank	Post Shipment Finance (FOBP/ FOUBP/ FABC)	500.00	487.96	As per RBI/H.O. Guidelines from Time to Time	Against foreign documentary bill covering export of Finished goods, against irrevocable LC from Prime Banks for confirmed orders with tenor not exceeding
	State Bank of India	-- do - - -	200.00	140.97	As per RBI/H.O. Guidelines from Time to Time	120 days. Additional securities in the form of Equitable mortgage collateral of Four Properties, Pledge of FDR's and hypothecation of Plant & Machinery.
	Punjab & Sind Bank	Post Shipment Finance (FOBNLC)	Need based Limit	179.58	As per RBI/H.O. Guidelines from Time to Time	
2) Vehicle Loans	HDFC Bank	Vehicle Loan	-	0.67		Secured by Specific Vehicle
	ICICI Bank	Vehicle Loan	-	22.96		Secured by Specific Vehicle
	Standard Chartered Bank	Vehicle Loan	-	7.23		Secured by Specific Vehicle
				2,834.31		

ANNEXURE 16

Contingent Liabilities as on 31.12.2005

- A Bank Guarantee Rs. 5.28 Lacs
L/C Outstanding Rs.159.88 Lacs
- B. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 129.75 Lacs

**Vigneshwara Exports Limited****B. FINANCIAL INFORMATION OF GROUP COMPANIES**

The details of companies / partnerships firms / proprietary concerns of the Promoters is as mentioned below:

1. Vigneshwara E-Biz. Private Limited

Constitution : Private Limited Company

Date of incorporation : 8th November, 2000

Board of Directors

Mr. Sarwan Kumar Poddar

Mr. Krishna Murari Poddar

Nature of activities : Company is involved in trading of telecommunication, computer hardware's, video conferencing, video phones, smart cards etc.

Shareholding pattern as on 30.06.2005 :-

Name of the shareholders	Shareholding
Mr. Sarwan Kumar Poddar	50.00%
Mr. Krishna Murari Poddar	49.48%
Mrs. Neelam Poddar	0.52%
Total	100.00%

Brief Audited Financials

Rs. in Lakhs

Particulars	Y.E. 31-Mar-03	Y.E. 31-Mar-04	Y.E. 31-Mar-05
Sales & Other Income	2663.52	2783.22	2908.86
PAT	5.45	2.87	3.68
Equity Capital	105	105	105
Share application Money	288.83	544.79	591.26
Reserves & Surplus Excl Revaluation	8.28	19.57	31.24
EPS (Rs.)	0.52	0.27	0.35
Book Value/ Share (Rs.)	10.79	11.86	12.98

2. Mohini Infrastructure Private Limited

Constitution : Private Limited Company

Date of incorporation : 22nd May, 1992

Board of Directors

Mr. Sarwan Kumar Poddar

Mr. Krishna Murari Poddar



Nature of activities : Company is involved in purchase and lease of properties.

Shareholding-

Name of the shareholders	Shareholding
Mr. Sarwan Kumar Poddar	50%
Mr. Krishna Murari Poddar	50%
Total	100%

Brief Audited Financials

Rs. in Lakhs

Particulars	Y.E. 31-Mar-03	Y.E. 31-Mar-04	Y.E. 31-Mar-05
Sales & Other Income	0.55	0.82	0.92
PAT	-0.12	0.07	0.05
Equity Capital	1.00	1.00	1.00
Share application Money	0	0	0
Reserves & Surplus Excl Revaluation	-0.50	-0.43	-0.35
EPS (Rs.)	-12.00	7.00	5.00
Book Value/ Share (Rs.)	50.16	57.32	62.00

No application has been made to RoC for striking off any name of any Group Company for striking off their name.

Financial information of the Group firms

1. Messrs Neelkamal Exports INC

Constitution : Partnership firm

Date of formation : 11th September 1997

Nature of activities : Manufacturing and exports of curtains, quilts, cushions & cushions covers and kitchen towels

Partners	Shareholding
Kamladevi Poddar	20.00%
Neelam Poddar	30.00%
Anu Poddar	25.00%
Gautam Poddar	12.50%
Kavita Poddar	12.50%

Brief Audited Financials

Rs. in Lakhs

Particulars	Y.E. 31-Mar-03	Y.E. 31-Mar-04	Y.E. 31-Mar-05
Sales & Other Income	486.93	610.02	764.03
PBT	2.54	3.73	5.56
PAT	2.54	3.73	5.56
Partners Capital	60.94	73.77	72.73

**Vigneshwara Exports Limited****2. Shankar Lal and Sons****Constitution** : Partnership firm**Date of formation** : 28th February, 1981**Nature of activities** : Trading of iron and steel grey cloth, fabrics and gems and jewellery to the local market

Partners	Shareholding
Mr. Krishna Murari Poddar	50%
Mr. Sarwan Kumar Poddar	50%

Brief Audited Financials

Particulars	Y.E. 31-Mar-03	Y.E. 31-Mar-04	Y.E. 31-Mar-05
Sales & Other Income	2397.87	331.33	1877.78
PBT	0.67	0.36	0.31
PAT	0.67	0.36	0.31
Partners Capital	-51.43	-47.75	-164.04

Details of Sales and purchases between the promoter group

The Company has sales/purchases with a company in the promoter group, namely M/s Shankarlal & Sons that exceed in value in the aggregate 10% of the total sales/purchase of the Company. Since 2004 VEL has stopped sourcing the raw fabrics from M/s Shankarlal & Sons and has been sourcing only its requirements of gems and jewellery from M/s Shankarlal & Sons.

Details of transactions with M/s Shankarlal & Sons are as follows:

S. No.	Year	Nature of Material	Amount in Rs. (in Lakhs)
1.	2004-05	Gems & Jewellery	1529.81
2.	2003-04	Gems & Jewellery	108.30
3.	2003-04	Raw Fabrics	4.58
4.	2002-03	Raw Fabrics	2367.42

3. CHANGES IN ACCOUNTING POLICIES

There is no change in the accounting policies of the company in the last 3 years.



C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

Overview of the business of the Company

VEL is in the Home Textile business of made ups for approximately eighteen years. The Company's made-up products include a range of items for daily household requirements such as Table Linen, Bed Linen, & Cushions, Kitchen Linen, Printed and Yarn Dyed Fabrics. The Yarn Dyed Fabric comprise of 100% cotton dyed and woven fabric. In addition to the regular hand woven fabric, it also includes Yarn dyed Auto Loom woven representations.

The Company has been catering to the export market with its own cutting and sewing facilities. Now the management has decided to set up an integrated & modern weaving and processing plant to cater to growth in their Home Textiles exports. This step of backward integration shall enable the company to have its own full fledged facilities encompassing the processes of weaving, processing, cutting and sewing used in the business.

Significant Developments subsequent to the last financial year

- The company has allotted 9,00,000 equity shares to the promoters
- The company has also allotted 5,40,000 equity shares to its major customer M/s Kinzler GmbH and co.KG of Germany.
- The company purchased land for its proposed project at Vapi.
- Due to the floods in Mumbai the units in Bhivandi were affected for about 3 weeks.

Factors that may affect the result of operations.

- Government Policies and the budget may have a positive or a negative impact on the industry and the company.
- Fluctuation in exchange rates may have a positive or a negative impact on the company.
- Expansion into new markets such as USA and UK
- Increase in capacity and backward integration programme will help the company to have a complete control on their operations and their designs

Comparative Analysis of Financial Conditions & Results of Operations

(Rs. in Lakhs)

Period ended on	Nine Month Ended		Year ended					
	31/12/2005	% of Total Income	31/3/2005	% of Total Income	31/3/2004	% of Total Income	31/3/2003	% of Total Income
<i>Income</i>								
Sales:								
Of Products manufactured by the Company	8,383.62	72.54	8,906.84	61.20	7,584.24	71.25	6,229.23	64.58
Of products traded by the Company	3,020.78	26.14	5,790.89	39.79	2,250.06	21.14	3,462.50	35.89
Other Income	-	-	-	-	0.25	0.00	0.28	0.00
Increase (decrease) in inventory - Finished goods	152.16	1.32	(145.10)	(1.00)	810.67	7.62	(45.67)	(0.47)
Total Income	11,556.55	100.00	14,552.63	100.00	10,645.22	100.00	9,646.35	100.00
<i>Expenditure</i>								
Raw materials & Traded goods consumed	6,555.53	56.73	9,502.97	65.30	6,627.35	62.26	6,860.26	71.12
Staff Costs	50.86	0.44	64.29	0.44	51.54	0.48	29.85	0.31
Other Manufacturing expenses	1,972.91	17.07	2,017.69	13.86	1,885.66	17.71	1,142.98	11.85

**Vigneshwara Exports Limited**

Period ended on	Nine Month Ended		Year ended					
	31/12/2005	% of Total	31/3/2005	% of Total	31/3/2004	% of Total	31/3/2003	% of Total
		Income		Income		Income		Income
Administrative, Selling & distribution expenses	1,768.03	15.30	2,226.24	15.30	1,735.83	16.31	1,250.96	12.97
Interest & Financial Exp.	143.73	1.24	223.80	1.54	171.22	1.61	203.84	2.11
Depreciation	39.54	0.34	49.50	0.34	38.59	0.36	25.05	0.26
Miscellaneous expenditure written off	0.52	0.00	0.26	0.00	0.12	0.00	0.12	0.00
Total expenditure	10,531.13	91.13	14,084.76	96.78	10,510.30	98.73	9,513.06	98.62
Net Profit before tax and extraordinary items	1,025.42	8.87	467.87	3.22	134.92	1.27	133.29	1.38
Provision for taxation	250.00	2.16	109.22	0.75	19.99	0.19	9.44	0.10
Net Profit after tax & before extraordinary items	775.42	6.71	358.65	2.46	114.93	1.08	123.85	1.28
Extraordinary items (net of tax)	-	-	-	-	-	-	-	-
Net Profit after extraordinary items	775.42	6.71	358.65	2.46	114.93	1.08	123.85	1.28

Comparison between 2002 - 2003**Income****Sales**

Total turnover in financial year 2002-03 increased to Rs. 9692.02 lakhs as compared to Rs. 4567.75 Lakhs for the preceding year, thereby showing a growth of 112% YoY. Total Export sales also increased to Rs. 9691.74 Lakhs as against Rs. 4525.51 Lakhs, registering a growth of 114% YoY. The growth was on account of full commissioning of our Bhivandi Stitching unit which doubled the capacity of the stitching. Local sales was Nil against Rs. 44.90 Lakhs as a result of Company's decision to concentrate only on export markets.

Other Income

Like the previous financial year i.e. 2002 the share of other income does not contribute much to our profits. The main thrust of our company has always been involved in the core business activity of the company and deriving profits from the same.

Expenditure

Cost of Goods sold went up by 124% in comparison with previous year. The increase was high in comparison to increase in Sales because in Sales, about 35% accounted for Trading Sales against 65% of Manufacturing Sales. Under trading activities, margins being lower than manufacturing sales, the increase in Cost of Sales was disproportionate.

EBIDTA

There has been a healthy increase of 67% year on year. This can be primarily attributed to the boost in sales in the export market. However EBIDTA/Sales had a small drop from 4.68% to 3.68% due to the presence of trading sales in total sales, where margins were lower as explained above.

Depreciation

There is a reduction in depreciation as a percentage of total income from 0.49% to 0.26%. This decline is mainly due to only a marginal increase in the fixed assets of the company and because of the fact that capital expenditure on new unit at Bhivandi was incurred in the previous year itself.

Interest Cost

The interest cost is higher in the period as compared to the previous year on account of higher working capital loan requirement due to increase in sales. The Post shipment bills discounted with bank increased by 124% YoY thereby resulting in additional financial costs to the Company. The total Working Capital loan during the period increased by 53.9% and the



interest burden has increased by 26%. Interest as a percentage to sales has also gone down from 3.53% to 2.10%.

(PAT) Adjusted Profit

Adjusted profit has increased by 461% year on year reflecting increased Sales and increased EBIDTA margins.

Working Capital

The working Capital during the period increased from Rs. 2319 lakhs to Rs 3569 lakhs. This was due to the following reasons.

Debtors - The debtors figure increased by 188.9% from Rs 1539 lakhs to Rs 4446 lakhs. The debtors days increased from 123 days to 167 days.

Creditors - The creditors have also increased from Rs.1249 lakhs to Rs. 2944 lakhs: an increase of 135.7% the Creditor days decreased to 160 days from 171 days.

Inventory - the levels have gone down even after high sales due to presence of some exports orders wherein the raw material to finished goods cycle was lower, like export order for non-printed items or “dyed only” items or “bleached only” items.

2003 - 2004

Income

Sales

This year saw a marginal increase in sales from Rs 9692 lakhs to Rs 9834 lakhs. However a closer scrutiny reveals that the manufacturing Sales increased to Rs. 7584.20 lakhs from Rs. 6229.20 lakhs on better utilization of manufacturing capacity and also increased marketing efforts.

Other Income

The other income factor, as in the previous year did not contribute to the total income figure. Almost the entire income generated was from the core activity of business.

Expenditure

Cost of Goods Sold saw a reduction of 4% again due to higher proportion of Manufacturing Sales in total sales.

EBIDTA

The EBIDTA decreased slightly by 3% from 362.18 lakhs to 344.73 lakhs year on year. This was because of additional freight costs incurred by the Company. The total freight increased by 76% and Packing Material Costs were also disproportionately higher than previous year. Both these increase were on account of addition of some big customers in our fold, where it became necessary to work at a slightly lower margins for future prospects.

Depreciation

There is a increase in depreciation as a percentage of total income from 0.3% to 0.4 %. This increase is mainly due to fresh acquisition of fixed assets. The Company increased the stitching capacity at both Ahmedabad and Bhivandi units. The Company acquired new machineries of total value of Rs. 48.45 Lakhs. There was also significant addition in vehicles from Rs. 43.51 Lakhs to Rs. 71.00 Lakhs.

Interest Cost

There has been a decrease in the interest cost to the company as compared to the previous year due to a substantial reduction in Post Shipment working capital loans by the company. Interest cost as a percentage to sales has also gone down from 2.1% to 1.8%.

(PAT) Adjusted Profit

Adjusted profit has decreased by approximately 12% year on year. This is mainly due to increase in Freight and Packing costs resulting in lower EBIDTA margins. There was also increase in total taxation by about 100% due to phasing out of Tax Benefits to the Exporters.

Working Capital

The working capital has shown a decrease of 17.57% on an year on year basis. This was due to the following reasons:

Debtors - The debtors figure has decreased by almost 50% from Rs 4446 lakhs to Rs 2133 lakhs. The debtors days decreased from 167 days to 79 days due to fast realization of export bills. Also the Exports on CAD terms were higher than previous year.



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Creditors - The creditors have also decreased from Rs. 2944 lakhs to Rs. 2155 lakhs; a decline of approximately 15.50% again due to better realizations in terms of time.

Inventory - the levels have increased substantially due to increase in manufacturing sales and also due to presence of normal printed designs where production cycle is higher than plain non-printed designs.

