



*Draft Letter of Offer*  
*Dated: September 29, 2016*  
*For Eligible Equity Shareholders of the Company only*

## VISHAL FABRICS LIMITED

CIN - L17110GJ1985PLC008206

Our Company was incorporated as Vishal Fabrics Private Limited on October 22, 1985 under the Companies Act, 1956 bearing Registration No. 008206 of 1985-86 and having its Registered Office in Ahmedabad, Gujarat. Subsequently, the status of our Company was changed to a public limited company and the name of our Company was changed to Vishal Fabrics Limited vide special resolution dated February 25, 2014. A fresh Certificate of Incorporation consequent upon change of name was issued on March 31, 2014 by the Registrar of Companies, Ahmedabad, Gujarat. For details, see "History and Certain Corporate Matters" on page no. 113 of this Draft Letter of Offer.

**Registered Office:** Ranipur, Narol Road, Ahmedabad – 382405. Gujarat; **Tel No.:** +91 – 79 – 25353977 / 78 / 79 / 80; **Fax No.:** +91 – 79 - 25353981;  
**Email:** cs.vfl@chiripalgroup.com; **Website:** www.vishalfabricsltd.com  
**Corporate Office:** Chiripal House, Near Shivranjani Cross Roads, Satellite, Ahmedabad – 380015;  
**Tel. No.:** +91 – 79 – 26734660 / 62 / 63; **Fax No.:** +91 – 79 – 26768656;  
**Contact Person:** Ms. Tanushree Dave, Company Secretary and Compliance Officer.

### PROMOTER OF THE COMPANY: CHIRIPAL INDUSTRIES LIMITED

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF  
 VISHAL FABRICS LIMITED ("VFL" OR THE "COMPANY" OR THE "ISSUER") ONLY

### THE ISSUE

**ISSUE OF 87,82,667 EQUITY SHARES OF ₹ 10/- EACH ("RIGHTS SHARES") OF VISHAL FABRICS LIMITED FOR CASH AT A PRICE OF ₹ 100/- PER RIGHT SHARE (THE "ISSUE PRICE"), FOR AN AMOUNT AGGREGATING TO ₹ 8,782.67 LAKHS ("THE ISSUE") ON RIGHTS BASIS IN THE RATIO OF 2 RIGHT SHARES FOR EVERY 3 FULLY PAID UP EQUITY SHARES HELD BY THE EQUITY SHAREHOLDERS ON THE RECORD DATE I.E. [●]. THE FACE VALUE OF THE RIGHTS SHARES IS ₹ 10 EACH AND THE ISSUE PRICE IS 10 TIMES OF THE FACE VALUE OF THE EQUITY SHARES.**

**THIS ISSUE IS BEING MADE IN TERMS OF CHAPTER XB OF THE SEBI (ICDR) REGULATIONS, 2009 AS AMENDED FROM TIME TO TIME.**  
*For further details see "Terms of the Issue" beginning on page no. 224 of this Draft Letter of Offer.*

All eligible investors may participate in the Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. For details in this regard, specific attention is invited to "Terms of the Issue" on page no. 224 of this Draft Letter of Offer. In case of delay, if any in refund, our Company shall pay interest on the application money as per applicable provisions of Companies Act, 2013.

### GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 offer including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the BSE SME Platform, nor does BSE SME Platform guarantee the accuracy or adequacy of this Draft Letter of Offer. **Specific attention of the Investors is invited to the statement of Risk Factors given on page no. 11 of this Draft Letter of Offer.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the issue, which is material in the context of the issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this 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 existing Equity Shares of our Company are listed on the SME Platform of BSE Limited ("BSE"). Our Company has received an approval letter dated [●] from BSE for using its name in the Draft Letter of Offer for listing of the Rights Equity Shares arising from this Issue on the SME Platform of the BSE. For the purpose of this Issue, the Designated Stock Exchange will be the BSE Limited ("BSE").

### LEAD MANAGER TO THE ISSUE

### REGISTRAR TO THE ISSUE



**ARYAMAN**  
 FINANCIAL SERVICES LTD

**ARYAMAN FINANCIAL SERVICES LIMITED**  
 60, Khatau Building, Ground Floor,  
 Alkesh Dinesh Modi Marg, Fort, Mumbai – 400 001  
**Tel No.:** +91 – 22 – 6216 6999  
**Fax No.:** +91 – 22 – 2263 0434  
**Email:** info@afsl.co.in  
**Investor Grievance Email:** feedback@afsl.co.in  
**Web:** www.afsl.co.in  
**Contact Person:** Mr. Pranav Nagar  
**SEBI Registration No.** INM000011344



**LINK INTIME INDIA PRIVATE LIMITED**  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup West, Mumbai – 400 078  
**Tel. No.:** +91 – 22 – 6171 5400  
**Fax No.:** +91 – 22 – 2596 0329  
**Email:** vishal.rights@linkintime.co.in  
**Investor Grievance Email:** vishal.rights@linkintime.co.in  
**Website:** www.linkintime.co.in  
**Contact Person:** Mr. Dinesh Yada  
**SEBI Regn. No.:** INR000004058

### ISSUE PROGRAMME

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

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## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### General Terms

Term	Description
Vishal Fabrics Limited / VFL / The Company / Company / We / Us / Our / Our Company / the Issuer	Unless the context otherwise indicates or implies refers to Vishal Fabrics Limited a public limited company incorporated under the provisions of the Companies Act, 1956 with its registered office in the state of Gujarat.
Promoter / Core Promoter	Chiripal Industries Limited
Promoter Group	Such persons, entities and companies constituting our promoter group pursuant to Regulation 2 (1) (zb) of the SEBI (ICDR) Regulations as disclosed in the Chapter titled “ <i>Our Promoter, Promoter Group</i> ” on page no. 129 of this DLoF.
Group Companies	All companies or ventures which would be termed as Group Companies as per the definition given in Schedule VIII of SEBI ICDR Regulations, 2009, as amended. For details of Group Companies of the Company, please refer the Chapter titled “ <i>Our Group Companies</i> ” beginning on page no. 135 of this Draft Letter of Offer.

#### Company Related Terms

Terms	Description
Articles / Articles of Association	Unless the context otherwise requires, refers to the Articles of Association of Vishal Fabrics Limited
Auditor of the Company (Statutory Auditor)	M/s. Anil Shah & Co., Chartered Accountants, having their office at 302, Shailly Complex, Opp. Loha Bhavan, 9, Nehru Park, Old High Court, Navrangpura, Ahmedabad – 380009
Audit Committee	The audit committee constituted by our Board of Directors on May 28, 2015
Board of Directors / Board	The Board of Directors of Vishal Fabrics Limited, including all duly constituted Committees thereof.
Companies Act	Unless specified otherwise, this would imply to the provisions of the Companies Act, 2013 (to the extent notified) and /or Provisions of Companies Act, 1956 w. r. t. the sections which have not yet been replaced by the Companies Act, 2013 through any official notification.
Companies Act, 1956	The Companies Act, 1956, as amended from time to time
Companies Act, 2013	The Companies Act, 2013 published on August 29, 2013 and applicable to the extent notified by MCA till date.
Company Secretary and Compliance Officer	Ms. Tanushree Dave
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of Vishal Fabrics Limited, unless otherwise specified
Equity Shares	Equity Shares of our Company of Face Value of ₹ 10 each unless otherwise specified in the context thereof
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
Internal Accruals	Retained Earnings plus Accumulated Depreciation
MOA / Memorandum of Association	Memorandum of Association of Vishal Fabrics Limited
Net Owned Funds	Calculated as a sum of Share Capital and Reserves & Surplus, less Net Deferred Tax Assets
Non Residents	A person resident outside India, as defined under FEMA.
NRI's / Non Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, Company, partnership, limited liability Company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Registered Office and Corporate Office	The Registered Office of our company which is located at: Ranipur Narol Road, Ahmedabad, Gujarat – 382405  The Corporate Office of our company which is located at: Chiripal House, Near Shivranjani Cross Roads, Satellite, Ahmedabad – 380015
RoC	Registrar of Companies, Gujarat situated at RoC Bhavan, Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad – 380 013.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and 2011, as amended from time to time depending on the context of the matter being referred to.
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
Stock Exchange	Unless the context requires otherwise, refers to, the BSE Limited.

#### Issue Related Terms

Terms	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Eligible Equity Shareholders with respect to this Issue in accordance with SEBI (ICDR) Regulations and Companies Act
Additional Rights Shares	The Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement
Allotment	Issue of the Equity Shares pursuant to the Issue to the successful applicants
Allottee(s)	The successful applicant to whom the Equity Shares are being / have been issued.
Applicant(s) / Investor(s)	Eligible Shareholder(s) and/or Renounees who make an application for the Rights Shares in terms of this Draft Letter of Offer (DLoF).
Application	Unless the context otherwise requires, refers to an application for Allotment of the Rights Equity Shares in the Issue.
Application Supported by Blocked Amount/ ASBA	An application, whether physical or electronic, used by ASBA Applicant to make an Application authorizing an SCSB to block the Application Amount in the specified Bank Account maintained with such SCSB. ASBA is mandatory for QIBs (except Anchor Investors) and Non-Institutional Applicants participating in the Issue
ASBA Account	Account maintained by an ASBA Applicant with a SCSB which will be blocked by such SCSB to the extent of the Application Amount of the ASBA Applicant
ASBA Applicant/ ASBA Investor	Equity Shareholders proposing to subscribe to the Issue through ASBA process and: (a) who are holding our Equity Shares in dematerialized form as on the Record Date and have applied for their Rights Entitlements and/ or additional Equity Shares in dematerialized form; (b) who have not renounced their Rights Entitlements in full or in part; (c) who are not Renounees; and (d) who are applying through blocking of funds in a bank account maintained with SCSBs.  All QIBs and other Investors whose application value exceeds ₹ 200,000 complying with the above conditions must participate in this Issue through the ASBA process only notwithstanding anything contained hereinabove, all renounees (including renounees who are individuals) shall apply in the Issue only through non-ASBA process.
Banker(s) to the Company	Oriental Bank of Commerce, Laxmi Vilas bank, IDBI Bank, Standard Chartered

	Bank, Bank of Baroda, Bank of Maharashtra, State Bank of India and Vijaya Bank
Banker(s) to the Issue / Escrow Collection Bank(s)	[●]
Business Day	Monday to Friday (except public holidays)
BSE	BSE Limited
Composite Application Form / CAF	The form used by an Investor to make an application for the Allotment of Rights Shares and for application by Renouncees.
Controlling Branches / Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchange, a list of which is available on <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> and / or such other website(s) as may be prescribed by the SEBI / Stock Exchange(s) from time to time
Demographic Details	The demographic details of the Applicants such as their Address, PAN, Occupation and Bank Account details.
Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 i.e. CDSL and NSDL
Depository Participant / DP	A Depository Participant as defined under the Depositories Act, 1996
Designated Branches	Such branches of the SCSBs which shall collect the CAF or the plain paper application, as the case may be, used by the ASBA Investors and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Designated Market Maker	Aryaman Capital Markets Limited ( <i>formerly known as Aryaman Broking Limited</i> )
Designated Stock Exchange	SME Exchange of BSE Limited
Draft Letter of Offer	This Draft Letter of Offer dated September 29, 2016 issued by our Company in accordance with the SEBI ICDR Regulations and filed with SEBI
Eligible Equity Shareholder(s)	A holder(s) of Equity Shares as on the Record Date
Equity Shares	Equity shares of our Company of ₹ 10/- each
Equity Shareholder(s)	A holder(s) of Equity Shares of our Company
Issue / Rights Issue	Issue of 87,82,667 Equity Shares with a face value of ₹ 10 each (“Rights Shares”) for cash at a price of ₹ 100 per Right Share (including a premium of ₹ 90 per Rights Share) for an amount aggregating ₹ 8,782.67 lakhs on Rights basis in the ratio of 2 Rights Shares for every 3 fully paid up Equity Shares held by the Equity Shareholders on the Record Date, i.e. [●]. The face value of the Rights Shares is ₹ 10 each and the Issue Price is 10 times of the face value of the Equity Shares.
Issue Closing date	[●]
Issue Opening date	[●]
Issue Price	₹ 100 per Rights Equity Shares
Issue Proceeds	The proceeds of the Issue. For further information about use of the Issue Proceeds please see the chapter titled “ <i>Objects of the Issue</i> ” beginning on page no. 59 of this DLoF
Issue Size	The issue of 87,82,667 Rights Equity Shares aggregating to ₹ 8,782.67 lakhs
Lead Manager / LM	Lead Manager to the Issue, in this case being Aryaman Financial Services Limited.
Letter of Offer / LOF	The letter of offer dated [●], to be filed with the Stock Exchange after incorporating the observations on the Draft Letter of Offer.
Listing Agreement / Equity Listing Agreement	Unless the context specifies otherwise, this means the Equity Listing Agreement to be signed between our company and the SME Platform of BSE.
Non-Institutional Applicant	All Applicants, that are not QIBs or Retail Individual Applicants and who have applied for Rights Issue Equity Shares for an amount of more than ₹ 2,00,000 (not including NRIs other than Eligible NRIs)
Net Proceeds	The Issue Proceeds less the Issue related expenses. For further details, please see section “ <i>Objects of the Issue</i> ” on page no. 59 of this Draft Letter of Offer.
Non-ASBA Applicant	Investors other than ASBA Investors who apply in the Issue otherwise than through the ASBA process.
Non-Resident	A person resident outside India, as defined under FEMA and includes Eligible NRIs, Eligible QFIs, FIIs registered with SEBI and FVCIs registered with SEBI
Qualified Foreign Investors /	Non-resident investors other than SEBI registered FIIs or sub-accounts or SEBI

QFIs	registered FVCIs who meet 'know your client' requirements prescribed by SEBI
Qualified Institutional Buyers / QIBs	Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations.
Record Date	[●]
Refund Account	Account opened / to be opened with a SEBI Registered Banker from which the refunds of the whole or part of the Application Amount (excluding to the ASBA Applicants), if any, shall be made.
Refund Banker	The bank(s) which is/ are clearing members and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being [●].
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS or NEFT or the ASBA process, as applicable.
Registrar/ Registrar to the Issue	Registrar to the Issue being Link Intime India Private Limited.
Renouneece(s)	Any person(s) who has / have acquired Rights Entitlements from Equity Shareholders
Retail Individual Investors	Individual investors (including HUFs, in the name of Karta and Eligible NRIs) who apply for the Equity Shares of a value of not more than ₹ 2,00,000
Rights Entitlement	The number of Rights Issue Equity Share that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
Rights Equity Shares	Equity Shares of the Company to be allotted pursuant to the Rights Issue.
SAFs	Split Application Form(s)
SEBI (Foreign Portfolio Investor) Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
SEBI Regulation / SEBI (ICDR) Regulations / Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 issued by SEBI on August 26, 2009, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI (PFUTP) Regulations / PFUTP Regulations	SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003.
SEBI SAST / SEBI (SAST) Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 or SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as the case may be.
Self Certified Syndicate Bank(s) / SCsBs	A Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCsBs is available at <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
SME Platform of BSE	The SME Platform of BSE for listing of equity shares offered under Chapter X-B of the SEBI (ICDR) Regulations which was approved by SEBI as an SME Exchange on September 27, 2011.
Underwriters	Aryaman Financial Services Limited and Aryaman Capital Markets Limited.
Underwriting Agreement	The Agreement among the Underwriters and our Company dated September 24, 2016

#### Technical / Industry Related Terms

Terms	Description
CBR	Continuous Bleaching Range
CPI	Consumer Price Index
DG Set	Diesel Generator Set
DGFT	Directorate General of Foreign Trade
DISPL	Dholi Integrated Spinning Park Limited
EPI	Ends per Inch
ESP	Electrostatic Precipitators
GMDC	Gujarat Mineral & Development Corporation
GPCB	Gujarat Pollution Control Board
MMF	Man Made Fibre

MSF	Marginal Standing Facility
MW	Megawatt
KW	Kilowatt
Reverse Osmosis	Water purification technology can remove many types of molecules and ions from solutions and is used in both industrial processes and the production of potable water.
SEBs	State Electricity Boards
Stenter Machine	A machine used to stretch the fabric width wise and to recover the uniform width
Sq.Mts	Square Meters
TPA	Tonnes Per Annum
TUFS	Textile Upgradation Fund Scheme originally launched on 01.04.1999 for 5 year and subsequently extended.
UGVCL	Uttar Gujarat Vij Company Limited
WPI	Wholesale Price Index

### Conventional Terms / General Terms / Abbreviations

Abbreviation	Full Form
A/c	Account
ACS	Associate Company Secretary
AEs	Advanced Economies
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BSE	BSE Limited
CAD	Current Account Deficit
CAGR	Compounded Annual Growth Rate
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
CFO	Chief Financial Officer
CIN	Company Identification Number
CIT	Commissioner of Income Tax
DIN	Director Identification Number
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EMDEs	Emerging Market and Developing Economies
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FIIs	Foreign Institutional Investors (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
GDP	Gross Domestic Product
GoI/Government	Government of India
GPCB	Gujarat Pollution Control Board
HUF	Hindu Undivided Family

I.T. Act	Income Tax Act, 1961, as amended from time to time
ICSI	Institute of Company Secretaries Of India
IPO	Initial Public Offering
KM / Km / km	Kilo Meter
Merchant Banker	Merchant Banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
MoF	Ministry of Finance, Government of India
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRIs	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAC	Persons Acting in Concert
PAN	Permanent Account Number
PAT	Profit After Tax
PLR	Prime Lending Rate
RBI	The Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs. or ₹	Rupees, the official currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
Sec.	Section
STT	Securities Transaction Tax
TIN	Taxpayers Identification Number
US/United States	United States of America
USD/ US\$/ \$	United States Dollar, the official currency of the Unites States of America
VCF / Venture Capital Fund	Foreign Venture Capital Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI under applicable laws in India.
Working Days	All trading days of the Stock Exchange excluding Sundays and Bank holidays in Mumbai.

## NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Draft Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. The Company is making this Issue on a rights basis to the Equity Shareholders of the Company and will dispatch the Draft Letter of Offer/Abridged Letter of Offer and CAF to Equity Shareholders who have an Indian address. Those overseas shareholders who do not update the records with their Indian address, prior to the date on which we propose to dispatch the Draft Letter of Offer and the CAF, shall not be sent the Draft Letter of Offer and the CAF.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with BSE for observations. Accordingly, the Rights Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Shares or the Rights Entitlements referred to in this Draft Letter of Offer. A shareholder shall not renounce his entitlement to any person resident in the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

**The contents of the Draft Letter of Offer should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Rights Shares or Rights Entitlements. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of Rights Shares or Rights Entitlements. In addition, neither the Company nor the Lead Manager is making any representation to any offeree or purchaser of the Rights Shares or Rights Entitlements regarding the legality of an investment in the Rights Shares or Rights Entitlements by such offeree or purchaser under any applicable laws or regulations.**

### NO OFFER IN THE UNITED STATES

The Rights Shares or Rights Entitlements have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Draft Letter of Offer and the CAF. Any representation to the contrary is a criminal offence in the United States.

The rights and securities of the Company, including the Rights Shares have not been and will not be registered under the United States Securities Act, 1933, as amended (the "*Securities Act*"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the "*United States*" or "*U.S.*") or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("*Regulation S*")), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in this Draft Letter of Offer are being offered in India, but not in the United States. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any securities or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said securities or rights. Accordingly, this Draft Letter of Offer/ Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. None of the company(ies), the Lead Manager or any person acting on their behalf will accept subscriptions from any person or his agent, if to whom an offer is made, would require registration of this Draft Letter of Offer with the United States Securities and Exchange Commission.

Neither the Company nor any person acting on behalf of the Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, either a U.S. person (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under this Draft

Letter of Offer, and all persons subscribing for the Rights Shares and wishing to hold such Rights Shares in registered form must provide an address for registration of the Rights Shares in India. The Company is making this issue of Rights Shares on a rights basis to the Equity Shareholders of the Company and the Draft Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to Equity Shareholders who have an Indian address. Any person who acquires rights and the Rights Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Rights Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorized to acquire the rights and the Rights Shares in compliance with all applicable laws and regulations.

**The Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Rights Shares in compliance with all applicable laws and regulations; (ii) appears to the Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where the Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and the Company shall not be bound to allot or issue any Rights Shares or Rights Entitlement in respect of any such CAF.**

## CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

### Certain Conventions

All references to “India” contained in this Draft Letter of Offer are to the Republic of India. In this Draft Letter of Offer, our Company has presented numerical information in “lakhs” units. One lakh represents 1,00,000.

### Financial Data

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from our audited financial statements as on and for the Fiscal Years ended March 31, 2016, 2015, 2014, 2013 and 2012 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Regulations and included in this Draft Letter of Offer. Our Fiscal Year commences on April 01 and ends on March 31 of the following year. In this Draft Letter of Offer, any discrepancies in any table, graphs or charts between the total and the sums of the amounts listed are due to rounding-off.

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

Any percentage amounts, as set forth in the Section titled “*Risk Factors*”, Chapter titled “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page nos. 11, 88 and 183 of this Draft Letter of Offer, respectively, and elsewhere in this Draft Letter of Offer, unless otherwise indicated, have been calculated on the basis of our audited financial statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Regulations.

### Currency, Units of Presentation and Exchange Rates

All references to “Rupees”, “Rs.” or “₹” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “US Dollars” or “USD” are to United States Dollars, the official currency of the United States of America.

This Draft Letter of Offer may contain conversions of certain US Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of the SEBI Regulations. These conversions should not be construed as a representation that those US Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate.

### Definitions

For definitions, please see the Chapter titled “*Definitions and Abbreviations*” on page no. 1 of this Draft Letter of Offer. In the Section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page no. 255 of this Draft Letter of Offer, defined terms have the meaning given to such terms in the Articles of Association.

### Industry and Market Data

Unless stated otherwise, the industry and market data and forecasts used throughout this Draft Letter of Offer has been obtained from industry sources as well as Government Publications. Industry sources as well as Government 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 and underlying assumptions are not guaranteed and their reliability cannot be assured.

Further, the extent to which the industry and market data presented in this Draft Letter of Offer is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

## FORWARD-LOOKING STATEMENTS

All statements contained in this Draft Letter of Offer that are not statements of historical fact constitute forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements with respect to our business strategy, our revenue and profitability, our projects and other matters discussed in this Draft Letter of Offer regarding matters that are not historical facts. Investors can generally identify forward-looking statements by the use of terminology such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “may”, “will”, “will continue”, “will pursue”, “contemplate”, “future”, “goal”, “propose”, “will likely result”, “will seek to” or other words or phrases of similar import. All forward looking statements (whether made by us or any third party) are predictions and are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our management’s beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect.

Further the actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the Garments / Textiles and Apparel industry in India and overseas in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and overseas which have an impact on our business activities or investments, the monetary and fiscal policies of India and other jurisdictions in which we operate, inflation, deflation, unanticipated volatility 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 laws, regulations and taxes, changes in competition in our industry and incidence of any natural calamities and/or acts of violence. Other important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Our ability to manage our growth effectively, especially as we expand our manufacturing capacity;
- Our ability to maintain or enhance our brand recognition;
- Our ability to retain the services of our senior management, key managerial personnel and capable employees;
- Our ability to renew rents for our Properties used for business activities or conduct new rent arrangements on commercially acceptable terms;
- Ability to adequately protect our trademarks;
- Changes in consumer demand;
- Ability to successfully upgrade our products and service portfolio, from time to time; and
- Ability to obtain any applicable approvals, licenses, registrations and permits in a timely manner.

For further discussions of factors that could cause our actual results to differ, please see the Section titled “*Risk Factors*”, Chapter titled “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on page nos. 11, 88, and 183 of this Draft Letter of Offer, respectively.

By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements speak only as of this Draft Letter of Offer. Our Company, our Directors, the Lead Manager, and their respective affiliates or associates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI requirements, our Company and the Lead Manager will ensure that investors are informed of material developments until such time as the grant of listing and trading approvals by the Stock Exchange.

## SECTION II – RISK FACTORS

An investment in the Equity Shares involves a degree of risk. You should carefully consider all the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in the Equity Shares. If anyone or some combination of the following risks were to occur, our business, results of operations, financial condition and prospects could suffer, and the trading price of the Equity Shares could decline and you may lose all or part of your investment. Unless specified in the relevant risk factor below, we are not in a position to quantify the financial implication of any of the risks mentioned below. We have described the risks and uncertainties that our management believes are material but the risks set out in this Draft Letter of Offer may not be exhaustive and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in the future. In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Issue including the merits and the risks involved.

### Materiality

The Risk factors have been determined and disclosed on the basis of their materiality. The following factors have been considered for determining the materiality:

1. Some events may have material impact quantitatively;
2. Some events may have material impact qualitatively instead of quantitatively;
3. Some events may not be material individually but may be found material collectively;
4. Some events may not be material at present but may be having material impact in future.

### INTERNAL RISK FACTORS:

#### 1. *There are outstanding legal proceedings involving our Company, Promoters and our Group Entities.*

There are outstanding legal proceedings involving our Company, Promoters, Directors and our Group Entities. These proceedings are pending at different levels before various courts, tribunals, affiliate tribunals, enquiry officers, etc. For further details, see Section titled “*Outstanding Litigations and Material Developments*” on page no. 198 of this Draft Letter of Offer. In addition, further liability may arise out of these claims. Brief details of such outstanding litigations as of the date of this Draft Letter of Offer are as follows:

#### Litigation involving our Company

Nature of Cases	No. of outstanding cases	Aggregate Amount involved (if ascertainable) (₹)
Civil	1	4,57,378
Labour Cases	4	12,65,425
Custom	1	90,000
Excise	2	17,75,285
Income Tax	4	5,30,36,686

#### Litigation involving our Promoter

Nature of Cases	No. of outstanding cases	Aggregate Amount involved (if ascertainable) (₹)
Criminal	8	48,18,008
Civil	5	1,27,70,214
Income Tax	5	1,35,11,568
CESAT	17	11,75,45,755
Labour	13	Not Ascertainable
Wealth tax	1	4,98,01,421

#### Litigation involving our Promoter Group /Entities

Group Entity	Nature of Cases	No. of outstanding cases	Aggregate Amount involved (if ascertainable) (₹)
Nandan Denim Limited	Income Tax	9	3,31,04,514
	Factory & Labour	14	Not Ascertainable
	Civil	6	11,77,61,334
	Criminal	7	50,86,468

	Excise	6	1,43,70,725
	Insurance	1	15,77,616
	Arbitration	1	74,21,265
	Income Tax	8	11,87,53,888
CIL Nova Petrochemicals Limited	Excise	9	19,74,63,454
	Service tax	3	46,06,121
	Textile Cess	3	1,01,80,238

An adverse outcome in any of these proceedings may affect our reputation and standing and could have an adverse effect on our business, financial condition and results of operations. For further details of outstanding litigation, see section titled "Outstanding Litigation and Material Developments" on page no. 198 of this Draft Letter of Offer.

**2. Our Listed Group Company, CIL Nova Petrochemicals Limited has in the past been banned by SEBI from Accessing the Capital Markets and also has a consent order passed against it for non-compliance of SEBI (SAST) Regulations.**

CIL Nova Petrochemicals Limited (CNPL), prior to its scheme of Arrangement i.e. erstwhile Nova Petrochemicals Limited, had received a Show Cause Notice dated June 01, 2009 under Section 11, 11(4), 11B of SEBI Act, 1992 read with SEBI (PFUTP) Regulations, 2003 for alleged violation of Section 12A of PFUTP. Pursuant to the above, the Whole Time Member of SEBI on January 12, 2010 passed an order restraining Nova from buying, selling and dealing or accessing the securities market directly or indirectly in any manner whatsoever for a period of two years from the date of the order.

Further, CNPL, prior to its scheme of Arrangement i.e. erstwhile Nova Petrochemicals Limited had received a Show Cause Notice dated September 10, 2009 for failure to make disclosure under regulation 7(3) and regulation 8(3) of the SEBI (SAST) Regulations, 1997. After the Scheme of Arrangement, the company made a Consent Application vide its letter dated April 16, 2010 and the same was passed with a consent term of ₹ 10,00,000/- (₹ 5,00,000 payable by CIL Nova Petrochemicals Ltd. and GSL Nova Petrochemicals Ltd. each) on April 10, 2013.

Though the above orders and consents were pertaining to cases before the scheme of arrangement, CNPL and its Promoters / Directors have taken necessary measures to ensure that such non-compliances and violations do not occur in future. Further, no such violation has occurred in the last 5 years. However, we cannot guarantee that such non-compliances and violations will not take place and the same if occurred, may affect our goodwill and future prospects.

**3. We require certain approvals, licenses, registrations and permits for our business, and the failure to obtain or renew them in a timely manner may adversely affect our operations.**

Our Company requires certain statutory and regulatory registrations, licenses, permits and approvals for our business. In future, we shall be required to renew such registrations and approvals and obtain new registrations and approvals for any proposed operations, including any expansion of existing operations. While we believe that we will be able to renew or obtain such registrations and approvals, as and when required, there can be no assurance that the relevant authorities will renew or issue any such registrations or approvals in the time frame anticipated by us or at all. Failure to obtain and renew such registrations and approvals with statutory time frame attracts penal provisions. If we are unable to renew, maintain or obtain the required registrations or approvals, it may result in the interruption of our operations and may have a material adverse effect on our revenues, profits and operations and profits.

Our Company intends to expand its product portfolio by setting up an additional plant for Yarn Dyeing and Denim Processing. Our Company will be required to take various approvals, licenses and permits from the stage of setting up the plant to beginning commercial production. Though we have obtained certain approvals like Excise, GPCB Approval, etc., there can be no assurances that we will be able to obtain all other approvals / licenses / permits and any delay in obtaining the same may lead to cost overruns, opportunity losses and increased capital costs. Also, inability to obtain any of the approvals / licenses / permits may cause us to change our plans substantially or cancel the expansion altogether, resulting in heavy financial losses and loss of business operations.

Further, certain statutory licenses and approvals which we have obtained for the purpose of carrying our business and , contain terms and conditions/covenants, which are to be adhered to by our Company. In case our Company defaults in complying with the said terms and conditions/ covenants, we may be subjected to penal provisions and

it may also lead to the cancellation of such licenses and approvals, which will adversely affect our business, financial conditions and results of operations.

For further details see Chapter on “*Key Industry Regulations and Policies*” and “*Government and Other Approvals*” beginning on page no. 105 and 211 of the Draft Letter of Offer respectively.

4. ***Our funding requirements and deployment of the issue proceeds are based on management estimates and have not been independently appraised by any bank or financial institution and actual cost may vary compared with the estimated amount.***

Our funding requirement and deployment of the proceeds of the issue are based on management estimates and our current business plan. The fund requirements and intended use of proceeds have not been appraised by bank or financial institution and are based on our estimates. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and, consequently, our funding requirements may also change as a result of various factors which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirement and increasing or decreasing the working capital limits maintained from time to time at the discretion of our board. In addition, schedule of implementation as described herein are based on management’s current expectations and our subject to change due to various factors some of which may not be in our control. The deployment of the funds towards the objects of the issue is entirely at the discretion of the Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our Audit Committee.