2004 -2005**Income****Sales**

There was an increase in our sales for financial year 2005 vis - a vis financial year 2004 by 49% year on year. Our Textile Exports have increased by 17.44% due to addition of new customers and increased marketing efforts. The growth of traded goods is 157% because of Company's decision for a temporary deployment of additional marketing efforts on Gem & Jewellery exports. This temporary and additional effort resulted in the Company's qualification for additional exports incentives on entire exports under Target Plus Scheme of Government of India.

Other Income

Like the previous financial year i.e. 2004 there was no Other Income for the company. Export incentives are, as a matter of accounting policy, being reduced from Cost of Sales.

Expenditure**Raw Material and Traded Goods Consumed**

There was a substantial increase in cost of Raw Material and Traded Goods consumed from Rs 6627.35 Lakhs to Rs 9502.97 Lakhs. There is approximately 50% year on year increase in expense because of higher trading sales with comparatively lower margins. The Cost of manufacturing sales was up by just 8% whereby cost of traded items consumed was up by 158%.

Manufacturing Expenses

The manufacturing Expenses have gone down as a percentage of sales from 19.17% to 13.73%. This has been a result of lower content of manufacturing sales in overall sales. In a more appropriate comparison, the manufacturing expenses as a percentage of manufacturing sales went down to 24% against 25% in the preceding year through increased efficiency in the units.

Staff Costs and Administrative, Selling & Distribution Expenses

The staff costs have moved in line with the sales and the percentage to sales is almost similar. This is because of additional costs on Trading Goods Marketing and recruitments with an eye for expansion. The Administrative, Selling & Distribution Expenses have increased by 28% year on year because of writing off of Bad Debts of Rs. 115.94 Lakhs and additional costs on Commission on Sales and Loss on account of Exchange Fluctuation.

EBIDTA

EBIDTA increased by more than 115% in comparison with previous year reflecting the Sales growth and higher realizations.

Depreciation

There is a reduction in depreciation as a percentage of sales from 0.39% to 0.34 %. This decline is mainly due to only a marginal increase in the fixed assets of the company and because of increased share of trading sales in overall sales. In absolute terms the depreciation figures rose by 28% from previous year reflecting continuous efforts for modernization and capacity enhancements.

Interest Cost

The interest cost is higher in the period as compared to the previous year on account of increased foreign bank charges on exports bills negotiated /discounted and also due to availment of adhoc limits during part of the year. There was no significant increase in working capital limits outstanding at year end. Interest as a percentage to sales has also gone down from 1.74% to 1.53%.

(PAT) Adjusted Profit

Adjusted profit has increased by 212.07% year on year. This is mainly due to better realizations in the Manufacturing operations as well as increase in sales.

**Working Capital**

The working capital has shown an increase of 16.20% on an year on year basis. This was due to the following reasons:

Debtors - The debtors figure has increased by around 77% from Rs 2133 lakhs to Rs 3776 lakhs which is primarily due to increased sales during the year. The debtors days increased from 79 days to 94 days.

Creditors - The creditors have increased from Rs. 3204.80 lakhs to Rs. 2155 lakhs: an increase of approximately 48.72%.

Inventory - The levels have decreased by around 15.65% on a year to year basis due to better inventory management .

Review of Nine Months ended 31st December, 2005.

During the Nine month ended December 2005, the company achieved turnover of Rs. 11,404.40 Lacs. The textile export during this period was Rs. 8,383.62 Lacs, which was achieved due to stabilization after the opening of the quota systems. The manufacturing costs have gone up as the higher sales are generated through products manufactured by the company. During the period the company's traded goods have gone down considerably and this has helped increase the Profit Margins. The Net Profit after Tax for the nine months stood at Rs.775.42 Lacs as against Rs.358.65 Lacs for the full previous financial year. This is mainly due to better utilization of the capacities as well as increase in manufactured sales.

The details of the outstanding unsecured loans taken by the company as on 31st December 2005 are as under :-

Sr. No.	Name of Party	Amount	Rate of Interest
1	Alang ship Breakers Ltd	25,000,000.00	9% p.a

The entire outstanding amount has been fully repaid as on 31st March 2006.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF THE SEBI (DIP) GUIDELINES

- Unusual or infrequent events or transactions
There are no unusual or infrequent events or transactions except for the unprecedented floods in July 2005 as stated above.
- Significant economic changes that materially affected or are likely to affect income from continuing operations.
Nil
- Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.
There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations
- Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.
Nil
- The extent to which material increases in net sales or revenue are due to increased sale volumes, introduction of new products or services or increased sales prices
Increases in revenues are by and large linked to increases in volume of business activity carried out by the company.
- Total turnover of each major industry segment in which the Company operated
The company operates in only one industry segment - Textile industry, however a small portion of income is derived through trading of gems and jewellery.
- Status of any publicly announced new products or business segment
There are no publicly announced new products or business segment.
- The extent to which business is seasonal :
The products change with the seasons but the business is not seasonal to that extent
- Any significant dependence on a single or few suppliers or customers
The revenues of the Company are dependent on its top five customers to quite an extent. Sales to the single largest customer constituted 42.82% of the total sales for the nine months ending December 31st, 2005.
- Competitive conditions
VEL faces competition from Home Textiles manufacturers across the world. VEL mainly exports to, Europe. Countries such as Turkey have the advantage of being located in proximity to Europe. These countries can shorten the lead time required by being able to deliver products to the customers in shorter time.

**SECTION VI: LEGAL AND OTHER INFORMATION****A. OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS**

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, potential disputes, labour disputes, bargains and demands, investigations, Central / State Government claims or inquiries, proceedings or tax liabilities, overdues to banks/financial institutions, defaults against banks/financial institutions, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Subsidiary or its Group Companies or its promoters or its directors and no defaults of non-payment of statutory dues against the Company including under the excise, customs, sales tax, income tax and service tax, and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its subsidiary Company or its group companies or its promoters, or its directors.

A. Proceedings Pending Against the Company**CIVIL PROCEEDINGS**

S. No.	Forum	Filed/ Served By	Particulars	Quantum (Rs. in Lacs - Approx.)	Current Status
1	NA	The Employees State Insurance Corporation, Ahmedabad, (“ESIC”)	The ESIC has served the Company with a notice for alleged non compliance with the provisions of the Employees State Insurance Act, 1948, (“Act”). The alleged non-compliance is in connection with the filing of declarations pursuant to provisions of the Act.	NA	The Company has duly complied with the provisions of the Act referred to in the notice. A reply to this effect has already been sent.
2.	Civil Judge (S.D.) Ahmedabad Rural	Modern Terry Towels Ltd.	Dishonour of cheque/s under S. 138 of Negotiable Instruments Act, 1881.	20.86	Pending hearing and further disposal. Plaintiff has agreed to withdraw the suit in lieu of 7.5 Lakhs.

As on 30th September, 2005 the details of small scale creditors to whom our Company owes a sum exceeding Rupees one lakh, which is outstanding for more than thirty days:

S. No.	Name of Concern	Nature of Concern	Quantum (Rs. in Lacs - Approx.)
1.	Anjali Synthetics Ltd.	Company	59.37
2.	Anjali Fabrics Ltd.	Company	6.18
3.	Omkar Textile Mills Ltd.	Company	6.21
4.	Mahalaxmi Impex	Proprietary Concern	14.29
5.	Rajkamal Textiles	Proprietary Concern	17.00
6.	Rajkamal Textiles Traders	Proprietary Concern	26.75
7.	Shree Prakash Textiles (Guj) Ltd.	Proprietary Concern	60.64
8.	Shanti Processors Ltd.	Company	72.97



B. Proceedings Pending Against Mohini Infrastructure Pvt. Ltd. (a Group Company of Vigneshwara Exports Limited)

CIVIL PROCEEDINGS

S. No.	Forum	Filed By / Served By	Particulars	Quantum (Rs. in Lacs - Approx.)	Current Status
1	NA	Municipal Corporation of Greater Mumbai	The inspector issued a notice requiring a factory license for this establishment. This establishment is used for storing samples and mending the regular wear and tear.		The Company will accordingly apply for factory license and provide copies thereon.

C. Proceedings Filed Against Vigneshwara e.biz Pvt. Ltd. (part of the Promoter Group of Vigneshwara Exports Limited)

CIVIL PROCEEDINGS

S. No.	Forum	Filed By	Particulars	Quantum (Rs. in Lacs - Approx.)	Current Status
1	The Court of Senior Civil Judge Delhi	Cyber Media (India) Pvt. Ltd., ("Cyber Media")	In this suit Cyber Media has stated that they publish, from Delhi, a magazine called "Voice and Data". The suit is for the recovery of money in connection with publication of an advertisement for V. e. Biz in Voice and Data, along with interest and court fees thereon.	0.39	Pending hearing and further disposal.

D. Notices under S. 138 of Negotiable Instruments Act, 1881, as served on Vigneshwara e.biz Pvt. Ltd. (part of the Promoter Group of Vigneshwara Exports Limited)

S. No.	Notice sent by	Notice Dated	Quantum (Rs. in Lacs - Approx.)	Comments
1.	M/s XNLC Info Tech Solutions Pvt. Ltd	March 30, 2005	5.98	No proceeding filed after the date of the notice.
2.	M/s XNLC Info Tech Solutions Pvt. Ltd	March 30, 2005	8.00	No proceeding filed after the date of the notice.
3.	M/s Binary System	April 4, 2005	14.25	No proceeding filed after the date of the notice.

**Vigneshwara Exports Limited****E. Proceedings Pending Against Messrs Neelkamal Exports (part of the Promoter Group of Vigneshwara Exports Limited)****CIVIL PROCEEDINGS**

S. No.	Forum	Filed By	Particulars	Quantum (Rs. in Lacs - Approx.)	Current Status
1	NA	Municipal Corporation of Greater Mumbai	The inspector issued a notice requiring a factory license for this establishment. This establishment is used for storing samples and mending the regular wear and tear.	NA	The Company will accordingly apply for factory license and provide copies thereon.

F. Names on RBI Defaulters' List:

Names of Mr. Mahendra Poddar, Mr. Sarwan Kumar Poddar and Mr. Krishna Murari Poddar appear in Reserve Bank of India defaulters' list. However the Company has certified that these do not refer to Mr. Mahendra Poddar, Mr. Sarwan Kumar Poddar and Mr. Krishna Murari Poddar who are directors of the Company. In furtherance of same the Company has also applied to RBI to issue a clarification to the effect that names of person which figure in the Defaulters' list issued/maintained by it do not reflect the personality of directors of the Company.

Material Developments

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiary taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

B. GOVERNMENT APPROVALS/ LICENSING ARRANGEMENTS

Subject to the renewals of approvals and licenses as listed below, the company can undertake the proposed activities, this Issue as well as the current business activities and no further major approvals are required from any Government authority for the company to continue its activities.

CORPORATE LICENSES AND APPROVALS

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
1.	Certificate of Incorporation	39425 of 1986 dt. 1/4/86	Registrar of Companies	NA
2.	P.A.N.	AAACV4285F	Income tax Department	NA
3.	T.A.N.	MUMV05811B	Income tax Department	NA
4.	IMPORTER-EXPORTER CODE (IEC)	No. 038071681 issued on 27/04/1988	Office of Jt. Director General of Foreign Trade	NA
5.	Certificate of Registration of TWO STAR EXPORT HOUSE in accordance with the provisions of the Foreign Trade Policy, 2004-09.	Status Holder No.03/2/000029/2005051 dated 18/5/2005	Office of the Joint Director General of Foreign Trade.	31/03/2009
6.	Registration cum membership certificate of The Cotton Textiles Export Promotion Council for cotton made ups	Texprocil Code: 28078 dated 31/5/2004	The Cotton Textiles Export Promotion Council.	31/03/2009
7.	Registration cum membership certificate of Federation of Indian Export Organisations for cotton textile made ups and engineering goods.	FIB/WR/0921/2003 -2004/0921 dated 12/4/2005	Federation of Indian Export Organisations	31/03/2006



S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
8.	Registration as an Exporter of Fish and Fishery Products	3178/MPEDA/REGN /BY/V-28/94 dated 28/6/1994	The Marine Products Export Development Authority	Nil
9.	Registered as a SSI Unit of the Manufacture of Bed Sheet and Pillow Cover.		Govt. of India, Directorate of Industries	NA
10.	Enrolment Number under DEPB Scheme	03/DEPB/26/FAS/III dated 01/10/1999.	Office of the Joint Director General of Foreign Trade	NA

LICENSES AND APPROVALS FROM AHMEDABAD

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
1.	Central Excise Registration Certificate for Manufacturing of Excisable Goods at Shade No.02590, Vatwa Road, Narol Vatwa Road, Ahmedabad, Gujarat - 382405.	AAACV4285FXM004 dated 18/11/2003 (Form RC)	Office of Deputy Commissioner, Central Excise Department	Valid till revoked or suspended.
2.	Central Excise Registration Certificate No. for operating as a Dealer of Excisable Goods at Balajee Estate, 03, Isanpur-Narol Road, isanpur, Narol, Ahmedabad, Gujarat - 382 443.	AAACV4285FXD001 (Form RC)	Office of Deputy Commissioner, Central Excise Department	Valid till revoked or suspended.
3.	Gujarat Sales Tax No.	28018185 dt. 26/9/05	Sales Tax Officer	NA
4.	Central Sales Tax No.	Guj 11J-11884 Dt. 14/10/05	Sales Tax Officer	NA
5.	Employee's Provident Fund	Code No.:GJ/AHD/26805 dated 13/2/1998	Employee's Provident Fund Organisation	NA
6.	Employee State Insurance Corporation		Employee State Insurance Corporation	NA

LICENSES AND APPROVALS FROM BHIWANDI

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
1.	Central Excise Registration Certificate No. for Manufacture of made up articles at Godown No.6, 7, 8, 9 & 10, E-2, Shree Arihant Commercial Complex, Thane-Bhiwandi Road, Kalher Village, Bhiwandi, Dist. Thane	AAACV4285FXM002 dated 5/2/2001(Form RC)	Office of the Superintendent, Central Excise Department	Valid till revoked or suspended.
2.	Factory Licence	21210	Govt. of Maharashtra	31/12/2008

**LICENSES AND APPROVALS FROM MUMBAI**

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
1.	Employee's Provident Fund	Code No. MH/45066 dt.12/2/2001	Office of the Regional Provident Fund Commissioner	NA
2.	Registration Certificate under Maharashtra State Tax on Professions, Trades, Callings & Employments Act, 1975.	PTR/R/1/1/27/16773 dt. 08/12/2000	Sales Tax Officer	NA
3.	Bombay Shop and Establishment Act, 1948	GS II 7919. dated 19/10/1996	Office of the Inspector under Bombay Shop and Establishment Act, 1948	December 2006
4.	Bombay Sales Tax Registration No.	400013/S/3143. w.e.f. 01/04/2000	Sales Tax Officer	NA
5.	Central Sales Tax Registration	400013/C/2359. w.e.f. 01/04/2000	Sales Tax Officer	Valid until cancelled

LICENSES AND APPROVALS REQUIRED FOR THE ON-GOING BUSINESS WHICH HAVE EXPIRED

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Expiry Date of License
1.	BSEN ISO 9001-2000 certification - towards Quality Management System of Vigneshwara Exports Ltd., 450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel (W), Mumbai - 400 013 And E-2, Shree Arihant Compound, Bhiwandi Road, Kalher Village, Bhiwandi Thane, India for Manufacture and Supply of Home Textiles.		Lloyd's Register Quality Assurance	31/12/2005

LICENSES AND APPROVALS IN CONNECTION WITH THE PROPOSED VAPI PROJECT

S. No.	Type of Licence, Permit/ Approval	License / Approval No.	Issuing Authority	Valid upto
1.	List of Approvals Received N.O.C. for concerned land being <ul style="list-style-type: none"> • Five Kms. away from Village; • Non-disputable land; • Non-agricultural land, and • Non-forest land. 		Gram Panchayat Talati.	
2.	N.O.C. for disposal of Solid Waste Deposition	NOC/2005-06/8879	Vapi Waste and Effluent Mgt. Co. Ltd.	
1.	List of Approvals Applied For Water requirement at Monai		Irrigation Department	
2.	No Objection Certificate		Gujarat Pollution Control Board	
3.	Single Window Clearance		Gujarat Industrial Promotion Board	
4.	Sales Tax		Sales Tax Dept.	
5.	Plan of New Factory Building		Senior Factory Inspector, Health & Industry	
6.	Provisional Registration for Large Scale Industry	3950/SIA/IMO/2005	Ministry of Commerce and Industry	



B. APPROVALS OBTAINED FOR THE PROPOSED IPO

1. Unconditional approval to proceed with and consummate the proposed IPO given by Punjab and Sind Bank.
2. Unconditional approval to proceed with and consummate the proposed IPO given by State Bank of India.