5. ***Our success depends heavily upon our Promoters and Senior Management for their continuing services, strategic guidance and financial support.***

Our success depends heavily upon the continuing services of Mr. Jyotiprasad Chiripal, who is the natural person in control of our Company. He currently serves as our Managing Director and his experience and vision has played a key role in obtaining our current market position. Further, being a relatively large organization, we would depend significantly on our Key Managerial Persons for executing their day to day activities. If our Managing Director or any member of the senior management team is unable or unwilling to continue in his present position, we may not be able to replace him easily or at all, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, we depend on our Directors and CFO in procuring certain bank loans and for the extension of unsecured loans and advances from time to time. We rely on our Directors and persons in control of our Promoter, in relation to certain of our bank loans for which they have granted certain security and personal guarantees. Further, our Promoter Group have from time to time, extended loans and advances to our Company for various business purposes (“Unsecured Loans”). If these lenders recall outstanding amounts under such loans before they fall due, it may adversely affect our financial condition. For details, see “*Annexure XXIV – Related Party Transactions*” and chapter titled “*Financial Indebtedness*” on page no. 177 and 193 respectively of this Draft Letter of Offer. We cannot assure you that any future financing we obtain without guarantees from our Promoters or from unrelated third-parties will be on terms which are equal to or more favourable than the terms of our past financings.

6. ***We do not have any long-term agreement or contract of supply Grey Fabric. We also do not have any long-term agreements or contracts for any other inputs like Chemicals & Colours, etc. used in our processing unit and consequently are exposed to price and supply fluctuations for our raw materials.***

We are, to a major extent, dependent on external suppliers for our raw materials requirements and we do not have any long-term supply agreements or commitments in relation to the same or for any other raw materials used in our manufacturing process. Consequently, we are exposed to price and supply fluctuations in grey cloth and other raw materials, and these fluctuations may adversely affect our ability to obtain orders and/or to execute them in a timely manner, which would have a material adverse effect on our business, results of operations and financial condition.

In case of non-availability of raw materials on favourable terms, we may have to procure the same at the terms and conditions prevalent at that point. This will result in reducing our revenues by a considerable amount due to shortage of raw material or due to inability to procure the same. Further, unfavourable terms of raw materials may

also force us to reduce the scale of our operations resulting in a down-sizing of our overall business. We may have to put on hold any expansion plans and our future growth will be severely stunted.

Further, our proposed project for Denim processing is yet to be set-up and begin commercial production. Hence we have not made any arrangements for procurement of the raw materials pertaining to the proposed denim processing. If we are unable to arrange for adequate raw material supply of desired quality by the time of completion of the project, our commercial production could be affected, leading to cost overruns and in turn affect our business operations and financial condition.

**7. *Our Company has not entered into any long-term contracts with any of its customers and we typically operate on the basis of orders. Inability to maintain regular order flow would adversely impact our revenues and profitability***

Our Company has had long standing business relationships with certain customers and has been supplying our products to such customers, including overseas customers, for several years. However, we have not entered into any contracts with these customers and we cater to them on an order-by-order basis. As a result, our customers can terminate their relationships with us without any notice and, without consequence, which could materially and adversely impact our business. Consequently, our revenue may be subject to variability because of fluctuations in demand for our products. Our Company's customers have no obligation to place order with us and may either cancel, reduce or delay orders. The orders placed by our Company's customers are dependent on factors such as the customer satisfaction with the level of service that our Company provides, fluctuation in demand for our Company's products and customer's inventory management.

Although we place a strong emphasis on quality, timely delivery of our products and after sales service such as feedback on the trends in their market, personal interaction by the top management with the customers, etc., in the absence of contracts, any sudden change in the buying pattern of buyers could adversely affect the business and the profitability of our Company.

**8. *Our operations are geographically concentrated in Gujarat also our sales in the export market are limited to few regions. Our growth strategy to expand into new geographic areas outside India and within India poses risks. We may not be able to successfully manage some or all of such risks, which may have a material adverse effect on our revenues, profits and financial condition.***

Our manufacturing operations have been geographically concentrated in the State of Gujarat. Though we have customer relations in various parts of India, we currently do not export any of products. Our business is therefore to a small extent dependent on the general economic condition and activity in the domestic market alongwith the Government policies relating to textile industry, including central, state and local government policies in India. Although investment in the textile industry in the areas in which we operate has been encouraged, there can be no assurance that this will continue. We may expand geographically in the domestic and international market, and may not gain acceptance or be able to take advantage of any expansion opportunities outside our current markets. This may place us at a competitive disadvantage and limit our growth opportunities. We may face additional risks if we undertake operations in other geographic areas in which we do not possess the same level of familiarity as competitors. For example, expanding our scope by marketing our products in the developed markets may prove difficult due to the stringent norms and existing big players and we may have to discontinue our activities in such areas. If we undertake operations in different geographical locations than those currently is; we may be affected by various factors, including but not limited to:

- Adjusting our products to the new geographic area;
- Ascertaining the creditworthiness of the buyer and maintain credit terms with the same;
- Obtaining necessary Government and other approvals in time or at all;
- Failure to realize expected synergies and cost savings;
- Attracting potential customers in a market in which we do not have significant experience; and
- Cost of hiring new employees and absorbing increased costs.

**9. *We are expanding capacities without any firm commitments from customers. There can be no assurance that we will be successful in selling our new processed products.***

Our Company is proposing to expand its product portfolio by setting up an Denim Processing unit at Dholi, Ahmedabad in Gujarat. We have already incurred some capital expenditures like acquiring of the land on long lease and certain other expenses in relation to the same. Our production capacity of denim fabrics after

commencement of this manufacturing unit will require an established and large customer base. The same is on certain assumptions as to potential for growth in the sectors in which we operate, including identified customers with a demand for the new processing products. In the event that our assumptions are not accurate or there is any material change in the various external factors on which our assumptions are made, there can be no assurance that we will be successful in selling our new production leading to high inventory. This may also result in lower capacity utilization and adversely affect our operations and financial results.

- 10. We intend to rely on third parties for part of the denim production process. We will have limited control over these third parties and may not be able to obtain quality products or services on a timely basis or in sufficient quantity which may have a material adverse effect on our operations and its results.**

Our Company is in the process of setting up a new Denim Processing plant in Dholi, Ahmedabad. The process of manufacture of Denim involves various processes like warping, dyeing, sizing, weaving, singeing, etc. Out of the above processes, we intend to outsource the weaving process to third parties who have specialized weaving facilities, on a job-work or on contract basis. Our further processing of the denim textiles, will totally depend on the timeliness and quality of weaving done by these job-work units.

Also, we cannot guarantee that we will be able to enter into any long-term agreements with these third parties or on terms favourable to us. Also, these units may not be doing the weaving work exclusively for us and thus their concentration may be divided. Also, in the absence of any contract, they may discontinue their job-work on a short notice and our production process may be stalled or hindered due to this. We may have to rely on in-experienced or costlier or unprofessional weaving units which may compromise the quality of our finished products.

If we experience significant increased demand, or need to replace an existing weaving unit, there can be no assurance that we will be able to do so when required on terms that are acceptable to us, or at all, or that any unit would allocate sufficient capacity to us in order to meet our requirements or meet our orders in a timely manner. Even if we are able to find new weaving units, it may result in delays in production and / or added costs as a result of the time it takes to train these units in our processes to meet our exacting quality control standards. Delays related to change in the weaving units could also arise due to an increase in shipping times if these new units are located farther away from our markets or from other participants in our supply chain. Any delays, interruption or increased costs in the supply of products or services could have an adverse effect on our ability to meet customer demand for our products and result in lower revenue from operations both in the short and long term.

- 11. Our Company has availed ₹ 2,179.88 lakhs as unsecured loan which are repayable on demand. Any demand from the lenders for repayment of such unsecured loan may affect our cash flow and financial condition.**

Our Company as per the restated audited financial statement as on March 31, 2016 has availed total sum of ₹ 2,179.88 lakhs as unsecured loan which may be recalled at any time. Sudden recall may disrupt our operations and also may force us to opt for funding at higher interest rates, resulting in higher financial burden. Further, we will not be able to raise funds at short notice and thus result in shortage of working capital fund. For further details, please refer the chapter “Financial Indebtedness” on page no. 193 of this Draft Letter of Offer. Any demand for the repayment of such unsecured loan, may adversely affect our cash flow and financial condition.

- 12. Our operations are subject to high working capital requirements. Our inability to maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, or at all, to meet requirement of working capital or pay out debts, could adversely affect our operations.**

Our business requires significant amount of working capital. Major Portion of our working capital is utilized towards debtors and inventory. We have been sanctioned working capital of ₹ 4,400 lakhs from the existing bankers, including fund based (₹ 3,800 lakhs) and non fund based (₹ 600 lakhs) limits. Our growing scale and expansion, if any, may result in increase in the quantum of current assets. Our inability to maintain sufficient cash flow, credit facility and other sourcing of funding, in a timely manner, or at all, to meet the requirement of working capital or pay out debts, could adversely affect our financial condition and result of our operations.

Further, we have high Debtors which may result in a high risk in case of non-payment by these Debtors. In the event we are not able to recover our dues from our Debtors, we may not be able to maintain our Sales level and thus adversely affecting our financial health. If this situation persists, we may not be able to pay our lenders / creditors and we may be forced to go for Corporate Debt Restructuring (CDR) which may result in adversely affecting our operations and future prospects.

Our proposed Denim Processing unit will further add to our working capital requirement and the same is being proposed to be met by Internal Accruals and Bank Loans. However, we cannot guarantee that we will be able to procure the bank loans on favourable terms or at all and that the internal accruals will be sufficient to fund part of our increased requirement or the above will be available to us at all. In case we cannot arrange for our working capital needs, the proposed project might get delayed or run at lower than expected capacities and we may face the risk of under-utilisation of our fixed costs. For further details regarding cost of project, please refer to the chapter “*Objects of Issue*” on page no. 59 of this Draft Letter of Offer.

**13. *We constantly face a credit risk which may in turn affect our complete buying cycle adversely.***

As a textile processing and trading Company, our primary competence is the ability to process, finish and market a variety of textile products for various consumer segments, and hence exploit the benefits of variety, economies of scale and credit shortage in the textile trade. Our requirement of working capital is high mainly due to our ability to procure and store sufficient amounts of raw materials, thus relieving our units with disruptions and work stoppages. Once the production process is complete, we are required to give sufficient credit period to our customers in order to maintain our customer relations and competitiveness. Our Debtors turnover period is an average approximately 80 days while our Creditors turnover period ranges in approximately 45 days leading to a considerable working capital gap.

Our aforementioned buying cycle is heavily dependent on timely payments being received from our customers. If there is a default in payment from any of our customers or there is any unforeseeable delay in payment, our working capital cycle will be adversely affected. This may lead to our inability to maintain our inventories and thus lack the competitive advantage against various other manufacturers leading to an adverse effect on our business operations and profitability.

**14. *Orders placed by customers may be delayed, modified, cancelled or not fully paid for by our customers, which may have an adverse effect on our business, financial condition and results of operations***

We may encounter problems in executing the orders in relation to our products, or executing it on a timely basis. Moreover, factors beyond our control or the control of our customers, including delays or failure to obtain necessary permits, authorizations, permissions and other types of difficulties or obstructions, may result in the postponement of the delivery of products or cause its cancellation. Further, since we do not execute contracts with our customers, the order could be cancelled or there could be changes in scope and / or scheduled delivery of the products. Accordingly, it is difficult to predict with certainty if, when, and to what extent we may be able to deliver the orders placed. Failure to deliver products on time could lead to customers delaying or refusing to pay the amount, in part or full, which may adversely affect our business

In addition, even where a delivery proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. While we have not yet experienced any material delay, reduction in scope, cancellation, execution difficulty, delay or default in payment with regard to the orders placed with us, or any material disputes with customers in respect of any of the foregoing, any such adverse event in the future could materially harm our cash flow position and income. Any delay, modification, cancellation of order by our large customers may have material adverse effect on our financial condition and results of operations.

**15. *We propose to utilize the Net Proceeds to undertake an acquisition for which the target has not been identified.***

We propose to utilize ₹ 2,000 lakhs from our Issue Proceeds towards undertaking an acquisition. However, as the date of filing this Draft Letter of Offer, we have not entered into any definitive agreements towards such acquisitions or strategic initiatives. The estimates are based solely on management estimates of the amounts to be utilised towards an acquisition, considering our discussions and negotiations with potential targets and partners and other relevant considerations. The actual deployment of funds will depend on a number of factors, including the timing, nature, size and number of strategic initiatives undertaken, as well as general factors affecting our results of operation, financial condition and access to capital. In the interim, the Net Proceeds proposed to be utilized towards this object shall be deposited only in the scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1934. While we believe that the acquisition will be undertaken during Fiscal 2017, we cannot assure you that the acquisition will be undertaken in a timely manner. For further details in relation to this object, please refer to “*Objects of the Issue*” on page no. 59 of this Draft Letter of Offer.

- 16. Our Company's manufacturing activities are labour intensive and depend on availability of skilled and unskilled labourers in large numbers. In case of unavailability of such labourers and / or inability to retain such personnel, our business operations could be affected.**

Our Company has employed 2,069 employees all of whom are on our payrolls. The above includes employees in the Top and middle management (including Executive Directors), and also employees who are part of processing unit and office staff. Our operations and performance are labour intensive and depends on our ability to identify, attract and retain both skilled and unskilled labour. Upon completion of our project to set-up the denim processing unit, we will require more skilled and unskilled labour, including people in managerial position to people in the processing unit. Denim processing, to some extent, requires different skills than that for other fabric processing. In case such labour is unavailable or we are unable to identify and retain such labourers, for our existing and proposed units, our business could be adversely affected.

Further, there are instances where we need to hire additional contract labour, either for specialised jobs or during periods of high customer orders. We have not entered into any agreement for hiring additional labourers and thus availability of appropriately skilled labour cannot be guaranteed. Any failure to hire the appropriate labour may impact the operations and impair our client relations.

- 17. Volatility in the prices of fabrics, yarns, colours & chemicals and other raw materials, may adversely impact our total cost of goods sold.**

Our Company mainly purchases Grey Fabrics from various suppliers for our processing operations. Also, processing requires colours and chemicals which are used for dyeing and printing. We are therefore, entirely dependent on external suppliers for the raw materials which constitutes a majority of the total cost of raw materials for our processing operations. The prices of Grey Fabric depend largely on the market prices of the various yarns and cotton, which are the raw material for manufacture of grey fabric and any increase in prices of raw material is generally passed on to our customers. However, any adverse fluctuations in the price which we may not be able to pass on to our customers could have a material adverse effect on our total cost of production. Further, any material shortage or interruption in the supply or decrease in quality of these raw materials could also adversely impact our business operations.

- 18. We have experienced negative cash flows in previous years / periods. Any operating losses or negative cash flows in the future could adversely affect our results of operations and financial condition.**

Our Company had negative cash flows from our operating activities, investing activities as well as financing activities in the previous years as per the Restated Financial Statements and the same are summarized as under.

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
Net Cash generated From / (Used in) Operating Activities	3,001.69	1,590.15	1,021.51	1,191.20	(461.42)
Net Cash generated From / (Used in) Investing Activities	(3,206.86)	(624.23)	(104.47)	(268.13)	(542.76)
Net Cash generated From / (Used in) Financing Activities	(279.62)	(442.25)	(918.33)	(879.84)	990.73

If the negative cash flow trend persists in future, our Company may not be able to generate sufficient amounts of cash flow to finance our Company's working capital, make new capital expenditure, pay dividends, repay loans, make new investments or fund other liquidity needs which could have a material adverse effect on our business and results of operations.

- 19. Some of our Group Entities have incurred losses during the last three financial years and / or have negative networth in the immediate preceding financial year.**

Some of our Group Companies have incurred losses during the last three financial years, details of which are as under:

(₹ in lakhs)

Name of the Company	March 31, 2015	March 31, 2014	March 31, 2013
Quality Exim Pvt. Ltd.		(0.09)	
Prakash Calender Pvt. Ltd.			(0.06)

Shanti Polytechnic Foundation	(20.04)	(2.48)	(2.76)
Dholi Integrated Spinning Park Ltd.	(0.87)	(0.41)	(1.47)
Chiripal Industrial Park Ltd.	(0.10)	(0.25)	(0.04)
Chiripal Energy Ltd.	(0.29)	(0.55)	
Shanti Academic and Research Foundation	(0.08)	(0.06)	(0.07)
Vraj Mega Food Park Pvt. Ltd.	(0.10)	(0.14)	(0.07)
Shanti Spincot Private Ltd.			(0.08)

Further, some of our Group Companies has negative networth in the last financial year, the details of which are as under:

<i>(₹ in lakhs)</i>	
Name of the Company	March 31, 2015
Shanti Innovation and Research Foundation	(41.68)
Nandan Terry Pvt. Ltd.	(10.00)

**20. We have high financial indebtedness which could adversely affect our financial condition and results of operations and further we may not be able to meet our obligations under the debt financing agreements.**

We have secured loan aggregating to ₹ 2,680.45 lakhs as on March 31, 2016 as per restated audited financial statements from commercial banks. In the event that we fail to meet our debt servicing obligations under our financing documents, the relevant lenders could declare us to be in default, accelerate the maturity of our obligations or takeover our project or even sell our Company's movable and immovable assets. We cannot assure investors that in the event of any such acceleration we will have sufficient resources to repay these borrowings. Failure to meet obligations under debt financing agreements may have an adverse effect on our cash flows, business and results of operations. Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flows generated by our business. We cannot assure you that we will generate sufficient cash to enable us to service existing or proposed borrowings. Incurring significant indebtedness may limit our flexibility in planning for or reacting to changes in our business & industry and limit our ability to borrow additional funds. Further, our level of indebtedness has important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit rating;
- limiting our ability to borrow more money both now and in the future; and
- increasing our interest expenditure and adversely affecting our profitability

For further details please refer the chapter "*Financial Indebtedness*" on page no. 193 of this Draft Letter of Offer.

**21. We have availed of certain loans from Banks, pursuant to the Financing Agreements that we have entered into with them. Pursuant to the terms of such agreements, we require consents from the respective Bankers for a number of corporate actions, including for undertaking this Issue, some of which have not been obtained as on date. Any failure to obtain such consents may result in a default under the terms of the Financing Agreements.**

Pursuant to the Financing Agreements entered into by us with the Bankers, we are required to obtain consents from the respective Bankers to undertake certain actions, including this Issue and for completion of the requirements pertaining to this Issue. Though, we have informed both our bankers orally of our intention to undertake this Issue, and received the relevant consent from Oriental Bank of Commerce (OBC), as on date, we have not obtained consents from our other bankers, for undertaking this Issue, and the same is awaited.

While our Company intends to obtain all the necessary consents in relation to this Issue from all our other bankers prior to the filing of the Letter of Offer, undertaking this Issue without obtaining all banker consents, or in contravention of any conditions contained in such contents, may constitute a breach of the Financing Agreements. Any default under the Financing Agreements may enable the other bankers to cancel any outstanding commitments, accelerate the repayment and enforce their security interests. If our obligations under the Financing Agreements are accelerated, our financial condition and operations could materially and adversely be affected.

**22. *We are dependent on third party transportation providers for the delivery of raw materials and products. Accordingly, continuing increases in transportation costs or unavailability of transportation services for our products, as well the extent and reliability of Indian infrastructure may have an adverse effect on our business, financial condition, results of operations and prospects***

We use third party transportation providers for the supply of most of our raw materials and for delivery of our products to our customers. Transportation strikes could have an adverse effect on our receipt of raw materials and our ability to deliver our products to our customers. Non-availability of ships, barges, trucks and railway cars could also adversely affect our receipt of raw materials and the delivery of our products.

In addition, transportation costs in India have been steadily increasing over the past several years. While usually the end consumer bears the freight cost, we may not always be able to pass on these costs to our customers. Continuing increases in transportation costs or unavailability of transportation services for our products may have an adverse effect on our business, financial condition, results of operations and prospects.

In addition, India's physical infrastructure is less developed than that of many developed nations, and problems with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity, including our supply of raw materials and the delivery of our products to customers by third-party transportation providers. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have a material adverse effect on our results of operations and financial condition.

**23. *Our Company depends on timely identification of evolving fashion trends and creating new designs. Any lag on the part of our Company in this regard may adversely affect our business operations.***

The key success factor in the textiles business is in creating appealing designs and colour combinations to create buyer appeal. In order to be in line with this success factor, we maintain a team of in house designers who design and develop the products as per customer's needs. This team works on the development of designs by analyzing the needs of clients by parameters like latest dyeing combinations, new printing techniques & patterns and most importantly the feedback gained from the sales of the similar products that were designed earlier. Our inability to tap the changing fashion can lead to rejection and obsolescence of our textiles thus damaging goodwill, business operations and financial conditions.

Our export clients generally provide us with a basic design concept for their products, based on which our designing team finalises the design and pattern for their products. It is very important for the designing team and also the Company's management to have a good understanding of the trends prevailing in that particular country. Our export focus is mainly in the European countries, Middle East and Sri Lanka. It is necessary to study the evolving trends in each country / region to gain acceptance of our products. Further, we envisage to expanding our international reach to other regions like the US and other Asian countries. For this we have to study and understand the trends and likes & dislikes of that region before entering the said markets. Any failure to update ourselves or understand the trends in different regions of the world may result in reduction of our export sales, adversely affecting our financial condition.

**24. *There are certain restrictive covenants in the loan agreements of banks in respect of the Term Loans and Working Capital facilities availed by us from them.***

Banks have sanctioned loans to our company in pursuance of their respective sanction letters. We would be subject to usual and customary restrictive covenants of the term loans and working capital facilities availed by us. Following are some of the major restrictive covenants, which are material in nature:

- Changing or alter the Capital Structure of the Company;
- Entering in to borrowing arrangements, with other Banks, Financial Institutions and other parties;
- Taking up any new project or large-scale expansion;
- Making investment in or giving loans to subordinates, associate concerns, individuals and other parties;
- Effecting any amalgamation or Mergers;
- Paying dividend/making withdrawals, other than out of Current year's earnings after making due provisions.

Further the company has created a charge on its assets in favour of their bankers against the assets of the company. In case of default by the company in repayment of the loans, bankers may exercise their rights over the security,

which may be detrimental to the interest of the company. For details on the secured loan, please refer to the chapter titled “*Financial Indebtedness*” on page no. 193 of this Draft Letter of Offer.

Also, we are required to obtain the required consents of the lenders under our financing agreements before undertaking these significant corporate actions. We cannot assure you that the lenders will grant the required approvals in a timely manner, or at all. The time required to secure consents may hinder us from taking advantage of a dynamic market environment. In addition to the restrictions listed above, we are required to maintain certain financial ratios under our financing agreements. These financial ratios and the restrictive provisions could limit our flexibility to engage in certain business transactions or activities.

Additionally, our financing agreements are secured by our movable, immovable or intangible assets (whether existing or future), goods and work-in-progress (whether existing or future) and by a personal guarantee of our Promoter / Promoter Group. Such financing agreements enable the lenders to cancel any outstanding commitments, accelerate the repayment, exercise cross default provisions and enforce their security interests on the occurrence of events of default such as a breach of financial covenants, failure to obtain the proper consents, failure to perfect security as specified and such other covenants that are not cured. It is possible that we may not have sufficient funds upon such an acceleration of our financial obligations to pay the principal amount and interest in full. Further, if we are forced to issue additional equity to the lenders, your ownership interest in our Company will be diluted. It is also possible that future financing agreements may contain similar or more onerous covenants and may also result in higher interest cost.

If any of these events were to occur, our business, results of operations and financial condition may be adversely affected.

**25. *Our Directors and Promoter Group may have interest in our Company, other than reimbursement of expenses incurred or remuneration.***

Our Directors and Promoter Group may be deemed to be interested to the extent of the Equity Shares held by them, or their relatives or our Group Entities, and benefits deriving from their directorship in our Company. Further, the Persons in control of our Promoter are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Companies. For further details, please refer to the chapters titled “*Our Business*”, “*Our Promoter and Promoter’s Group*” and “*Our Group Companies*”, beginning on page nos. 88, 129 and 135 respectively and Annexure XXIV - Related Party Transactions” on page no. 177 of this Draft Letter of Offer.

**26. *Our Company has certain contingent liabilities, which have not been provided for. Crystallization of any of these contingent liabilities may adversely affect our financial condition.***

The contingent liabilities of our Company not provided for, as certified by our statutory auditors are as under:

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Unexecuted Contract	1,322.38	111.30	409.98	-	233.19
Letter of Credit	237.65	740.27	480.28	222.28	378.20
Income Tax Demand	9.34	-	7.30	-	-
Employee Fraud	11.26	11.26	11.26	11.26	11.26
Insurance Claim for Fire (Third Party)	363.70	363.70	363.70	363.70	363.70
Custom Penalty	-	0.90	0.90	-	-
Excise / Textile Cess	17.75	17.75	17.75	-	-
Labour Cases	2.50	2.50	2.87	-	-
Civil Suit	4.57	4.57	4.57	-	-
Corporate Guarantees	296.74	-	-	-	-
Sales Tax Demand	35.49	-	-	-	-
<b>TOTAL</b>	<b>2,301.38</b>	<b>1,252.26</b>	<b>1,298.62</b>	<b>597.24</b>	<b>986.35</b>

In the event the above contingent liability gets crystallized, our financial condition may be adversely affected. For further information, please refer “*Annexure XXVI - Contingent Liability*” on page no. 180 of this Draft Letter of Offer.

- 27. *There may be potential conflict of interests between our company and other venture or enterprises promoted by our promoters or directors.***

The Main Object Clause of our Holding Company, Chiripal Industries Limited and certain companies forming part of the Chiripal Group viz. Nandan Denim Limited, CIL Nova Petrochemicals Limited, Chiripal Textile Mills Private Limited, Shanti Exports Private Limited, Quality Exim Private Limited, Dholi Spintex Private Limited, Nandan Industries Private Limited and Shanti Spincot Private Limited permits them to undertake business similar to that of our business, which may create a potential conflict of interest and which in turn, may have an implication on our operations and profits. Though each company has its independent business, we cannot be assured that we shall be able to adopt necessary measures for mitigating these conflicts and hence the same if not managed well, could adversely affect our results of operations and financial condition.

Also, our Company does not have any non-compete or such other agreement / arrangement with the above said companies. For further details, please refer to the chapters titled “*Business Overview*”, “*Our Group Companies*”, on page nos. 88 and 135, respectively and “*Annexure XXIV - Related Party Transactions*” on page no. 177 of this Draft Letter of Offer.

- 28. *In the event there is any delay in the completion of the Issue, there would be a corresponding delay in the completion of the objects of this Issue which would in turn affect our revenues and results of operations.***

The funds that we receive would be utilized for the Objects of the Issue as has been stated in the Chapter “*Objects of the Issue*” on page no. 59 of the Draft Letter of Offer. The proposed schedule of implementation of the objects of the Issue is based on our management’s estimates. If the schedule of implementation is delayed for any other reason whatsoever, including any delay in the completion of the Issue, we may have to revise our working capital limits resulting in unprecedented financial mismatch and this may affect our revenues and results of operations.

- 29. *We have not identified any alternate source of raising the funds mentioned as our ‘Objects of the Issue’. Any shortfall in raising / meeting the same could adversely affect our growth plans, operations and financial performance.***

Our Company has not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds can adversely affect our growth plan and profitability. The delay/shortfall in receiving these proceeds could result in inadequacy of funds for setting up the denim processing unit or may result in us borrowing funds on unfavourable terms, both of which scenarios may affect the business operation and financial performance of the company.

- 30. *We have applied for registration of our name and logo but the same is currently pending with the relevant authority. We may be unable to adequately protect our intellectual property. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.***

We have applied for registration of our name and logo – “”, under the provisions of the Trademarks Act, 1999 and do not own the same as on date. As such, we do not enjoy the statutory protections accorded to a registered logo/trademark as on date. There can be no assurance that we will be able to register the logo in future or that, third parties will not infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Further, we cannot assure you that any application for registration of our logo in future by our Company will be granted by the relevant authorities in a timely manner or at all. Our efforts to protect our intellectual property may not be adequate and may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. For further details, please see the chapter titled “*Government and Other Statutory Approvals*” beginning on page no. 211 of this Draft Letter of Offer.

- 31. *We do not own some of our key properties which are used by us currently and which are proposed to be used by us for future expansion.***

Our Company has its registered office and fabrics processing unit at Ranipur, Narol Road, Ahmedabad – 382405. This property is not owned in the name of Company and has been obtained on long lease from one of our Group Company. Similarly, the land for the proposed denim processing unit has been acquired on a 99 year lease from one of our Group Company. Though the long lease signifies a lease for a period ranging from 30 – 99 years, our

Company is required to follow the terms and conditions of the Lease Deed for each of our properties. Any lapse in following the terms and conditions may result in the owners withdrawing the lease or reducing the lease period or may charge penalty or additional charge for the same, any of which would impact our operations, results and financial condition adversely. Also, in case of any cancellation of lease due to above mentioned factors, we may not be able to find suitable locations to shift our unit or do it without incurring substantial additional expense. This may result in additional cost, disruption of day-to-day activities and increased rent burden which would adversely affect our financial condition. For further details regarding such tenancy / rented properties, please refer to “*Our Business – Properties*” on page no. 102 of this Draft Letter of Offer.

**32. *We have entered into certain related party transactions and there is no assurance that we may not continue to do so in future also. This could have an adverse effect on our financial condition and results of operation.***

During the course of our business, we have entered into certain transactions with related parties, aggregating to ₹ 3,378.09 lakhs for the period ended March 31, 2016 as per restated audited financial statements. While we believe that all such transactions have been conducted on an arm’s length basis, there can be no assurance that we could not have obtained more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into such related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operation. For further details, please refer to “*Annexure XXIV – Related Party Transactions*” on page no. 177 of this Draft Letter of Offer.

**33. *We are yet to place orders for the part of plant and machinery aggregating to ₹ 12,421.00 lakhs out of the total estimate of ₹ 16,954.00 lakhs required towards our expansion plans. Any delay in placing the orders or supply of plant and machinery may result in cost and time overrun and thereby affecting our profitability***

Our Company is proposing an expansion plan for setting up a Yarn Dyeing and Denim Processing Unit at a total estimate of ₹ 28,326.00 lakhs. Out of the above, our total expense on procuring Plant and Machinery, including equipments and auxiliary machineries and utilities is estimated at ₹ 16,954.00 lakhs. Though we have already placed orders and made payments for machinery worth ₹ 4,533.00 lakhs, we are yet to place orders for machineries aggregating to ₹ 12,421.00 lakhs or 73.26 % of the total cost estimate for machineries. Further, we are subject to risks on account of inflation in the price of the plant and machineries and also fluctuation in the foreign currency in case any of these machineries are proposed to be imported. Any delay in placing the orders or supply of equipment may result in cost and time overrun. For details pertaining to the estimated cost of Plant and machinery, please refer the chapter titled “*Objects of the Issue*” on page no. 59 of this Draft Letter of Offer.