INTELLECTUAL PROPERTY RIGHTS

The Company has made applications dated February 5, 2002 for the registration of the trademark (the mark bears the letters V, E and L with an elephant logo) in Class 9 and Class 24, with the Trade Marks Registry, Mumbai. The Trade Marks Registry has allotted 1078485 as the number for the application in Class 9 and 1078486 as the number for application in Class 24.

The subsidiary of the Company, Vigneshwara (UK) Limited has applied for registration of the Brand Name “Trademark Home” which is pending.

**SECTION VII : OTHER REGULATORY AND STATUTORY DISCLOSURES****AUTHORITY FOR THE PRESENT ISSUE**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a resolution passed by the Board of Directors at its meeting held on 4th April 2005 and a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on 30th April 2005.

PROHIBITION BY SEBI

The Company, its directors or any of the Company's associates or group companies and companies, wherein the directors of Vigneshwara Exports Limited are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI. None of the bodies corporate / natural person in control of the bodies corporate forming part of the promoter group has been restrained from accessing capital markets under any direction or order passed by SEBI or any other Authorities

ELIGIBILITY FOR THE ISSUE

In terms of clause 2.2.1 of the SEBI (DIP) Guidelines, 2000 an unlisted Company may make an initial public offering (IPO) of equity shares or any other securities which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

- (a) The Company has net tangible assets of at least Rs. 3 Crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.

Provided that if more than 50% of the net tangible assets are held in monetary assets, the Company has made firm commitments to deploy such excess monetary assets in its business / project.

Rs. In Lakhs

Particulars	Nine Months period ended 31st December 2005	Year ended 31.3.2005	Year ended 31.3.2004	Year ended 31.3.2003	Year ended 31.03.2002	Year ended 31.03.2001
Net Tangible Assets	10149.25	8137.73	6620.43	7200.9	4098.22	3449.5
Monetary Assets	701.81	504.69	362.27	389.32	246.69	152.94
% of Monetary Assets to Net Tangible Assets	6.91%	6.20%	5.47%	5.41%	6.02%	4.43%

- (b) The Company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

The Company meets this criteria as it has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956 for at least three years out of immediately preceding five years (without taking into consideration extraordinary items) as shown in the table below:-

Rs in Lakhs

Particulars	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
Profit after Tax	358.65	114.93	123.85	34.04	75.27



- (c) The Company has a net worth of at least Rs. 1 Crore in each of the preceding 3 full years (of 12 months each);

The Company has a net worth of at least Rs.1 crore in each of the preceding 3 full years as per the following table:-

Rs in Lakhs

Particulars	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
Share capital	410.00	300.00	300.00	300.00	300.00
Share Application Money	200.00	0.00	0.00	0.00	0.00
Reserves & Surplus	1297.41	786.10	671.18	543.36	509.32
Less: Miscellaneous Expenses	3.30	0.66	0.78	0.90	1.02
Networth	1904.11	1085.44	970.40	842.46	808.30

- (d) In case the Company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the Company from the activity suggested by the new name; and

There is no change in name of the Company within the last one year except for conversion to public limited company.

- (e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)

The Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.

In addition to these, the Company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE 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, KARVY INVESTOR SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT 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, KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED 18/02/2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE**



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JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (a) **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (c) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO 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 REGISTRATION IS VALID.**
 4. **WHEN UNDERWRITTEN WE SHALL SATISFY 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 PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

THE FILING OF DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

CAUTION / GENERAL DISCLAIMER

Investors may note that the Company accepts no responsibility for statements made otherwise in the Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and the Company.

All information shall be made available by the Book Running Lead Manager and the Issuer to the members at large and no selective or additional information would be available for a section of members in any manner whatsoever.

JURISDICTION

This issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian Laws. The Red Herring Prospectus does not, however, constitute an offer to sell or 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 the Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change



in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, had been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021 and SEBI vide its letter no. CFD/DIL/SM/ISSUES/66408/2006 dated May 05, 2006 has given its comments.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Kalachowki, Mumbai and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in the Red Herring Prospectus.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE) (Designated Stock Exchange)

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. **Bombay Stock Exchange Limited** ("the Exchange") has given vide its letter No. List/Smg/sm/2006 dated April 24, 2006, permission to this Company to use the Exchange's name in this Offer Document as one of the Stock Exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a. Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
- b. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref. NSE/LIST/21929-Z dated-May 4, 2006, granted permission to the Company to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; 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 this Issuer, its promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The issuer accepts full responsibility for the accuracy for the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which makes any statement in the Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this issue or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in the Red Herring Prospectus. The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered



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in terms of the Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

FILING

A copy of the Red Herring Prospectus, has been filed with the Corporation Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60 of the Act would be delivered for registration to the Registrar of Companies, Kalachowki, Mumbai

LISTING

Initial listing applications have been made to the Bombay Stock Exchange Limited (Designated Stock Exchange) and National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the equity shares of the Company.

In case, the permission for listing and trading of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

CONSENTS

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Book Running Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Kalachowki, Mumbai as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

EXPERT OPINION

- (a) M/s Gherzi Eastern Limited has prepared the Techno Economic Feasibility Report for the proposed project and their written consent has been obtained for inclusion of their name in the Offer Document and for inclusion of extracts from their Report. Gherzi Eastern Limited has not withdrawn its consent as aforesaid till the date of filing this Document with the Registrar of Companies.
- (b) State Bank of India ("SBI") has appraised the project for the purpose of sanctioning the term loan. SBI has given their written consent for inclusion of their name in the Offer Document. The written consent has not been withdrawn till the date of filing this document with the Registrar of Companies.
- (c) M/s Chaturvedi & Company, Chartered Accountants, have given their written consent for inclusion of the Tax Benefits Certificate dated May 13, 2006 issued to the Company in the Offer Document and such consent has not been withdrawn till the date of filing this document with the Registrar of Companies.

Except the above mentioned expert opinions no other opinions have been obtained

EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. [•] and will be met out of the proceeds of the present issue.

**DETAILS OF FEES PAYABLE**

(Rs. Lakhs)

Particulars	Amount	% of total issue expenses	% of total issue size
Issue Management	[•]	[•]	[•]
Registrars fees	[•]	[•]	[•]
Printing of Stationery	[•]	[•]	[•]
Advertising and marketing expenses	[•]	[•]	[•]
Underwriting, Brokerage and Selling commission	[•]	[•]	[•]
Other expenses	[•]	[•]	[•]
Total	[•]	[•]	[•]

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the 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 in the Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

This is the first public issue of the Company. The Company has not made any public issue previously.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

6,00,000 Equity Shares of the Company was allotted as bonus in the ratio of 4 share for every 1 share held in the Company by capitalisation of Rs. 60,00,000 from the Free Reserves on 29th March 1996

17,50,000 Equity Shares of the Company was allotted as bonus in the ratio of 7 share for every 5 share held in the Company by capitalisation of Rs. 1,75,00,000 from the Free Reserves on 25th March 1999

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Vigneshwara Exports Limited has not made any public issue since its incorporation. The company has not paid any commission or brokerage in respect of the rights Issue that was made in the past.

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years.

PROMISES VS PERFORMANCE

The Company has not made any public issue of shares since its incorporation. There are no group companies, which have made any public issues.

STOCK MARKET DATA

This being the first public issue by the Company, no stock market data is available.

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.



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All grievances relating to the Issue may be addressed to the Registrar to the Issue, Big Share Services Private Ltd., giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/ collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances.

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There have been no changes in the auditors of the Company during the past three years

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS

Company has not issued any bonus shares by capitalization of reserves or profits in the last 5 years

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

The Company has not revalued its assets during the last five years



SECTION VIII : ISSUE/ OFFER 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 the Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, as applicable, guidelines, notifications and regulations relating to the issue of capital and listing 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 authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on 4th April, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Extra Ordinary General Meeting of the Company held on 30th April 2005.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles and shall rank pari passu in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by the Board of Directors and its shareholders, at their discretion, and will depend on a number of factors, including but not limited to Company’s earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The Equity Shares with a face value of Rs.10 each are being offered in terms of the Red Herring Prospectus at a price band of Rs. 121/- Rs. 140/- per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right 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 Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company’s Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Description of Equity Shares and Terms of Articles of Association” on Page 149 in the Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.



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Since trading of our Equity Shares will be in dematerialised mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 50 Equity Shares to the successful bidders. For details of allocation and allotment, see “Other Regulatory and Statutory Disclosure - Basis of Allotment and Allocation”.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the 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 transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating.

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 monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below: “Any person who:

- (a) make 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 the company does not receive the minimum subscription of 90% of the net issue to public including devolvement of Underwriters within 60 days from the date of closure of the issue, 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 prescribed under Section 73 of the Companies Act, 1956.”

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

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



Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Applicant's sole risk within 15 days of the closure of the issue. Adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

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

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day prescribed time period as mentioned above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as a Refund Banker and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Restriction on Transfer and Transmission Of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act..



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2. ISSUE PROCEDURE

Issue Structure

Public Issue of 47,60,000 Equity Shares of Rs. 10/- each at the Issue Price of Rs. [●] for cash aggregating Rs. [●] Lakhs is being made through a 100% book building process. Details of the issue structure are tabulated below:

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity shares	Upto 360,000 equity Shares	Upto 22,00,000 Equity Shares or issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 6,60,000 Equity shares or issue size less allocation to QIBs and retail individual Bidders	Not less than 15,40,000 Equity shares or issue size less allocation to QIBs and Non-Institutional Bidders
Percentage of issue size available for allocation	Upto 7.56% of the Issue Size.	Upto 50% of the net issue to the public or issue size less allocation to non - institutional Bidders and Retail individual Bidders of which 5% that is 1,10,000 Equity Shares are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds	Not less than 15% of net issue to public or issue size less allocation to QIBs and Retail individual Bidders	Not less than 35% of the net issue to the public or issue size less allocation to QIBs and Non-Institutional Bidders.
Basis of Allocation or Allotment if respective category oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	50 Equity Shares and thereafter in multiples of 50 Equity Shares	Such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of 50	Such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs. 1,00,000/-.	50 Equity Shares and thereafter in multiples of 50 Equity Shares
Maximum Bid	Such number of Equity Shares whereby the Bid quantity does not exceed 3,60,000 Equity shares	Not exceeding the size of the issue subject to applicable limits	Not exceeding the size of the issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs1,00,000
Allotment Mode	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share



	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Who can apply	Employees of the company as on cut off date, i.e. May 19th, 2006	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI multilateral and bilateral development Financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 1,00,000 amount.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form to the members of the Syndicate	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 Amount	Full Bid Amount on Bidding	10%	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Equity shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only. Subject to valid bids received at or above the issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company, and the BRLM.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.1 of SEBI (DIP) Guidelines, 2000, wherein not more than 50% of the Net Issue to the public shall be allotted on a proportionate basis to QIB's of which 5% are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds. Further, not less than 15% of the net issue to the public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net issue to the public shall be available for allotment on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price within price band.



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Bidders are required to submit their Bids through the members of the Syndicate. The Syndicate Members have the right to reject a Bid received from QIBs at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, and bids under the employee reservation portion, the 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 allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of 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 cutoff bids are valid bids and are considered for allocation in respective category.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the 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 allotment of Equity Shares, dispatch of 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 the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;



4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined under Section 4 A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;
10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 25 crores and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 25 crores and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions;

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM, Syndicate Members and any associate of the members of the BRLM and Syndicate Members (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 proportionate. Further, the BRLM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

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 the relevant regulations or statutory guidelines.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

Application of NRIs

Bid cum Application forms have been made available for NRIs at the Registered office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour.). All instruments accompanying bids shall be payable in Mumbai.



Vigneshwara Exports Limited**Application by FIIs****As per current regulations, the following restrictions are applicable for investment by FIIs:**

No single FII can hold more than 10% of the post-issue paid-up capital of the Company (i.e. 10% of 1,03,00,000 Equity Shares of Rs. 10 each). In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company 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 the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

Bids by NRIs or FIIs on Repatriation basis

Bids and revision to bids must be made:

- On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to less than Rs 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 1,00,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of 50 Equity Shares thereafter so that the Bid amount exceeds Rs. 1,00,000; for further details. Please refer to the sub-section titled “Maximum and Minimum Bid size”
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB’s
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission, in case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid Cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) 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 Company’s paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company’s paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size**For Retail Individual Bidders**

The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs. 1,00,000, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.



For Non-Institutional Bidders and QIBs Bidders

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Above this minimum Bid Amount, the Bid should be in multiples of 50 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing 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. 1,00,000/-. In case the Bid Amount reduces to Rs 1,00,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

Right to Reject Bids

In case of QIB bidders, the company, in consultation with the BRLM's/Syndicate Members may reject bids at the time of submission of the bid provided that the reasons for rejecting the same shall be provided for such bidder in writing. In case of QIB bidders, Non Institutional Bidders and Retail Individual Bidders who bid, the company has the right to reject bids on technical grounds. Consequent refunds shall be made as set out in 'Letter of Allotment or refund' and "Mode of making refunds" on page 133 of RHP

For Bidders in the Employee Reservation Portion: The Bid by Eligible Employees must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 360,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

Information for the Bidders

- (a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid / Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the registered office of the Company or from any of the BRLM or Syndicate Members.
- (d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (e) Investors who are interested in subscribing to the Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.

Method & Process of Bidding

- a) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
- b) Investors who are interested in subscribing for our Company's Equity Shares should approach the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid
- c) The Bidding Period shall be open for atleast 3 working days and not more than 7 working days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three working days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach 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



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- d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page 132 below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid
- e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 135 of the Red Herring Prospectus
- f) The BRLM, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into Escrow Account” on Page 141 of the Red Herring Prospectus.

Bids at Different Price Levels

- a) The Price Band has been fixed at Rs. 121/- to Rs. 140/- per Equity Share of Rs.10 each, Rs. 121/- being the Floor Price and Rs. 140/- being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1
- b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLM, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in the Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band
- c) In case of revision in the Price Band , the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total bidding period not exceeding 10 days.
- d) The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders
- e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail 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
- f) Retail Individual Bidders or eligible employees who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or eligible employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or eligible employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or eligible employees who bid at cut-off price shall receive the refund of the excess amounts from the Escrow Account/ refund account(s)
- g) In case of an upward revision in the Price Band announced as above, the Retail Bidders or eligible employees who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band(such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs.



1,00,000/- for Retail Bidders or Rs. 1,00,000/- for Eligible Employees, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for retail Bidders or for Eligible Employees the Bid will be considered for allocation under the Non-Institutional portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- h) In case of downward revision in the Price Band announced as above, Retail Bidders or eligible employees who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s)
- i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain 50 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs.5,000/- to Rs.7,000/-.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- I. ECS - Payment of refund would be done through ECS for applicants having an account at any of the 15 centers where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS
- II. Direct Credit - Applicants having their bank account with the Refund Banker, shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any, would be credited directly to the eligible applicant's bank account with the Refund Banker.
- III. RTGS - Applicants having a bank account at any of the 15 centers detailed above, and whose bid amount exceeds Rs, 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I,II and III hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

Option to Subscribe

Equity Shares being issued through the Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the Issue

The 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 for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue 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



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Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the company and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM, and Syndicate Members to facilitate collection from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions on page 141 and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted
- (b) 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 download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the syndicate members shall upload the Bids till such time as may be permitted by the Stock Exchanges
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category - Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for



- Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or by the Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the time of receipt of Bids. However, a Syndicate Member shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders, bids under the Employee Reservation Portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page no 143 in the Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by NSE and BSE 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 the Company, and BRLM are cleared or approved by NSE and BSE; 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 the Company, its promoters, its management or any scheme or project of the Company
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis
- (b) 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 ten working 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 the Red Herring Prospectus
- (c) 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 also indicating the change on the relevant websites and the terminals of the members of the Syndicate
- (d) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis
- (e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form
- (f) 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 his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate
- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made



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on that Revision Form

- (h) 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 the Red Herring Prospectus.
- (i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid**
- (j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the physical book shall be final and binding to all concerned.

Price Discovery and Allocation

- a. After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the company
- b. The Company in consultation with the BRLM shall finalise the “Issue Price”, the number of Equity Shares to be allotted to QIB Bidders.
- c. The allocation for QIBs would be not more than 50% of Net Issue to the Public Size on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- d. Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM. Any under subscription in equity shares reserved for allocation to eligible employees would be treated as a part of the net issue to the public and allocated in accordance with the basis of allotment described in the section titled “Basis of Allotment” on page 146 of the Red Herring Prospectus.
- e. Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them
- f. The BRLM, in consultation with the 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

Signing of Underwriting Agreement and RoC Filing

- (a) The company, the BRLM and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders
- (b) After signing the Underwriting Agreement, the company will update and file the Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects

Filing of the Prospectus with the RoC

The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, without assigning any reason thereof. QIB Bidders shall not be allowed to withdraw their bid after the Bid/Issue Closing Date.

The Company will file a copy of the Prospectus with the Registrar of Companies, Kala Chowki, Mumbai, in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956

Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation at Mumbai.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered



office of the Company is situated. This advertisement, in addition to the information (in the format and containing the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be 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 into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company 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 of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder

Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account within two working days of the date of Allotment
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, The Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

General Instructions

Do's:

- a. Check if you are eligible to apply;
- b. Ensure that the Bid is only within the Price Band;
- c. Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Eligible Employee Bid Cum Application Form (pink in colour), as the case may be;
- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;



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- h. Ensure that you have been given a TRS for all your Bid options; and
- i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- h) Submit Bids accompanied by Stockinvest

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions to Bids must be:

- a. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for eligible employees).
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- c. For Retail Individual Bidders, the Bids must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- d. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. For Eligible Employees, the Bid must be for a minimum of 50 Equity Shares and shall be in multiples of 50 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 360,000 Equity Shares.
- f. In single name or in joint names (not more than three).
- g. 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 his or her official seal.

Bids by Employees

- 1. Bids by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., pink colour form).
- 2. Eligible Employees should mention their Employee ID at the relevant place in the Bid cum Application Form.
- 3. Only Eligible Employees, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form and such person is an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the RoC upto the Bid/Issue Closing Date would be eligible to apply in this Issue under the Employee Reservation portion on a competitive basis.



4. The sole/first Bidder should be an Eligible Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
5. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.
6. Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. Eligible Employees should ensure that such Bids (whether at Cut-Off or not) should not exceed Rs.100,000, failing which such Bids may be rejected.
7. The maximum Bid in this category should not exceed 360,000 Equity Shares.
8. If the aggregate demand in this category is less than or equal to 360,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Eligible Employees would be treated as part of the Net issue to the Public and allotment shall be in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page 146 of the Red Herring Prospectus.
9. If the aggregate demand in this category is greater than 360,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 50 Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Basis of Allotment" on page 146 of the Red Herring Prospectus.
10. Bidding at Cut-off is allowed only for Eligible Employees whose Bid Price is less than or equal to Rs.100,000.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's 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 (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or is liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.



Vigneshwara Exports Limited**Bank Account Details of Applicant:**

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DPID) number and the Beneficiary number provided by the Depository participant must be correctly mentioned in the Application Form at the appropriate place. The Registrars will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

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 lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.25 Crores and pension funds with minimum corpus of Rs.25 Crores, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit, in consultation with the BRLM.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

- NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following: Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at 450/451, Kewal Industrial Estate, S.B. Marg, Lower Parel, Mumbai 400 013. India or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels 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 (white in colour).

Bids and revision to Bids must be made:

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** - For a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum and Minimum Bid Size" on page 130.
- **By FIIs** - for a minimum of such number of Equity Shares and in multiples of 50 that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Maximum and Minimum Bid Size" on page 130.



- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid 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 to the Issue:

- i. 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 members of the Syndicate.
- ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - In case of Resident Bidders: **"Escrow Account - VEL Public Issue"**
 - In case of Non Resident Bidders: **"Escrow Account -VEL Public Issue -NR"**
 - In case of Eligible Employees **"Escrow Account -VEL Public Issue -Eligible Employees"**
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.



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- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- iv. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account of the Company.
- v. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- vi. 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 Issue Account with the Bankers to the Issue.
- vii. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

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 BRLM or Syndicate Member at the time of submitting the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLM or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions**Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("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. Bids made by eligible employees both under employee reservation portion as well as in the net issue to the public shall not be treated as multiple bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion

Procedure for Application by Mutual Funds

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 name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.



PAN

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Company Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders and Eligible Employees, the Company & BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Age of First Bidder not given;
- c. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- d. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- e. Bids for lower number of Equity Shares than specified for that category of investors;
- f. Bids at a price less than lower end of the Price Band;
- g. Bids at a price more than the higher end of the Price Band;
- h. Bids at cut-off price by Non-Institutional and QIB Bidders;
- i. Bids for number of Equity Shares which are not in multiples of 50;
- j. Category not ticked;
- k. Multiple bids as defined in the Red Herring Prospectus;
- l. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- m. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- n. Bid-cum-Application Form does not have Bidder's depository account details;
- o. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum-Application Form
- p. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- q. Bids accompanied by money order/postal order/cash/Stockinvests;



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- r. Signature of sole and / or joint bidders missing;
- s. Bids by OCBs;
- t. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID).
- u. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- v. Bids under Employee reservation portion for more than 360,000 Equity Shares.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been signed between The Company and the Depositories:

Tripartite agreement dated 15th Day of April 2006 with NSDL, the Company and Registrar

Tripartite agreement dated 15th Day of May 2006 with CDSL, the Company and Registrar

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, 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 this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/ draft number and issuing bank thereof.

The company has appointed Mr. A.Thanthoni Rao, Company Secretary as Compliance Officer. He can be contacted at the Registered Office of the company.

The Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money



The company reserves, at their 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. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The 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 despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Impersonation

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

Disposal of Applications and Application Money

The company shall ensure despatch 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 finalization of the basis of allotment of Equity Shares. We 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.

The company shall put in its 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;
- The company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The company shall pay interest at 15% per annum (for any delay beyond the 15 days 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 days time prescribed above.

The company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, 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 OR BY MODES AS STATED UNDER “Mode of Making Refunds” on page 133 of RHP Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, 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 record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received 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/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.



Vigneshwara Exports Limited**Basis of allotment or allocation****A. For Retail 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 Bidders, QIB Bidders and employees shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,40,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 15,40,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 50 Equity Shares. For the method of proportionate basis of allotment, please refer to “method of proportionate basis of allotment” on page 146 of the RHP

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size, less allotment to QIBs Bidders, Retail Individual Bidders and Employees shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,60,000 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 6,60,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 50 Equity Shares. For the method of proportionate basis of allotment please refer to “method of proportionate basis of allotment” on page 146 of the RHP.

C. For QIBs

- Upto 50% of the Net Issue to the Public i.e. 22,00,000 Equity shares shall be allotted to QIBs of which 5% is reserved for Mutual Funds i.e 1,10,000 Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- 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 allotment to all the QIBs will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, Retail Individual Bidders and Employees, shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i). The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
 - (ii). The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.



(iii). Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

• **For Employee Reservation portion**

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 360,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 360,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares. For the method of proportionate basis of allotment please refer to “method of proportionate basis of allotment” on page 146 of the RHP.
- The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLM.

Procedure and Time Schedule for Allotment of Equity Shares

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. 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. The Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of proportionate basis of allocation in the QIB, Retail, Non-Institutional and Employee Reservation Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate Allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate Allotment is less than 50 Equity Shares per Bidder, the Allotment shall be made as follows:
 - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares;
 - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
 - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares.
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days after the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund



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orders have not been despatched to the applicants within 15 days from the date of closure of the Issue.

Despatch of Refund Orders

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not despatched 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/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Undertaking by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that 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;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- that the refund orders or allotment advice to the NRIs or FIIs shall be despatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- all monies received out of this 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 utilized out of this Issue referred 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 this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

The issue proceeds will be kept in an escrow account until used for the said objects. Pending utilization of funds for the objects of the issue, the same would be kept in fixed deposit account with a scheduled commercial bank.

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.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.



SECTION IX : DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

1. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

“The Authorised Share Capital of the Company is Rs. 12,50,00,000 divided into 1,25,00,000 equity shares of Rs.10 (ten) each. With power to increase or reduce the share capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, cumulative convertible preference, guaranteed, qualified, or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate such rights, gate such rights , privileges, or conditions in such manner as may for the time being be provided by the Articles of Association.

Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up.

CAPITAL

5. The Company in General Meeting may from time to time by increase the capital by the creation of new shares, the increases to be of such aggregate amount and to be divided into shares of such amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Board shall determine, and in particular, such shares may be issued with a preferential or a qualified right to dividends, and in the distribution of the assets of the Company and with a right of voting at the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of these Article, the Directors shall comply with the provisions of Section 97 of the Act. *Increase in Capital*
7. Subject to the provisions of Sections 80 and 85 and other provisions of the Act, the Company shall have the power to issue Preference Shares, which are at the option of preference the Company liable to be redeemed, and the resolution authorising such issue shall Shares prescribe the manner, terms and conditions of redemption. *Redeemable Preference Shares*
9. d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, which would otherwise have been available for dividend, be transferred to a on issue of reserve fund, to be called the “Capital Redemption Reserve Account”, a sum equal redeemable to the nominal amount of the shares redeemed and the provisions of the Act relating preference shares to the reduction of share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account was paid-up share capital of the Company. *Provision to apply on issue redeemable preference shares*
10. The Company may from time to time by Special Resolution, subject to the provisions of Section 78, 80, 100 to 104 inclusive of the Act, reduce its Share Capital Capital and any Capital Redemption Reserve Account or Securities Premium Account in any manner for the time being authorised by law, and in particular without prejudice to the generality of the foregoing power may:
a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up;
b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost or is unrepresented by available assets; or
c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up share capital which is in excess of the wants of the Company;
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. *Reduction of Capital*



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11. A. The Company in general meeting may subject to the provisions of Section 94 of the Sub-division, Act by Ordinary Resolution alter the capital clause condition of its Memorandum as of shares follows, that is to say, it may:
- Sub-division, consolidation and cancellation*
- a) Consolidate and divide 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 amount than originally fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid-up and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub -division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage or otherwise over the others or any other such share.
 - c) Convert all or any of its fully paid-up shares in to stock and reconvert that stock into fully paid-up shares of any denomination.
 - d) Cancel shares which, on 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 shares so cancelled;
- B. The cancellation of shares in pursuance of this Article shall not be deemed to be reduction of Share Capital.
12. A. Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges rights attached to each calls may subject to the provisions of Sections 106 and 107 of the Act be modified, commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of the class or is confirmed by a Special Resolution passed at separate general meeting of the holders of shares of that class. The provision of these Articles relating to General Meetings shall mutatis mutandis apply to every such separate meeting. This Article shall not derogate from any power which the Company would have if this Article were omitted.
- Modification of rights*
- B. Subject to and in accordance with the applicable provisions of the Companies Act, 1956 and all other applicable provisions of law (including any statutory modification or re-enactment thereof for the time being in force or as may be enacted from time to time) and subject to such other approvals/permissions or sanctions as may be required, the Company shall have power to acquire, purchase, sell, dispose off, provide finance for the purchase of any of its own fully/ partly paid shares whether or no they are redeemable and to make the payment out of Capital Reserves or otherwise in respect of such acquisition, purchase, financing.
17. a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in that Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstance admit, to the capital paid up on these shares at that date. Such offer shall be made by notice specifying the number of shares offered and limiting a time not being less than Thirty days from the date of offer within which the offer, if not accepted, or renounced, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.
- b) Notwithstanding any thing contained in the preceding sub clause, the Company may :-



- i) By a special resolution; or
- ii) Where no such special resolution is passed, if the vote cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any of the Chairman) by Members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

Offer further shares to any person or persons, and such person or persons may or may not include the persons who at the date of the offer are the holders of the equity shares of the Company.

- c) Notwithstanding any thing contained in sub-clause (a) above, but subject, however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

18. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose off the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in General Meeting to give any person, the option to call for any shares either at par or at a premium during such time and for such consideration the Directors think fit, and may allot and issue shares in the capital of the Company in payment or part for any property sold and transferred or for any services rendered to the Company in the conduct of its Business; and any shares which may be so allotted may be issued as fully paid-up shares and if so issued, shall be deemed to be fully paid shares.