**34. *The acquisition of other companies, businesses or technologies in the future could result in operating difficulties, integration issues and other adverse consequences due to our limited past experience in acquiring businesses.***

We have not explored inorganic growth opportunities till date and have concentrated only on organic growth of our Company. We have over the years increased our product portfolio and our scale of operations by setting new machineries, new production lines, and we also intend to set-up a new Yarn Dyeing and Denim Processing unit.

To foster our growth, we are considering making acquisitions to expand our business by making a strategic investment / acquisition in companies that have business similar to ours and have a ready set-up in manufacturing or trading of textiles. However, we have limited experience in acquiring businesses, and any acquisitions we undertake could limit our ability to integrate an acquired business and may create unforeseen operating difficulties and expenditures, including potentially dilutive issuances of the Equity Shares, incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, difficulties in integrating the operations, technologies, research and development activities, personnel and distribution, marketing and promotion activities of acquired businesses and ineffectiveness or incompatibility of acquired technologies. Our inability to identify suitable acquisition opportunities, entering into agreement with such parties or obtain the necessary financing to make such acquisitions could adversely affect our future growth. Moreover, the costs of identifying and consummating acquisitions may be significant. Also, acquired assets or businesses may not generate the financial results we expect. We may also have to obtain approvals and licenses from the relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased costs and delay. We cannot assure you that we will be able to achieve the strategic objective for such an acquisition. Furthermore, if an acquisition generates insufficient revenues or if we are unable to manage our expanded business operations efficiently, our investment may not yield desired results and could adversely affect our financial position.

**35. *We may not be able to sustain effective implementation of our business and growth strategies.***

The success of our business will depend greatly on our ability to effectively implement our business and growth strategies. We may not be able to execute our strategies in the future. Further, our growth strategies could place significant demand on our management team and other resources and would require us to continuously develop and improve our operational, financial and other controls, none of which can be assured. Any failure on our part to scale up our infrastructure and management could cause disruptions to our business and could be detrimental to our long term business outlook.

Further, we operate in a highly dynamic industry, and on account of changes in market conditions, industry dynamics, technological improvements or changes and any other relevant factors, our growth strategy and plans may undergo changes or modifications, and such changes or modifications may be substantial, and may even include limiting or foregoing growth opportunities if the situation so demands. Our inability to implement our business strategies and sustain our growth may impair our financial growth and thus result in an adverse impact on our Company's share price.

**36. *Our operations are prone to fire and could expose us to the risk of liabilities, lost revenues and increased expenses.***

Our operations are subject to fire hazards associated with the large scale processing of textiles in high temperature steam and other processes. This hazard can cause personal injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage, and may result in the suspension of operations and the imposition of civil and criminal liabilities.

In 2010-11, there was a fire at our plant in Narol, Ahmedabad which resulted in loss of inventory, mainly pertaining to our job work clients. The total claim acknowledged by us with the Insurance Company was ₹ 763.65 lakhs for damage goods. Out of the above, ₹ 717.92 lakhs of claim was pertaining to goods received from various parties for job work, while ₹ 45.73 lakhs was pertaining to own goods. The Insurance Company in F. Y. 2011-12 passed a claim of ₹ 399.95 lakhs and the remaining are yet to be received.

As a result of past or future operations, there may be additional claims of injury by employees or members of the public due to fire, or alleged exposure to the fire. Liabilities incurred as a result of these events have the potential to materially impact our financial position. Events like these could also adversely affect the perception of our company with suppliers, customers, regulators, employees and the public, which could in turn affect our financial condition and business performance. While we maintain general insurance against these liabilities, insurance proceeds may not be adequate to fully cover the substantial liabilities, lost revenues or increased expenses that we might incur.

**37. *Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.***

Modernization and technology upgradation is essential to reduce costs and increase the output. Our technology and machineries may become obsolete or may not be upgraded timely, hampering our operations and financial conditions and we may lose our competitive edge. Although we believe that we have installed latest technology and that the chances of a technological innovation are not very high in our sector we shall continue to strive to keep our technology, plant and machinery in line with the latest technological standards. In case of a new found technology in the textile processing business, we may be required to implement new technology or upgrade the machineries and other equipment's employed by us. Further, the costs in upgrading our technology and modernizing the plant and machineries are significant which could substantially affect our finances and operations.

**38. *We could be harmed by employee misconduct or errors that are difficult to detect and any such incidences could adversely affect our financial condition, results of operations and reputation.***

Employee misconduct or errors could expose us to business risks or losses, including regulatory sanctions and serious harm to our reputation. There can be no assurance that we will be able to detect or deter such misconduct. Moreover, the precautions we take to prevent and detect such activity may not be effective in all cases. Our employees and agents may also commit errors that could subject us to claims and proceedings for alleged negligence, as well as regulatory actions on account of which our business, financial condition, results of operations and goodwill could be adversely affected.

**39. Any loss of or breakdown of our machineries, at our factory may have an adverse effect on our business, financial condition and results of operations.**

Our processing facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, industrial accidents and the need to comply with directives of relevant government authorities. Although we have not had such occurrences in the past, the occurrence of such incidents in future is not ruled out and these risks could significantly affect our operating results. Although, we have taken precautions to minimize the risks of any significant operational issues at our processing facilities, our business and operations may be adversely affected by any disruption of operations at processing facilities.

**40. We are dependent on key managerial personnel and the loss of such key managerial persons and/or our inability to attract and retain such talented professionals in the future, could affect us adversely.**

Our Company is depending significantly on the expertise, experience and continued efforts of our key managerial personnel. If one or more members of our Key Managerial Personnel are unable or unwilling to continue in his/her present position, it may be difficult to find a replacement, and business might thereby be adversely affected. Our industry requires personnel with specific technical knowledge and experience for our manufacturing facilities of plastic products.

Competition for Key Managerial Personnel in our industry is intense and it is possible that our Company may not be able to retain existing Key Managerial Personnel or may fail to attract/ retain new employees at equivalent positions in the future. As such, loss of Key Managerial Personnel could adversely affect our business, results of operations and financial condition. For further details on the key managerial personnel of our Company, please refer to the chapter titled "Our Management" beginning on page no. 116 of this Draft Letter of Offer.

**41. Our processing unit is geographically located in one area and any localized social unrest, natural calamities, etc. could have material adverse effect on business and financial operations.**

Our processing unit is based in Ranipur, Narol, Ahmedabad District in the State of Gujarat. As a result, any localized social unrest, natural disaster or breakdown of services and utilities in and around Ahmedabad could have material adverse effect on our business, financial position and results of operations. Our proposed unit is also situated in the district of Ahmedabad, at Dholi and we may face the similar labour problems there. Further, any continuous addition of industries in and around Narol without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure in Ahmedabad, which may affect our business.

**42. We have not made any provisions for the decrease in the value of our investments.**

The market value of our investment in quoted equity instruments as at March 31, 2016 was ₹ 2.80 lakhs as against the book value of ₹ 4.00 lakhs. We have not made any provision for this decrease in the value of investments, which could result into mismatch between realisable value and book value of these investments. Further, if provision is made in future on account of permanent decrease in value of these investments, our profits would reduce to the extent of such provision. This may have an adverse impact on our results of operations and financial conditions.

**43. Our insurance cover may not adequately protect us against all material hazards. If we suffer a large uninsured loss or if we suffer an insured loss that significantly exceeds our insurance coverage, our financial condition and results of operations may be adversely affected.**

We have 2 insurance policies covering Buildings, Plant & Machinery, Furniture, Fixture & Fittings, Category I Stocks and Transit Money, details of which are disclosed in the chapter "Our Business - Insurance" on page no. 103 of this Draft Letter of Offer. We believe that we have insured ourselves against the main risks associated with our business. While we believe that the policies that we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, or that we have obtained sufficient insurance (either in amount or in terms of risks covered) to cover all material losses. To the extent that we suffer loss or damage for events for which we are not insured or for which our insurance is inadequate, the loss would have to be borne by us, and, as a result, our results of operations and financial condition could be adversely affected.

**44. *We face competition in our business from organized and unorganized players, which may adversely affect our business operation and financial condition.***

The State of Gujarat is a national hub for the Textile Industry and this has resulted in huge competitive pressures. We may have to confront pressures in respect of pricing; product quality etc. from the clients and such pressures may put strain on our profit margins which may consequently affect the financial position of our Company. Competition emerges not only from the organized sector but also from the unorganized sector and from both small and big players. We are also in direct competition with the leading textile processing units in India as well as the local units.

Our Competitiveness is also measured by the technology we adopt as the textile industry is rapidly growing in India and in International Markets. Some of our clients might export their final products which in turn compel us to meet international standards also. Our inability to compete with this intense competition; local, national and international will have material adverse impact on our Company's financial position

**45. *Our Promoter / Promoter Group will continue to be our largest Shareholders and have the right to approve certain corporate actions, which may potentially involve conflicts of interest with the other Equity Shareholders.***

Our Promoter / Promoter Group hold 72.38% of the Equity Share Capital and, therefore, will have the ability to significantly influence our corporate decision making process. This will include the ability to appoint Directors on our Board and the right to approve significant actions at Board and at Shareholders' meetings, including the issue of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture arrangements, any amendment to the Memorandum and Articles of Association, and any assignment or transfer of our interest in any of our licenses. We cannot assure you that our Promoter / Promoter Group interests in any such scenario will not conflict with the interest of other Shareholders or with the interests of our Company. Any such conflict may adversely affect our ability to execute our business strategy or to operate our business effectively or in the best interests of our other Shareholders.

**46. *Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures and there can be no assurance that we will be able to pay dividends in the future.***

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Hence, there can be no assurance that we will be able to pay dividends in the future.

**47. *Our company is yet to file necessary documents with the regulatory / statutory authorities and agencies for the notation of the change of name after conversion into a limited company.***

Our Company was converted from Private Limited Company to a Public Limited Company vide Certification of Incorporation dated March 31, 2014. Some of the licenses and registrations obtained by our company are still in the previous name. All such approvals/ licenses /registrations are required to be revised. The conversion to public limited was done approximately 2 years ago, and though we have made applications to various authorities for change of name, we are yet to receive certain licenses / registration with the changed name. Our business operations may be impacted till we receive the aforesaid registration. For further details of existing / proposed approvals please refer to the section titled "Government Approvals and Licensing Arrangements" on page no. 211 of this Draft Letter of Offer.

**Risks Relating to Equity Shares**

**48. *We may decide not to proceed with the Issue at any time before Allotment. If we decide not to proceed with the Issue after the Issue Opening Date but before Allotment, the refund of Application amounts deposited will be subject to us complying with our obligations under applicable laws.***

We, in consultation with the Lead Manager, reserve the right not to proceed with the Issue at any time before the Allotment. If we withdraw the Issue after the Issue Opening Date, we will be required to refund all Application amounts deposited within 8 days of the Issue Closing Date. We shall be required to pay interest / penalty, as specified under SEBI (ICDR) or Companies Act, 2013, on the Application amounts received if refund orders are

not dispatched within the stipulated time from the Issue Closing Date. Notwithstanding the foregoing, the Issue is also subject to obtaining the approvals of the Stock Exchange.

- 49. *We may require further equity issuance, which will lead to dilution of equity and may affect the market price of our Equity Shares or additional funds through incurring debt to satisfy our capital needs, which we may not be able to procure and any future equity offerings by us.***

Our growth is dependent on having a strong balance sheet to support our activities. In addition to the Rights Issue Proceeds, Bank Loan and our internally generated cash flow, we may need other sources of financing to meet our capital needs which may include entering into new debt facilities with lending institutions or raising additional equity in the capital markets. We may need to raise additional capital from time to time, dependent on business conditions. The factors that would require us to raise additional capital could be business growth beyond what the current balance sheet can sustain; additional capital requirements imposed due to changes in regulatory regime or significant depletion in our existing capital base due to unusual operating losses. Any fresh issue of shares or convertible securities would dilute existing holders, and such issuance may not be done at terms and conditions, which are favourable to the then existing shareholders of our Company. If our Company decides to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants, which could further limit our ability to access cash flows from our operations. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favour of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of our expansion plans. Our business and future results of operations may be adversely affected if we are unable to implement our expansion strategy.

Any future issuance of Equity Shares by our Company may dilute shareholding of investors in our Company; and hence adversely affect the trading price of our Company's Equity Shares and its ability to raise capital through an issue of its securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Company's Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of our Company's major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. No assurance may be given that our Company will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

- 50. *There is no guarantee that the Equity Shares issued pursuant to the Issue will be listed on the SME Platform of BSE in a timely manner, or at all.***

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to the Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the SME Platform of BSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

- 51. *There is no existing market for our Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Offer and, as a result, you could lose a significant portion or all of your investment***

There is no guarantee that our Equity Shares will be listed on the Stock Exchanges in a timely manner or at all and any trading closures at the Stock Exchanges may adversely affect the trading price of our Equity Shares. Prior to the Offer, there has not been a public market for the Equity Shares. Further, we cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty selling the Equity Shares that you purchased. The Offer Price is not indicative of prices that will prevail in the open market following the Offer. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the Offer Price. The market price of the Equity Shares on the Stock Exchanges may fluctuate after listing as a result of several factors, including the following:

- Volatility in the Indian and other Global Securities Markets;
- The performance of the Indian and Global Economy;
- Risks relating to our business and industry, including those discussed in this Draft Letter of Offer;
- Strategic actions by us or our competitors;
- Investor perception of the investment opportunity associated with the Equity Shares and our future performance;

- Adverse media reports about us, our shareholders or Group Companies;
- Future sales of the Equity Shares;
- Variations in our quarterly results of operations;
- Differences between our actual financial and operating results and those expected by investors and analysts;
- Our future expansion plans;
- Perceptions about our future performance or the performance of Indian Textile companies generally;
- Performance of our competitors in the Indian Textile industry and the perception in the market about investments in the Plastic sector;
- Significant developments in the regulation of the Plastic industry in our key locations;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India's economic liberalisation and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations. There has been significant volatility in the Indian stock markets in the recent past, and our Equity Share

Price could fluctuate significantly as a result of market volatility. A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

**52. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

We are subject to a daily "circuit breaker" imposed by BSE, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE may not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance can be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**53. *Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.***

Foreign ownership of Indian securities is subject to Government regulation. In accordance with foreign exchange regulations currently in effect in India, under certain circumstances the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India or vice-versa if the sale does not meet the requirements of the RBI Circular dated October 4, 2004, as amended by the RBI Circular dated May 4, 2010. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI has provided the price at which the Equity Shares are transferred based on a specified formula, and a higher (or lower, as applicable) price per share may not be permitted. There are also restrictions on sales between two non-residents if the acquirer is impacted by the prior joint venture or technical collaborations. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increase or limiting losses during periods of price decline.

**54. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.***

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax (STT) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may

be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares. In addition, changes in the terms of tax treaties or in their interpretation, as a result of renegotiations or otherwise, may affect the tax treatment of capital gains arising from a sale of Equity Shares.

## EXTERNAL RISK FACTORS

**55. *Any change in the government policies vis-à-vis expenditure, subsidies and incentives etc. in plastics sector could affect their ability to spend on agrochemical products, thereby affecting our business and profitability.***

Any changes in government policies relating to the textile sector such as reduction of government expenditure, withdrawal or changes in incentives and subsidy systems, pricing restriction on products, or adverse changes in raw material prices and/or minimum support prices could have an adverse effect on the ability of consumers to spend on plastic products.

Our ability to freely set prices for textile products and yarn may be restricted by the government and our profits may reduce. End users of our products may seek to find ways to reduce or contain related costs. We currently sell our products across various states in India and also in the export market. We cannot predict the nature of the measures that may be adopted by local, state and central governments or governments of our export countries or private organisations or their impact on our revenues. In the event such measures result in increased costs for manufacturers to undertake textile production, their demand for our products may reduce, which could reduce our cash flows. Also, if textile related legislation or third party payer influence results in lower prices for our products, our overall revenues may decrease and our cash flows and profits could be adversely affected even in cases where the demand for textile products increases.

**56. *The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs***

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital, disclosures in offer document, corporate governance norms, audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors and insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. Further, companies meeting certain financial thresholds are also required to constitute a committee of the board of directors for corporate social responsibility activities and ensure that at least 2% of the average net profits of the company during three immediately preceding financial years are utilized for corporate social responsibility activities. Penalties for instances of non-compliance have been prescribed under the Companies Act, 2013, which may result in inter alia, our Company, Directors and key managerial employees being subject to such penalties and formal actions as prescribed under the Companies Act, 2013, should we not be able to comply with the provisions of the New Companies Act within the prescribed timelines, and this could also affect our reputation.

To ensure compliance with the requirements of the Companies Act, 2013 within the prescribed timelines, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. While we shall endeavour to comply with the prescribed framework and procedures, we may not be in a position to do so in a timely manner.

The Companies Act, 2013 introduced certain additional requirements which do not have corresponding equivalents under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations). We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013, which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

**57. Any changes in the regulatory framework could adversely affect our operations and growth prospects**

Our Company is subject to various regulations and policies. For details see section titled “*Key Industry Regulations and Policies*” beginning on page no. 105 of this Draft Letter of Offer. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that our Company will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which could have a material adverse effect on our business, financial condition and results of operations.

**58. Civil disturbances, extremities of weather, regional conflicts and other political instability may have adverse affects on our operations and financial performance**

Certain events that are beyond our control such as earthquake, fire, floods and similar natural calamities may cause interruption in the business undertaken by us. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other adverse developments in or affecting India.

**59. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.**

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares will trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, impede travel and other services and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed various small and big civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on the value of share prices generally as well as the price of our Equity Shares. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

**60. Instability in financial markets could materially and adversely affect our results of operations and financial condition.**

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America or Europe, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors’ reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The global financial turmoil, an outcome of the sub-prime mortgage crisis which originated in the United States of America, led to a loss of investor confidence in worldwide financial markets. Indian financial markets have also experienced the contagion effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE’s benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy and us, thereby resulting in a material and adverse effect on our business, operations, financial condition, profitability and price of our Equity Shares.

**61. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our Company's business**

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect our Company's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm our Company's business and financial performance and ability to obtain financing for capital expenditures.

**62. Conditions in the Indian securities market and stock exchanges may affect the price and liquidity of our Equity Shares.**

Indian stock exchanges, which are smaller and more volatile than stock markets in developed economies, have in the past, experienced problems which have affected the prices and liquidity of listed securities of Indian companies. These problems include temporary exchange closures to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. Further, a closure of, or trading stoppage on, either of the Stock Exchanges could adversely affect the trading price of our Equity Shares.

**63. Significant differences exist between Indian GAAP and other accounting principles, such as US GAAP and IFRS, which may be material to investors' assessments of our Company's financial condition. Our failure to successfully adopt IFRS may have an adverse effect on the price of our Equity Shares. The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.**

Our financial statements, including the financial statements provided in this Draft Letter of Offer, are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Letter of Offer, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Indian GAAP. For details, see “Presentation of Financial, Industry and Market Data” on page no. 9 of this Draft Letter of Offer. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Letter of Offer will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited.

India has decided to adopt the “Convergence of its existing standards with IFRS” and not the “International Financial Reporting Standards” (“IFRS”), which was announced by the MCA, through the press note dated January 22, 2010. These “IFRS based / synchronized Accounting Standards” are referred to in India as IND (AS). Public companies in India, including our Company, may be required to prepare annual and interim financial statements under IND (AS). The MCA, through a press release dated February 25, 2011, announced that it will implement the converged accounting standards in a phased manner after various issues, including tax related issues, are resolved. Further, the Finance Minister, during the Budget speech, 2014, proposed the adoption of IND (AS) by Indian companies from fiscal 2016 on a voluntary basis, and from fiscal 2017 on a mandatory basis. Accordingly, it is not possible to quantify whether our financial results will vary significantly due to the convergence to IND (AS), given that the accounting principles laid down in the IND (AS) are to be applied to transactions and balances carried in books of accounts as on the date of the applicability of the converged standards (i.e., IND (AS)) and for future periods.

Further, we have made no attempt to quantify or identify the impact of the differences between Indian GAAP and IFRS or to quantify the impact of the difference between Indian GAAP and IFRS as applied to its financial statements. There can be no assurance that the adoption of IND-AS will not affect our reported results of operations or financial condition. Any failure to successfully adopt IND-AS may have an adverse effect on the trading price of our Equity Shares.

Moreover, our transition to IFRS reporting may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. Any of these factors relating to the use of IFRS-converged Indian Accounting Standards may adversely affect our financial condition.

**PROMINENT NOTES**

**1) Key Issue Particulars:**

<b>Pre Issue Net worth</b> (Based on audited accounts as on March 31, 2016)	₹ 8,297.41 lakhs
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<b>Post Issue Net Worth</b> (assuming full subscription)	₹ 17,080 lakhs
<b>Issue Size</b>	87,82,667 Equity Shares of ₹ 10 each for cash at a price of ₹ 100 per share aggregating ₹ 8,782.67 lakhs.
<b>Cost Per Share to the Promoter:</b> - Chiripal Industries Limited	₹ 3.42/- <sup>(1)</sup>
<b>Net Asset Value per share or Book Value</b> (Based on audited accounts as on March 31, 2016)	₹ 62.98

<sup>(1)</sup> Calculated by dividing the aggregating amount paid by our Promoter to acquire the Equity Shares held by it with the aggregate number of Equity Shares held by our Promoter.

- 2) Our Company, its Promoters / Directors, Company's Associates or Group companies have not been prohibited from accessing the Capital Market under any order or direction passed by SEBI. The Promoters, Group Companies and Associate Companies are not declared as wilful defaulters by RBI / Government authorities and there are no violations of securities laws committed in the past or pending against them except as stated under chapters "Risk Factors", "Our Group Companies" and "Outstanding Litigations and Material Developments" on pages nos. 11, 135 and 198 of this Draft Letter of Offer, respectively.
- 3) Investors are advised to refer to the paragraph titled "Basis for Issue Price" beginning on page no. 70 of this Draft Letter of Offer.
- 4) The Lead Manager and our Company shall keep the investors / public informed of any material changes till listing of the Equity Shares offered in terms of this Draft Letter of Offer and commencement of trading.
- 5) Investors are free to contact the Lead Manager for any clarification, complaint or information pertaining to the Issue. The Lead Manager and our Company shall make all information available to the public and investors at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever.
- 6) In the event of over-subscription, allotment shall be made as set out in paragraph titled "Basis of Allotment" beginning on page no. 243 of this Draft Letter of Offer and shall be made in consultation with the Designated Stock Exchange i.e. BSE. The Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner as set out therein.
- 7) Except as disclosed in the chapters titled "Our Promoter and Promoter Group", "Our Group Companies" and "Annexure XXIV - Related Party Transactions" beginning on page nos. 129, 135 and 177 respectively, of this Draft Letter of Offer, respectively, none of our Group Companies have business interests or other interests or any other transaction with / in our Company.
- 8) No loans and advances have been made to any person(s) / companies in which Directors are interested except as stated in the Financial Statements. For details, please see the section titled "Financial Information" beginning on page no. 158 of this Draft Letter of Offer.
- 9) The details of transactions by our Company with Group Companies during the last year are disclosed under "Annexure XXIV – Related Party Transactions" on page no. 177 of this Draft Letter of Offer.
- 10) Our Company was incorporated as Vishal Fabrics Private Limited on October 22, 1985 under the Companies Act, 1956 bearing Registration No. 008206 of 1985-86 with the Registrar of Companies, Gujarat. Subsequently, the status of our Company was changed to a public limited company and the name of our Company was changed to Vishal Fabrics Limited vide special resolution dated February 25, 2014. A fresh Certificate of Incorporation consequent upon change of name was issued on March 31, 2014 by the Registrar of Companies, Gujarat.

## SECTION III – INTRODUCTION

### SUMMARY OF OUR INDUSTRY

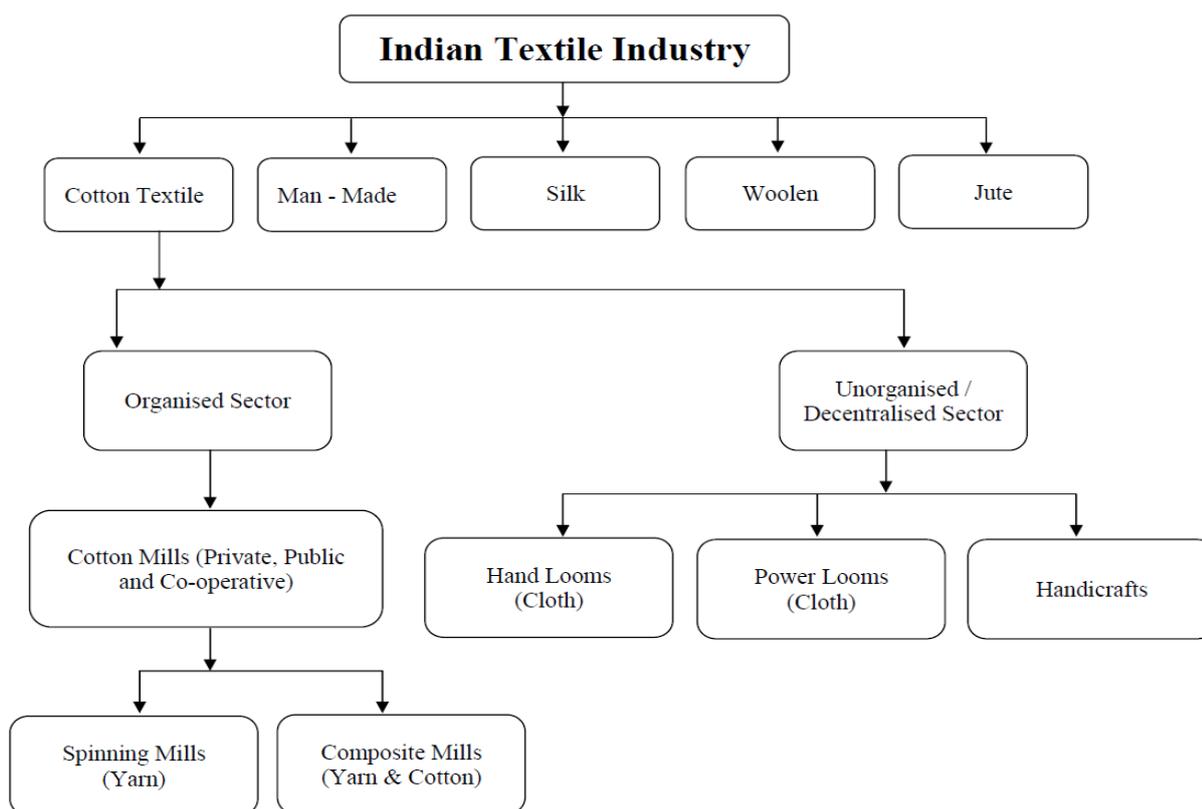
India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The industry realized export earnings worth US\$ 41.4 billion in 2014-15, a growth of 5.4 per cent. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The textile industry employs about 40 million workers and 60 million indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion.

(Source: <http://www.ibef.org/industry/textiles.aspx>)

#### Industry Structure and Size

The major sub segments of the textile industry are cotton, blended, silk, wool and manmade. The textile industry in India is highly fragmented. It is vertically integrated across the whole value chain and interconnected with various operations. The organised sector consists of spinning mills and composite mills. The unorganised sector consists of handlooms, power looms and handicrafts.



The major products in which Indian textile industry deals is readymade garments, suiting and shirting, shirts and trousers, fabrics, bed linen and embroidery work.

(Source: *Technopak's Textile & Apparel Compendium*)

#### EXPORT – IMPORT SCENARIO

India's textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India's exports worldwide. The report of the Working Group constituted by the Planning

Commission on boosting India's manufacturing exports during 12th Five Year Plan (2012-17) envisages India's exports of Textiles and Clothing at US\$ 64.41 billion by the end of March, 2017. It contributes to 10% of manufacturing production, 2% of India's GOP, employs 45 million people and accounts for more than 13% share of the country's total exports basket. India is a major exporting country as far as textile sector is concerned and the exports are far in excess of imports in textiles. Majority of import takes place for re export or special requirement. As per the UN Com trade, 2014 data released in November 2015, India is ranked as the 2nd largest Textile and Clothing exporter globally with US\$ 38.6 bn. worth of exports while in clothing exports India was ranked as the 5th largest exporter amongst all exporting countries with US\$16.5 bn. worth of clothing exports. As per UN Comtrade, China is largest T&C exporter followed by India, Italy, Germany, Bangladesh and Turkey in 2014 while in clothing export category China, Bangladesh, Italy, Germany, Vietnam and India are the major exporters in their respective position  
(Source: Ministry of Textiles, Annual Report 2015-16)

### **Milestones over the last decade**

#### **Exports:**

- Export of Textile and Clothing Product Including handicraft from India have Increased to US\$ 42.2 billion the year 2014-15 from US\$ 41.4 Billion during 2013-14. Its share in overall export basket of India has also increased from 13.2% in 2013-14 to 13.6% in 2014-15. In rupee term the same was valued at Rs. 250,841 crores and Rs. 258,041 crores during 2013-14 and 2014-15 respectively.
- During 2013-14, Readymade Garments (RMG) account for almost 36% of the total textile exports. While in 2014-15, the export of RMG increased to 40% of the textile exports. Apart from this, major contributing segment in export during 2014-15 are cotton based textile (18%), Man-made textiles (11%), handicraft (11%) and made up article & Carpets (15%).
- The total Textile and Clothing exports during 2015-16 (April-Dec.) is valued at US\$ 28.05 billion with a share of 14.3% from India's total export of US\$ 196.6 billion during the same period.
- India's textiles products, including hand looms and handicraft's, are exported to more than hundred countries. However, the USA and the EU, account for more than half of India's textiles exports. The other major Export Destination are China, U.A.E., Sri Lanka, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, Pakistan, Brazil, Hong – Kong Canada And Egypt Etc.

#### **Imports:**

- The import of Textiles & Clothing (T&C) products in India was marginally reduced from US\$ 4.69 billion during Apr-Dec. (2014-15) to US\$ 4.58 billion during same time period of the current fiscal year.
- The Import of Textiles and Clothing (T&C) products in India was marginally reduced from US\$ 5 billion during 2013-14 to US\$6 billion during 2014-15.

(Source: Ministry of Textiles, Annual Report 2015-16)

### **COTTON**

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right home processing to trading of cotton. In the raw material consumption of the textile industry in India, the ratio of the use of the cotton to man-made fibers and filament yarns is 59:41.

(Source: Ministry of Textiles, Annual Report 2015-16)

#### **Cotton Production and Achievements**

The cotton production of the country which used to be 140 lakh bales during 2000-01, reached to a record level of 398 lakh bales in 2013-14 and is expected to touch the level of 400 lakh bales in 2014-15. Today, India occupies:

- 1<sup>st</sup> place in the world in cotton acreage with around 130 lakh hectares area under cotton cultivation i.e. around 38% of world area of 335 Lakh Hectares.
- Approximately 62% of Indian's cotton is produced on rain-fed areas and 38% on irrigated lands.

- In terms of productivity, India ranks poorly compared to USA and China. During 2015-16, India's productivity is 527 kg/hectares.

(Source: Cotton Sector Report 2016, Ministry of Textiles, Government of India)

## DENIM

Denim is of the most promising category in India's apparel market. In 2013, the denim market of India was worth ₹ 13,500 Cr. which accounts for 5 percent of the total apparel market of the country. The market is projected to grow at a CAGR of 15 percent to become ₹ 27,200 Cr. market in 2018.

(Source: Denim Market in India, <http://www.indiaretailing.com/2015/01/07/fashion/denim-market-in-india/>)

### Key Trends in Denim Market are

- In India most of the denim manufacturers focus on the domestic markets as the value realisation remains higher in domestic market than in export markets.
- In the recent times the industry has witnessed entrance of new fabric manufacturers which is expected to make the market for denim fabric more price competitive in the coming years.
- Cotton remains the fibre of choice in denim apparel. In blended denim fabrics polyester is being used as weft threads.
- The demand for stretch denim is growing at a faster rate in India market due to its comfort and fit characteristics.
- The colour of denim jeans is no longer limited to traditional blue colours. Indian youth has started accepting denim in different colours including green, red, yellow etc.

(Source: Denim Market in India, <http://www.indiaretailing.com/2015/01/07/fashion/denim-market-in-india/>)

## SUMMARY OF OUR BUSINESS

Our company was incorporated as “Vishal Fabrics Pvt. Ltd” on October 22, 1985 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat. For further details regarding the change in the name of our company, please refer to the chapter titled “*History and Certain Corporate Matters*” beginning on page no. 113 of this Draft Letter of Offer.

Our Company is engaged in the business of dyeing, printing and processing of fabrics of its own and also on job work basis. Our Company procures mainly Grey Fabric and dyes, prints and finishes the same as per the client’s requirements. The processing unit of our Company is based in Narol, Ahmedabad, Gujarat. We have an installed capacity of 1,050 lakhs meters per annum and the plant has the facilities for printing, dyeing and processing wide range of fabrics i.e. cotton, polyester, viscose and man-made & blended fabrics suitable for men’s wear, women’s wear, home furnishing and many other applications.

Our Company is promoted by Chiripal Industries Limited and is part of the Chiripal Group, Ahmedabad. The persons in control of the Group have more than 20 years of experience in the Fabrics business and have incorporated several other companies manufacturing or trading in fabrics, yarn, denim and readymade garments.

Our Company was initially engaged in trading of fabrics. Though the Company was incorporated in 1985, our Company’s activities were almost dormant till the year 1999. During the year 1999-2000, we took over the Units of Associate concerns, Bhushan Petrofils Private Limited and Prakash Calender Private Limited; both located at Narol, Ahmedabad, on lease basis and started the processing of fabrics. Over the years, with a view to expand the installed capacity and broad base the market of its products, we put up our own Plant & Machinery. In the year 2003, we set up a captive power plant for production of 2.3 MW power to improve productivity in our processing plant.

In the year 2005, we increased our processing capacity by installing the Wider Width Unit, which enabled us to process fabrics of upto 120 inch width. In the year 2011, we further enhanced our processing capacity by setting up a Continuous Bleaching Range (CBR) unit. The CBR unit processes upto 80,000 meters of fabric per day as compared to 2,000 – 8,000 meters fabric in other machines.

Our Company, as part of its expansion, intends to set-up a new yarn dyeing and denim processing unit with a proposed installed capacity of 800 lakhs meters per annum. This unit is proposed to be set-up at Dholi, near Ahmedabad, Gujarat and the land for the same has already been acquired. Our Company intends to raise approximately ₹ 8,500 lakhs from this Rights Issue out of the total project cost of ₹ 28,300 lakhs. For details of the project cost, its utilisation and schedule of implementation please refer the chapter “*Objects of the Issue*” on page no. 59 of this Draft Letter of Offer.

In the past three (3) years our revenues have increased from ₹ 20,412.23 lakhs in F. Y. 2013-14 to ₹ 22,375.28 lakhs in F. Y. 2014-2015 and further to ₹ 27,389.56 lakhs in F. Y. 2015-16, showing an increase of 9.62% and 22.45% respectively. Our Net Profit after tax has also increased for the above mentioned periods from ₹ 276.39 lakhs in F. Y. 2013-14 to ₹ 898.24 lakhs in F. Y. 2014-15 and further to and ₹ 1,434.14 lakhs in F. Y. 2015-16, showing an increase of 224.99% and 59.66% respectively.

### OUR STRENGTHS

#### *Management Expertise*

Our Promoter Company is engaged in the Textiles business and is the flagship company of our Group. The Promoters of our Promoter, some of whom who also form part of Board of Directors of our Company, have a proven background and rich experience of more than 30 years in the Textile industry. Also, our Company is managed by a team of experienced personnel. The team comprises of personnel having operational and business development experience. We believe that our management team’s experience and their understanding of the textile industry will enable us to continue to take advantage of both current and future market opportunities. It is also expected to help us in addressing and mitigating various risks inherent in our business, including significant competition, reliance on independent contractors, the global economic crisis and fluctuations in fuel prices.

#### *Established Marketing Setup*

Our Company was incorporated in the year 1985 and we are engaged in the processing of textiles from the year 1999. Over the years we have established a strong customer base and an unyielding marketing setup. Further, we have many companies forming part of Chiripal Group which are engaged in similar businesses. Our group has sufficient marketing

expertise and wide marketing network, which is and would be channelled for our business and the proposed expansion of Denim processing.

We have dedicated divisions for marketing different types of products and for different geographical locations. The fabric sales division, home furnishing division and export division are responsible for marketing of our Own Fabric Production. Whereas domestic dress material division, bottom dyeing division and export garment division cater to the marketing of Job-Work Fabric Production. All the divisions have well trained and adequate teams to handle daily activities and are supervised by Managers and the Vice – President (Marketing) regularly.

#### ***Cordial Relationship between management and labour***

We enjoy cordial relations with our employees and there has been no union of employees. Further, there have been no strikes, lock-out or any labour protest in our organization since inception.

#### ***Captive Power plant***

Power is an important factor in every manufacturing facility. Considering the power requirements of our manufacturing facilities at the Narol Unit, we have installed a captive power plant of 2.3 MW (from Coal / Lignite). Captive power plant will give us the stable and uninterrupted power supply which is very crucial in manufacturing of our products. Also, it gives us steady and quality supply of steam for our various fabric processes. Uninterrupted power supply helps to avoid any delays in manufacturing process thereby ensuring complete utilization of our capacities.

#### ***Strong Technological Capabilities***

We use latest technology and machinery procured from major suppliers/distributors in India and Abroad. We have latest machinery like CBR which has almost three times the processing capacity to that of traditional machines, the Rotary Screen Printing Machine, Continuous and Loop Agers, Hydro Extractors, Sanforizing Machine, Liza Brushing Machine, Sueding Machine, and a host of machines for Drying and Finishing. Even the folding and packing processes are carried on latest machines which guarantee quality check and precision. These modern machineries also help us in maintaining high quality standards. The latest technology enables radical design and innovation in creating new looks and new trends. Technology has helped us in rolling out new combination of dyes and prints.

Also, we have shortlisted the latest technology machinery and processes for our proposed project of Yarn Dyeing and Denim Processing. This will enable us to produce better quality denim, save costs, and enable better utilisation of various other resources. Further, using latest technology will also enable us to compete with the existing organised and unorganised players in the denim process market.

#### ***Strategic Location of existing Manufacturing Unit***

Our Company has leased about 16,000 Sq. Mtrs or 3.95 Acres of land and own about 10, 570 Sq. Mtrs or 2.61 Acres of owned land in Ranipur, Narol Road, Ahmedabad where we have set up our registered office and processing unit, which is strategically located and is well connected by rail, roads and air with the rest of the country.

- The Unit is located within the limits of Ahmedabad Municipal Corporation and is 16 km from Ahmedabad International Airport.
- The plant of the Company is located on the main National Highway No. 8 connecting Northern & Western India.
- It is also well connected with the two large & important ports of India Viz. Kandla & JNPT (Navi Mumbai)
- The major raw material i.e. Grey Fabric and Colours & Chemicals are easily available from the manufacturers located in Gujarat. Thus, procurement of these raw materials is less time consuming and comparatively cheaper due to savings on freight.
- Ahmedabad has been the hub of Textile Industry in Gujarat. Skilled and semi skilled workers are easily available in Gujarat in view of the wide spread Textile industry located in the Western Region for over a Century.

Thus, the location of the site is advantageous to the company in transportation of Raw materials as well as the Finished Products.

### *Scalable Business Model*

Our business model is order driven, and comprises of optimum utilization of our Narrow Width and Wider Width processing facilities, maximum capacity utilization, developing linkages with quality raw material suppliers and achieving consequent economies of scale. We believe that this business model has proved successful and scalable for us in the last few financial years. We can scale upward as per the requirement generated by our Company. The business scale generation is basically due to the development of new markets both international and domestic, by adopting aggressive marketing of the product, innovation in the product range and by maintaining the consistent quality of the product.

### *Product mix and Market mix*

Our Company deals in a range of products like Shirting Fabrics, Dress Materials, Home Furnishing fabrics etc in both, Narrow Width and Wider Widths. This wide range has given us immense opportunity to expand and explore new markets.

We intend to further expand our product portfolio by setting up a unit for processing of denim fabrics at Dholi near Ahmedabad. This will enable to utilise our resources in a more efficient manner, provide us a larger market base and also expand our geographical reach. Currently, our Company has presence in domestic markets and with our increased product mix, we can reach untapped domestic areas and also overseas market for our existing as well as proposed products.

### *Cost effective production and timely fulfilment of orders*

Timely fulfilment of the orders is a prerequisite in our industry. Our Company has taken various steps in order to ensure adherence to timely fulfilment and also to achieve greater cost efficiency at our existing Narol unit. These steps include identifying quality grey cloth and Colours & Chemical suppliers (which forms a bulk of our raw material cost), smooth labour relations, use of an efficient production system and ability to meet large and varied orders due to our capacity and linkages with raw material suppliers. Our Company also has enjoyed good relations with our suppliers of grey cloth and Colours & Chemicals which is the primary raw material for our products and as a consequence has had the benefit of timely supplies of the raw materials which has been one of the major reasons why we have been able to achieve timely fulfilment of orders of our customers. Our Company constantly endeavours to implement an efficient procurement policy for inputs required for production so as to ensure cost efficiency in procurement which in turn results in cost effective production.

**For risks related to our business, our Company and our industry, see “Risk Factors” on page no. 11 of this Draft Letter of Offer.**

## **OUR STRATEGIES**

Our strategic objective is to improve and consolidate our position as a Textile Processing Unit with a continuous growth philosophy. The diagram below represents our continuous growth philosophy being implemented on a day-to-day basis.

Our continuous growth philosophy is being driven with the strategic levers of operational excellence, strengthening existing services, customer satisfaction, ecosystem development, innovation and marketing.



***Expand into processing of Denim fabrics***

As part of our expansion, our Company proposes to set up a new denim processing unit having installed capacity of 800 lakh meters per annum. The approximately 13 acre land for this expansion has already been acquired at Dholi near Ahmedabad, Gujarat.

The company proposes to set up the project having an overall capacity of 800 lakh meter per annum with a total project cost of ₹ 28,326.00 lakhs. This expansion is part of our overall growth plans and we intend to increase our product base with the addition of denim fabrics. For further detail about the proposed expansion, its business, location, costs and timelines, please refer the chapters “Objects of the Issue” and “Our Business” on page nos. 59 and 88 of this Draft Letter of Offer.

***Operational excellence***

We continue to invest in operational excellence throughout the organization. We are addressing operational excellence through continuous process improvement, customer service and technology development. Alignment of our people to ‘process improvement’ through change management and upgrading of skills as required for customer satisfaction is a continuous activity. Awareness of this quality commitment is widespread among all the employees.

***Geographical expansion***

We cater to a large number of clients throughout the Country and Abroad. In India, our clients are scattered throughout the Country. We further intend to continue to cater to PAN India clients.

Our Exports are majorly concentrated in Europe, especially Germany, Middle East and Sri Lanka. We intend to supply to other European countries and also intend to enter other regions of the world over the course of time.

***Expand our global footprint***

Through a combination of increased capacities, reduced costs, wider range of products adhering to global standards, marketing initiatives, competitive pricing and more efficient use of resources, we intend to expand our global footprint and become a preferred supplier for large format international retail chains and institutions.

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*Focusing on value added products*

With the well balanced Narrow and Wider Width processing facilities, our Company will be technically capable to focus on value added products. Though value added products, especially in Home Furnishing segment, do not show significantly high volumes in terms of sales, but they normally command premium pricing which would have a positive impact on our margins.

**SUMMARY OF FINANCIAL INFORMATION**

**Annexure I**  
**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

*(₹ in lakhs)*

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Funds</b>					
a. Share Capital	1,317.40	1,317.40	970.00	115.00	115.00
b. Reserves & Surplus	6,980.01	5,545.87	3,431.73	3,785.34	3,578.57
Share Application Money Pending Allotment	-	-	-	-	-
	<b>8,297.41</b>	<b>6,863.27</b>	<b>4,401.73</b>	<b>3,900.34</b>	<b>3,693.57</b>
<b>Non Current Liabilities</b>					
a. Long Term Borrowings	2,484.22	1,853.67	2,114.51	2,529.80	2,974.51
b. Deferred Tax Liabilities	-	-	-	-	-
c. Other Long Term Liabilities	38.90	-	-	10.03	8.14
d. Long Term Provisions	302.14	185.67	109.45	99.81	99.00
	<b>2,825.26</b>	<b>2,039.33</b>	<b>2,223.96</b>	<b>2,639.64</b>	<b>3,081.64</b>
<b>Current Liabilities</b>					
a. Short Term Borrowings	2,189.54	2,631.85	2,895.86	2,622.79	2,633.36
b. Trade Payables	2,484.31	1,983.89	2,198.95	2,282.06	1,479.07
c. Other Current Liabilities	286.31	565.94	798.15	769.54	852.87
d. Short Term Provisions	379.06	130.68	121.15	133.25	8.36
	<b>5,339.23</b>	<b>5,312.37</b>	<b>6,014.11</b>	<b>5,807.65</b>	<b>4,973.67</b>
<b>TOTAL</b>	<b>16,461.90</b>	<b>14,214.97</b>	<b>12,639.79</b>	<b>12,347.63</b>	<b>11,748.87</b>
<b>ASSETS</b>					
<b>Non Current Assets</b>					
a. Fixed Assets					
i. Tangible Assets	12,423.09	10,093.09	9,969.92	9,869.28	9,618.36
ii. Intangible Assets (Net)	-	-	-	-	-
Gross Block	12,423.09	10,093.09	9,969.92	9,869.28	9,618.36
Less: Accumulated Depreciation	7,368.53	7,057.85	6,795.81	6,113.30	5,336.05
<b>Net Block</b>	<b>5,054.56</b>	<b>3,035.24</b>	<b>3,174.11</b>	<b>3,755.98</b>	<b>4,282.31</b>
iii. Work in Progress	1,315.09	462.91	-	-	-
b. Non Current Investments	10.24	10.24	11.04	11.04	11.04
b. Deferred Tax Assets (Net)	77.23	113.66	145.04	97.40	29.20
c. Long term Loans & Advances	1,679.93	1,564.36	538.48	138.23	389.64
d. Other Non Current Assets	16.20	16.20	16.20	56.68	63.57
	<b>3,098.68</b>	<b>2,167.38</b>	<b>710.76</b>	<b>303.34</b>	<b>493.44</b>
<b>Current Assets</b>					
a. Inventories	1,316.68	1,366.21	1,057.22	1,092.74	1,125.32
b. Trade Receivables	6,084.13	5,373.72	5,413.39	6,498.71	5,213.24
c. Cash and Cash Equivalents	148.35	633.14	109.47	110.77	67.54
d. Short Term Loans & Advances	759.49	1,639.27	2,174.84	586.09	567.02
e. Other Current Assets	-	-	-	-	-
<b>TOTAL</b>	<b>16,461.89</b>	<b>14,214.96</b>	<b>12,639.79</b>	<b>12,347.63</b>	<b>11,748.87</b>

**Annexure II**  
**STATEMENT OF STANDALONE PROFIT AND LOSS ACCOUNT, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>INCOME</b>					
Revenue from Operations	27,357.80	22,362.65	20,402.93	18,324.81	14,605.64
Other Income	31.76	12.63	9.30	13.75	47.88
<b>Total Income</b>	<b>27,389.56</b>	<b>22,375.28</b>	<b>20,412.23</b>	<b>18,338.56</b>	<b>14,653.52</b>
<b>EXPENDITURE</b>					
Employee benefit expenses	3,473.42	2,715.21	2,227.87	1,481.28	809.12
Cost of Production	19,458.54	16,221.85	15,363.04	14,170.32	11,306.24
Change in Inventory	(120.56)	(65.13)	(9.87)	(57.76)	(46.26)
Finance costs	507.68	531.83	640.94	685.57	699.45
Depreciation and amortization expense	343.94	305.85	692.31	799.94	769.76
Administration Expenses	1,937.63	1,708.99	1,183.18	991.89	1,104.54
<b>Total Expenses</b>	<b>25,600.65</b>	<b>21,418.61</b>	<b>20,097.47</b>	<b>18,071.25</b>	<b>14,642.84</b>
<b>Profit before extraordinary items, Exceptional item and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Prior period items (Net)	-	-	-	-	-
<b>Profit before exceptional, extraordinary items and tax (A-B)</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Exceptional items	-	-	-	-	-
<b>Profit before extraordinary items and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Exceptional items	-	-	-	-	-
<b>Profit before extraordinary items and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Extraordinary items	-	-	-	-	-
<b>Profit before tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
<i>Tax expense :</i>					
(i) Current tax	320.00	60.00	77.00	88.00	-
(ii) Deferred tax	36.44	31.38	(47.64)	(68.59)	55.62
(iii) Tax expenses related to prior period items	(1.66)	(32.94)	8.61	41.13	-
(iii) Tax expenses related to prior year written back	-	-	0.39	-	-
<b>Total Tax Expense</b>	<b>354.78</b>	<b>58.43</b>	<b>38.36</b>	<b>60.54</b>	<b>55.62</b>
<b>Profit for the year</b>	<b>1,434.14</b>	<b>898.24</b>	<b>276.39</b>	<b>206.77</b>	<b>66.29</b>

**Annexure III**  
**STANDALONE CASH FLOW STATEMENT, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Cash flow from operating activities:</b>					
Net Profit before tax as per Profit And Loss A/c	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.70</b>	<b>10.68</b>
Adjusted for:					
Depreciation & Amortization	343.94	305.85	692.31	799.94	769.76
Interest & Finance Cost	507.68	531.83	640.94	685.57	699.45
Interest & Dividend income	(8.59)	(5.66)	(5.98)	(5.48)	(4.63)
Exceptional & Extraordinary Items	-	-	-	-	-
<b>Operating Profit Before Working Capital Changes</b>	<b>2,631.95</b>	<b>1,788.69</b>	<b>1,642.02</b>	<b>1,747.74</b>	<b>1,475.26</b>
Adjusted for (Increase)/ Decrease:					
Trade Receivables	(710.40)	39.66	1,085.32	(1,285.47)	(2,652.17)
Inventories	49.53	(308.99)	35.52	32.57	260.78
Short Term Loans and Advances	879.78	535.57	(1,588.75)	(19.07)	118.37
Other Current Assets	-	-	-	-	-
Trade payables	500.42	(215.05)	(83.12)	802.99	365.11
Current Liabilities	(279.63)	(232.21)	28.62	(83.33)	16.52
Short Term Provisions (except Tax provision)	(11.62)	26.54	(1.11)	36.89	(45.29)
<b>Cash Generated From Operations Before Extra-Ordinary Items</b>	<b>3,060.03</b>	<b>1,634.21</b>	<b>1,118.51</b>	<b>1,232.33</b>	<b>(461.42)</b>
Add:- Extra-Ordinary Items	-	-	-	-	-
<b>Cash Generated From Operations</b>	<b>3,060.03</b>	<b>1,634.21</b>	<b>1,118.51</b>	<b>1,232.33</b>	<b>(461.42)</b>
Direct Tax Paid	58.34	44.06	97.00	41.13	-
<b>Net Cash Flow from/(used in) Operating Activities:(A)</b>	<b>3,001.69</b>	<b>1,590.15</b>	<b>1,021.51</b>	<b>1,191.20</b>	<b>(461.42)</b>
<b>Cash Flow From Investing Activities:</b>					
Purchase of Fixed Assets	(3,215.45)	(633.51)	(111.99)	(274.79)	(581.04)
Sale of fixed asset	(0.00)	3.62	1.53	1.18	33.64
Interest Income	8.59	5.66	5.98	5.48	4.63
<b>Net Cash Flow from/(used in) Investing Activities: (B)</b>	<b>(3,206.86)</b>	<b>(624.23)</b>	<b>(104.47)</b>	<b>(268.13)</b>	<b>(542.76)</b>
<b>Cash Flow from Financing Activities:</b>					
Proceeds From Share Capital	-	347.40	50.00	-	-
Proceeds from Share Premium	-	1,215.90	175.00	-	-
Proceeds from Share Application Money	-	-	-	-	-
Increase / (Decrease) Long Term Borrowing	630.56	(260.84)	(415.29)	(444.70)	(214.53)
Increase / (Decrease) Long Term Provision	116.48	76.22	9.64	0.81	5.05
Increase / (Decrease) in Short Term Borrowing	(442.31)	(264.01)	273.07	(10.57)	1,954.27
Increase / (Decrease) in Long Term Liabilities	38.90	-	(10.03)	1.89	(19.68)
Increase / (Decrease) in Long Term Loans & Advances	(115.56)	(1,025.89)	(400.25)	251.42	(44.56)
Increase / (Decrease) in Non Current Assets	-	-	40.47	6.89	9.63
Increase / (Decrease) in Non Current Investments	-	0.80	-	-	-
Interest & Financial Charges	(507.68)	(531.83)	(640.94)	(685.57)	(699.45)
<b>Net Cash Flow from/(used in) Financing Activities (C)</b>	<b>(279.62)</b>	<b>(442.25)</b>	<b>(918.33)</b>	<b>(879.84)</b>	<b>990.73</b>

<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(484.79)</b>	<b>523.67</b>	<b>(1.29)</b>	<b>43.23</b>	<b>(13.46)</b>
<b>Cash &amp; Cash Equivalents As At Beginning of the Year</b>	<b>633.14</b>	<b>109.47</b>	<b>110.77</b>	<b>67.54</b>	<b>80.99</b>
<b>Cash &amp; Cash Equivalents As At End of the Year</b>	<b>148.35</b>	<b>633.14</b>	<b>109.47</b>	<b>110.77</b>	<b>67.54</b>

## THE ISSUE

### PRESENT ISSUE IN TERMS OF THIS DRAFT LETTER OF OFFER

<b>Equity Shares Offered:</b> Present Issue of Equity Shares by our Company	87,82,667 Equity Shares of ₹ 10 each
<b>Rights Issue Size</b>	₹ 8,782.67 lakhs
<b>Rights Entitlement</b>	2 Equity Shares for every 3 Equity Shares held on the Record Date
<b>Record Date</b>	[•]
<b>Issue Price per Rights Share</b>	₹ 100
<b>Equity Shares outstanding prior to the Issue</b>	1,31,74,000 Equity Shares of ₹ 10 each
<b>Equity Shares outstanding after the Issue<sup>(1)</sup></b>	2,19,56,667 Equity Shares of ₹ 10 each
<b>Use of Issue Proceeds</b>	Please refer to the section titled “ <i>Objects of the Issue</i> ” beginning on page no. 59 of this Draft Letter of Offer.
<b>Terms of the Issue</b>	Please refer to the section titled “ <i>Terms of the Issue</i> ” beginning on page no. 224 of this Draft Letter of Offer.
<b>Terms of Payment</b>	The full amount of ₹ 100 per Equity Shares is payable on application.

<sup>(1)</sup> assuming full subscription and allotment of the Equity Shares in the Issue

The Issue has been authorized by the Board of Directors of our Company vide a resolution passed at its meeting held on August 23, 2016 and by the Shareholders vide a resolution passed in its Annual Ordinary General Meeting held on September 20, 2016.

## GENERAL INFORMATION

Our Company was incorporated as Vishal Fabrics Private Limited on October 22, 1985 under the Companies Act, 1956 bearing the Registration Number 008206 of 1985-86 with the Registrar of Companies, Gujarat. The status of our Company was changed to a public limited company and the name of our Company was changed to Vishal Fabrics Limited by a special resolution passed on February 25, 2014. The fresh certificate of incorporation consequent to the change of name was granted to our Company on March 31, 2014, by the Registrar of Companies, Ahmedabad, Gujarat. For further details of our change of name, please refer to section titled “*History and Certain Corporate Matters*” beginning on page no. 113 of this Draft Letter of Offer.

The Board of Directors of the Company has approved the Issue under Section 62(1)(A) of the Companies Act, at their meeting held on August 23, 2016 to make the offer to Eligible Equity Shareholders of the Company with a right to renounce. The same was further approved by the shareholders at the AGM held on September 20, 2016. Subsequently, the Board of Directors approved this Draft Letter of Offer at their meeting held on September 29, 2016.

ISSUE OF 87,82,667 EQUITY SHARES WITH A FACE VALUE OF ₹ 10 EACH (“RIGHTS SHARES”) FOR CASH AT A PRICE OF ₹ 100/- PER RIGHT SHARE (INCLUDING A PREMIUM OF ₹ 90/- PER RIGHTS SHARE) FOR AN AMOUNT AGGREGATING TO ₹ 8,782.67 LAKHS ON RIGHTS BASIS IN THE RATIO OF 2 RIGHTS SHARES FOR EVERY 3 FULLY PAID UP EQUITY SHARES HELD BY THE EQUITY SHAREHOLDERS ON THE RECORD DATE, i.e. [●], 2016. THE FACE VALUE OF THE RIGHTS SHARES IS ₹ 10 EACH AND THE ISSUE PRICE IS 10.00 TIMES OF THE FACE VALUE OF THE EQUITY SHARES.

### Brief Company and Issue Information

Registered Office	Corporate Office
Ranipur, Narol Road, Ahmedabad – 382405. Gujarat Tel. No.: +91 – 79 – 25353977 / 78 / 79 / 80; Fax No.: +91 – 79 – 25353981; Email: <a href="mailto:cs.vfl@chiripalgroup.com">cs.vfl@chiripalgroup.com</a> ; Website: <a href="http://www.vishalfabricsltd.com">www.vishalfabricsltd.com</a>	Chiripal House, Near Shivranjani Cross Roads, Satellite, Ahmedabad – 380015 Tel. No.: +91 – 79 – 26734660 / 62 / 63 Fax No.: +91 – 79 – 26768656

<b>Date of Incorporation</b>	October 22, 1985
<b>Company Registration No.</b>	008206
<b>Company Identification No.</b>	L17110GJ1985PLC008206
<b>Address of Registrar of Companies</b>	RoC Bhavan , Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad-380013 Phone: 079-2743 7597; Fax: 079-2743 8371 Email : <a href="mailto:roc.ahmedabad@mca.gov.in">roc.ahmedabad@mca.gov.in</a>
<b>Issue Programme</b>	Issue Opens on: [●] Issue Closes on: [●]
<b>Designated Stock Exchange</b>	SME Platform of BSE Limited
<b>Company Secretary &amp; Compliance Officer</b>	<b>Ms. Tanushree Dave</b> Chiripal House, Near Shivranjani Cross Roads, Satellite, Ahmedabad – 380015 Tel. No.: +91 – 79 – 26734660 / 62 / 63 Fax No.: +91 – 79 – 26768656 Email: <a href="mailto:tanushree.dave@chiripalgroup.com">tanushree.dave@chiripalgroup.com</a>

### Board of Directors of the Company

The following table sets forth the Board of Directors of our Company:

Sr. No.	Name, Address and Age	Status	Designation	DIN No.
1.	<b>Mr. Jyotiprasad Devkinandan Chiripal</b> <b>Address:</b> 91, Basant Bahar Bungalows, Opp. Sterling City, Bopal, Ahmedabad – 380058	Executive and Non-Independent Director	Managing Director	00155695

	<b>Age:</b> 62			
2.	<b>Mr. Amit Kadmawala</b> <b>Address:</b> 2, Jaldeep, Near Sarasvati Flat, Kankaria, Ahmedabad – 380 022 <b>Age:</b> 39	Executive and Non-Independent Director	Whole Time Director	07016454
3.	<b>Mr. Arakhita Khandual</b> <b>Address:</b> B-102, Panchdhara Plaza, Satellite Road, Ahmedabad – 380015 <b>Age:</b> 63	Non - Executive Director	Independent Director	00055601
4.	<b>Mr. Shubhankar Jha</b> <b>Address:</b> Sardar Patel Ring Road, Shela, Sanand, Ahmedabad – 380 058 <b>Age:</b> 68	Non - Executive Director	Independent Director	07208823
5.	<b>Ms. Dhara Shah</b> <b>Address:</b> 1385-5, Salvi's Corner, Dhanasuthar's Pole, Relief Road, Ahmedabad – 380 001 <b>Age:</b> 27	Non - Executive Director	Independent Director	06983857

For further details pertaining to the educational qualification and experience of our Directors, please see the Chapter titled “Our Management” on beginning on page no. 116 of this Draft Letter of Offer.