- a) The shares or other interest of any member in the Company shall be movable property, transferable in the manner provided by the Articles of the Company.
- b) Each physical share in the Company shall be distinguished by its distinctive number.
- c) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be, prima facie, evidence of the title of the member of such shares.

22. Any application signed by or on behalf of an applicant for shares in the Company, of followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of these Articles, be a Member.

*Acceptance
shares*

24. Every Member, or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may for the time being, remain unpaid thereon, in such amounts at such time or times in such manner as the Board shall from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

Liability of members

25. a) Every Member or allottee of shares shall be entitled without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the board and on surrender to the company of the letter of allotment or the fractional coupons of requisite value, save in case of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary, or some other person appointed by the Board for the purpose and the two Directors or their attorney and the Secretary or other person shall sign the share certificate provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other

Share Certificate



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than a Managing or a Whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue. For any further certificate the Board shall be entitled, but shall not be bound to prescribe a charge not exceeding Rupee One, Provided that the Company shall not be bound to register more than three persons as joint holders of any share except in the face of executors or trustees or a deceased member and in respect of a share held jointly by several persons the Company shall not be bound to issue more than one certificate. The Company shall comply with provisions of Section 113 of the Act.

Provided however, that no share certificate (s) shall be issued in respect of the shares held in Depository.

- d) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.
- j) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.
30. No notice of any trust, express, implied or constructive shall be entered in the Register of Members or of Debenture holders.
31. d) Notwithstanding anything contained in Section 153 of the Act and Article 30 hereof, by where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration. *Declaration person not holding beneficial interest in shares*
32. Except as provided in these Articles, none of the shall be applied in the purchase of Shares of the Company and the Company shall not, except as permitted by Section 77 of the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company. *funds of the Company may not be application in purchase of shares of company*
- Nothing in this Article shall affect the right of the Company to redeem any shares issued under Section 80 of the Act.
34. DEMATERIALISATION OF SECURITIES
- a) For the purpose of this Article :- *Definitions*
- ‘Beneficial Owner’ means a person or persons whose name is recorded as such with a depository ;
- ‘SEBI’ means the Securities & Exchange Board of India ;
- ‘Depository’ means a company formed and registered under the Companies Act, 1956 , and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992 ; and
- ‘Security’ means such security as may be specified by SEBI from time to time.
- b) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a Company in a dematerialised form pursuant to the Depositories Act, 1996. *Dematerialisation of Securities*
- c) Every person subscribing to securities offered by the Company shall have the for option to receive security certificate or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities. *Option Investors*



If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottees as the beneficial owner of the security.

- d) All securities held by a depository shall be dematerialised and be in fungible in form. Nothing contained in Section 153, 153A, 153B, 187B and 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners. *Securities to be Fungible Form*
- e) (a) Notwithstanding anything to the contrary contained in the the Act or these Articles , a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner. *Rights of Depositories and the Beneficial Owners*
- (b) Save as otherwise provided in (a) above , the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
- g) Nothing contained in section 108 of the Act or these Articles shall apply to a of transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository. *Transfer Securities*
- j) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles .” *Register and Index of Beneficial Owners*
36. Notwithstanding anything contained in these articles, the Board of Directors may, if thought fit, buy back, such of the Company’s own shares or securities as it may think necessary, subject to such limits under Section 77A and such other applicable provisions of the Act and the rules thereunder. *Buy-Back of Shares and Securities*
37. The Directors shall have the power to offer , issue and allot Equity Shares in or Debentures (Whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and /or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as “the Employees”) as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated , created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit. *Employees Stock Options Schemel Plan*
38. Subject to the provisions of the Section 79A of the Act (including any statutory modification or re-enactment thereof, for the time being in force) and applicable guidelines issued by SEBI, shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition. *Sweat Equity*
39. The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company. *Postal Ballot*



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UNDERWRITING AND BROKERAGE

41. The company may also on issue of Shares, pay reasonable brokerage as it may lawful.

CALLS

43. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting to the condition of allotment by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and such Member shall pay the amount of every call so made on him to the person or persons and at the time and places appointed by the Board. A call may be made payable by installments. *Directors may make calls*
44. Twenty-one days Notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons by whom such call shall be paid. *Notice of Calls*
45. A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at the meeting of the Board. *Calls to date from resolution*
46. A call may be revoked or postponed at the discretion of the Board be. *Call may revoked or postponed*
47. The joint-holders of any share shall be jointly and severally liable in respect of all calls or installments and other payment, which ought to be made in respect of such shares. *Liability of joint holders*
48. The Board may from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the Members who from residence at a distance or other cause, the Board may deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favor. *Directors may extend time*
49. If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 18 percent per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member and the Directors may waive payment by any one or more Members of any such interest wholly or in part. *Calls to carry interest*
50. Any sum, which by the terms of issue of a share becomes payable on allotment or at any time fixed date, whether on account of the nominal value of the share or by way of premium shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment of such sum all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of call duly made and notified. *Sums deemed to be calls*
52. Neither a judgment nor a decree in favor of the Company for calls or other moneys due in respect of any shares nor any payment or satisfaction thereof nor the receipt by the Company of a portion of any which shall from time to time be due from any member in respect of any shares either by way of principal of interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided. *Partial payment not to preclude forfeiture*
53. a) The Board may, if it thinks fit, agree to and receive from any Member willing to advance the same, all or any part of the amount of his shares beyond the sums, actually called up and upon the moneys so paid in advance or upon so much thereof from time to time and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest at such rate (not exceeding without the sanction of the Company in General Meeting up to fourteen per cent per annum) as the member paying the sum in advance and the Board agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the Member three months notice in writing provided that moneys paid in advance of calls shall not confer the right to dividend/s or to participate in profits. *Payment in anticipation of calls may carry interest*



- b) No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payments become presently payable.

LIEN

55. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (Whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the condition that Article 30 hereof is to have full effect. In the case of partly paid shares the Issuer's lien shall be restricted to 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. Provided that the Board Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause. *Company to have lien on shares*
57. For the purpose of enforcing such lien the Board may sell the shares subject hereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such Member. 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 his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice. *As to enforcing lien by sale.*

FORFEITURE AND SURRENDER OF SHARE

60. If any Member fails to pay the whole or any part of any call or installments 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 or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or installment or any part thereof or the other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, send a notice on such Member or on the person (if any) entitled to the share by transmission, requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment. *If money payable on shares not paid notice to be given to member*
61. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such calls or installments and such interest thereon at such rate not exceeding 18 percent per annum as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the calls was made or installment is payable, will be liable to be forfeited. *Form of Notice*
62. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which, such notice has been given, may at any time thereafter before payment of all calls or installments, Interest and expenses due in respect thereof be forfeited by a ordinary resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the date of forfeiture which shall be the date on which the ordinary resolution of the Directors is passed forfeiting the shares. *Default in payment, shares to be forfeited*
63. When any share shall have been so forfeited notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid. *Notice of Forfeiture to Member*
64. 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 Board shall think fit and at any time before a sale or disposal as aforesaid the board may cancel the forfeiture on such terms as it thinks fit. *Forfeited share to be property of the company and may be sold etc.*



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65. Upon forfeiture of shares, the member shall forthwith surrender the shares to the Company. *Surrender of forfeited shares*
66. Any member whose shares have been forfeited shall cease to be a member in respect of those shares but shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum or as the Board may determine and the Board may enforce the payment thereof, if it thinks fit. *Liability on forfeiture*
67. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demand against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved. *Effect of forfeiture*
68. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares. *Evidence of forfeiture*
69. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers therein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the Purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. *Validity of Sale under these Articles*
70. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto distinguishing it on them in such manner as they think fit from the certificates not so delivered. *Cancellation of share certificate in respect of forfeited shares*
71. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit. *Power to annul forfeiture*

TRANSFER AND TRANSMISSION OF SHARES

74. The Company shall keep a book to be called "Register of Transfer", and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form. *Register of Transfer*
75. Shares in the company may be transferred by 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 of for instruments of transfer which may from time to time be altered by the Directors. *Instrument of Transfer*
76. In the case of transfer of shares/debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders. *Transfer by Joint Holders*
77. The Instrument of Transfer duly stamped and executed by the transferor and the transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board, The Transferor shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the Register of Members in respect thereof. Before the registration of the transfer, the certificate or certificates of the shares must be delivered to the Company. *Transfer form to be completed and Presented to the Company*
78. The Board shall have power on giving not less than 'seven days' previous notice by advertisement in some newspaper circulation in the district in which the Office of the Company is situated to close the Transfer Books, the Register of Members or Register of Debenture holders at such time *Transfer Books and Register of Members when closed*



or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in a year.

79. a) Subject to the provisions of Section 111 of the Act and Section 22 A of the Securities Contracts (Regulation) Act, 1956, the Board may, at its own absolute and uncontrolled discretion and by giving reasons decline to register or acknowledge any transfer of shares, debentures, debenture warrants, whether fully paid or not (notwithstanding that the proposed transferee be already a Member) but in such cases it shall within two months from the date on which the instrument of transfer was lodged with the Company send to the transferee and the transferor notice of the refusal to register such transfer. The Board shall not refuse the registration of transfer on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever. *Directors may refuse to register Transfers*
- b) Without prejudice to the generality of provisions of Articles 79 (a), the Board may refuse to register transfer of shares, debentures or debenture warrants, listed on any of the registered Stock Exchanges, in the name of the transferee on any one or more of the following grounds, namely:-
- i) That the instrument of transfer is not proper or has not been duly stamped and executed or that the certificate relating to the share/s, debenture/s, debenture warrant/s, has not been delivered to the company, or that any other requirement under the law relating to registration of such transfer has not been complied with;
 - ii) That the transfer of shares, debentures or debenture warrants is in contravention of any law;
 - iii) That the transfer of shares, debentures or debenture warrants is likely to result in such a change in the composition of the Board of Directors as would be prejudicial to the interest of the company or to Articles 172;
 - iv) That the transfer of shares, debentures or debenture warrants is prohibited by any order of any Court, Tribunal or other Authority under any law for the time being in force;
- c) i) The Board shall before the expiry of two months from the date on which the instrument of transfer is lodged with the company for the purposes of such transfer, form its opinion as to whether such registration ought not to be refused on any of the grounds mentioned in Articles 79 (b);
- ii) If the Board has formed the opinion that such registration ought to be refused on the grounds, mentioned in Clause (i) of Article 79 (b), it shall intimate the transferor and transferee by notice;
- iii) If the Board forms an opinion that such registration ought to be refused on any of the grounds mentioned in Clause (i) of Article 79 (b), it shall intimate the transferor and transferee by notice.
- iv) If the Board forms an opinion that such registration ought to be refused on any of the grounds mentioned in Clause (ii) to (iv) of Article 79 (b), it shall make a reference to the Tribunal, if required, under the Law.
- d) The Board shall not issue debenture/bonds with the right to allotment or conversion into shares without sanction of the company in the general meeting.
80. i) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the company shall unless objection is made by the of Members the name of the transferee in the same manner and subject to same conditions as if the application for registration was made by the transferee. *Transfer of shares*



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- ii) For the purpose of Clause (i) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- iii) It shall be not be lawful for the company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the company along with the Certificate relating to the Shares and if no such Certificate is in existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer, provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- iv) Nothing in Clause 80 (iii) above shall prejudice any power of the company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.
- v) Nothing in this Article shall prejudice any power of the company to refuse to register the transfer of any share.
87. a) Subject to the provisions of the Act and Articles 79 to 85 and 88 any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any Member, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which is shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the share. This Article is hereafter called "The Transmission Article". *Registration of Persons entitled to shares otherwise than by transfer, "The Transmission Article".*
- b) A transfer of the share or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he has been a member at the time of the execution of the instrument of transfer.
88. The Board shall have the same right to refusal register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration. *Refusal to register on transmission*
89. A person entitled to a share by transmission shall, subject to the right of the Directors, retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the shares. *Person entitled may receive dividend without being registered as member*
94. 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 *Directors may require evidence of transmission*
- BORROWING POWER**
98. Subject to the provisions of Section 58A, 292 and 293 of the Act and of the Companies (Acceptance of Deposits) Rules, 1975 and of these Articles or any statutory modification thereof for the time being in force the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the company. Provided the payment of any sum or sums of money for the purpose of the Company. Provided however where the moneys to be borrowed together with the moneys already borrowed (apart *Powers to borrow*



from temporary loans to be obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its, free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No Debt incurred by the Company in excess of the limit imposed by these Articles shall be valid or effectual unless the lender proves that he advances the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

99. Subject to the provisions of Article 98 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit., and in particular by a resolution passed at a Meeting of the Board by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debentures-stock and other securities may be made assignable free from any equities between the Company and person to whom the same may be issued. *Payment or repayment of moneys borrowed*
101. Subject to the provisions of any law, any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of Directors and otherwise. Where the terms of issue of Debentures or loans includes as option to the holder to convert such debentures or loans into shares of the Company or to subscribe for shares in the Company shall comply with the provisions to Section 81 (3) of the Act. *Terms of issue of Debentures*
105. The Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the company or upon any of its property or assets or otherwise. If the Directors or any of them or any other persons, shall become personally liable for the payment of any sum primarily due from the company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability. *Indemnity may be given*

SHARE WARRANTS

107. The Company may issue share warrants subject to and in accordance with the provision of Section 114 and 115 and accordingly, the Board may in its discretion, with respect to any share which is fully paid up on application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board, may from time to time require as to the identity of the person signing the application and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant. *Power to issue Share warrants*
108. a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company and so long as the warrant remains so deposited, the Depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposit warrant. *Deposit of share warrants*
- b) Not more than one person shall be recognised as depositor of the share warrant.
- c) The Company shall on two days written notice return the deposited share warrant to the depositor.

MEETING OF MEMBERS

115. The Statutory Meeting of the Company, shall as required by Section 165 of the Act, be held at such time not being less than one month and not more than six months from the date at which the Company shall be entitled to commence business and at such place as the Board may determine, *The Statutory Meeting*



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and the Board shall comply with the requirements of that Section, as to the report to be submitted and otherwise.

116. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting and the Statutory Meeting shall be called Extraordinary General Meetings. The First Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Registered Office of the Company. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every Member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting, which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be kept on the table the Director's Report and Audited Statement of Accounts, Auditor's Report (if not already incorporated in the Audited Statement of Accounts) the Proxy Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, Summary of Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Section 159, 161 and 220 of the Act. *Annual General Meeting*
117. a) Section 171 to 175 and Sections 177 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or of debenture holders or any class of debenture holders of the company in like manner as they apply with respect to General Meeting of the company. *Section 171 to 186 of the Act shall apply to Meeting*
- b) Section 176 of the Act with such adaptations and modifications if any, as may be prescribed shall apply with respect to meetings of any class of members or of debenture holders of the company in like manner as it applies with respect to General Meeting.
118. a) In the case of an Annual General Meeting, all business to be transacted at the meeting shall be deemed special with the exception of business relating to: *Special Business*
- i) The consideration of the Accounts, Balance Sheet and Profit and Loss account and Report of the Board of Directors and of the Auditors;
- ii) the declaration of dividend;
- iii) the appointment of Directors in the place of those retiring;
- iv) the appointment of and fixing of the remuneration of the Auditors.
- b) In the case of any other meeting all business shall be deemed special.
- c) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern or interest, if any, therein of every Director.
- d) Where any item of business to be transacted at the meeting or the Company consists of according to the approval of the meeting to any document, the time and place where the document can be inspected shall be specified in the explanatory statement referred to in sub-clause (c) of this Article.
119. Notice of every meeting shall be given to every Member of the Company in any manner authorized by sub-sections (1) to (4) of Section 53 of the Act and by these Articles. It shall be given to the *Service of Notice*



persons entitled to a share in consequence of the death or insolvency of a Member, by sending it through the post in a prepaid letter addressed to them by name, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred, provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the Registered Office of the Company under sub-section (3) of the Section 53 of the Act, explanatory statement need not be annexed to the notice as required by Section 173 of the Act, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company

120. Every notice of a meeting of the company shall specify the place, day and hour of the meeting and shall contain a statement of the business to be transacted thereat. *Contents of Notice*
121. Where by any provision contained in this Act or in these Articles, special notice is required of any resolution, notice in respect of the same shall be given as provided in Section 190 of the Act. *Resolutions requiring Special Notice*
122. No business shall be transacted at any adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned meeting. *Business at Adjourned Meetings*
123. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned meeting. *Notice to be given where a Meeting is adjourned for 30 days or more*
124. A. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one-tenth of such of the paid-up capital as that date carries the right of voting in regard to the matter in respect of which the requisition has been made. *Extraordinary General Meeting*
- B. If at any time they are not present in India, Directors capable of acting who are sufficient in number to form a quorum, any Director of the Company may call an Extraordinary General Meeting of the Company, in the same manner, nearly as possible, as that in which such a meeting can be called by the Board.
125. Any valid requisition so made by Members must state the object or objects of the meeting proposed to be called and must be signed by the requisitionists and be deposited at the Office, provided that such requisition may consist of several documents in like form each signed by one or more requisitionists. *Requisition of Members to state object of Meeting*
126. Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within twenty-one days from the date of the requisitions being deposited at the Office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall not be held after three months from the date of the delivery of the requisition as aforesaid. *Calling of Meeting on Requisition*
127. Where two or more distinct matters are specified in the requisition the provisions of Clause 126 above, shall apply separately in regard to each such matters; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled. *Required number of Requisitionists to be counted separately in regard to each matter*
128. The Directors shall on the requisition of members representing not less than one-twentieth of the voting rights of members having a right to vote at any Annual General Meeting or being not less than one hundred members holding shares on which there has been paid up an aggregate sum of not less than one lakh of rupees in all, give notice to the members of any resolution which can properly be moved and intended to be moved at the meeting and circulate any statement supplied by the requisitionists in accordance with the requirements of Section 188 of the Act with which the company shall also comply. *Circulation of Member's Resolution*



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129. Any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board. *Meeting called by Requisitionists*
130. Where two or more persons hold any shares or interest in the company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purpose of these Articles, have the same force and effect as if it had been signed by all of them. *Requisition by Joint holders*
131. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board dully to call a meeting shall be repaid to the requisitionists by the company; and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration for their services to such of the Directors as were in default. *Reimbursement of expenses of calling Extraordinary General Meeting*
132. At least Twenty-one days notice of every General Meeting, Annual or Extraordinary General Meeting, and by whomsoever called specifying the day, place and hour of meeting and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to vote thereat and in case of any other meetings, with the consent of Members holding not less than 95 percent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than the ordinary business is to be transacted and in the case of any other meeting in any event there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Director, and the Manager (if any) where any such item of business relates to, or affect any other Company the extent of shareholding interest in that other Company of every Director and the Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than twenty percent of the paid-up share capital of that other Company, where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid. *Twenty-one days notice of meeting to be given*
133. The accidental omission to give any such notice as aforesaid to any of the members, or the non-receipt thereof, shall not invalidate any resolution passed at or the proceedings of any such meeting. *Omission to give notice not to invalidate a resolution passed*
134. No General Meeting, Annual or Extraordinary General Meeting, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened. *Meeting not to transact business not mentioned in notice*
135. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any early date. *Resolution passed at Adjourned Meeting*
136. The Directors may in their absolute discretion on giving not less than seven clear days notice in accordance with these Articles, postpone or cancel any meeting of members, except a meeting called pursuant to a member's requisition. *Postponement or cancellation of meeting*
137. Five Members present in person shall be the quorum for a General Meeting. *Quorum at General Meeting*
138. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance of the provisions of Section 187 of the Act authorize such person by a resolution of its Board of Directors as it thinks fit, to act as its representative attending meeting of the Company or of any class of members of the Company or at any meeting of creditor of the Company. *Body corporate deemed to be personally present*
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139. If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum not be present, the meeting, if convened by or upon the requisition of Members, shall stand dissolved. But in any other case, the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place or to such other day as such other time and place in the city or town in which the Office of the company is for the time being situated, as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the Members present shall be a quorum, and may transact the business for which the meeting was called. *If quorum not present meeting to be dissolved or adjourned*
140. The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting, whether Annual or Extraordinary. If there be no such Chairman or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to take the chair then the Members present shall elect another Director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the Members present shall elect one of their member to be Chairman, on a show of hands. If a poll is demanded in the election of the Chairman, it shall be taken forthwith, the Chairman elected on a show of hands exercising all the powers of the Chairman under the provisions of the Act. If some other person is elected Chairman as a result of the poll, he shall be chairman for the rest of the meeting. *Chairman of General Meeting*
- If quorum not present meeting to be dissolved or adjourned default requisitionists may do so
141. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant. *Business whilst chair vacant*
142. The Chairman, with the consent of the Members, may adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. A poll demanded on a question of adjournment shall be taken forthwith. When a meeting is adjourned for a period of 30 days or more, seven clear days notice of the adjourned meeting shall be given specifying the place and the time of the meeting as in the case of an original meeting, but it shall not be necessary for such a notice to contain a statement of the business to be transacted or to annex thereto any statement of material facts. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted thereat. *Chairman with consent may adjourn meeting*
143. At any General Meeting a resolution including a special resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the voting on any resolution on a show of hands a poll is ordered to be taken by the chairman of the meeting of his own motion or on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid-up. Unless a poll be so demanded, and ordered to be taken a declaration by the Chairman that a resolution has on a show of hands, been carried or carried unanimously, or by a particular majority or lost, and an entry to that effect in the Minute Book of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. *Questions at General Meeting how decided*
144. In the case of an equality of votes, the Chairman shall both on a show of hands and at a poll (if any) have a casting second vote in addition to the vote or votes to which he may be entitled to as a member. *Chairman's casting vote*
145. a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf in the manner mentioned in Section 179 of the Act. *Poll to be taken if demanded*
- b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.



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- c) A poll demand on a question of adjournment and on the question relation to the election of the Chairman which is provided in Section 175 of the Act, shall be taken forthwith.
- d) A poll demanded on a question shall be taken at such time not being later than 48 (Forty-eight) hours from the time when the demand was made, as the Chairman may direct.
- e) Subject to the provisions of the Act, the Chairman of the Meeting shall have powers to regulate the manner in which a poll shall be taken.
- f) The result of the poll shall be deemed to be decision of the meeting on the resolution on which poll was taken.
146. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes cast at the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause. *Scrutineers at Poll*
147. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith. *In what case poll taken without adjournment*
148. The demand for a poll, except on the question of the election of the Chairman and of an adjournment, shall not prevent the continuance of meeting for the transaction of any business other than the question on which the poll has been demanded. *Demand for poll not to prevent, continuance of business*
- VOTES OF MEMBERS**
149. No Member shall be entitled in respect of any shares registered in his name to be present or to exercise any voting right on any question at any General Meeting or be reckoned in a quorum whilst any call or other sum presently payable to the Company in respect of such shares, shall remain unpaid or in regard to which the Company has exercised any right of lien; and no member shall be entitled to be present or to vote in respect of any shares that he has acquired by transfer at any meeting unless his name has been entered as the registered holder of such share in respect of which he claims to vote. *Restrictions on Voting*
151. Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member present in person or by proxy shall have one vote and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however if any preference Shareholder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares. *Number of votes to which a member is entitled*
152. On a poll taken at a meeting of the Company a Member entitled to more than one vote or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses. *Casting of votes by a Member entitled to more than one vote*
154. If there be joint registered holders of any shares, any one of such persons may vote at any meeting either personally or may appoint another person (whether a Member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting that one of the said person so present whose name stands higher on the register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose names shares stand for the purpose of these Articles be deemed as joint holders thereof. *Votes of joint members*
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155. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in case of joint holders all holders) shall not appoint more than one person as proxy. *Voting in person or by proxy*
156. Any person entitled under the Transmission Article (Article 87) to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of the holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Director of his right to transfer of such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof. For the purpose of the Article, the Directors shall have same powers either to recognise or to refuse to recognise such right to transfer, as they have to reject or accept, a transfer or transmission of shares under these Articles. *Votes in respect of shares of deceased and insolvent Member*
158. An instrument of may appoint a proxy either for purposes of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meetings. *Proxy either for specified meeting or for a period*
159. No Member present only by proxy shall be entitled to vote on a show of hands, unless such Member is a body corporate present by a proxy who is not himself a Member, in which case such proxy shall have a vote on the show of hands as if he were a member. *No Proxy except for a body corporate to vote on a show of hands*
160. A Member present by proxy shall be entitled to vote only on a poll. *Proxy to vote only on a poll*
164. a) 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 not disallowed at such meeting or poll shall be deemed valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. *Time for objections of votes and inspection of proxies*
- b) Every Member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled, during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Company, provided not less than three days notice in writing of the intention so to inspect is given to the Company.
165. The Chairman present at the taking of poll shall be the sole judge of the validity of every vote tendered at such poll. *Chairman of the meeting to be the judge of validity of any vote*
166. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favor of or against such resolution. *Chairman's Declaration of results of voting to show of hand to be conclusive*

MINUTES OF MEETINGS

167. a) The Company shall cause minutes of all proceedings of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act. *Minutes of General Meeting and inspection thereof by members*
- b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.



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- c) In no case shall the minutes of proceedings of a meeting be attached to any such book as aforesaid by pasting or otherwise.
 - d) The Minutes of each Meeting shall contain a fair and correct summary of the proceeding thereat.
 - e) All appointments of Officers made at any aforesaid meeting shall be included in the Minutes of the Meeting.
 - f) Nothing herein contained shall require or be deemed to require the inclusion in any such Minutes of any matter which in the opinion of the Chairman of the Meeting (a) is or could reasonably be regarded as, defamatory of a person, or (b) is irrelevant or immaterial to the proceedings, or (c) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the Minutes on the aforesaid grounds.
 - g) Any such Minutes shall be evidence of the proceedings recorded therein.
 - h) The book containing the Minutes of the proceedings of any General Meeting of the Company shall:
 - i) be kept at the Registered Office of the Company, and
 - ii) be open, during the business hours to the inspection of any members without charge, subject, to such reasonable restrictions as the Company may, in General Meeting impose so however that not less than two hours in each day are allowed for inspection.
 - iii) Any Member shall be entitled to be furnished within seven days after he has made a request in that behalf to the company, with a copy of any minutes referred to in Clause (h) above, on payment of such fees as prescribed under Section 196 of the Act.
168. a) Where minutes of the proceedings of any General Meeting of the company have been kept in accordance with the provisions of Section 193 of the Act, then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein. *Presumptions to be drawn where minutes duly drawn and signed*
- b) On document purporting to be a report of the proceedings of any General Meeting of the Company shall be circulated or advertised at the expense of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.
- DIRECTORS**
169. Until otherwise determined in a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors of the Company (excluding Alternate Directors) shall not be less than three or more than twelve. *Number of Directors*
170. The First Directors of the Company are : *First Directors*
- Mr. Sarwan Kumar Poddar
- Mr. Krishna Murari Poddar
171. Two thirds of the total number of Directors of the Company shall: *Directors of the Company*
- a) be persons whose period of office is liable to determination by retirement of Directors by rotation and
 - b) save as otherwise expressly provided in the Act; be appointed by the Company in General Meeting.
175. A body corporate, whether a company within the meaning of the Act or not, which is a member of the Company, may by resolution of its Board of Directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of



any class of members of the company and the persons so authorized shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise as if it were an individual member of the company and the production of a copy of the Minutes of such resolution certified by a director or the copy of the Minutes of such resolution certified by a Director or the or the Secretary of such body corporate as being a true copy of the Minutes of such resolution shall be accepted as sufficient evidence of the validity of the said representative's appointment and of his right to vote.

176. The Nominee Director / s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and Meetings of the Committee, of which the Nominee Director /s is/are member/s and shall also be entitled to receive the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission moneys and remuneration in relation to such Nominee Directors/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Directors/s in connection with their appointment or Directorship shall also be paid or reimbursed by the company to the Corporation or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is/are Officer/s of the Corporation, the sitting fees in relation to such Nominee Directors/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided also that in the event of the Nominee Director/s being appointed as whole- time Director/ s such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised by or available to the whole time Director/ s, in the management of the Company. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation.