*Investors may contact the Company Secretary and Compliance Officer for any pre-issue /post-issue related matters such as non-receipt of letters of allotment/ share certificates/ refund orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.*

## DETAILS OF KEY INTERMEDIARIES PERTAINING TO THIS ISSUE AND OUR COMPANY

### LEAD MANAGER OF THE ISSUE



**ARYAMAN FINANCIAL SERVICES LIMITED**  
60, Khatau Building, Gr. Floor,  
Alkesh Dinesh Modi Marg, Opp. P.J. Tower (BSE Bldg.),  
Fort, Mumbai – 400 001  
Tel. No.: +91 – 22 – 6216 6999  
Fax No.: +91 – 22 – 2263 0434  
Website: [www.afsl.co.in](http://www.afsl.co.in)  
Email: [ipo@afsl.co.in](mailto:ipo@afsl.co.in)  
Investor Grievance Email: [feedback@afsl.co.in](mailto:feedback@afsl.co.in)  
Contact Person: Mr. Pranav Nagar  
SEBI Registration No.: INM000011344

### REGISTRAR TO THE ISSUE



**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup West,  
Mumbai – 400 078.  
Tel. No.: +91 – 22 – 6171 5400  
Fax No.: +91 – 22 – 2596 0329  
Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)  
Investor Grievance Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)  
Contact Person: Mr. Dinesh Yadav  
SEBI Registration. No.: INR000004058

## LEGAL COUNSEL TO THE ISSUE



### **Juris Matrix (Advocates & Solicitors)**

302, Apeejay House,  
130, Mumbai Samachar Marg,  
Fort, Mumbai – 400 001  
Tel No.: +91 – 22 – 2285 6164  
Fax No.: +91 – 22 – 2283 4519  
Email: [anil@jurismatrix.net](mailto:anil@jurismatrix.net)  
Contact Person: Mr. Anil Shah

## STATUTORY AUDITORS OF THE COMPANY

**M/s Anil S. Shah & Co.,**  
Chartered Accountants  
302, Shailly Complex, Opp. Loha Bhavan,  
9, Nehru Park, Old High Court, Navrangpura,  
Ahmedabad – 380009  
Tel No.: +91 – 79 – 2754 1146  
Email: [kprofessionals@yahoo.com](mailto:kprofessionals@yahoo.com)  
Contact Person: Mr. Krunal A. Shah

## BANKER(S) TO OUR COMPANY



### **Oriental Bank of Commerce**

“Neel Kamal”, Opposite Sales India,  
Ashram Road, Ahmedabad – 380 009  
Tel. No.: +91 – 79 – 2754 1113 / 2029  
Fax No.: +91 – 79 – 2754 5672  
Email: [bm0170@obc.co.in](mailto:bm0170@obc.co.in)  
Web Site: [www.obcindia.co.in](http://www.obcindia.co.in)  
Contact Person: Mr. Firoz Hasnain

[•]

## MARKET MAKER



### **ARYAMAN CAPITAL MARKETS LIMITED**

60, Khatau Building, Gr. Floor,  
Alkesh Dinesh Modi Marg, Opp. P. J. Tower (BSE Bldg.),  
Fort, Mumbai – 400 001  
Tel. No.: +91 – 22 – 6216 6999  
Fax No.: +91 – 22 – 2263 0434  
Email: [aryacapm@gmail.com](mailto:aryacapm@gmail.com)  
Contact Person: Mr. Harshad Dhanawade  
SEBI Registration No.: INB011465938  
Market Maker Reg. No.: SMEMM0651421122012

## BANKERS TO THE ISSUE / ESCROW COLLECTION BANKS

[•] (will be appointed later)

## REFUND BANKER TO THE ISSUE

[•] (will be appointed later)

### **Self Certified Syndicate Banks**

The list of Banks that have been notified by SEBI to act as SCSBs for the ASBA process are provided on <http://www.sebi.gov.in>.

### Statement of Inter-se Allocation of Responsibilities

Aryaman Financial Services Limited is the Sole Lead Manager to this issue, and hence is responsible for all the issue management related activities.

### Monitoring Agency

As per Regulation 16(1) of the SEBI (ICDR) Regulations, 2009 the requirement of Monitoring Agency is not mandatory if the issue size is below ₹ 50,000 lakhs. Since the Issue size is below ₹ 50000 lakhs, our Company has not appointed a monitoring agency for this issue. However, as per the SEBI Listing Regulations the audit committee of our Company appointed by the Board would be monitoring the utilization of the proceeds of the Issue.

### Trustees

This being an Issue of Rights Equity Shares, the appointment of trustee(s) is not required.

### Details of the Appraising Authority

The objects of the Issue and deployment of funds are not appraised by any independent agency/ bank/ financial institution.

### Credit Rating

This being an Issue of Equity Shares, no credit rating is required.

### Principal Terms of Loans and Assets Charged as Security

For further details in connection with the principal terms of loans and assets charged as security, please see the chapter entitled '*Financial Indebtedness*' on page no. 193 of this Draft Letter of Offer.

### Expert Opinion

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received written consent from the Statutory Auditor namely, M/s. Anil S. Shah & Co., Chartered Accountants to include their name as required under section 26(1)(a)(v) of the Companies Act, 2013 in this Draft Letter of Offer and as "Expert" as defined under section 2(38) of the Companies Act, 2013 in respect of the reports on the Restated Financial Statements dated September 16, 2016 and the Statement of Tax Benefits dated September 08, 2016, issued by them, included in this Draft Letter of Offer and such consent has not been withdrawn as on the date of this Draft Letter of Offer. However, the term "expert" shall not be construed to mean an "expert" as defined under the U.S. Securities Act.

### Underwriting

This Issue is 100% Underwritten and the Underwriting agreement is dated September 24, 2016. Pursuant to the terms of the Underwriting Agreement; the obligations of the Underwriters are several and are subject to certain conditions specified therein. The Underwriters have indicated their intention to underwrite the following number of specified securities being offered through this Issue:

Details of the Underwriter	No. of Shares Underwritten	Amount Underwritten (₹ in lakhs)	% of the Total Issue Size Underwritten
Aryaman Financial Services Limited	87,82,667	8,782.67	100.00
<b>Total</b>	<b>87,82,667</b>	<b>8,782.67</b>	<b>100.00</b>

As per Regulation 106P (2) of SEBI (ICDR) Regulations, 2009, the Lead Manager has underwritten at least 15% of the Issue out of its own account.

In the opinion of the Board of Directors (based on certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The

above – mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as broker with the Stock Exchange.

### Minimum Subscription

This Rights Issue is fully underwritten and not subject to any level of minimum subscription.

### Subscription by Promoter and Promoter Group

Our Promoter and Promoter Group through their letters dated September 21, 2016 have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Such allotment of Rights Shares shall be exempt from open offer requirements in terms of Regulation 10(4)(a) of the SEBI (SAST) Regulations, 2011. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, our Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to 100% of the Issue subject to the condition that any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in the SEBI Listing Regulations.

As a result of this subscription and consequent allotment, the Promoter & Promoter Group may acquire shares over and above their entitlement in the Issue, subject to aggregate shareholding of the Promoter and Promoter Group not exceeding 75% of the issued, outstanding and fully paid-up equity share capital of the Company after the Issue. As a result of such subscription and consequent allotment of Equity Shares, the aforementioned Promoter & Promoter Group may acquire Equity Shares in excess of its Right Entitlements. Such acquisition will not attract open offer obligation subject to compliance with Regulation 10(4)(b) of the SEBI (SAST) Regulations, 2011.

As such, other than meeting the requirements indicated in this section on “*Objects of the Issue*” on page no. 59 of this Draft Letter of Offer, there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter’s & Promoter Groups’ shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

Allotment to the Promoter & Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with Regulation 38 of the SEBI Listing Regulations and other applicable laws prevailing at that time relating to continuous listing requirements.

Further, the proposed Rights Shares to be allotted to our Promoter / Promoter Group will be partly against conversion of any unsecured loans brought in by them till the date of the Letter of Offer and balance against application money brought in during the Issue Period. The said conversion of loans from promoters against their rights allotments (received upto the date of Letter of Offer) has been approved by our board as well as shareholders have vide their meeting dated August 23, 2016 and September 20, 2016 respectively. For further details regarding our fund requirements, means of finance, funds deployed and other such particulars, please refer the chapter “Objects of the Issue” on page no. 59 of this Draft Letter of Offer.

### Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date	●
Last Date for request for Split Application Forms	●
Issue Closing Date	●

**The Board of Directors or a duly authorised committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 days from the Issue Opening Date.**

## CAPITAL STRUCTURE

The share capital of the Company as at the date of this Draft Letter of Offer is set forth below:

(₹ in lakhs, except share data)

Sr. No.	Particulars	Aggregate Value at Nominal Value	Aggregate Value at Issue Price
<b>A</b>	<b>Authorised Share Capital</b>		
	2,50,00,000 Equity Shares of face value of ₹ 10 each	2,500.00	
<b>B</b>	<b>Issued, Subscribed and Paid-up Share Capital before the Issue</b>		
	1,31,74,000 Equity Shares of face value of ₹ 10 each	1,317.40	
<b>C</b>	<b>Present Issue in terms of this Draft Letter of Offer<sup>(1)</sup></b>		
	Issue of 87,82,667 Equity Shares of ₹ 10 each at a price of ₹ 100 per Equity Share	878.27	8,782.67
<b>D</b>	<b>Equity Share Capital after the Issue</b>		
	2,19,56,667 Equity Shares of ₹ 10 each	2,195.67	
<b>E</b>	<b>Securities Premium Account</b>		
	Before the Issue	1,390.90	
	After the Issue	9,295.30	

<sup>(1)</sup> The present Issue has been authorized pursuant to a resolution of our Board dated August 23, 2016 and by Special Resolution passed under Section 62(1)(A) of the Companies Act, 2013 at the Annual General Meeting of our shareholders held on September 20, 2016.

Our Company has no outstanding convertible instruments as on the date of this Draft Letter of Offer.

### Classes of Shares

As on date, the Company has only one class of share capital i.e. Equity Shares of ₹ 10 each.

### Changes in Authorized Share Capital

Date of Change/Meeting	Existing Capital		Additional Capital		Total Capital		Remarks	Authorized Share Capital (₹)
	No. of Shares	₹ / Share	No. of Shares	₹ / Share	No. of Shares	₹ / Share		
On Incorporation	-	-	15,000	100	15,000	100	Incorporation	15,00,000
April 29, 2003	15,000	100	1,00,000	100	1,15,000	100	Increase	1,15,00,000
August 19, 2013	1,15,000	100	1,85,000	100	3,00,000	100	Increase	3,00,00,000
January 20, 2014	3,00,000	100	7,00,000	100	10,00,000	100	Increase	10,00,00,000
February 25, 2014	10,00,000	100	5,00,000	100	15,00,000	100	Increase	15,00,00,000
February 25, 2014	Sub Division of the Face Value of the Equity Shares from ₹ 100 to ₹ 10 each				1,50,00,000	10	Sub-Division	15,00,00,000
September 28, 2015	1,50,00,000	10	50,00,000	10	2,00,00,000	10	Increase	20,00,00,000
September 20, 2016	2,00,00,000	10	50,00,000	10	2,50,00,000	10	Increase	25,00,00,000

## NOTES TO THE CAPITAL STRUCTURE

### 1. Share Capital History of our Company:

Our Company has made allotments of Equity Shares from time to time. The following is the Equity Share Capital Build-up of our Company:

Date of Allotment of Equity Shares	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Nature / Reason of Allotment	Nature of Consideration	Cumulative No. of Equity Shares	Cumulative Paid Up Share Capital (₹)	Cumulative Share Premium (₹)	
October 22, 1985	4	100	100	Subscription to MoA	Cash	4	400	Nil	
June 07, 1986	800	100	100	Further Allotment	Cash	804	80,400	Nil	
March 21, 1989	1,596	100	100	Further Allotment	Cash	2,400	2,40,000	Nil	
September 04, 1998	2,100	100	300	Further Allotment	Cash	4,500	4,50,000	4,20,000	
July 21, 2000	10,500	100	100	Further Allotment	Cash	15,000	15,00,000	4,20,000	
May 12, 2003	40,000	100	700	Further Allotment	Cash	55,000	55,00,000	2,44,20,000	
March 28, 2005	10,000	100	2,000	Further Allotment	Cash	65,000	65,00,000	4,34,20,000	
September 20, 2006	45,000	100	100	Further Allotment	Cash	1,10,000	1,10,00,000	4,34,20,000	
November 26, 2007	5,000	100	2100	Further Allotment	Cash	1,15,000	1,15,00,000	5,34,20,000	
January 28, 2014	3,45,000	100	-	Bonus Allotment <sup>(1)</sup>	Non – Cash	4,60,000	4,60,00,000	1,89,20,000	
February 25, 2014	Sub Division of the Face Value of the Equity Shares from ₹ 100 to ₹ 10 each						46,00,000	4,60,00,000	1,89,20,000
March 04, 2014	46,00,000	10	-	Bonus Allotment <sup>(2)</sup>	Non – Cash	92,00,000	9,20,00,000	Nil	
March 29, 2014	5,00,000	10	45	Further Allotment	Cash	97,00,000	9,70,00,000	1,75,00,000	
August 13, 2014	34,74,000	10	45	Initial Public Offering	Cash	1,31,74,000	13,17,40,000	13,90,90,000	

<sup>(1)</sup> Pursuant to the approval in EGM held on January 20, 2014, our Company has issued 3,45,000 Bonus Shares in the ratio of 3:1 i.e. 3 equity shares of ₹ 100 each for every 1 equity share of ₹ 100 each held to the shareholders, by way of capitalization of Securities Premium.

<sup>(2)</sup> Pursuant to the approval in EGM held on February 25, 2014, our Company has issued 4,600,000 Bonus Shares in the ratio of 1:1 i.e. 1 equity shares of ₹ 10 each for every 1 equity share of ₹ 10 each held to the shareholders, by way of capitalization of Securities Premium and Profit & Loss / General Reserve.

2. Our Company has not issued Equity Shares for consideration other than cash except for the Equity Shares as mentioned under:

Date of Allotment	No. of Equity Shares	Face Value (₹)	Nature of Allotment	Allotted Person	Benefits Accrued to the Company
January 28, 2014	3,45,000	100	Bonus Issue in the ratio 3:1	Shareholders of the Company as on date	Nil
March 04, 2014	46,00,000	10	Bonus Issue in the ratio 1:1	Shareholders of the Company as on date	Nil

3. No shares have been allotted in terms of any scheme approved under sections 391-394 of the Companies Act, 1956.
4. Our Company has not revalued its assets since inception and hence there are no revaluation reserves.
5. Our Company does not have any Employee Stock Option Scheme / Employee Stock Purchase Plan and we do not intend to allot any shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Plan from the proposed rights issue. As and when, options are granted to our employees under the Employee Stock Option Scheme, our company shall comply with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Plan) Guidelines 1999 / SEBI (Share Based Employee Benefits) Regulations, 2014.
6. Our Company has not allotted Equity Shares during preceding one year from the date of the Draft Letter of Offer which may be lower than the Issue price.
7. Shareholding of our Promoters

Date of Allotment / Transfer	Nature of Transaction	Consideration	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Cumulative no. of Equity shares	% of Pre-Issue Paid Up Capital	% of Post-Issue Paid Up Capital	
<b>Chiripal Industries Limited<sup>(1)(2)(3)</sup></b>									
May 12, 2003	Allotment	Cash	14,000	100	700	14,000	1.44	1.06	
March 31, 2004	Transfer	Cash	(14,000)	100	100	Nil	N. A.	N. A.	
March 31, 2006	Transfer	Cash	56,100	100	100	56,100	5.78	4.26	
September 20, 2006	Further Allotment	Cash	45,000	100	100	1,01,100	10.42	7.67	
November 26, 2007	Further Allotment	Cash	5,000	100	2,100	1,06,100	10.94	8.05	
January 28, 2014	Allotment of Bonus	Non-Cash	3,18,300	100	-	4,24,400	43.75	32.21	
January 31, 2014	Transfer	Cash	(1,06,100)	100	900	3,18,300	32.81	24.16	
February 25, 2014	Sub Division of the Face Value of the Equity Shares from ₹ 100 to ₹ 10 each						31,83,000	32.81	24.16
March 04, 2014	Allotment of Bonus	Non-Cash	31,83,000	10	-	63,66,000	65.63	48.32	

<sup>(1)</sup> Our Promoter Chiripal Industries Limited was formerly known as Chiripal Twisting & Sizing Pvt. Ltd. The name was later changed to Chiripal Petrochemicals Limited and again to Chiripal Industries Limited.

<sup>(2)</sup> None of the shares belonging to our promoters have been pledged till date.

<sup>(3)</sup> Our Promoter has confirmed to the Company and the Lead Manager that the Equity Shares held by our Promoter has been financed from its owned funds and internal accruals and no loans or financial assistance from any bank or financial institution has been availed by them for this purpose.

8. None of the Equity Shares held by the Promoter is subject to lock-in as on the date of this Draft Letter of Offer except:

Sr. No.	Name of the Shareholder	No. of Shares	Lock – in Period	
			From	To
1.	Chiripal Industries Limited	26,50,000	August 12, 2014	August 16, 2017

9. The Issue being a Rights Issue, the requirement of promoter's contribution and lock-in as per Regulation 34(C) of the SEBI (ICDR) Regulations, are not applicable.
10. None of the Directors of our Promoter hold any Equity Shares of our Company
11. There are no transactions in our Equity Shares during the past six months,, which have been purchased/(sold) by our Promoters, their relatives and associates, persons in Promoter Group (as defined under sub-clause (zb) sub

regulation (1) Regulation 2 of the SEBI (ICDR) Regulations, 2009) or the Directors of the Company except as mentioned below:

Date of Transaction	Name of Transferor	Name of Transferee	No. of Shares	Price (₹)
August 11, 2016	Chiripal Exim LLP	N. A. (Open Market)	(65,250)	174.00
August 12, 2016	Chiripal Exim LLP	N. A. (Open Market)	(65,250)	172.32
August 17, 2016	Preetidevi Chiripal	N. A. (Open Market)	(34,500)	172.32

12. None of the members of the Promoter Group, Directors and their immediate relatives have financed the purchase of Equity shares of our Company, by any other person during the period of six months immediately preceding the date of this Draft Letter of Offer.

### 13. Shareholding Pattern of the Company

The following is the shareholding pattern of the Company as on September 23, 2016

Category (I)	Category of Share- holder (II)	No. of Share-holder (III)	No. of fully paid-up equity shares held(IV)	No. of Partly paid-up equity shares held (V)	No. of shares Underlying Depository Receipts (VI)	Total Nos. Shares held (VII) = (IV) + (V) + (VI)	Share holding as a % of total No. of Shares (calculated As per SCRR, 1957)(VIII)As a % of (A+B+C2)	Number of Voting Rights held in each Class of securities (IX)				No of Underlying Outstanding Convertible securities(incl. Warrants)(X)	Share Holding as a % assuming Full convertible securities (as a% of Diluted Share Capital)(XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked In shares (XII)		No. of shares Pledged Or Otherwise encumbered (XIII)		No. of Equity shares held in De-mat form (XIV)
								No of voting Right			Total As a %of(A+B+C)			No (a)	As a %of total shares held(b)	No (a)	As a % of total shares held(b)	
								Class-Equity	Cl ass	Total								
(A)	Promoter & Promoter Group	15	95,35,000	-	-	95,35,000	72.38%	95,35,000	-	95,35,000	72.38%	-	72.38%	26,50,000	27.32%	-	-	95,35,000
(B)	Public	129	36,39,000	-	-	36,39,000	27.62%	36,39,000	-	36,39,000	27.62%	-	27.62%	-	-	-	-	36,39,000
(C)	Non Promoter Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	Shares Underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	Shares held by Employee Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>144</b>	<b>1,31,74,000</b>	<b>-</b>	<b>-</b>	<b>1,31,74,000</b>	<b>100.00%</b>	<b>1,31,74,000</b>	<b>-</b>	<b>1,31,74,000</b>	<b>100.00%</b>	<b>-</b>	<b>100.00%</b>	<b>26,50,000</b>	<b>20.12%</b>	<b>-</b>	<b>-</b>	<b>1,31,74,000</b>

Note: C=C1+C2

14. The aggregate shareholding of the Promoter / Promoter Group as on September 23, 2016.

Name of the Shareholder	No. of Shares	%
<b>Promoter and Promoter Group</b>		
Chiripal Industries Limited	63,66,000	48.32
Chiripal Exim LLP	11,80,500	8.96
Devkinandan Corporation LLP	13,11,000	9.95
Preetidevi Chiripal	2,61,500	1.98
Nishi Agarwal	72,000	0.55
Shivani Chiripal	72,000	0.55
Shaloo Agarwal	48,000	0.36
Priyanka Chiripal	40,000	0.30
Savitridevi Vedprakash Chiripal	32,000	0.24
Vishal Chiripal	32,000	0.24
Deepak Agarwal	24,000	0.18
Manjudevi Agarwal	24,000	0.18
Ronak Agarwal	24,000	0.18
Urmila Agarwal	24,000	0.18
Vedprakash Brijmohan HUF	24,000	0.18
<b>Total Promoter &amp; Promoter Group Holding</b>	<b>95,35,000</b>	<b>72.38</b>

15. Details of shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Public and holding more than 1% of the total number of shares as on September 23, 2016.

Name of the Shareholder	No. of Shares	%
Harshadbhai Narandas Patel	5,52,000	4.19
Viral Amar Patel	3,36,000	2.55
Kahini A. Patel	1,77,000	1.34
Samir Narayan Bhuta	1,68,000	1.28
Sunil Raghuvirprasad Agarwal	1,41,000	1.07
<b>Total</b>	<b>13,74,000</b>	<b>10.42</b>

16. None of the shareholding of the Promoters & Promoter Group is subject to lock-in as on the date of this Draft Letter of Offer except as below:

Name of the Shareholder	Total no. of Shares held	No. of Shares Locked-in	Lock-in upto
Chiripal Industries Limited	63,66,000	26,50,000	August 16, 2017

17. The top ten shareholders of our Company and their Shareholding is as set forth below:

a. The top ten Shareholders of our Company as on the date of this Draft Letter of Offer are:

Sr. No.	Particulars	No. of Shares	% of Shares to Pre – Issue Share Capital
1.	Chiripal Industries Limited	63,66,000	48.32%
2.	Devkinandan Corporation LLP	13,11,000	9.95%
3.	Chiripal Exim LLP	11,80,500	8.96%
4.	New Leaina Investments Limited	6,45,000	4.90%
5.	Harshadbhai Narandas Patel	5,52,000	4.19%
6.	Manuj Chiripal	4,10,250	3.11%
7.	Viraj Amar Patel	3,36,000	2.55%
8.	Pritidevi B Chiripal	2,61,500	1.98%
9.	Kahini A Patel	1,77,000	1.34%
10.	Samir Narayan Bhuta	1,68,000	1.28%
	<b>Total</b>	<b>1,14,07,250</b>	<b>86.59%</b>

b. The top ten Shareholders of our Company ten days prior to date of this Draft Letter of Offer are:

Sr. No.	Particulars	No. of Shares	% of Shares to Pre – Issue Share Capital
1.	Chiripal Industries Limited	63,66,000	48.32%
2.	Devkinandan Corporation LLP	13,11,000	9.95%
3.	Chiripal Exim LLP	11,80,500	8.96%
4.	New Leaina Investments Limited	6,45,000	4.90%
5.	Harshadbhai Narandas Patel	5,52,000	4.19%
6.	Manuj Chiripal	4,10,250	3.11%
7.	Viraj Amar Patel	3,36,000	2.55%
8.	Pritidevi B Chiripal	2,61,500	1.98%
9.	Kahini A Patel	1,77,000	1.34%
10.	Samir Narayan Bhuta	1,68,000	1.28%
<b>Total</b>		<b>1,14,07,250</b>	<b>86.59%</b>

c. The top ten Shareholders of our Company two years prior to date of this Draft Letter of Offer (as on September 30, 2014) are:

Sr. No.	Particulars	No. of Shares	% of Shares Pre – Issue Share Capital
1.	Chiripal Industries Limited	63,66,000	48.32%
2.	Devkinandan Corporation LLP	13,11,000	9.95%
3.	Chiripal Exim LLP	13,11,000	9.95%
4.	Harshadbhai Narandas Patel	3,36,000	2.55%
5.	Mrudulaben Harshadbhai Patel	3,36,000	2.55%
6.	Pritidevi B Chiripal	2,96,000	2.25%
7.	Amar Harshad Patel	2,16,000	1.64%
8.	Samir Narayan Bhuta	1,68,000	1.28%
9.	Amar H Patel	1,68,000	1.28%
10.	Pushpadevi Agarwal	1,53,000	1.16%
<b>Total</b>		<b>1,06,61,000</b>	<b>80.92%</b>

18. Neither the Company, nor its Promoters, Directors and the Lead Manager have entered into any buyback and/or standby arrangements for purchase of Equity Shares of the Company from any person.
19. None of our Directors or Key Managerial Personnel holds Equity Shares in the Company, except as stated in the Chapter titled “*Our Management*” on page no. 116 of this Draft Letter of Offer.
20. No payment, direct, indirect in the nature of discount, commission, and allowance, or otherwise shall be made either by us or by our Promoters to the persons who receive allotments, if any, in this Issue.
21. As on date of this Draft Letter of Offer, the entire issued share capital of our Company is fully paid-up. The Equity Shares offered through this Rights Issue will be fully paid up.

The Promoter / Promoter Group of our Company, currently hold 95,35,000 Equity Shares aggregating to 72.38% of the Pre-Issue share capital of the Company and have undertaken that they intend to subscribe to the full extent of its Rights Entitlement in the Issue. Such allotment of Rights Shares shall be exempt from open offer requirements in terms of Regulation 10(4)(a) of the SEBI (SAST) Regulations, 2011. Further, the proposed Rights Shares to be allotted to our Promoter / Promoter Group will be partly against conversion of any unsecured loans brought in by them till the date of the Letter of Offer and balance against application money brought in during the Issue Period. The said conversion of loans from promoters (received upto the date of Letter of Offer) against their rights allotments has been approved by our board as well as shareholders have vide their meeting dated August 23, 2016 and September 20, 2016 respectively. For further details regarding our fund requirements, means of finance, funds deployed and other such particulars, please refer the chapter “Objects of the Issue” on page no. 59 of this Draft Letter of Offer.

Our Promoter / Promoter Group have also confirmed that they intend to subscribe for unsubscribed portion in the Issue, if any. Such subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with regulation 10(4) of SEBI (SAST) Regulations, 2011 subject to their shareholding not exceeding 75% of the issued, outstanding and fully paid up Equity Share capital in accordance with the provisions of the SEBI Listing Regulations.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Equity Shares of the Company shall not result in a change of control of the management of the Company in accordance with provisions of the Takeover Regulations and shall be exempt in terms of Regulation 10 (4) (a) and (b) of the SEBI (SAST) Regulations, 2011. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue. The ex-rights price of the equity shares as per Regulation 10(4) (b) of the Takeover Regulations is ₹ 146.04 per Equity Share.

For further details of under subscription and allotment to the Promoter and Promoter Group, please refer to subsection “*Basis of Allotment*” under the chapter “*Terms of the Issue*” beginning on page no. 243 of this Draft Letter of Offer.

22. As on the date of this Draft Letter of Offer, there are no outstanding financial instruments or any other rights that would entitle the existing Promoters or shareholders or any other person any option to receive Equity Shares after the Issue.
23. There shall be only one denomination of Equity Shares of our Company unless otherwise permitted by law. Our Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
24. Since the entire application money is being called on application, all successful applications, shall be issued fully paid up shares only.
25. Our Company presently does not intend or propose to alter its capital structure for a period of 6 months from the opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements. However, if business needs of our Company so require, our Company may alter its capital structure during the period of 6 months from the opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares), whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise, during the period of 6 months from the date of opening of the Issue or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining the requisite approvals.
26. Our Company shall ensure that transactions in the Equity Shares by our Promoters and our Promoter Group between the date of this Draft Letter of Offer and the Issue Closing Date shall be reported to the Stock Exchange within twenty-four hours of such transaction.
27. As on September 23, 2016, the Lead Manager and its associates do not hold any Equity Shares in our Company.
28. Our Company has One Hundred Forty Four (144) shareholders, as on September 23, 2016.
29. Our Company has not revalued its assets since incorporation.
30. Our Company made its initial public offering in the year 2014. For further details, please refer the chapter “*Other Regulatory and Statutory Disclosures*” on page no. 198 of this Draft Letter of Offer.
31. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from the date of this Draft Letter of Offer until the Equity Shares to be issued pursuant to this Issue have been listed.

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32. The Issue will remain open for fifteen (15) days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding thirty (30) days including the Issue Opening Date.

## SECTION IV – PARTICULARS OF THE ISSUE

### OBJECTS OF THE ISSUE

The Objects of the Issue are to:

- (a) Setting up a new Yarn Dyeing and Denim Processing unit at Dholi, Ahmedabad; and
- (b) Acquisition of companies having similar line, range and objects of business and other strategic initiatives.
- (c) Fund expenditure for General Corporate Purposes.

The Company believes that, availing funds from existing shareholders would be an effective source for meeting the funding requirements of the Company.

The main objects clause of our Memorandum of Association enables us to undertake the activities for which the funds are being raised by us in this Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of our Memorandum of Association.

### Proceeds of the Issue

The gross proceeds of the Issue are ₹ 8,782.67 lakhs. The Net Proceeds of the Issue, after deduction of Issue expenses, are ₹ 8,711.76 lakhs, which are summarised in the table below:

(₹ in lakhs)

Sr. No.	Particulars	Amount
1	Proceeds from the Issue <sup>(1)</sup>	8,782.67
2	Less: Issue Expenses	70.91
3	Net proceeds of the Issue (“ <b>Net Proceeds</b> ”)	8,711.76

<sup>(1)</sup> considering full subscription and allotment in the issue

### Requirement of Funds and Means of Finance

The fund requirements described below are based on management estimates and our Company’s current business plan and have not been appraised by any bank or financial institution.

MITCON Consultancy & Engineering Services Ltd. (‘**MCES**’), Pune, has submitted the Techno-Economic Viability Report (‘**TEV Report**’) dated August 08, 2015 and the Lender’s Independent Engineers Report (‘**LIE Report**’) dated August 24, 2016 (hereinafter collective referred to as ‘**Reports**’) to our Company for the Expansion Project of our Company. Data from the LIE Report by MCES has been used as a basis for explaining the status of the expansion project in this Offer Document wherever required.

We intend to utilise the Net Proceeds of ₹ 8,711.76 for financing the objects as set forth below:

(₹ in lakhs)

Sr. No.	Particulars	Total Estimated Cost	Term Loan	Internal Accruals	Estimated Amount to be utilised from Net Proceeds
1.	Setting up of a new Yarn Dyeing and Denim Processing Unit at Dholi, Ahmedabad	28,326.00	19,800.00	2,000.00	6,526.00
2.	Acquisition of companies having similar line, range and objects of business and other strategic initiatives	-	-	-	2,000.00
3.	To fund expenditure for General Corporate Purposes	-	-	-	185.76
<b>Total</b>		<b>28,326.00</b>	<b>19,800.00</b>	<b>2,000.00</b>	<b>8,711.76</b>

We confirm that firm arrangements of finance through verifiable means towards more than 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue, have been made in compliance with the Regulation 4(2) (g) of SEBI (ICDR) Regulations.

The term loan of ₹ 19,800 lakhs has been sanctioned by a consortium consisting of six (6) banks – ₹ 5,000 lakhs by Bank of Baroda, ₹ 5,000 lakhs by Bank of Maharashtra, ₹ 3,500 lakhs by SBI, ₹ 2,500 lakhs by Vijaya Bank, ₹ 1,800 lakhs by Laxmi Vilas Bank and ₹ 2,000 lakhs by Oriental Bank of Commerce, vide their respective sanction letters. For further details, please refer the chapter “*Financial Indebtedness*” on page no. 193 of this Draft Letter of Offer.

In view of the dynamic nature of the sector and specifically that of our business, we may have to revise our expenditure and fund requirements as a result of variations in cost estimates, exchange rate fluctuations and external factors which may not be within the control of our management. This may entail rescheduling and revising the planned expenditures and fund requirements and increasing or decreasing expenditures for a particular purpose at the discretion of our management, within the objects.

While we intend to utilise the Net Proceeds in the manner provided above, in the event of a surplus, we will use such surplus towards general corporate purposes including meeting future growth requirements. In case of variations in the actual utilisation of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. In the event of any shortfall in the Net Proceeds, we will bridge the fund requirements from internal accruals or debt/equity financing.