177. Any Trust Deed for securing debentures or debenture stock, if so arranged provide for appointment from time to time by the Trustees thereof or by the holders of the Debentures or Debenture stock of some person to be Director of the Company and may empower such Trustees or Debenture holders or Debenture Stock from time to time to remove any Director so appointed. A Director appointed, under this Article is herein referred to as a "Debenture Director" and that the term "Debenture Director" means a Director for the time being in office under the Article. A Debenture Director shall not be bound to hold any qualification shares and not be liable to retire by rotation or be removed by the Company. The Trust deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained. *Debenture Director*
178. The Board may, in accordance with and subject to the provision of Section 313 of the Act, appoint an Alternate Director during the latter's absence for a period of not less than three months from the state in which the meeting of the Board is ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the original director in whose place he has been appointed and shall vacate office if and when the original director returns to that State. If the term of office of the original Director is determined before so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of a retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director. *Appointment of Alternate Director*
179. Subject to the provisions of Section 260, and 264 of the Act the Board shall have power at any time and from time to time to appoint any person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 169. Any such Additional Director shall hold office only up to the date of next Annual General Meeting. *Additional Director*



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180. A. The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors. *Appointment of Technical or Executive Directors*
- B. Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.
181. A Director shall not require acquiring or having any share qualification. *Share Qualification of Directors*
182. a) The remuneration to each director shall be at such rate for each meeting of the Board or Committee of the Board attended by him as may be prescribed by the Central Government from time to time under the Proviso to Section 310 of the Companies Act, 1956, for each such meeting including adjourned meeting attended by him. If any Director being willing shall be called upon to perform extra services or to make any special exertions for any of the purpose of Company or is giving special attention to the business of the Company as a member of the Committee of Directors then subject to Section 198, 309 and 310 of the Act, the Company may remunerate the Directors so performing the extra services or making special exertions or giving special attention or being a member of a committee of Directors, either by a fixed sum or by commission of like emoluments or by a percentage of profits or otherwise and such remuneration may be either in addition to or substitution for any other remuneration to which he may be entitled. *Remuneration of Directors*
- b) Subject to the provision of the Act, a Director who is neither in the whole-time employment of the Company nor a Managing Director, may be paid remuneration either:-
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
- (ii) by way of commission if the company by a Special Resolution authorizes such payment.
- c) Subject to the provisions of the Act, a Managing Director or director in the Whole Time employment of the Company may be paid remuneration either by way of monthly or at a specified percentage of the net profit of the Company or partly by one way or partly by the other. The Board of Directors reserves the rights to execute and sign the specific agreement / arrangements with the Managing Director or the Managing Directors as the case may be as well as with the Whole Time Director or Whole Time Directors specifying the details or remunerations and other terms etc.as per the act and these Articles of Association and such agreement will be signed by two Directors to be authorized by the Board for such purpose for time to time.
183. If any director be called upon to perform extra services or make special exertions or efforts (which expression shall include work done by a director as a member of any committee of the Board), the Board may arrange with such Director for special remuneration for such service or exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided. *Special Remuneration of Directors performing extra services*
184. The Board may allow an pay to any director (including the foreigner Director), who is not a bona fide of the place where the meeting of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting; such sum as the Board may consider fair compensation or for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director by called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses incurred in connection with business of the Company. *Travelling expenses incurred by director not a bona fide resident*
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185. The continuing Director may act notwithstanding any vacancy in their body if and so long as their number is not reduced below the minimum, the continuing Director not being less than two may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting, but for no other purpose. *Directors may act notwithstanding any vacancy*
186. A person shall not be capable of being appointed as a Director if he has the disqualifications referred to in Section 274 of the Act, as may be amended from time to time. *Eligibility*
187. Subject to Sections 283(2) and 314 of the Act the office of a Director shall become vacant if:- *When office of Director to become vacant*
- a) he is found to be of unsound mind by the Court of competent jurisdiction ; or
 - b) he applies to be adjudicated an insolvent; or
 - c) he is adjudged an insolvent ; or
 - d) he fails to pay any call made on him in respect of shares of the company held by him, whether alone or jointly with other, within six months from the date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
 - e) he absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
 - f) He contravenes the provisions of Section 314 of the Act; or
 - g) he becomes disqualified by an order of the court under section 203 of the Act; or
 - h) he is removed in pursuance of section 284; or
 - i) he (whether by himself or by any person for his benefit or on his account) or any firm in which is a partner or any private company of which he is a Director, accepts a loan, or ay guarantee of security for a loan, from the company in contravention of section 295 of the Act; or
 - j) he acts in contravention of section 299 of the Act; or
 - k) he is convicted by a court for an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or
 - l) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
 - m) he resigns his office by a notice in writing addressed to the company.
188. Notwithstanding anything contained in sub-clause (c), (g) and (k) of Clause 187 above, the disqualification referred to in these Sub-Clauses shall not take effect: *Disqualification not to take effect*
- a) for thirty days from the date of the adjudication, sentence or order;
 - b) Where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of;
 - c) Where within the seven days aforesaid, any further appeal, petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.
191. A Director of the company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in section 299(2) of the Act; provided that it shall not be necessary for a Director to disclose his concern or interest in any contract or arrangement entered into or to be
- Disclosure of Interest*



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- entered into with any other company where any of the Directors of the company or two or more of them together hold or holds not more than two percent of the paid-up share capital in any such other Company or the Company.
192. A General Notice given to the Board by the Directors, to the effect that he is a Director or Member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of his concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice, and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Directors concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given. *General notice of interest*
193. Subject to the exception stipulated by Section 300(2) of the Act, on Director shall as a Director, take part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is any way, whether directly or indirectly concerned or interested in such contract or arrangement; nor shall his presence be counted for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void; provided, however, that nothing herein contained shall apply to :- *Interested Directors not to participate or vote in Board's proceeding*
- a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;
 - b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely:-
 - (I) in his being :-
 - (a) a Director of such company; and
 - (b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company; or
 - (II) in his being a member holding not more than two percent of its paid up share capital.
 - B. The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.
198. At every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation in accordance with the provisions of Section 255 & 256 of the Act or these Articles or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Nominee Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining to rotation of retirement or the number of Directors to retire. *Rotation and Retirement of Directors*
199. Subject to Section 256(2) of the Act, the Directors to retire by rotation under Article 200 at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot. *Ascertainment of Directors retirement by rotation and filling of vacancies*
200. A retiring Director shall be eligible for re-election *Eligibility of re-election*
201. Subject to section 258 and 262 of the Act and further subject to Article 200, the Company at the General Meeting at which a Director retires in the manner aforesaid, may fill the vacated office by electing a person thereto. *Company to appoint successors*
202. A. If the place of the retiring Director is not so filled up and the meeting not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at *Provision in default of appointment*
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the same time and place, or if that day is a public holiday, till the next succeeding day which is not a holiday, at the same time and place.

- B. If at the adjourned meeting also, it has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting unless :
- i) at that meeting or at the previous meeting resolution for the re-appointment of such Director has been put to the meeting and lost;
 - ii) the retiring Director has, by a notice in writing addressed to the Company, or its Board expressed his willingness to be so reappointed;
 - iii) he is not qualified or is disqualified for appointment;
 - iv) a resolution, whether special or ordinary, is required for the appointment or re appointment by virtue of any provisions of the Act; or
 - v) the provisions of sub-section (2) of section 263 of the Act is applicable to the case.

203. Subject to Sections 259 of the Act, the Company may by ordinary resolution, from time to time, increase or reduce the number of Directors, within the limits fixed in that behalf by these Articles, and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another qualified person in his place. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed. *Company may increase or reduce the number of Directors*
206. a) The Company may (subject to the provision of Section 284 of the Act and other applicable provisions of the Act and these Articles) remove any Director before the expiry of his period of office. *Removal of Director*
- b) Special notice as provided by Article 121 or Section 190 of the Act shall be given of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting as which he is removed.
- c) On receipt of notice of a resolution to remove a director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director concerned and the Director (Whether or not he is a Member of the Company) shall be entitled to be heard on the resolution at the meeting.
- d) Where notice is given of resolution to remove a Director under this Article, and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are received by it too late for it to do so (i) in the notice of the resolution given to Members of the Company state the fact of the representations having been made, and (ii) send a copy of the representations to every Member of the Company, and if a copy of the representation is not sent as aforesaid because they were received too late or because of the Company's default, the Director may without prejudice to his right to be heard orally require that copies of the representations shall be read out at the meeting. Provided that copies of the representations need not be sent or read out at the meeting if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
- e) A vacancy created by the removal of director under this Article may, if he has been appointed by the company in General Meeting or by the Board in pursuance of Article 179 and 180 or section 262 of the Act, be filled by the appointment or another director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under sub-clause (b) hereof. A director so appointed shall hold office until the date up to which his predecessor would have held office if he had not been removed as aforesaid.
- f) If the vacancy is not filled under sub-clause (e) hereof, it may be filled as casual vacancy in accordance with the provisions, in so far as they are applicable of Article 180 or Section 262



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- of the Act, and all the provisions of the said Act in all respects thereof shall accordingly apply.
- g) A Director who has removed from office under this Article shall not be re-appointed as a director by the Board of Directors.
- h) Nothing contained in this Article shall be taken :
- i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as director or of any appointment terminating with that as Director; or
- ii) as derogating from any power to remove a Director which may exist apart from this Article.
207. a) The Company shall keep at its Office a Registrar containing the particulars of its Directors, Secretary and other persons mentioned in Section 303 of the Act, and shall otherwise comply with the provisions of the said section in all respects. *Register of Directors etc. and notifications of change, to Registrar*
- b) The Company shall in respect of each of its Directors also keep at its office a Register, as required by Section 307 of the Act, and shall otherwise duly comply with the provisions of the said section in all respects. *Register of shares or debentures held by Directors*
208. a) Every Director including a person deemed to be a Director (by virtue of the Explanation (1) to sub-section (1) of Section 303 of the Act), Managing Director, Manager, or Secretary of the Company shall within twenty days of his appointment to any of the above offices in any other Body Corporate, disclose to the Company the particulars relating to his office in the other body corporates which are required to be specified under sub-section (2) of Section 303 of the Act. *Disclosure by Director of appointment to any other Body Corporate*
- b) Every Director of the Company and every person deemed to be a Director of the Company by virtue of Sub-Section (10) of Section 307 of the Acts, shall give notice to the Company of such matters as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section and Section 308 of the Act. *Disclosure by Director of his holdings of shares and debentures of the Company etc.*
- MANAGING DIRECTOR**
209. Subject to the provisions of the Act and these Articles, the Board shall have the power to appoint from time to time any of its members as Managing Director or Managing Directors and/or Whole time Director/s and/or Special Directors like Technical Director, Financial Director etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors/Whole time Director(s) and Special Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act. *The Board to appoint Managing Director/s*
- Provided that, subject to the provisions of Section 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration shall be subject to the approval of members in General Meeting and of the Central Government, if required.
210. Without Derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the company and they shall do so only by means of resolutions passed at meetings of the board. *Certain Powers to be exercised by the Board.*
- a) The power to make calls on shareholders in respect of money unpaid on the shares in the Company;
- b) The power to issue debentures and except to the mentioned in a resolution passed at the Board Meeting under Section 292 of the Act, shall also not exercise the power to;



- c) The power to borrow money, otherwise than on debentures;
- d) The power to invest the funds of the Company; and
- e) The power to make loans.

Provided that the Board may by resolution passed at the meetings, delegate to any committee of the directors, the Managing Directors, the manager or any other principal officer of the company or in the case of a branch office of the company, a principal officer of the branch office, the powers specified in sub clause (iii), (iv) & (v) to the extent specified in such resolution and on such conditions as the board may prescribe.

211. The company shall not appoint or employ, or continue the appointment or employment, of a person as its Managing or Whole-time Director who :-
- a) is an undischarged insolvent or has at any time been adjudged an insolvent;
 - b) suspends, or has at any time suspended, payment to his creditors, or makes or has at any time made a composition with them; or
 - c) is, or has at any time been, convicted by a court of an offence involving moral turpitude.
212. A Managing Director shall not while he continues to hold that office be subject to retirement by rotation, in accordance with Article. If he ceases to hold the office of director he shall ipso facto immediately cease to be a Managing Director.

Certain Persons not to be appointed Managing Director

Special position of Managing Director

WHOLE TIME DIRECTOR

213. Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/ persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine or permanently for life time upon such terms and conditions as the Board thinks fit. The Board may by ordinary resolution and / or an agreement/s vest in such Whole-Time Director or Whole Time Directors such of the powers authorities and functions hereby vested in the Board generally as it thinks fit and such powers may be made exercisable and for such period of periods and upon such conditions and subject to such restrictions as it may be determined or specified by the Board and the Board has the powers to revoke, withdraw, alter or vary all or any of such powers and / or remove or dismiss him or them and appoint another or others in his or their place or places again out of the Directors / persons nominated under Article 174 only. The Whole Time Director or Whole Time Directors will be entitled for remuneration as may be fixed and determined by the Board from time to time either by way of ordinary resolution or a Court act/s or an agreement/s under such terms not expressly prohibited by the Act.
214. Subject to the provisions of Section 255 of the Act and these Articles, a Whole Time Director or Whole Time Director shall not, while he/they continue to hold that office, be liable to retirement by rotation but (subject to the provisions of any contract between him/they and the Company) he/they shall be subject to the same provision as to resignation and removal as the other Directors, and he/they shall ipso facto and immediately ceases or otherwise under the sees to hold the office of Director/s for any reason whatsoever save that if he/they shall vacate office whether by retirement, by rotation or otherwise under the provisions of the Act any Annual General Meeting and shall be re-appointed as a Director of Directors at the same meeting he/they shall not by reason only of such vacation, cease to be a Whole Time Director or Whole Time Directors.
215. If at any time the total number of Managing Directors and Whole Time Directors is more than one-third who shall retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Whole Time Directors and Managing Directors shall be determined by the date of their respective appointments as Whole Time Directors and Managing Directors of the Company

Power to appoint Whole Time Director and/or Whole-time Directors

To what provisions Whole time Directors shall s ubject

Seniority of Whole Time Director and Managing Director



PROCEEDINGS OF THE BOARD OF DIRECTORS

216. The Directors may meet together as a Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn or otherwise regulate their meeting as they think fit. *Meeting of Directors*
217. At least five days prior notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India, to every other Director. Notice may be given by telegram, cable, telex or other means of communications to any Director who is not in India and a Notice sent by registered airmail shall confirm the same. *Notice of Meetings*
218. Subject to the Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Director, if any, whose places may be vacant at the time) any fraction contained in that one-third being rounded off as one), or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or equal to two-third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time. *Quorum*
219. If a meeting of the Board could not be held for want of a quorum, than the meeting, subjects to Section 288 of the Act, shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place or such day, time and place as may be fixed by the Chairman and the Directors present at the meeting. *Adjournment of meeting for want of quorum*
220. The secretary shall, as and when directed by the Chairman to do so, convene a meeting of the Board by giving a notice in writing to every Director. *When meeting to be convened*
221. The Board may from time to time elect from among their number, a Chairman of the Board and determine the period for which he is to hold office. The Directors may likewise appoint from among their number a Vice-Chairman and determine the period for which he is to hold office. If at any meeting of the Board, the Chairman and the Vice-Chairman are not present within fifteen minutes after the time appointed for holding the same or is unwilling to act as Chairman, the Directors may choose one of their number to be Chairman of the Meeting. *Chairman*
222. Subject to the provisions of the Act and of these Articles, question arising at any meeting of the Board of Directors shall be decided by a majority or votes and in the case of equality of votes, the Chairman shall have a second or a casting vote. *Questions at Board Meeting how decided*
223. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally. *Powers of Board Meeting*
224. Subject to the restrictions contained in Section 292 and other applicable provisions of the Act, the Board may delegate any of their powers to a committee of Directors consisting of such Director or Directors or one or more Director and a Member or Members of the Company as it thinks fit or to the Managing Director, Manager or any other Principal Officer of the Company or a Branch Officer or to one or more of them together and it may from time to time revoke and discharge any such committee of the Board either wholly or in part, and either as to purpose or purposes, but every committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in Conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board. *Directors may appoint Committee*
225. The meeting and proceedings of any such Committee of the Board shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far, as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article. *Meeting of Committee, how to be governed*



226. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the Members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or Members of the Committee, at their usual address in India and has been approved by such of the Directors or Members of the Committee as are then in India, by a majority of such of them, as are entitled to vote on the resolution. *Resolution by circulation*
227. All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such persons had been duly appointed and was qualified to be Director and had not vacated his office or his appointment had not been terminated, provided that nothing in his Article shall be deemed to revive validity to acts done by a Director after his appointment has been shown to the company to be invalid or to have terminated. *Acts of Board or Committee valid notwithstanding informal appointment*
228. a) The Company shall cause Minutes of all proceedings of every meeting of the Board and committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered. *Minutes of proceedings of meetings of the Board*
- b) Each page of every such book shall be initialled or signed and the last page of the record or proceedings of every meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- c) In no case the minutes of proceedings of a meeting be attached in any such book as aforesaid by pasting or otherwise.
- d) The minutes of each meeting shall contain a fair and correct summary of the proceeding thereat.
- e) All appointments of officers made at any of the meeting aforesaid shall be included in the Minutes of the meeting.
- f) The minutes shall also contain :-
- i) the names of the Directors present at the meeting, and
- ii) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring in the resolution.
- g) Nothing contained in sub-clauses (a) to (f) shall be deemed to require the inclusion in any such Minutes of any matter which, in the opinion of the Chairman of the meeting :-
- i) (a) is, or could reasonably be regarded as defamatory of any person; or
- ii) (b) is irrelevant or immaterial to the proceedings; or
- iii) (c) is detrimental to the interests of the Company;
- The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub- clause and the decision of the Chairman shall be final and binding.
- h) Minutes of any meeting of the Board of Directors or of any committee of the Board if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be, for all purposes whatsoever, prima facie evidence of the actual passing of the resolutions recorded and the actual and regular transaction of occurrence of the proceedings so recorded and the regularity of the meeting at which the same shall appear to have been taken place.