Further, the proposed Rights Shares to be allotted to our Promoter / Promoter Group will be partly against conversion of any unsecured loans brought in by them till the date of the Letter of Offer and balance against application money brought in during the Issue Period. The said conversion of loans from promoters (received upto the date of Letter of Offer) against their rights allotments has been approved by our board as well as shareholders have vide their meeting dated August 23, 2016 and September 20, 2016 respectively.

## **Details of the Objects**

### ***I. Setting up of a new Yarn Dyeing and Denim Processing Unit at Dholi, Ahmedabad***

Our Company is engaged in the business of dyeing, printing and processing of fabrics of its own and also on job work basis. Our Company procures mainly Grey Fabric and dyes, prints and finishes the same as per the client’s requirements. The processing unit of our Company is based in Narol, Ahmedabad, Gujarat. We have an installed capacity of 1,050 lakhs meters per annum and the plant has the facilities for printing, dyeing and processing wide range of fabrics i.e. cotton, polyester, viscose and man-made & blended fabrics suitable for men’s wear, women’s wear, home furnishing and many other applications.

Our Company has shown a continuous growth and as a result our revenues have increased from ₹ 20,412.23 lakhs in F. Y. 2013-14 to ₹ 22,375.28 lakhs in F. Y. 2014-2015 and further to ₹ 27,398.56 lakhs in F. Y. 2015-16, showing an increase of 9.62% and 22.45% respectively.

#### *Expansion Project at Dholi, Ahmedabad*

To enable us to grow with the growing market and also keeping in view the increased denim demand, our Company has endeavoured to increase its product range. Our Company, as part of its expansion, intends to set-up a new Yarn Dyeing and Denim Processing unit with a proposed installed capacity of 800 lakhs meters per annum. This unit is proposed to be set-up at spinning park of Dholi Integrated Spinning Park Ltd. (DISPL) situated at Dholi near Ahmedabad, Gujarat on a land admeasuring approximately 13 acres. The land has been already acquired by way of long term lease for a period of 99 years from DISPL and lease deed has been executed.

The project being set-up has an estimate budgeted expenditure of ₹ 28,326.00 lakhs and the same is being funded by a mix of Debt Funds, Equity funds and Internal Accruals. Our Company intends to raise approximately ₹ 6,526.00 lakhs from this Rights Issue out of the total project cost of ₹ 28,326 lakhs. The remaining amount is to be financed through a Consortium Loan of ₹ 19,800.00 lakhs and Internal Accruals to the extent of ₹ 2,000.00 lakhs

As per the LIE Report issued by MCES, the expansion project entails the following costs:

<b>Sr. No.</b>	<b>Activities</b>	<b>Basis of Estimation</b>	<b>Cost (₹ in lakhs)</b>
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Sr. No.	Activities	Basis of Estimation	Cost (₹ in lakhs)
1.	Land Acquisition and Site Levelling & Development	Land Acquisition – Completed Site Development - As per LIE Report of MCES	1,161.83
2.	Civil Construction Cost	As per LIE Report of MCES	6,187.00
3.	Plant and Machinery Cost	As per LIE Report of MCES	16,954.00
	<b>Total Tangible Cost</b>		<b>24,302.83</b>
4.	Interest During Construction	As per Management Estimates	420.00
5.	Preliminary & Pre-Operative Costs	As per Management Estimates	581.17
6.	Contingency Provision	As per Management Estimates	1,157.00
7.	Working Capital Requirement	As per Management Estimates	1,865.00
	<b>Total Intangible Cost</b>		<b>4,023.17</b>
	<b>GRAND TOTAL</b>		<b>28,326.00</b>

Post entire commissioning of the project, the turnover of the company is expected to increase resulting in higher growth prospects and larger scale of operations.

### Break-up of the Cost Estimates

#### 1. Land Acquisition and Site Levelling & Development

Our Company has acquired on a 99 year lease at the Textile Spinning Park of Dholi Integrated Spinning Park Limited situated in Dholi near Ahmedabad. This Integrated Spinning Park is spread over 170 acres of land. The park will be one of the first integrated spinning parks in India with specific focus on environmental issues. The Park is planning to provide excellent infrastructure and facilities to reduce the input costs and meet regulatory & trade related compliances. Further, other infrastructure facilities such as conference/meeting facilities, street lights, efficient pipe networks, paved footpaths, green belt, etc shall also be available in the Park.

The details of the land acquired are as mentioned below:

Sr. No.	Name of the Lessor	Premises Leased and area	Term of the Lease	Amount of Rent and Security Deposit
1.	Dholi Integrated Spinning Park Limited	Land admeasuring 54,362.75 Sq. Mtrs. bearing Survey No. 291/297 & 289, Dholi Integrated Spinning Park, Village Dholi, Dholka admeasuring	For a term of 99 years commencing from July 23, 2015 to July 22, 2114	<i>One time Premium:</i> ₹ 1097.58 lakhs

The Site Levelling and Development cost is based on management estimates incorporated by MCES in its LIE Report and the same is being undertaken by appointing a Civil Contractor.

Sr. No.	Particulars	Area (Sq. Mtrs.)	Rate per Sq. Mtrs.	Total Cost (₹ in lakhs)
1.	Internal Road	375	7,000	26.25
2.	Security Cabin & Gate	200	7,000	14.00
3.	Compound Wall	600	4,000	24.00
	<b>Total Cost</b>			<b>64.25</b>

#### 2. Civil Construction Cost

The Civil Construction Cost includes the factory building and other related civil works covering a total construction area of 19,000 Sq. Mtrs., and is estimated at ₹ 6,187.00 lakhs consisting of Yarn Dyeing Process Area and Finishing Process Area forming part of the LIE Report of MCES.

Sr. No.	Description	No.	Area in Sq. Mtrs.	Cost per Unit	Total Cost (₹ in lakhs)
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#### PART A – Yarn Dyeing Process Area

Sr. No.	Description	No.	Area in Sq. Mtrs.	Cost per Unit	Total Cost (₹ in lakhs)
1.	R.C.C. Footing with R.C.C. pedestal up to Plinth level with plinth beam. All perepharial walls are up to 3.00mtr level. All around fully glazed Aluminium powder coated window with insect protection SS micronet. Average 200mm thick smooth finish Concrete flooring with non metallic hardner and nominal reinforcement, having sub base of 230mm thick stone metal soling and 100 mm thick P.C.C. 1:4:8 sub base. Masonry wall have both side plaster and suitable paint. False ceiling in warping area. Colour Kitchen have acid resistance floor treatment	1	17,779.44 Sq. Mtrs	6,500	1,155.66
		1	493.50 Sq. Mtrs	6,500	32.08
	a. Mezzanine Colour Kitchen in centre	1	253.80 Sq. Mtrs	6,500	16.50
	b. Mezzanine Colour Kitchen in ancillary	2	846.00 Sq. Mtrs	6,500	54.99
	c. Mezzanine for utilities in ancillary	2	705.00 Sq. Mtrs	6,500	45.83
	d. Mezzanine for office and store in Yarn Godown	1	1,276.80 Sq. Mtrs	6,500	82.99
2.	a. PEB cost	1	21354.54 Sq. Mtrs	9,000	1,921.91
	b. Crane girder and Beam (22.00 mtr Length x 2 (21.60 Span))	4	Lump Sum		40.00
3.	a. Floor Drain with HOPE pipe and Acid resistant lining in R.C.C. Drain	1	400 Rmt	7,000	28.00
	b. Equipment Foundation	8	8 Items each	4,00,000	32.00
4.	<i>Electrical Substation Main receiving Station &amp; Compressor Room</i> R.C.C. Frame structure with R.C.C. Slab. All around full height brick masonry with both side plaster and suitable painting, Smooth finish Concrete flooring with nominal reinforcement over a sub base of 230mm thick stone metal soling and P.C.C. 1:4:8 concrete. Grill type rolling shutter and fully glazed Aluminum powder coated window. Slab terrace water proofing with down take pipe.	1	188.33 Sq. Mtrs.	18,000	33.90
		1	145.38 Sq. Mtrs.	18,000	26.17
	Cable Trench and Transformer Foundation and Fencing	1	Lump Sum		10.00
	Electricity Board Switch yard	1	96.00 Sq. Mtrs.	55,000	5.28
5.	Boiler House		392.00 Sq. Mtrs.	15,000	58.80
6.	Coal Shed	1	100.00 Sq. Mtrs.	15,000	15.00
7.	Ground water storage tank with Pump room	1	4,00,000 Ltrs.	11	44.00
8.	External Sewage Line	1	300.00 Rmt	1,000	3.00
9.	External ETP Line	1	600.00 Rmt	3,000	18.00
10.	Security Cabin	1	9.00 Sq. Mtrs.	18,000	1.62
11.	Weigh Bridge with cabin	1	Lump Sum		5.00
12.	Rain Harvesting system	1	Lump Sum		10.00
<b>Total Estimated Amount For Civil work</b>					<b>3,640.70</b>
Add: Architect Fees					34.00
<b>Total Estimated Cost for Yarn Dyeing Process Area (Part A)</b>					<b>3,674.70</b>

**PART B – Finishing Process area**

1.	R.C.C. Footing with R.C.C. pedestal up to Plinth level with plinth beam. All peripheral	1	6949.25 Sq. Mtrs.	6,500	451.70
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Sr. No.	Description	No.	Area in Sq. Mtrs.	Cost per Unit	Total Cost (₹ in lakhs)
	walls are up to 3.00mtr level. All around fully glazed Aluminum powder coated window with insect protection SS micronet. Average 200mm thick smooth finish Concrete flooring with non metallic hardner and nominal reinforcement, having sub base of 230mm thick stone metal soling and 100mm thick P.C.C. 1:4:8 sub base. Masonry wall have both side plaster and suitable paint.	1	1517.25 Sq. Mtrs.	6,500	98.62
		1	660.00 Sq. Mtrs.	6,500	42.90
	a. Mezzanine Colour Kitchen in ancillary	1	1010.80 Sq. Mtrs.	6,500	65.70
	b. Godown	1	2040.00 Sq. Mtrs.	6,500	132.60
		1	90.00 Sq. Mtrs.	6,500	5.85
		1	70.00 Sq. Mtrs.	6,500	4.55
2.	a. PEB cost	1	12337.50 Sq. Mtrs.	9,000	1,110.36
	b. Floor Drain with HOPE pipe and Acid resistant lining in R.C.C. Drain	1	600 Rmt	6,000	36.00
	c. Equipment Foundation	13	13 Items each	5,50,000	71.50
3.	<i>Water Treatment Plant</i> R.C.C. Frame structure with R.C.C. Slab. All around full height brick masonry with both side plaster and suitable painting, Smooth finish Concrete flooring with nominal reinforcement over a sub base of 230mm thick stone metal soling and P.C.C. 1:4:8 concrete. Grill type rolling shutter and fully glazed Aluminum powder coated window. Slab terrace water proofing with down take pipe.	1	309.25 Sq. Mtrs.	18,000	55.67
4.	Caustic Recovery Plant with Tank Foundation	1	593.60 Sq. Mtrs.	18,000	106.85
5.	Thermic Fluid Heating Plant	1	647.80 Sq. Mtrs.	18,000	116.60
6.	Coal Shed	1	100.00 Sq. Mtrs.	15,000	15.00
7.	Ground Water Storage Tank with Pump room	1	4,00,000 Ltrs.	11	44.00
8.	External Sewage line	1	300 Rmt	1,000	3.00
9.	External ETP line	1	600 Rmt	3,000	18.00
10.	Security Cabin	1	9 Sq. Mtrs.	18,000	1.62
11.	Weigh Bridge with cabin	1	Lump Sum		5.00
12.	Effluent Treatment Plant	1	1,000 Cu. Mtrs.	8,000	80.00
13.	Sewage Treatment plant	1	Lump Sum		5.00
14.	Rain Harvesting Point	2	Lump Sum		20.00
<b>Total Estimated Amount For Civil work</b>					<b>2,490.50</b>
Add: Architect Fees					23.40
<b>Total Estimated Cost for Finishing Process Area (Part B)</b>					<b>2,513.90</b>
<b>GRAND TOTAL CIVIL COST (A + B)</b>					<b>6,187.00<sup>(1)</sup></b>

<sup>(1)</sup> Any difference in the total cost mentioned in the LIE Report is due to rounding off.

### 3. Plant and Machinery

The company proposes to install 8 lines of fabric processing with each having 100 lakh mtr /p.a. capacity. The overall requirement of Plant and machinery is divided into 3 parts, viz, Main Plant and Machinery; Supporting Equipment's, Accessories and Auxiliaries; and Utilities. The total cost of Plant and Machinery is estimated as per the Reports of

MCES is at ₹ 16,954.00 lakhs and the same are proposed to be purchased from the vendors who have given the technical offers / quotations to MCES.

We have considered the LIE Report for the budgetary estimates including the machineries already ordered and / or delivered. The actual cost of procurement and the final supplier / vendor may vary for machines yet to be ordered. We do not intend to purchase any second hand machineries. None of the machine suppliers are related to our Company and its Promoters / Group Companies.

#### **Main Plant and Machineries**

Sr. No.	Particulars	Supplier	Qty	Total Cost (₹ in lakhs)
1.	Multi Colour Indigo Dyeing Range with Sizing Plant with Colour & Size Kitchen and High Speed Warping Machine	Jupiter Comtex Pvt. Ltd.	8	10,200.63
2.	Singing m/c	Dhall Enterprises	3	459.48
3.	Wet finishing	Dhall Enterprises	3	612.64
4.	Vacuum Foam finishing	Dhall Enterprises	3	612.64
5.	Stenter with coating head roller	Dhall Enterprises	2	408.43
6.	De sizing & Mercerizing	Dhall Enterprises	2	816.85
7.	Caustic Recovery Plant	Unitop	1	99.24
8.	Washing m/c, tumbler drier, hydro extractor universal scrapper, oven etc.	RAMSON	1	19.30
9.	Lab Instruments.	HunterLab	Lot	24.91
10.	Inspection table	Prism Textile	16	78.42
11.	Stretch wrapping unit	Penguin Engineers	7	44.67
12.	Folding and Packing			64.21
<b>Total</b>				<b>13,441.42</b>

#### **Supporting Equipment's, Accessories and Auxiliaries**

Sr. No	Particulars	Supplier	Qty	Total Cost (₹ in lakhs)
1.	Overhead travelling Cleaner Unit	Mohler Machine	20	65.42
2.	Centralize Waste Collection System	Mohler Machine	2	2.11
3.	Tacklers, 3 Ton single girder, with ABN German type wire rope Low head room EOT crane 15 m span & 7 m lift	Techno Industries	2	16.75
4.	DSL - Insulated Shrouded System		120	1.84
5.	Current collector		5	0.41
6.	Warper Beam	Bharat Beam	264	269.16
7.	Empty beam trolley CSV 2	Prasant Ferber Logistics Automation Pvt. Ltd.	5	3.57
8.	Warp beam loading trolley, fork type Cr AFL 25		4	8.33
9.	As above but with Held support lifting Cr AFLHM 25		5	20.12
10.	Fabric roll Trolley Cr 4		5	4.41
11.	Warp beam Low lifting trolley TC SLM 20-25		3	3.31
12.	Cloth roll stocker CMR 2500/6		8	33.10
13.	Parking trolley STK DN 25		5	7.37
14.	SAP System			80.00
15.	Automated ware house			25.00
16.	Structural Materials			50.01
17.	Water proofing			25.00
18.	Chemicals			20.00
19.	Lubricants			5.00

Sr. No	Particulars	Supplier	Qty	Total Cost (₹ in lakhs)
20.	Tube well			10.00
21.	Fork lift, HT 30 Diesel			15.00
<b>Total</b>				<b>665.91</b>

#### Utilities

Sr. No	Particulars	Supplier	Qty	Total Cost (₹ in lakhs)
1.	Power and Control Cables	Mohta Electric	Lot	406.55
2.	Transformer			198.48
3.	Main LT Panels			99.24
4.	Electrifications			200.81
5.	Street Lighting			5.02
6.	HT & LT Distribution Yard			149.44
7.	ETP	Hyper	1	759.17
8.	Water Storage Tanks			64.21
9.	Boiler	Thermax		625.10
	Installation Charge of Boiler			96.90
10.	Thermopack	Thermax	1	99.24
11.	Thermic Fluid			20.00
12.	Valves		Lot	24.81
13.	Air Compressor	Ingersoll Rand	1	22.60
14.	Fabricator for Structural Job			25.00
15.	Piping Fabrication			25.00
16.	Ducting Job			25.00
<b>Total</b>				<b>2,846.67</b>

#### Total Machinery Cost

Sr. No.	Machinery Type	Cost (₹ in lakhs)
1.	Main Plant and Machineries	13,441.42
2.	Supporting Equipment's, Accessories and Auxiliaries	665.91
3.	Utilities	2,846.67
<b>GRAND TOTAL</b>		<b>16,954.00</b>

#### 4. Interest During Construction

IDC is worked out considering 15 months construction period and the same is estimated to be ₹ 420.00 lakhs.

#### 5. Preliminary & Pre-Operative Costs

Our Company requires fund for certain preliminary and pre-operative expenses such as start up expenses, project report preparation, bank charges, insurance, legal expenses, trial production runs, etc. The total cost is estimated at ₹ 581.17 lakhs.

#### 6. Contingency Provision

To cover unforeseen escalation in cost of Civil Works and Plant & Machinery, contingencies have been estimated at ₹ 1,157.00 lakhs, which is approximately 4% of the total estimated project cost.

#### 7. Working Capital Requirement

The working capital expenses have been estimated at ₹ 1,865 lakhs, which may be disbursed as per the progress of the Company in respect of production and sales and based on requirement from time to time.

## SCHEDULE OF IMPLEMENTATION AND DEPLOYMENT OF FUNDS

Our Company proposes to deploy the Net Proceeds in the aforesaid objects by the Fiscal year 2017-18. The detailed proposed Schedule of Implementation as estimated by the company and forming part of the LIE Report of MCES, is given below:

Sr. No.	Particulars	Line 1		Line 2-8	
		Commencement date	Completion date	Commencement date	Completion date
A	Land	Acquired	Acquired	Acquired	Acquired
B	<b>Site Development</b>				
	Filling / Leveling	Completed	Completed	Started	December 2017
C	<b>Building</b>				
	Excavation / Footing / RCC column	Completed	Completed	Line 2 to 6 – Started Line 7 & 8 – Yet to Start	March 2017
	Erection of PEB structure	Completed	Completed	Line 2 to 6 – Started Line 7 & 8 – Yet to Start	March 2017
D	<b>Plant &amp; Machinery</b>				
	Placement of order	Completed	Completed	Line 2 – Completed Line 3 to 8 – Yet to Place	March 2017
	Erection	Completed	Completed	Line 2 – Started Line 3 to 8 – Yet to Start	April 2017
	Commissioning	Completed	Completed	Line 2 – October 2016 Line 3 to 8 – January 2017	May 2017
	Trial runs	Completed	Completed	Line 2 – November 2016 Line 3 to 6 – March 2017 Line 7 & 8 – May 2017	June 2017
	Commercial operations	August 2017	August 2017	August 2017	August 2017

### Deployment of Funds & Sources

We have incurred an amount of ₹ 9,647.00 lakhs till September 12, 2016 relating to the Objects of the Issue which has been certified by a Practising Chartered Accountant, M/s. A. O. Agarwal & Co., Chartered Accountants (FRN – 119827W) vide their certificate dated September 18, 2016.

The below mentioned expenses have been incurred towards acquisition of land for the proposed project of Yarn Dyeing and Denim Processing Unit at Dholi, Ahmedabad.

Sr. No.	Activities	Funds Deployed	F.Y. ended March 2017	F.Y. ended March 2018	Total Amount (₹ in lakhs)
1.	Land	1,098.00	63.83	-	1,161.83
2.	Civil Construction	3,007.00	2,180.00	1,000.00	6,187.00
3.	Plant & Machinery	4,533.00	8,167.00	4,254.00	16,954.00
4.	Preliminary & Pre-Operative Expenses	500.00	81.17	-	581.17
5.	Other Expenses (including Interest)	509.00	2,007.75	925.25	420.00

	During Construction)				
	<b>Total</b>	<b>9,647.00</b>	<b>12,499.75</b>	<b>6,179.25</b>	<b>28,326.00</b>

The funds already deployed have been sourced from the following sources as certified by the Auditors vide their certificate dated September 18, 2016:

Sr. No.	Particulars	Amount (Rs. in lakhs)
1.	Term Loan	2,315.00
2.	Unsecured Loans / Internal Accruals / Creditors for Capital Goods	7,332.00
	<b>Total</b>	<b>9,647.00</b>

Note: Any expenses incurred for the proposed project from internal accruals exceeding ₹ 2,000 lakhs upto the date of Letter of Offer (as certified by the chartered accountants) shall be recouped from the IPO proceeds. Applicable amount of the unsecured loan brought in by our Promoter / Promoter Group upto the date of the Letter of Offer will partly be utilised towards conversion into equity shares under this Rights Issue.

## II. Acquisition of companies having similar line, range and objects of business and other strategic initiatives

Our Company is engaged in the business of dyeing, printing and processing of fabrics. We have over the years witnessed a substantial organic growth in terms of product portfolio, production capacity and turnover. We currently are proposing a further organic expansion by setting up a Yarn Dyeing and Denim Processing unit at the spinning park of DISPL at Dholi, Ahmedabad. We believe that this unit will aid us in extending our reach to the ever growing denim market in India and outside India.

Our Company intends to raise funds for proposed acquisition(s) and is targeting companies in similar line, range and objects of business. The acquisition will be by way of acquiring the equity of the target company or in any other manner as may be deemed feasible. These initiatives shall be governed by medium to long term goals and other business objectives. Accordingly, we intend to earmark and use upto ₹ 2,000 lakhs of the Net Proceeds for strategic investments and acquisitions.

Our business is becoming capital intensive in nature. Going forward, we believe that acquisition of companies having textile manufacturing and / or trading capabilities will allow us to increase our geographical presence, increase our owned asset base and give us the strength to compete with top multinational companies in our business domain. Primarily, we would target acquisition of companies/businesses/products in the textile industry having ready set up by way of land, building, etc. As on the date of this Draft Letter of Offer, we have not entered into any definitive agreements towards any such potential acquisitions or strategic initiatives. This amount is based on our management's current estimates of the amounts to be utilised towards this Object, considering our discussions and negotiations with potential targets and partners and other relevant considerations. The actual deployment of funds will depend on a number of factors, including the timing, nature, size and number of strategic initiatives undertaken, as well as general factors affecting our results of operation, financial condition and access to capital.

### Benefits expected through Acquisitions:

- Enhancing our geographical reach.
- Bigger product portfolio which will enable us to expand our customer base.
- Increase our owned asset base without delays in land acquisitions, constructions, permissions and approvals etc.

Our Company is not assured of any dividends/returns arising out of the investments in the Equity Shares of the entity(s) proposed to be acquired.

The portion of the Net Proceeds allocated towards this Object may not be the total value or cost of any such strategic initiatives, but is expected to provide us with sufficient financial leverage to enter into binding agreements. In the event that there is a shortfall of funds required for such strategic initiatives, such shortfall shall be met out of the portion of the Net Proceeds allocated for general corporate purposes and/or through our internal accruals or bridge financing or any combination thereof.

### III. Fund expenditure for General Corporate Purposes

We propose to deploy the balance Net Proceeds of the Issue aggregating ₹ 185.76 lakhs towards general corporate purposes, including but not restricted to strategic initiatives, partnerships, joint ventures and acquisitions, meeting exigencies which our Company may face in the ordinary course of business, to renovate and refurbish certain of our existing Company owned/leased and operated facilities or premises, towards brand promotion activities or any other purposes as may be approved by our Board.

We confirm that any issue related expenses shall not be considered as a part of General Corporate Purpose. Further, we confirm that the amount for general corporate purposes, as mentioned in this Draft Letter of Offer, shall not exceed 25% of the amount raised by our Company through this Issue.

#### Appraisal of the Objects

None of the objects for which the Net Proceeds will be utilised have been financially appraised. The estimates of the costs of objects mentioned above are based on internal estimates of our Company.

#### Issue Related Expenses

The Issue related expenses include, inter alia, Lead Managers' fee, printing and distribution expenses, advertisement, registrar, legal and depository fees and other expenses which are estimated as follows:

Sr. No.	Particulars	Amount (₹ in lakhs)	% of Total Expenses	% of Total Issue size
1	Issue Management and Underwriting fees	54.91	77.44%	0.63%
2	Printing & Stationery, Distribution, Postage, Advertisement and Marketing Expenses, etc.	5.00	7.05%	0.06%
3	Stock Exchange and Other Fees (Legal Fees, Registrar Fees, Listing Charges, out of pocket expenses)	11.00	10.46%	0.08%
<b>Total</b>		<b>70.91</b>	<b>100.00%</b>	<b>0.77%</b>

#### Bridge Financing

We have not entered into any bridge finance arrangements that will be repaid from the Net Proceeds of the Issue. However, we may draw down such amounts, as may be required, from an overdraft arrangement / cash credit facility with our lenders, to finance additional working capital needs until the completion of the Issue.

Any amount that is drawn down from the overdraft arrangement / cash credit facility during this period to finance additional working capital needs will be repaid from the Net Proceeds of the Issue. For further details in relation to our borrowing arrangements, kindly refer to the Chapter titled "Financial Indebtedness" beginning on page no. 193 of this Draft Letter of Offer.

#### Monitoring of Utilisation of Funds

There is no requirement for a monitoring agency as the Issue size is less than ₹ 50,000 lakhs. Pursuant to Regulation 32(3) of the SEBI (LODR) Regulations, 2015, our Company shall on a half yearly basis disclose to the Audit Committee the uses and application of the Net Proceeds. Until such time as any part of the Net Proceeds remains unutilized, our Company will disclose the utilization of the Net Proceeds under separate heads in our Company's balance sheet(s) clearly specifying the amount of and purpose for which Net Proceeds have been utilized so far, and details of amounts out of the Net Proceeds that have not been utilized so far, also indicating interim investments, if any, of such unutilized Net Proceeds. In the event that our Company is unable to utilize the entire amount that we have currently estimated for use out of the Net Proceeds in a fiscal, we will utilize such unutilized amount in the next fiscal.

Further, in accordance with Regulation 32(1)(a) of the SEBI (LODR) Regulations, 2015, our Company shall furnish to the Stock Exchanges on a half yearly basis, a statement indicating material deviations, if any, in the utilization of the Net Proceeds for the objects stated in this Draft Letter of Offer.

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**Interim Use of Funds**

Pending utilization of the Net Proceeds for the purposes described above, our Company will deposit the Net Proceeds with scheduled commercial banks included in schedule II of the RBI Act. Our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any listed company or for any investment in the equity markets.

**Variation in Objects**

In accordance with Section 27 of the Companies Act, 2013, our Company shall not vary the objects of the offer without our Company being authorised to do so by the Shareholders by way of a special resolution. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution shall specify the prescribed details as required under the Companies Act. The notice in respect of such resolution to Shareholders shall simultaneously be published in the newspapers, one in English and one in Regional language of the jurisdiction where our Registered Office is situated. The Shareholders who do not agree to the above stated proposal, our Promoter or controlling Shareholders will be required to provide an exit opportunity to such dissenting Shareholders, at a price as may be prescribed by SEBI, in this regard.

**Other Confirmations**

No part of the Net Proceeds will be paid by our Company as consideration to our Promoter, our board of Directors, our Key Management Personnel or Group Companies except in the normal course of business and in compliance with applicable law.

## BASIS FOR ISSUE PRICE

The Issue Price of ₹ 100/- has been determined by our Company, in consultation with the Lead Manager, on the basis of assessment of market demand and the following qualitative and quantitative factors for the Equity Shares. The face value of the Equity Shares is ₹ 10/- and the Issue Price is ₹ 100/-.

Investors should also see the chapters entitled ‘*Our Business*’, ‘*Financial Statements*’ and section entitled ‘*Risk Factors*’ and on page nos. 88, 158 and 11 respectively of this Draft Letter of Offer, to have an informed view before making an investment decision. The trading price of the Equity Shares of the Company could decline due to these risk factors and you may lose all or part of your investments.

### QUALITATIVE FACTORS

Some of the qualitative factors that help differentiate us from our competitors and enable us to compete successfully in our industry are:

- Management Expertise
- Established Marketing Setup
- Cordial Relationship between management and labour
- Captive Power Plant for uninterrupted Power & Steam for Processing Unit
- Strong Technological Capabilities
- Strategic Location of existing Manufacturing Unit
- Scalable Business Model
- Product mix and Market mix
- Cost effective production and timely fulfilment of orders

For further details regarding the above mentioned factors, which form the basis for computing the Issue Price, please see “*Our Business – Our Strengths*” on page 88 of this Draft Letter of Offer.

### QUANTITATIVE FACTORS

Information presented in this chapter is derived from our Restated Financial Statements prepared in accordance with Indian GAAP.

#### 1) *Earnings per Share*

Year ended March 31	Basic & Diluted EPS (in ₹)	Weight
2016	10.89	3
2015	7.55	2
2014	3.00	1
<b>Weighted Average</b>	<b>8.46</b>	

#### Notes:

- a. Basic EPS has been calculated as per the following formula:

$$\text{Basic EPS (₹)} = \frac{\text{Net profit / (loss) as restated, attributable to Equity Shareholders}}{\text{Weighted average number of Equity Shares outstanding during the year /period}}$$

- b. Diluted EPS has been calculated as per the following formula:

$$\text{Diluted EPS (₹)} = \frac{\text{Net profit / (loss) as restated, attributable to Equity Shareholders}}{\text{Diluted Weighted average number of Equity Shares outstanding during the year /period}}$$

- c. Earnings per share calculations are in accordance with Accounting Standard 20 “Earnings per Share” prescribed by the Companies (Accounting Standard) Rules, 2006

2) **Price Earnings Ratio (P/E) in relation to the Issue price of ₹ 100 per share of ₹ 10 each**

Particulars	P/E Ratios
P/E ratio based on Basic EPS as at March 31, 2016	9.18
P/E ratio based on Weighted Average EPS as at March 31, 2016	11.82
Industry P/E	
Highest – Gini Silk Mills Limited	87.60
Lowest – AYM Syntex Limited	6.00
Industry Average	12.90

Source: Capital Market Volume XXXI/14, Aug 29 – Sep 11, 2016; Segment: Textiles – Processing

3) **Return on Net worth (RoNW)**

Year ended March 31	RoNW (%)	Weight
2016	17.28%	3
2015	13.09%	2
2014	6.28%	1
<b>Weighted Average</b>		<b>14.05%</b>

**Note:** Return on Net worth has been calculated as per the following formula:

$$\text{RoNW} = \frac{\text{Net profit /loss after tax, as restated}}{\text{Net worth excluding preference share capital and revaluation reserve}}$$

4) **Minimum Return on Net Worth (RoNW) after Issue needed to maintain the Pre-Issue Basic EPS for the FY 2015-16 (based on Restated Financials) at the Issue Price of ₹ 100 is 14.00%.**

5) **Net Asset Value (NAV)**

Financial Year	NAV (in ₹)
NAV as at March 31, 2016 <sup>(1)</sup>	62.98
NAV after Issue	77.79
Issue Price	100.00

\* Source: Restated Financials

**Note:** Net Asset Value has been calculated as per the following formula:

$$\text{NAV} = \frac{\text{Net worth excluding preference share capital and revaluation reserve}}{\text{Outstanding number of Equity shares outstanding during the year / period}}$$

6) **Comparison with Industry peers**

Particulars	Face Value (₹)	EPS (₹)	P/E Ratio	RONW (%)	NAV (₹)
VTM Limited	10.00	2.32	11.64	7.49	30.91
Morarjee Textiles Limited	7.00	3.93	8.91	14.18	32.05
Source: Company Annual Reports					
<b>VISHAL FABRICS LIMITED</b>	10.00	10.89	9.18 <sup>(1)</sup>	17.28	62.98

Source: Restated Financials

<sup>(1)</sup> Issue price as disclosed in this Draft Letter of Offer / EPS

7) The Company in consultation with the Lead Manager believes that the issue price of ₹ 100 per share for the Rights Issue is justified in view of the above parameters. The investors may also want to peruse the Risk Factors and Financials of the company including important profitability and return ratios, as set out in the Financial Statements included in this Draft Letter of Offer to have more informed view about the investment proposition. The Face Value of the Equity Shares is ₹ 10 per share and the Issue Price is 10 times of the face value i.e. ₹ 100 per share.

## STATEMENT OF SPECIAL TAX BENEFITS

To,  
The Board of Directors,  
**Vishal Fabrics Limited**  
Ahmedabad, Gujarat

Dear Sirs,

**Subject: Statement of Possible Special Tax Benefits available to Vishal Fabrics Limited and its shareholders prepared in accordance with the requirements under Schedule VIII – Clause (VII) (L) of the SEBI (ICDR) Regulations, 2009 as amended (the ‘Regulations’)**

We hereby report that the enclosed annexure prepared by Vishal Fabrics Limited, states the possible special tax benefits available to Vishal Fabrics Limited (‘the Company’) and the shareholders of the Company under the Income Tax Act, 1961 (‘Act’), presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the special tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the company may or may not choose to fulfil.

The benefits discussed in the enclosed Annexure cover only special tax benefits available to the Company and do not cover any general tax benefits available to the Company. Further, the preparation of enclosed statement and the contents stated therein is the responsibility of the Company’s management. We are informed that, 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 his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed Rights Issue of equity shares (“the Issue”) by the Company.

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

- a) The Company or its Equity Shareholders will continue to obtain these benefits in future; or
- b) The conditions prescribed for availing the benefits have been / would be met with.

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

Our views are based on facts and assumptions indicated to us and the existing provisions of tax law and its interpretations, which are subject to change or modification from time to time by subsequent legislative, regulatory, administrative, or judicial decisions. Any such changes, which could also be retrospective, could have an effect on the validity of our views stated herein. We assume no obligation to update this statement on any events subsequent to its issue, which may have a material effect on the discussions herein.

This report including enclosed annexure are intended solely for your information and for the inclusion in the Draft Letter of Offer / Letter of Offer or any other issue related material in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **M/s. Anil S. Shah & Co,**  
**Chartered Accountants**  
Firm Registration No. 100474W

**Krunal Shah**  
**Partner**  
Membership No. 115801  
Place: Ahmedabad  
Date: September 08, 2016

## ANNEXURE TO THE STATEMENT OF TAX BENEFITS

*The information provided below sets out the possible special tax benefits available to the Company and the Equity Shareholders under the Income Tax Act 1961 presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.*

**YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.**

### A. SPECIAL TAX BENEFITS TO THE COMPANY

NIL

### B. SPECIAL TAX BENEFITS TO THE SHAREHOLDER

NIL

#### Note:

1. All the above benefits are as per the current tax laws and will be available only to the sole / first name holder where the shares are held by joint holders.
2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
3. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

## SECTION V – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by the Company; the Lead Manager and their respective legal or financial advisors, and no representations is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness, underlying assumptions and reliability cannot be assured. Accordingly, investment decisions should not be based on such information.

### OVERVIEW OF THE GLOBAL AND INDIAN ECONOMY

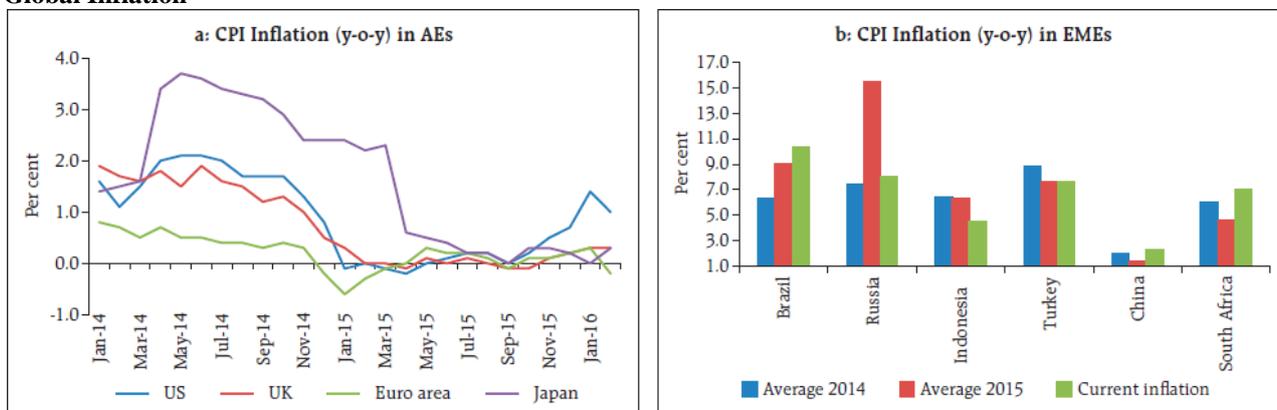
#### Global economic Overview

The US economy slowed in the second half of 2015 as the private sector cut back capital investment in the face of an inventory glut, while a strong dollar and tepid global demand weighed on exports. Industrial production remained in contraction mode in Q1 of 2016. Consumer sentiment remained upbeat, however, despite mixed sentiment in labour market conditions and retail sales. In the Euro area, growth decelerated in Q4 of 2015 due to sagging exports, though private consumption was boosted by low oil prices and favourable financing conditions. Consumer confidence and economic sentiment have fallen significantly in Q1 of 2016. Growth in the Japanese economy suffered a setback in Q4 of 2015 as the fall in private consumption overshadowed the expansion in exports. Continuing decline in factory output amplifies the fear of contraction in GDP in Q1 of 2016. The UK economy picked up in Q4 of 2015, driven by its services sector. Business confidence, however, remains subdued in Q1 of 2016

Globally, inflation pressures were contained by weak global growth and the continuing softness in commodity prices. In the US, inflation inched up since the beginning of Q4 of 2015 through January, but it eased in February and is expected to remain well below 2.0 per cent in the near-term. The Euro area slipped back into deflation in February, after experiencing a creeping up of inflation in the three months up to January. Similarly, in Japan, inflation remains near zero since Q4 of 2015, and downside risks persist. By contrast, a number of EMEs continue to reel under high inflation due to currency depreciation – in Brazil, Russia and other Latin American countries – and domestic structural rigidities - in South Africa and Turkey. Thailand and Korea have benefited from low commodity prices, and inflation has eased below target since late 2012 and early 2013, respectively.

(Source: Monetary Policy Report, April 2016, RBI)

#### Global Inflation



(Source: Monetary Policy Report, April 2016, RBI)

#### Recent Developments

The outcome of the U.K. vote, which surprised global financial markets, implies the materialization of an important downside risk for the world economy. As a result, the global outlook for 2016-17 has worsened, despite the better than-expected performance in early 2016. This deterioration reflects the expected macroeconomic consequences of a sizable increase in uncertainty, including on the political front. This uncertainty is projected to take a toll on confidence and investment, including through its repercussions on financial conditions and market sentiment more generally. The initial financial market reaction was severe but generally orderly. As of mid-July, the pound has weakened by about 10

percent; despite some rebound, equity prices are lower in some sectors, especially for European banks; and yields on safe assets have declined. Three key transitions continue to influence the global outlook:

Taking into account the better-than-expected economic activity so far in 2016 and the likely impact of Brexit under the assumptions just described, the global growth forecasts for 2016 and 2017 were both marked down by 0.1 percentage points relative to the April 2016 WEO, to 3.1 percent and 3.4 percent, respectively. The outlook worsens for advanced economies (down by 0.1 percentage points in 2016 and 0.2 percentage points in 2017) while it remains broadly unchanged for emerging market and developing economies.

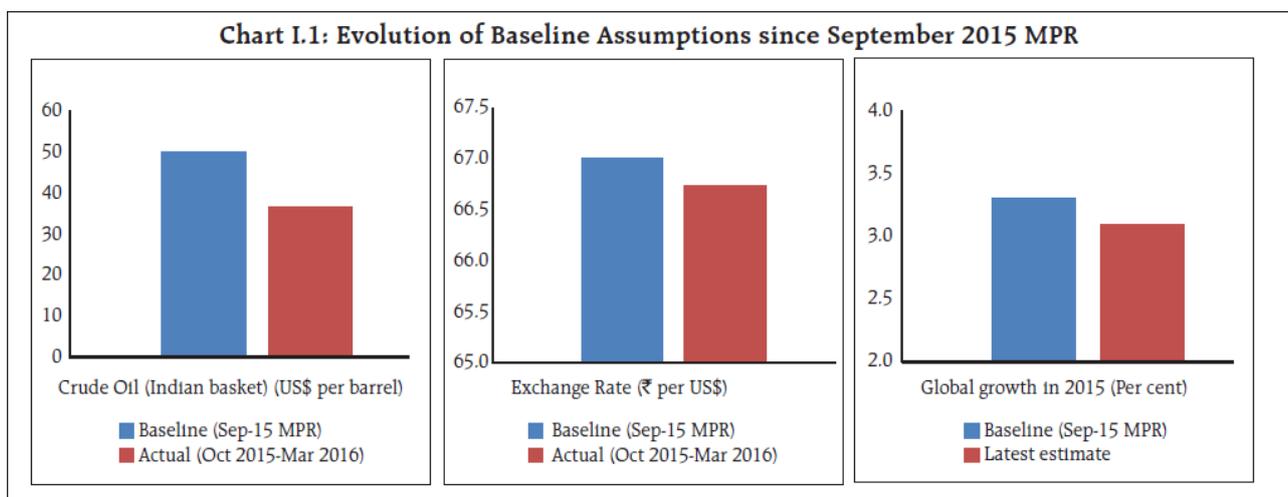
- Among advanced economies, the United Kingdom experienced the largest downward revision in forecasted growth.
- In the United States, first-quarter growth was weaker than expected, triggering a downward revision of 0.2 percentage points to the 2016 growth forecast.
- In the euro area, growth was higher than expected at 2.2 percent in the first quarter, reflecting strong domestic demand – including some rebound in investment.
- First-quarter activity in Japan came in slightly better than expected – even though the underlying momentum in domestic demand remains weak and inflation has dropped.
- In China, the near-term outlook has improved due to recent policy support. Benchmark lending rates were cut five times in 2015, fiscal policy turned expansionary in the second half of the year, infrastructure spending picked up, and credit growth accelerated.
- In India, economic activity remains buoyant, but the growth forecast for 2016-17 was trimmed slightly, reflecting a more sluggish investment recovery.

(Source: IMF World Economic Outlook, July 2016)

### Indian Economy Overview

Domestically, the macroeconomic situation has evolved broadly in line with the September baseline scenario, with real gross value added (GVA) growth and inflation trajectories moving in alignment with staff’s forecasts. Two developments warrant a re-assessment of forecasts. First, the significant softening of crude oil prices since November 2015 together with the signals in futures prices suggest a lower crude oil price for 2016-17 in this Monetary Policy Report’s (MPR’s) baseline scenario. Secondly, prospects for external demand for 2016 are now weaker than envisaged six months back, with downside risks amplified by the worsening macroeconomic outlook and tighter financial conditions for emerging market economies (EMEs). Overall, global risks have increased significantly.

(Source: Monetary Policy Report, April 2016, RBI)



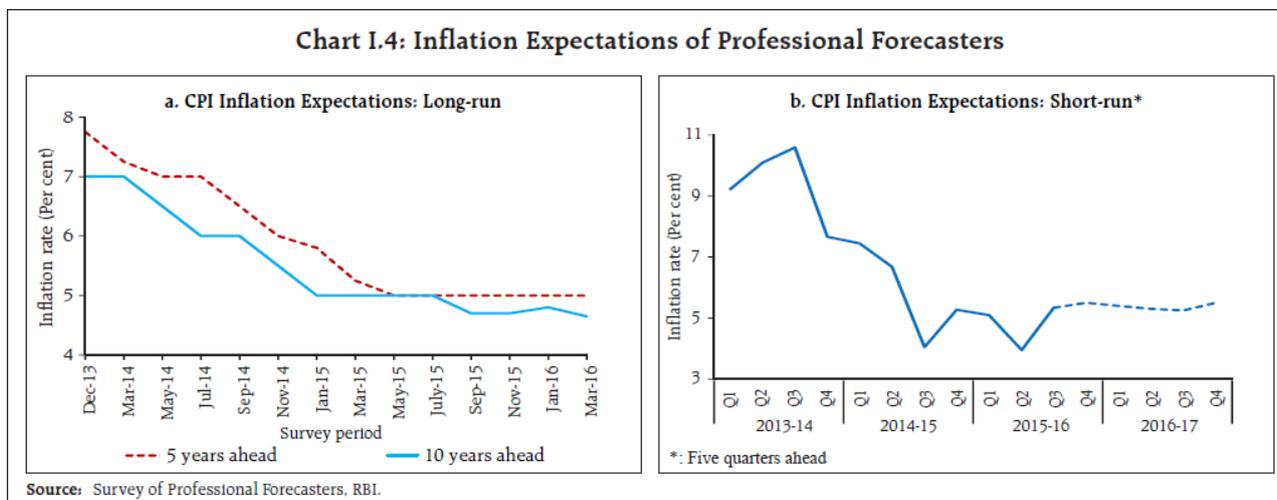
(Source: Monetary Policy Report, April 2016, RBI)

Inflation expectations of households, corporations and financial market participants are largely adaptive in their formation. Consequently, most recent inflation developments, and particularly those relating to salient items in consumption baskets, tend to influence these expectations. The January-March 2016 round of the Reserve Bank’s inflation expectations survey of urban households indicates some softening of inflation perceptions and expectations. In the March 2016 round of the Nikkei’s manufacturing purchasing managers’ survey, input costs and factory gate prices picked up. On the other hand, the January- March 2016 round of the Reserve Bank’s industrial outlook survey points to expectations of stable output prices on the back of softer cost conditions (Chart I.3). Growth in staff costs in the

organised sector, both manufacturing and services, decelerated during 2015- 16:Q3. The Reserve Bank’s industrial outlook survey suggests some salary pressures going forward. Rural wage growth exhibited moderation in 2015-16:Q4.

Professional forecasters expect inflation to remain around 5.2-5.3 per cent during 2016-17. Their medium- and long-run expectations (5 years and 10 years ahead, respectively) were 5.0 per cent and 4.8 per cent, respectively. These poll results may be indicative of the anchoring of inflation expectations around the Reserve Bank’s inflation target.

(Source: Monetary Policy Report, April 2016, RBI)



(Source: Monetary Policy Report, April 2016, RBI)

## INDIAN TEXTILE INDUSTRY

### Introduction

India’s textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India’s exports with approximately 11 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The industry realized export earnings worth US\$ 41.4 billion in 2014-15, a growth of 5.4 per cent<sup>^</sup>. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The textile industry employs about 40 million workers and 60 million indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

### Market Size

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India’s Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

The Indian textile industry has the potential to reach US\$ 500 billion in size#. The growth implies domestic sales to rise to US\$ 315 billion from currently US\$ 68 billion. At the same time, exports are implied to increase to US\$ 185 billion from approximately US\$ 41 billion currently.

(<http://www.ibef.org/industry/textiles.aspx>)

## Investments

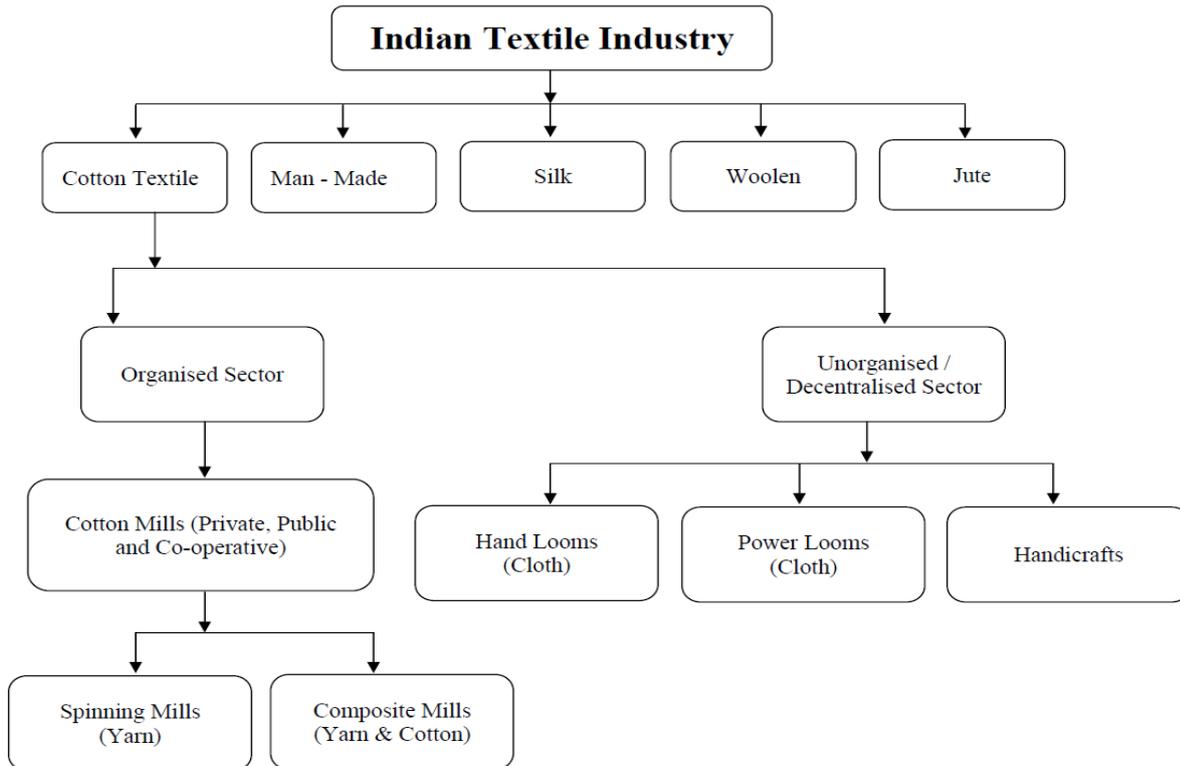
The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 1.85 billion during April 2000 to March 2016.

Some of the major investments in the Indian textiles industry are as follows:

- Trident Group, one of the leading manufacturers and exporters of terry towel, home textile, yarn and paper in India, has entered into a partnership with French firm Lagardere Active Group, to launch a premium range of home textiles under the renowned French lifestyle brand Elle Décor in India.
- Raymond Group has signed a Memorandum of Understanding (MOU) with Maharashtra government for setting up a textile manufacturing plant with an investment of Rs 1,400 crore (US\$ 207.53 million) in Maharashtra's Amravati district.
- Reliance Industries Ltd (RIL) plans to enter into a joint venture (JV) with China-based Shandong Ruyi Science and Technology Group Co. The JV will leverage RIL's existing textile business and distribution network in India and Ruyi's state-of-the-art technology and its global reach.
- Giving Indian sarees a 'green' touch, Dupont has joined hands with RIL and Vipul Sarees for use of its renewable fibre product Sorona to make an 'environment-friendly' version of this ethnic ladies wear.
- Grasim Industries has invested Rs 100 crore (US\$ 14.82 million) to develop its first fabric brand, 'Liva', which it will distribute through 1,000 outlets as part of a plan to stay in sync with changing consumer behavior.
- Snap deal has partnered with India Post to jointly work on bringing thousands of weavers and artisans from Varanasi through its website. "This is an Endeavour by Snap deal and India Post to empower local artisans, small and medium entrepreneurs to sustain their livelihood by providing a platform to popularise their indigenous products," said Mr. Kunal Bahl, CEO and Co-Founder, Snap deal.
- Welspun India Ltd (WIL), part of the Welspun Group has unveiled its new spinning facility at Anjar, Gujarat - the largest under one roof in India. The expansion project reflects the ethos of the Government of Gujarat's recent 'Farm-Factory-Fabric-Fashion-Foreign' Textile Policy, which is aimed at strengthening the entire textile value-chain.
- American casual fashion retailer Aéropostale, Inc. has inked a licensing agreement with Arvind Lifestyle Brands Ltd to open standalone stores in the country. Aéropostale will open 30 stores and 25 shop-in-shop locations over the next three years.

## Industry Structure and Size

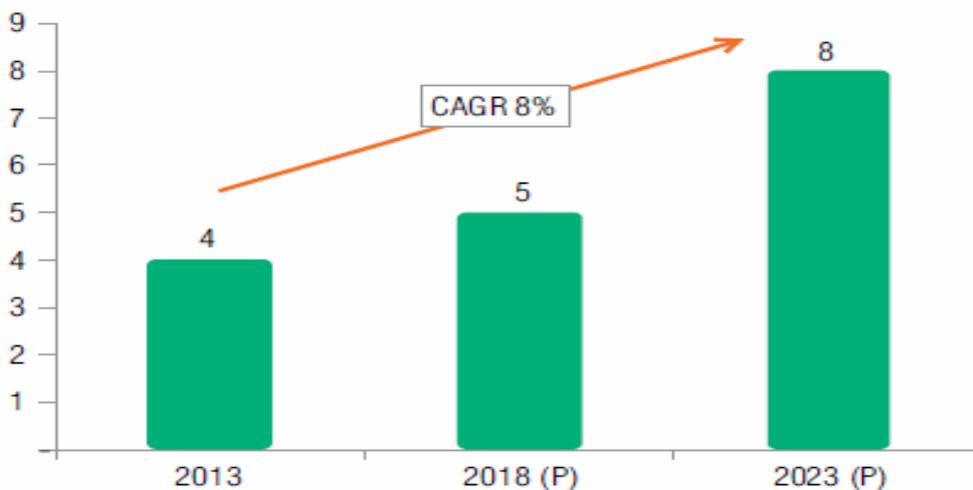
The major sub segments of the textile industry are cotton, blended, silk, wool and manmade. The textile industry in India is highly fragmented. It is vertically integrated across the whole value chain and interconnected with various operations. The organised sector consists of spinning mills and composite mills. The unorganised sector consists of handlooms, power looms and handicrafts.



The major products in which Indian textile industry deals is readymade garments, suiting and shirting, shirts and trousers, fabrics, bed linen and embroidery work.  
 (Source: Technopak's Textile & Apparel Compendium)

The Textiles industry is expected to grow at a CAGR of 8% over the next decade

**Domestic Home Textiles Market (USD bn)**



(Source: Technopak's Textile & Apparel Compendium)

The textile energy uses two general category of fibre. Natural fibres and manmade fibres.

**Natural fibers** may be organic or inorganic in nature. Organic natural fibers may be of two types' vegetable fibers such as cotton, flax, hemp, jute, sisal, broom and animal fibers such as wool, silk, etc. Natural inorganic fibers are mineral fibers such as basalt and asbestos.

**Man-made fibers** are broadly classified as organic regenerated natural fibers like regenerated cellulose, viscose, cupro, cellulose acetate, cellulose triacetate, organic synthetic polymers and inorganic fibers like glass, carbon.

## EXPORT – IMPORT SCENARIO

India's textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India's exports worldwide. The report of the Working Group constituted by the Planning Commission on boosting India's manufacturing exports during 12th Five Year Plan (2012-17) envisages India's exports of Textiles and Clothing at US\$ 64.41 billion by the end of March, 2017. It contributes to 10% of manufacturing production, 2% of India's GOP, employs 45 million people and accounts for more than 13% share of the country's total exports basket. India is a major exporting country as far as textile sector is concerned and the exports are far in excess of imports in textiles. Majority of import takes place for re export or special requirement. As per the UN Com trade, 2014 data released in November 2015, India is ranked as the 2nd largest Textile and Clothing exporter globally with US\$ 38.6 bn. worth of exports while in clothing exports India was ranked as the 5th largest exporter amongst all exporting countries with US\$16.5 bn. worth of clothing exports. As per UN Comtrade, China is largest T&C exporter followed by India, Italy, Germany, Bangladesh and Turkey in 2014 while in clothing export category China, Bangladesh, Italy, Germany, Vietnam and India are the major exporters in their respective position  
(Source: Ministry of Textiles, Annual Report 2015-16)

The Export and Import of Textiles & Clothing (T&C) during 2015-16 was as under:

Export	2014-15		2015-16 (April-Dec.)	
	Rs Crore	US\$ Mn	Rs Crore	US\$ Mn
India Textile & Clothing	2,30,294	37,655	1,73,796	26,830
Handicrafts	27,747	4,537	7,926	1,221
Total T&C including Handicrafts	2,58,041	42,192	1,81,722	28,052
% Textile Exports of overall exports	13.6%	13.6%	14.3%	14.3%
India's overall exports	18,96,348	3,10,338	12,73,734	1,96,680
<i>Data Source: DGCI&amp;S</i>				
Import	2014-15 (April-Dec.)		2015-16 (April-Dec.)	
	Rs Crore	US\$ Mn	Rs Crore	US\$ Mn
Total Textile and Clothing import	25,753	4,694	36,159	4589

(Source: Ministry of Textiles, Annual Report 2015-16)

## Milestones over the last decade

### Exports:

- Export of Textile and Clothing Product Including handicraft from India have Increased to US\$ 42.2 billion the year 2014-15 from US\$ 41.4 Billion during 2013-14. Its share in overall export basket of India has also increased from 13.2% in 2013-14 to 13.6% in 2014-15. In rupee term the same was valued at Rs. 250,841 crores and Rs. 258,041 crores during 2013-14 and 2014-15 respectively.
- During 2013-14, Readymade Garments (RMG) account for almost 36% of the total textile exports. While in 2014-15, the export of RMG increased to 40% of the textile exports. Apart from this, major contributing segment in

export during 2014-15 are cotton based textile (18%), Man-made textiles (11%), handicraft (11%) and made up article & Carpets (15%).

- The total Textile and Clothing exports during 2015-16 (April-Dec.) is valued at US\$ 28.05 billion with a share of 14.3% from India's total export of US\$ 196.6 billion during the same period.
- India's textiles products, including hand looms and handicraft's, are ex ported to more than hundred countries. However, the USA and the EU, account for more than half of India's textiles exports. The other major Export Destination are China, U.A.E., Sri Lanka, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, Pakistan, brazil, Hong – Kong Canada And Egypt Etc.

### **Import Scenario**

Figures of Textiles import for the year 2014-15 compared to 2013-14 and April-Dec 2015-16 as compared to April-Dec 2014-15:

#### **Imports:**

- The import of Textiles & Clothing (T&C) products in India was margin- ally reduced from US\$ 4.69 billion during Apr-Dec. (2014-15) to US\$ 4.58 billion during same time period of the current fiscal year.
- The Import of Textiles and Clothing (T&C) products in India was marginally reduced from US\$ 5 billion during 2013-14 to US\$6 billion dur'ng2014-15.

*(Source: Ministry of Textiles, Annual Report 2015-16)*

## Import of Major Textile Items

COMMODITIES	UNIT	Apr-June				
		Qty		Value (In Mn US \$)		
		2014-15	2015-16	2014-15	2015-16	
<b>I</b>	<b>FIBRE</b>					
	Cotton Raw Incl. Waste		39189	54994	86.43	93.16
	Manmade Staple Fibre		N.A.	N.A.	98.42	107.61
	Silk Raw	TON	849	836	39.21	36.99
	Wool Raw	TON	25472	21870	102.09	76.24
	Silk Waste	TON	17	9	0.65	0.34
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>326.81</b>	<b>314.34</b>
<b>II</b>	<b>YARN / FABRICS / MADEUPS</b>					
	Cotton Yarn	TON	1465	1575	10.50	12.13
	Cotton Fabrics, Madeups Etc.		N.A.	N.A.	117.67	111.23
	Natural Silk Yarn, Fabrics, Madeup		N.A.	N.A.	16.06	10.32
	Manmade Yarn, Fabrics, Madeups		N.A.	N.A.	459.52	452.75
	Wollen Yarn, Fabrics, Madeups Etc.		N.A.	N.A.	18.79	19.62
	Other textile yarn, fabrics, madeups etc		N.A.	N.A.	172.64	176.38
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>795.19</b>	<b>782.43</b>
<b>III</b>	<b>RMG</b>					
	Rmg Cotton Including Accessories		N.A.	N.A.	43.38	49.60
	Rmg Silk		N.A.	N.A.	1.36	1.14
	Rmg Manmade Fibres		N.A.	N.A.	23.03	28.25
	Rmg Wool		N.A.	N.A.	2.47	2.11
	Rmg Of Other Textile Material		N.A.	N.A.	21.35	22.31
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>91.59</b>	<b>103.40</b>
<b>IV</b>	<b>CARPET</b>					
	Carpet (Excl. Silk) Handmade		N.A.	N.A.	15.69	18.17
	Carpet (Excl. Silk) Millmade		N.A.	N.A.	0.00	0.00
	Silk Carpet		N.A.	N.A.	0.01	0.00
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>15.70</b>	<b>18.18</b>
<b>V</b>	<b>JUTE</b>					
	Jute Yarn	TON	23646	17103	16.57	13.93
	Jute Raw	TON	28806	12678	14.47	7.41
	Jute Hessian		N.A.	N.A.	6.09	7.76
	Floor Covering Of Jute		N.A.	N.A.	0.12	0.32
	Other Jute Manufactures		N.A.	N.A.	21.01	21.27
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>58.26</b>	<b>50.69</b>
	Coir & Coir Manufacturers		N.A.	N.A.	1.35	1.32
	Handicrafts (excl. Handmade crafts)		N.A.	N.A.	113.99	132.32
	Handloom Products		N.A.	N.A.	2.06	4.18
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>117.40</b>	<b>137.82</b>
	<b>GRAND TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>1404.95</b>	<b>1406.86</b>

(Source: Aspects of textile industry, Ministry Of Textile, Office of the Textile Commissioner, Mumbai)

The import of textile items in US\$ increased by 0.1% during April - June 2015 - 16 compared to corresponding period of the previous year.