POWER OF DIRECTORS

230. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, but subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. *Power of Directors*

Provided that the Board shall not, except with the consent of the Company in General Meeting :-

- a) sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, or the whole, or substantially the whole, of any such undertaking; provided that nothing herein contained shall affect the selling or leasing of any property of the Company when the ordinary business of the Company consists of, or comprises, such selling or leasing;
- b) remit, or give time for the repayment of any debt due by a Director;
- c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of compulsory acquisition of such undertaking as is referred to in clause (a) above, or of any premise or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or any after a considerable time;
- d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will 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.
- e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees in excess of limits laid down by Section 293 of the Act.
- f) A receipt signed by the Managing Director or any one of the Managing Directors or by a Whole Time Director or by any one of the Whole Time Directors or by a person authorized by a resolution of directors to give receipt for any moneys, funds or property, lent or payable or belonging to the Company, shall be an effectual discharge on behalf of and against the Company for the moneys, funds or property which is such receipt shall be acknowledged to be received, and the person paying any such moneys shall not be bound to see to the application thereof or by answerable for the misapplication thereof
- g) To open and operate upon and overdraw bank accounts, to sign, make issue, negotiable, discount, endorse, accept or otherwise deal in all types of negotiable instruments including cheques, promissory notes, hundies, bill of exchange and bearer bonds arrange for credits in cash or in kind, specifying the bank or banks with whom the cash, credit account is to be opened and the limit of such accounts.
- h) To incur from time to time such expenses and lay out such sum or sums of moneys as Directors may deem expedient for the purpose of working the work-shop/s or factory/ies or for improving the business of the Company from time to time, to erect and fix new machinery or plant, or in any of the lands, building and premises for the time being in the position or the property of the Company, and time to time removal for all or any of the machinery, plant and stores of the Company being in or upon any loans, buildings and premises of the Company, to other lands. Building or premises wherever situate of the Company.
- i) To effect all kinds of insurance which in the opinion of the Directors ought to be effected for the benefit of the Company and in particular to ensure the property of the Company against loss or damage by fire or otherwise, and also to ensure against any standing charges and to ensure any anticipated profits of the company of any transaction or transactions entered into by the company, and to sell assign, surrender or discontinue any policies of insurance effected in pursuance of this power.
- j) To give any person employed by the Company a commission on the profits of any particular business or transaction and such commission shall be treated as part of the working expenses



of the Company. Provided further that the powers specified in Section 298 of the Act, subject to these Articles be exercised only at meeting of the Board, unless the same be delegate to the extent therein stated.

232. Without prejudice to the general powers conferred under Section 291 of the Act, and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles, but subject to the restriction under Section 293 of the Act, it is hereby declared that the Directors shall have the following powers, that is to say power :-
- Certain powers of the Board*
- a) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company;
 - b) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act;
 - c) Subject to Section 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory;
 - d) At their discretion and subject to the provision of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages, or other securities of the Company, and any such shares may be issued either as fully paid-up or with such amount as paid-up thereon as may be agreed upon; and any such bonds, debentures, mortgages, or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled up capital or not so charged;
 - e) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for time being or in such manner as they may think fit;
 - f) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose, and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees;
 - g) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts, dues and of any claims or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon;
 - h) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
 - i) To make and give receipts, releases, and other discharges for moneys payable to the Company and for the claims and demands of the Company;
 - j) Subject to the provisions of Section 292, 293(1)(C), 295, and 373 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company) or without security and in such manner as they may think fit and from time to time vary of realise such investments. Save as provided in Section 49 of the Act all investments shall be made and held in the Company's own name;
 - k) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal of security, for the benefit of the Company, such mortgages of the Company's property (present



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- and future) as they think fit; and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon;
- l) To determine from time to time who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purposes;
 - m) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company, and to give to any officer or other person employed by the Company commission in the profits of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company;
 - n) To provide for the welfare of Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of money, pension, gratuities, allowances, bonus or other payments, or by creating, and from time to time subscribing or contributing to provident fund and other association, funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and subject to Section 293 (1)(C) to subscribe or contribute or otherwise assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
 - o) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation Fund, or to an Insurance Fund, or as a Reserve Fund or Sinking Fund or any Special Fund, to meet contingencies or to repay debentures, or debenture-stock, or redeemable preference shares or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purpose (including the purposes referred to in the preceding clause), as the Board may in the absolute discretion, think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested and disposed off and apply and expand all or part thereof for the benefit of the Company in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board may apply or upon which they may expend the same, or any part hereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended, and to divide the Reserve Fund into such special funds as the Board may think fit, with power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit to such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.
 - p) To appoint, and at their discretion remove or suspend such managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or services as they may from time to time think fit, and to determine their power and duties and fix their salary or emoluments or remuneration and to require security in such instances and to such amount as they may think fit and also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in
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- such manner as they think fit; and the provisions contained in four next following sub clauses shall be without prejudice to the general powers conferred by this sub clause;
- q) To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with;
 - r) From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Board, and to fix their remuneration;
 - s) Subject to Section 292 of the Act, from time to time, and at any time, to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow monies and to authorize the Members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation;
 - t) At any time and from time to time by Power of Attorney under the Seal of the Company to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (including exceeding those vested in or exercisable by the Board under these present and excluding the power to make calls and excluding also except in their limits authorised by the Board the power to make loans and borrow money) and for periods and subject to such conditions as the Board may from time to time think fit, and any such appointment may (if the Board thinks fit) be made in favour of the member or any of the members or any of the members of any Local Board, established as aforesaid or in favour of any Company, or the shareholders, directors, nominees, or managers of any Company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such Powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them;
 - u) Subject to Section 294, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient and generally subject to the provisions of the Act and these Articles to delegate the powers or authorities and discretions vested in the Directors to any person, firm, Company or fluctuating body of person as aforesaid;
 - v) From time to time to make, vary and repeal bye-laws for the regulation of the business of the Company, its officers and servants;

DIVIDENDS

238. Subject to the provision of Section 205 of the act and the rules made there under, the profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the provision of these Articles, shall be divisible among Members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.
- 239 The Company in General Meeting may declare dividends to be paid to Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

Division of profits

The Company in General Meeting may declare a dividend



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240. No dividend shall be declared or paid except in accordance with Section 205 and Section 205 A of the Act and no dividend shall carry interest as against the Company. The declaration of the Board as the amount of profits of the Company shall be conclusive. Where a dividend has been declared, either the dividend shall be paid or the warrant in respect thereof shall be posted to the shareholder entitled to the payment of the dividend within time prescribed under Section 207 of the Act. *Dividends only to be paid out of profit*
242. Subject to the provision of the Act, the Board may, from time to time pay to the Members such interim dividend as in their judgment the position of the Company justifies. *Interim Dividend*
243. Where Capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits. *Capital paid-up in advance at interest, not to earn dividend*
244. All dividends can be apportioned and paid proportionately to 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 dividends as from a particular date, such share rank for dividend accordingly. *Dividends in proportion to amount paid up*
245. Subject to the provisions of the Act, where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the company, notwithstanding anything contained in any other provisions of the Act, the company shall: (a) transfer the dividend in relation to such shares to the special account referred to an Section 205-A unless the Company is authorized by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instruments of transfer, and (b) keep in abeyance in relation to such shares any offer of rights shares under section 81 (1) (a) and any issue of fully paid bonus shares in pursuance of section 205 (3) of the Act. *Right to dividend rights / Bonus shares to be held in abeyance pending registration of transfer*
248. 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 or otherwise on any other account whatsoever, either alone or jointly with any other person or persons, and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company. *No member to receive dividend whilst indebted to the Company and Company's right of reimbursement there out*
256. a) The Company in General meeting may, upon recommendation of the Board resolve that it is desirable to capitalize any undivided profits of the Company not required for paying the fixed dividends on any Preference shares (including profits carried and standing to the credit of any reserve or reserves or other special account and profit arising from the realization of any capital assets or the issue of shares at a premium) and accordingly that the Directors be authorised to the member who would have been entitled to receive the same had such sums been distributed by way of dividends in accordance with their rights, and to apply such profits on their behalf on the footing that they become entitled thereto as capital either in or towards paying up the amount, if any, for the time being unpaid on any shares by such members respectively, or in paying up in full un-issued shares, debentures or securities of the Company of a nominal amount equal to such profits, such shares, debentures or securities to be allotted and distributed, credited, as fully paid-up, to and amongst such members in the proportion aforesaid, or partly in one way and partly in other. Whenever such resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all the allotments and issues of fully paid shares, debentures or securities, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provisions by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of *Capitalisation of profits and reserves*



shares, debentures or securities becoming distributable in fraction and also to authorise any person to enter on behalf of all the members in to an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as they case may require) for the payment by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalized of the amounts or any parts of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

- b) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may by resolution of the Company be applied in paying up in full or in part any new shares or any shares then remaining un-issued to be issued such members of the Company or other persons as the Directors may resolve up to an amount equal to the nominal amount of the shares so issued.

GENERAL POWER

281. Wherever in the Companies Act, it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorized by its Articles, than and in that case this Clause hereto authorizes and empowers the Company to have such right, privilege or authority and to carry such transactions as have been permitted by the Act, without there being any specific Regulation in that behalf herein provided.



Vigneshwara Exports Limited
SECTION X OTHER INFORMATION

A. LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered into or are to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus have been delivered to the Registrar of Companies, Mumbai, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of Vigneshwara Exports Limited between 11:00 am. and 5:00 p.m on working days from the date of this Red Herring Prospectus until the date of closure of the Issue.

A. MATERIAL CONTRACTS

1. Memorandum of Understanding dated 18th February 2006 entered into with Karvy Investor Services Limited to act as the Book Running Lead managers.
2. Memorandum of Understanding dated 30th November 2005 entered into with Bigshare Services Private Limited, to act as the Registrar to the Issue.
3. Letters dated 14th May 2005 from the Company appointing Karvy Investor Services Limited as the Book Running Lead managers, and the acceptance thereto.
4. Escrow Agreement dated [●] between Escrow Collecting Bank, BRLM, Registrar and the Issuer company.
5. Syndicate Agreement dated [●] between BRLM, The Registrar and the Issuer Company.
6. Underwriting Agreement dated [●] between BRLM, Syndicate Member and the Issuer Company.

B. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time
2. Certificate of incorporation of the Company dated 1st April, 1986 and Certificate of change of name dated 1st July, 1995 (subsequent to conversion to a Public Limited Company)
3. Fresh Certificate of Incorporation consequent to change of name dated 17th February, 2005.
4. Present terms of employment between the company and its directors as approved by its Board and its shareholders.
5. Copy of the resolution passed at the meeting of the Board of Directors held on 4th April 2005 and a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on April 30th, 2005 approving this Public issue.
6. Consents of the Directors, Company Secretary & Compliance Officer, Auditors, Book Running Lead Managers to the Issue, Syndicate Member, Legal Advisor, Bankers to the Company, Bankers to the Issue, and Registrars to the Issue to include their names in the Red Herring Prospectus, to act in their respective capacities.
7. The report of the statutory auditors, M/s Chaturvedi & Co., Chartered Accountant dated April 21, 2006 and copies of balance sheet of the Company referred to therein.
8. Copy of letter dated May 13, 2006 from the Auditors of the Company, M/s Chaturvedi & Co., Chartered Accountants confirming Tax benefits as mentioned in the Red Herring Prospectus.
9. Consent from M/s Chaturvedi & Co., Chartered Accountant for inclusion of their reports on accounts in the form and context in which they appear in the Red Herring Prospectus.
10. Resolution of the Meeting of the Board of Directors held on 1st February 2006 for the formation of the Company's Audit Committee, Share Transfer Committee and Remuneration Committee.
11. Copies of agreements for the Premises of VAPI (Gujarat)
12. Copies of term loan sanctions letters from State Bank of India, Syndicate Bank, Oriental Bank of Commerce, Punjab and Sind Bank and Bank of India.
13. No Objection Certificate for the IPO from State Bank of India and Punjab and Sind Bank and Appraisal Report of State Bank of India



14. Report by Gherzi Eastern Limited (Mumbai) dated 02 September 2005 on Techno- Economic feasibility study home textiles project for Vigneshwara Exports Limited
15. Due Diligence Certificate dated 18th February 2006 from Book Running Lead Managers, Karvy Investor Services Limited.
16. Legal Advisor's Certificate dated 18th February 2006.
17. Tripartite agreement dated 15th April 2006 between Vigneshwara Exports Limited, Bigshare Services Private Limited (Registrar), and NSDL, for offering depository services.
18. Tripartite agreement dated 15th May, 2006 between Vigneshwara Exports Limited, Bigshare Services Private Limited (Registrar), and CDSL, for offering depository services.
19. Initial Listing Application dated 20th February, 2006 filed with BSE and NSE
20. SEBI Observation letters dated 05th May 2006
21. In-principle listing approval dated 24th April 2006 from BSE
22. In-principle listing approval dated 04th May 2006 from NSE

Any of the contracts or documents mentioned in this Red Herring 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.



Vigneshwara Exports Limited

B. DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GOI or the guidelines issued by 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 the Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in the Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS OF VIGNESHWARA EXPORTS LIMITED

Mr. Sarwan Kumar Poddar

Chairman

Mr. Krishna Murari Poddar,

Director

Mr. Mahendra Poddar,

Director

Mr. Gautam Poddar,

Director

Mr. Hari Ram Gupta,

Independent Director

Mr. Sunil Bhargava,

Independent Director

Mr. Nils Redvald Lie,

Independent Director

Mr. Ashok Bansal,

Independent Director

Mr. Thanthani Rao

Company Secretary

Place : Mumbai

Date : May 19, 2006.