## Export of Major Textile Items

COMMODITIES	UNIT	Apr-June				
		Qty		Value (In Mn US \$)		
		2014-15	2015-16	2014-15	2015-16	
<b>I</b>	<b>FIBRE</b>					
	Cotton Raw Incl. Waste		353861	150511	679.19	224.19
	Manmade Staple Fibre		N.A.	N.A.	123.86	112.81
	Silk Raw	TON	0	4	0.00	0.07
	Wool Raw	TON	0	9	0.00	0.04
	Silk Waste	TON	350	408	4.06	3.93
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>807.12</b>	<b>341.05</b>
<b>II</b>	<b>YARN / FABRICS / MADEUPS</b>					
	Cotton Yarn	TON	264374	307968	910.33	894.12
	Cotton Fabrics, Madeups Etc.		N.A.	N.A.	1306.29	1304.38
	Natural Silk Yarn, Fabrics, Madeups		N.A.	N.A.	32.30	25.52
	Manmade Yarn, Fabrics, Madeups		N.A.	N.A.	1285.76	1228.84
	Wollen Yarn, Fabrics, Madeups Etc.		N.A.	N.A.	52.57	49.74
	Other textile yarn, fabrics, madeups etc		N.A.	N.A.	94.15	82.63
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>3681.41</b>	<b>3585.23</b>
<b>III</b>	<b>RMG</b>					
	RMG Cotton Including Accessories		N.A.	N.A.	2405.83	2374.92
	RMG Silk		N.A.	N.A.	79.06	82.50
	RMG Manmade Fibres		N.A.	N.A.	976.73	1208.34
	RMG Wool		N.A.	N.A.	68.03	72.69
	RMG Of Other Textile Material		N.A.	N.A.	711.85	855.59
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>4241.50</b>	<b>4594.05</b>
<b>IV</b>	<b>CARPET</b>					
	Carpet (Excl. Silk) Handmade		N.A.	N.A.	319.03	360.06
	Carpet (Excl. Silk) Millmade		N.A.	N.A.	0.00	0.00
	Silk Carpet		N.A.	N.A.	0.58	0.59
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>319.61</b>	<b>360.65</b>
<b>V</b>	<b>JUTE</b>					
	Jute Yarn	TON	5699	7588	5.30	7.78
	Jute Raw	TON	6901	2757	3.63	1.57
	Jute Hessian		N.A.	N.A.	30.42	25.04
	Floor Covering Of Jute		N.A.	N.A.	23.99	18.22
	Other Jute Manufactures		N.A.	N.A.	33.54	39.43
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>96.89</b>	<b>92.05</b>
	Coir & coir manufacturers		N.A.	N.A.	69.39	56.99
	Handicrafts (excl. Handmade crafts)		N.A.	N.A.	330.66	360.20
	Handloom products		N.A.	N.A.	86.55	98.07
	<b>SUB-TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>486.60</b>	<b>515.26</b>
	<b>GRAND TOTAL</b>		<b>N.A.</b>	<b>N.A.</b>	<b>9633.12</b>	<b>9488.28</b>

(Source: Aspects of textile industry, Ministry Of Textile, Office of the Textile Commissioner, Mumbai)

The export of textile items in US\$ decreased by 2% during April - June 2015 - 16 compared to corresponding period of the previous year.

## COTTON

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right home processing to trading of cotton. In the raw material consumption of the textile industry in India, the ratio of the use of the cotton to man-made fibers and filament yarns is 59:41.

(Source: Ministry of Textiles, Annual Report 2015-16)

### Cotton Production and Achievements

The cotton production of the country which used to be 140 lakh bales during 2000-01, reached to a record level of 398 lakh bales in 2013-14 and is expected to touch the level of 400 lakh bales in 2014-15. Today, India occupies:

- 1<sup>st</sup> place in the world in cotton acreage with around 130 lakh hectares area under cotton cultivation i.e. around 38% of world area of 335 Lakh Hectares.
- Approximately 62% of Indian's cotton is produced on rain-fed areas and 38% on irrigated lands.
- In terms of productivity, India ranks poorly compared to USA and China. During 2015-16, India's productivity is 527 kg/hectares.

(Source: Cotton Sector Report 2016, Ministry of Textiles, Government of India)

### Demand and Supply Situation:

The projected the cotton acreage for cotton season 2014-15 is at 126.55 lakh hectares as against 117.27 lakh hectares of previous year. Similarly, based on the prevailing agro-climatic conditions during the season, the projected cotton production is at 390 lakh bales as against 398 lakh bales in previous year. Based on the crop projections, the following balance sheet for cotton season 2014-15 can be drawn:

(Quantity in lakh bales)

Item	2014-15	2015-16
<b>SUPPLY</b>		
Opening Stock	33.00	52.00
Crop size	380.00	365.00
Imports	14.39	12.00
<b>Total Availability</b>	<b>427.39</b>	<b>429.00</b>
<b>DEMANDS</b>		
Mill consumption	278.55	284.00
Small mill Consumption	26.28	28.00
Non-Mill consumption	12.84	11.00
<b>Total Consumption</b>	<b>317.67</b>	<b>323.00</b>
Exports	57.72	68.00
Total disappearance	375.39	391.00
Carry Forward	52.00	38.00

(Source: Cotton Advisory Board - Cotton Sector Report 2015, Ministry of Textiles, Government of India)

### Export & Import of Cotton

**Production & Consumption:** In India, cotton is cultivated in three diverse agro-ecological zones, Northern zone comprising the States of Punjab, Haryana and Rajasthan, Central zone comprising the States of Gujarat, Maharashtra and Madhya Pradesh and Southern zone comprising the States of Andhra Pradesh, Telangana, Karnataka Orissa and Tamil Nadu. Cotton is also cultivated in small areas of non-traditional states such as Uttar Pradesh, West Bengal and Tripura. India has brought about a quantitative and qualitative transformation in the production of cotton since independence. Production and productivity of cotton in India have improved significantly during the past decades. India is the largest producer and 2nd largest exporter of cotton in the world. India is also a leading consumer of cotton. The details of production and of cotton consumption during the last 5 years is given below:-

**Cotton Exports**

Year	Qty. (in lakh bales of 170 kgs each)
2010-11	76.50
2011-12	129.57
2012-13	101.43
2013-14	116.96
2014-15	57.72

**Cotton Imports**

Year	Qty. (in lakh bales of 170 kgs each)
2010-11	2.38
2011-12	7.51
2012-13	14.59
2013-14	11.51
2014-15	14.39

(Source: Ministry of Textiles, Annual Report 2016)

**Production of Man Made Fibre, Filament Yarn, Spun Yarn and Cloth**

(Figures in Millions)

Period	Man-made fibre	Man-made filament yarn	Cotton yarn	Blended & 100% Non-cotton yarn	Total Spun Yarn	Cloth		
						Mill sector	Decentralized sector	Grand Total (Exc. Khadi, Wool & Silk)
						Sq. mtr	Sq. mtr	Sq. mtr
2011-12	1234	1463	3126	1246	4372	2313	57292	59605
2012-13	1263	1371	3583	1285	4868	2418	59531	61949
2013-14	1307	1293	3928	1381	5309	2531	60093	62624
2014-15	1344	1248	4055	1433	5488	2486	61846	64332
2015-16	1347	1164	4138	1527	5665	2315	62269	64584
2016-17 (Apr-July) (P)	459	377	1366	532	1898	783	21014	21797
2015-16 (Apr- July)	421	389	1401	501	1902	791	20763	21554
<b>% Variation</b>	<b>9.1</b>	<b>-3.0</b>	<b>-2.5</b>	<b>6.1</b>	<b>-0.2</b>	<b>-1.0</b>	<b>1.2</b>	<b>1.1</b>

(P) – Provisional

Man-made fibre production increased by 9% and filament yarn production decreased by about 3% during April - July 2016-17.

Cotton yarn production decreased by 3% during April-July 2016-17. Blended and 100% non-cotton yarn production increased by 6% during the year April-July 2016-17.

Cloth production by mill sector decreased by 1% during April-July 2016-17. Cloth production by decentralized sector increased by 1% during April-July 2016-17. The total cloth production during April-July 2016-17 had shown an increase of 1% compared to the corresponding period of the previous year.

(Source: Aspects of Textile Industry, Ministry Of Textile, Office of the Textile Commissioner, Mumbai)

## DENIM

Denim is of the most promising category in India’s apparel market. In 2013, the denim market of India was worth ₹ 13,500 Cr. which accounts for 5 percent of the total apparel market of the country. The market is projected to grow at a CAGR of 15 percent to become ₹ 27,200 Cr. market in 2018.

(Source: Denim Market in India, <http://www.indiaretailing.com/2015/01/07/fashion/denim-market-in-india/>)

### Key Trends in Denim Market are

- In India most of the denim manufacturers focus on the domestic markets as the value realisation remains higher in domestic market than in export markets.
- In the recent times the industry has witnessed entrance of new fabric manufacturers which is expected to make the market for denim fabric more price competitive in the coming years.
- Cotton remains the fibre of choice in denim apparel. In blended denim fabrics polyester is being used as weft threads.
- The demand for stretch denim is growing at a faster rate in India market due to its comfort and fit characteristics.
- The colour of denim jeans is no longer limited to traditional blue colours. Indian youth has started accepting denim in different colours including green, red, yellow etc.

(Source: Denim Market in India, <http://www.indiaretailing.com/2015/01/07/fashion/denim-market-in-india/>)

### Issues & Challenges for Denim Market

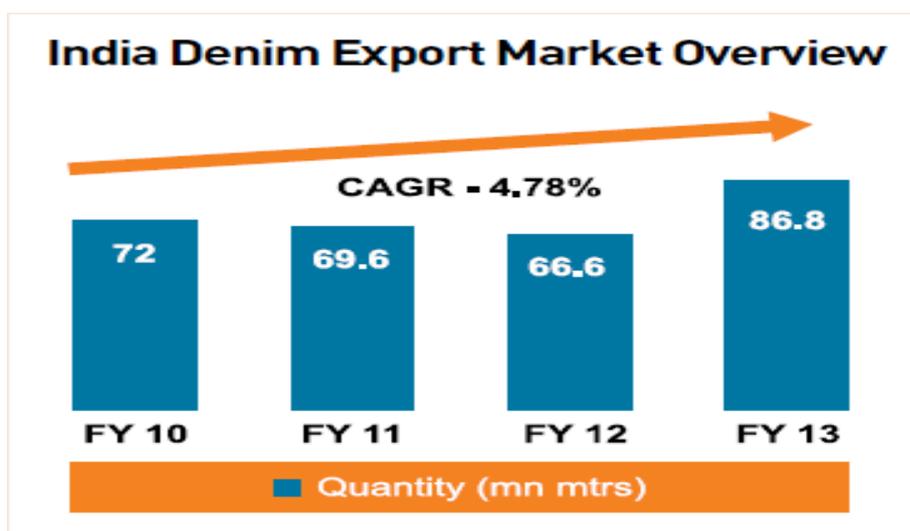
Though the denim category is among the most promising categories in apparel market of the country, it faces its own set of issue and challenges. The prudence in which various stakeholders of denim eco-system identify and address the issues and challenges associated with the value chain will determine the growth of denim apparel market in the country. India at present lacks behind in its ability of the denim product development and innovation. There is a need to develop a larger portfolio of denim garments and accessories, including shorts, shirts, bags, dresses, accessories among others.

At present the market is skewed towards denim jeans. The weight (gsm) range of available denim fabric could be broadened to widen denim application. There is a lot of scope of improvement in right processing and value addition in denim through fashion-led processes and finishes. Establishment of high quality processing and could help to improve the quality and colours, this attracting more to try denim.

(Source: Denim Market in India, <http://www.indiaretailing.com/2015/01/07/fashion/denim-market-in-india/>)

The global market for denim is forecast to reach USD 64.1 billion by 2020. The Indian denim industry has shown continual growth over the years and currently the country boasts of a denim manufacturing capacity of around 1.1 billion metres per annum. Its utilization levels are pegged at 80-85%. Despite the impressive statistics, the Indian denim manufacturing industry contributes approximately 5% to the global scenario, reflecting the overall performance of the textiles industry. However, according to industry experts, denim is the only segment in the Indian textile industry that has the potential to grow manifold.

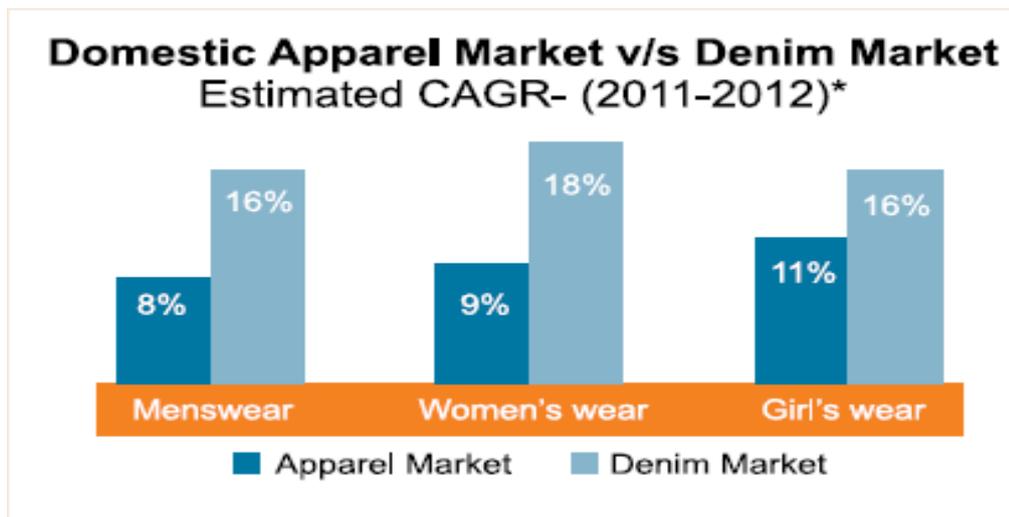
(Source: Make in India-Boost to the Country’s Denim Segment, [www.fashionatingworld.com](http://www.fashionatingworld.com))



(Source: DGFT)

An increasing number of global denim manufacturers are looking at India as an emerging denim export region owing to its quality standards, cost effectiveness and large pool of skilled work force.

On the domestic front, the denim wear market is driven by increasing disposable incomes, westernization of work culture and the ensuing rise in the popularity of denim jeans as business casual wear.



(Source: Technopak Compendium Textile Apparel (2012))

With increasing globalization, young India prefers denims as a part of their essential daily wear. As is true of the great Indian consumer story, the middle class is driving this growth. The mid-value segment of denim wear, characterized by quality, value-for-money and increasing styling quotient is their preferred option. Denim manufacturing and consumption in India has grown at a compounded annual growth rate (CAGR) of up to 15% over the last decade and is expected to grow at similar levels over the next few years.

(Source: Denim Manufacturers' Association)

India offers numerous advantages to denim manufacturers. It is among the handful of countries that has a presence across the textile value-chain, from cotton to garments. In addition, it has a huge skilled workforce and offers quality products at competitive costs. To remain competitive in the globally, most textile companies have adopted global standards of safety and environment compliance. Additionally, the country's demographics with an expanding purchasing power and modernising fashion sense further contribute to the sector's growth. In fact, India has been ranked as a top destination for retail investments among 30 global emerging markets.

For the "Make in India" initiative to be successful for the textile sector, it is important that the government provides specific impetus for the growth of the indigenous denim industry. The technological integration of the manufacturing process coupled with capacity build-up can result in a rise in production of the fabric leading to enhanced domestic consumption and exports.

(Source: Make in India-Boost to the Country's Denim Segment, [www.fashionatingworld.com](http://www.fashionatingworld.com))

## GOVERNMENT INITIATIVES

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

Some of initiatives taken by the government to further promote the industry are as under:

- The Union Cabinet has cleared Rs 6,000 crore (US\$ 889.44 million) package for the textile sector, aimed at attracting investments worth Rs 74,000 crore (US\$ 10.95 billion) generating 10 million jobs and increasing textile exports by US\$ 30 billion in the next three years.
- The Department of Handlooms and Textiles, Government of India, has tied up with nine e-commerce players and 70 retailers to increase the reach of handlooms products in the Indian market, which will generate better prices and continuous business, besides facilitating direct access to markets and consumers for weavers.
- The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalizing guidelines for the revised Textile Up gradation Fund Scheme (TUFS).

- The Government of India has started promotion of its 'India Handloom' initiative on social media like Face book, Twitter and Integra with a view to connect with customers, especially youth, in order to promote high quality handloom products.
- The Ministry of Textiles launched Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years (from 2010-11 to 2011-12 in the 11th five year plan and 2012-13 to 2014-15 in 12th five year plan) with a total fund outlay of Rs 200 crore (US\$ 29.6 million). The objective of TMTT is to promote technical textiles by helping to develop world class testing facilities at eight Centres of Excellence across India, promoting indigenous development of prototypes, providing support for domestic and export market development and encouraging contract research.
- The Government of India is expected to soon announce a new National Textiles Policy. The new policy aims at creating 35 million new jobs by way of increased investments by foreign companies, as per Textiles Secretary Mr. S K Panda.
- Subsidies on machinery and infrastructure
  - The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS.
  - Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to Rs 40 crore (US\$ 6 million). Under this scheme the technical textile units can also avail its benefits.
  - The major machinery for production of technical textiles receives a concessional customs duty list of 5 per cent.
  - Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2 per cent of freight on board (FOB) value of exports
- The Government of India has implemented several export promotion measures such as Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme for increasing share of India's textile exports.
- Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries.
- Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export Promotion Councils.
- The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports resulting in faster clearance of import and export cargo.
- The Ministry of Textiles has approved a 'Scheme for promoting usage of geotechnical textiles in North East Region (NER)' in order to capitalize on the benefits of geotechnical textiles. The scheme has been approved with a financial outlay of Rs 427 crore (US\$ 63.3 million) for five years from 2014-15.
- A Memorandum of Understanding (MOU) has been signed between India and Kyrgyzstan seeking to strengthen bilateral cooperation in three fields -Textiles and Clothing, Silk and Sericulture, Fashion

## OUR BUSINESS

*This chapter should be read in conjunction with, and is qualified in its entirety by, the more detailed information about our Company and its financial statements, including the notes thereto, in the sections titled 'Risk Factors' and 'Financial Information' and the chapter titled 'Management Discussion and Analysis of Financial Condition and Results of Operations' beginning on page nos. 11, 158 and 183 respectively, of this Draft Letter of Offer.*

*Unless the context otherwise requires, in relation to business operations, in this chapter of this Draft Letter of Offer, all references to "we", "us", "our" and "our Company" are to Vishal Fabrics Limited and Group Entities as the case may be.*

Our company was incorporated as "Vishal Fabrics Pvt. Ltd" on October 22, 1985 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat. For further details regarding the change in the name of our company, please refer to the chapter titled "History and Certain Corporate Matters" beginning on page no. 113 of this Draft Letter of Offer.

Our Company is engaged in the business of dyeing, printing and processing of fabrics of its own and also on job work basis. Our Company procures mainly Grey Fabric and dyes, prints and finishes the same as per the client's requirements. The processing unit of our Company is based in Narol, Ahmedabad, Gujarat. We have an installed capacity of 1,050 lakhs meters per annum and the plant has the facilities for printing, dyeing and processing wide range of fabrics i.e. cotton, polyester, viscose and man-made & blended fabrics suitable for men's wear, women's wear, home furnishing and many other applications.

Our Company is promoted by Chiripal Industries Limited and is part of the Chiripal Group, Ahmedabad. The persons in control of the Group have more than 20 years of experience in the Fabrics business and have incorporated several other companies manufacturing or trading in fabrics, yarn, denim and readymade garments.

Our Company was initially engaged in trading of fabrics. Though the Company was incorporated in 1985, our Company's activities were almost dormant till the year 1999. During the year 1999-2000, we took over the Units of Associate concerns, Bhushan Petrofils Private Limited and Prakash Calender Private Limited; both located at Narol, Ahmedabad, on lease basis and started the processing of fabrics. Over the years, with a view to expand the installed capacity and broad base the market of its products, we put up our own Plant & Machinery. In the year 2003, we set up a captive power plant for production of 2.3 MW power to improve productivity in our processing plant.

In the year 2005, we increased our processing capacity by installing the Wider Width Unit, which enabled us to process fabrics of upto 120 inch width. In the year 2011, we further enhanced our processing capacity by setting up a Continuous Bleaching Range (CBR) unit. The CBR unit processes upto 80,000 meters of fabric per day as compared to 2,000 – 8,000 meters fabric in other machines.

Our Company, as part of its expansion, intends to set-up a new yarn dyeing and denim processing unit with a proposed installed capacity of 800 lakhs meters per annum. This unit is proposed to be set-up at Dholi, near Ahmedabad, Gujarat and the land for the same has already been acquired. Our Company intends to raise approximately ₹ 8,500 lakhs from this Rights Issue out of the total project cost of ₹ 28,300 lakhs. For details of the project cost, its utilisation and schedule of implementation please refer the chapter "Objects of the Issue" on page no. 59 of this Draft Letter of Offer.

In the past three (3) years our revenues have increased from ₹ 20,412.23 lakhs in F. Y. 2013-14 to ₹ 22,375.28 lakhs in F. Y. 2014-2015 and further to ₹ 27,389.56 lakhs in F. Y. 2015-16, showing an increase of 9.62% and 22.45% respectively. Our Net Profit after tax has also increased for the above mentioned periods from ₹ 276.39 lakhs in F. Y. 2013-14 to ₹ 898.24 lakhs in F. Y. 2014-15 and further to and ₹ 1,434.14 lakhs in F. Y. 2015-16, showing an increase of 224.99% and 59.66% respectively.

## OUR STRENGTHS

### *Management Expertise*

Our Promoter Company is engaged in the Textiles business and is the flagship company of our Group. The Promoters of our Promoter, some of whom who also form part of Board of Directors of our Company, have a proven background and rich experience of more than 30 years in the Textile industry. Also, our Company is managed by a team of experienced personnel. The team comprises of personnel having operational and business development experience. We believe that our management team's experience and their understanding of the textile industry will enable us to

continue to take advantage of both current and future market opportunities. It is also expected to help us in addressing and mitigating various risks inherent in our business, including significant competition, reliance on independent contractors, the global economic crisis and fluctuations in fuel prices.

#### ***Established Marketing Setup***

Our Company was incorporated in the year 1985 and we are engaged in the processing of textiles from the year 1999. Over the years we have established a strong customer base and an unyielding marketing setup. Further, we have many companies forming part of Chiripal Group which are engaged in similar businesses. Our group has sufficient marketing expertise and wide marketing network, which is and would be channelled for our business and the proposed expansion of Denim processing.

We have dedicated divisions for marketing different types of products and for different geographical locations. The fabric sales division, home furnishing division and export division are responsible for marketing of our Own Fabric Production. Whereas domestic dress material division, bottom dyeing division and export garment division cater to the marketing of Job-Work Fabric Production. All the divisions have well trained and adequate teams to handle daily activities and are supervised by Managers and the Vice – President (Marketing) regularly.

#### ***Cordial Relationship between management and labour***

We enjoy cordial relations with our employees and there has been no union of employees. Further, there have been no strikes, lock-out or any labour protest in our organization since inception.

#### ***Captive Power plant***

Power is an important factor in every manufacturing facility. Considering the power requirements of our manufacturing facilities at the Narol Unit, we have installed a captive power plant of 2.3 MW (from Coal / Lignite). Captive power plant will give us the stable and uninterrupted power supply which is very crucial in manufacturing of our products. Also, it gives us steady and quality supply of steam for our various fabric processes. Uninterrupted power supply helps to avoid any delays in manufacturing process thereby ensuring complete utilization of our capacities.

#### ***Strong Technological Capabilities***

We use latest technology and machinery procured from major suppliers/distributors in India and Abroad. We have latest machinery like CBR which has almost three times the processing capacity to that of traditional machines, the Rotary Screen Printing Machine, Continuous and Loop Agers, Hydro Extractors, Sanforizing Machine, Liza Brushing Machine, Sueding Machine, and a host of machines for Drying and Finishing. Even the folding and packing processes are carried on latest machines which guarantee quality check and precision. These modern machineries also help us in maintaining high quality standards. The latest technology enables radical design and innovation in creating new looks and new trends. Technology has helped us in rolling out new combination of dyes and prints.

Also, we have shortlisted the latest technology machinery and processes for our proposed project of Yarn Dyeing and Denim Processing. This will enable us to produce better quality denim, save costs, and enable better utilisation of various other resources. Further, using latest technology will also enable us to compete with the existing organised and unorganised players in the denim process market.

#### ***Strategic Location of existing Manufacturing Unit***

Our Company has leased about 16,000 Sq. Mtrs or 3.95 Acres of land and own about 10, 570 Sq. Mtrs or 2.61 Acres of owned land in Ranipur, Narol Road, Ahmedabad where we have set up our registered office and processing unit, which is strategically located and is well connected by rail, roads and air with the rest of the country.

- The Unit is located within the limits of Ahmedabad Municipal Corporation and is 16 km from Ahmedabad International Airport.
- The plant of the Company is located on the main National Highway No. 8 connecting Northern & Western India.
- It is also well connected with the two large & important ports of India Viz. Kandla & JNPT (Navi Mumbai)

- The major raw material i.e. Grey Fabric and Colours & Chemicals are easily available from the manufacturers located in Gujarat. Thus, procurement of these raw materials is less time consuming and comparatively cheaper due to savings on freight.
- Ahmedabad has been the hub of Textile Industry in Gujarat. Skilled and semi skilled workers are easily available in Gujarat in view of the wide spread Textile industry located in the Western Region for over a Century.

Thus, the location of the site is advantageous to the company in transportation of Raw materials as well as the Finished Products.

### ***Scalable Business Model***

Our business model is order driven, and comprises of optimum utilization of our Narrow Width and Wider Width processing facilities, maximum capacity utilization, developing linkages with quality raw material suppliers and achieving consequent economies of scale. We believe that this business model has proved successful and scalable for us in the last few financial years. We can scale upward as per the requirement generated by our Company. The business scale generation is basically due to the development of new markets both international and domestic, by adopting aggressive marketing of the product, innovation in the product range and by maintaining the consistent quality of the product.

### ***Product mix and Market mix***

Our Company deals in a range of products like Shirting Fabrics, Dress Materials, Home Furnishing fabrics etc in both, Narrow Width and Wider Widths. This wide range has given us immense opportunity to expand and explore new markets.

We intend to further expand our product portfolio by setting up a unit for processing of denim fabrics at Dholi near Ahmedabad. This will enable to utilise our resources in a more efficient manner, provide us a larger market base and also expand our geographical reach. Currently, our Company has presence in domestic markets and with our increased product mix, we can reach untapped domestic areas and also overseas market for our existing as well as proposed products.

### ***Cost effective production and timely fulfilment of orders***

Timely fulfilment of the orders is a prerequisite in our industry. Our Company has taken various steps in order to ensure adherence to timely fulfilment and also to achieve greater cost efficiency at our existing Narol unit. These steps include identifying quality grey cloth and Colours & Chemical suppliers (which forms a bulk of our raw material cost), smooth labour relations, use of an efficient production system and ability to meet large and varied orders due to our capacity and linkages with raw material suppliers. Our Company also has enjoyed good relations with our suppliers of grey cloth and Colours & Chemicals which is the primary raw material for our products and as a consequence has had the benefit of timely supplies of the raw materials which has been one of the major reasons why we have been able to achieve timely fulfilment of orders of our customers. Our Company constantly endeavours to implement an efficient procurement policy for inputs required for production so as to ensure cost efficiency in procurement which in turn results in cost effective production.

## **OUR STRATEGIES**

Our strategic objective is to improve and consolidate our position as a Textile Processing Unit with a continuous growth philosophy. The diagram below represents our continuous growth philosophy being implemented on a day-to-day basis.

Our continuous growth philosophy is being driven with the strategic levers of operational excellence, strengthening existing services, customer satisfaction, ecosystem development, innovation and marketing.



#### ***Expand into processing of Denim fabrics***

As part of our expansion, our Company proposes to set up a new denim processing unit having installed capacity of 800 lakh meters per annum. The approximately 13 acre land for this expansion has already been acquired at Dholi near Ahmedabad, Gujarat.

The company proposes to set up the project having an overall capacity of 800 lakh meter per annum with a total project cost of ₹ 28,326.00 lakhs. This expansion is part of our overall growth plans and we intend to increase our product base with the addition of denim fabrics. For further detail about the proposed expansion, its business, location, costs and timelines, please refer the chapters “*Objects of the Issue*” and “*Our Business*” on page nos. 59 and 88 of this Draft Letter of Offer.

#### ***Operational excellence***

We continue to invest in operational excellence throughout the organization. We are addressing operational excellence through continuous process improvement, customer service and technology development. Alignment of our people to ‘process improvement’ through change management and upgrading of skills as required for customer satisfaction is a continuous activity. Awareness of this quality commitment is widespread among all the employees.

#### ***Geographical expansion***

We cater to a large number of clients throughout the Country and Abroad. In India, our clients are scattered throughout the Country. We further intend to continue to cater to PAN India clients.

Our Exports are majorly concentrated in Europe, especially Germany, Middle East and Sri Lanka. We intend to supply to other European countries and also intend to enter other regions of the world over the course of time.

#### ***Expand our global footprint***

Through a combination of increased capacities, reduced costs, wider range of products adhering to global standards, marketing initiatives, competitive pricing and more efficient use of resources, we intend to expand our global footprint and become a preferred supplier for large format international retail chains and institutions.

### *Focusing on value added products*

With the well balanced Narrow and Wider Width processing facilities, our Company will be technically capable to focus on value added products. Though value added products, especially in Home Furnishing segment, do not show significantly high volumes in terms of sales, but they normally command premium pricing which would have a positive impact on our margins.

## **DETAILS OF OUR BUSINESS**

### **LOCATION**

#### **Registered Office and Processing Unit**

Our Registered Office as well as the Processing Unit are located at Ranipur, Narol Road, Ahmedabad - 382405. The land on which the Office is situated is on a leasehold basis from one of our Promoter Group Companies Prakash Calender Pvt. Ltd.

#### **Corporate Office**

Chiripal House, Near Shivranjani Cross Roads, Satellite, Ahmedabad – 380015

#### **Proposed Denim Processing Unit**

Survey No. 291 / 297 & 289, Dholi Integrated Spinning Park, Village Dholi, Ahmedabad, Gujarat

For details of the above mentioned properties, please refer to “*Our Business – Properties*” on page no. 102 of this Draft Letter of Offer.

## **EXISTING MANUFACTURING FACILITIES**

Our Factory site is located at Ranipur, Narol Road, Dist. Ahmedbad - 382405. Existing manufacturing facilities includes a processing unit with various machinery for different process like dyeing, printing, finishing and packing. The details of existing Plant & Machinery for the fabric processing unit are given below:

<b>Machine Name</b>	<b>No. of Machines</b>	<b>Machine Make / Country Imported</b>
<b>Dyeing</b>		
Dyeing jigger/Jumbo jigger/maxi jigger	69	Indigenous
Jet Dyeing	21	Indigenous
Kuster Padding Machine	1	German
Padding Mangle	2	Indigenous
<b>Printing</b>		
Rotary Screen Printing	3	Lakshmi, Indian
	4	Stormac
	3	Indigenous
Flat Bed Screen Printing	8	Indigenous
<b>Mercerizing, Boiling and Bleaching</b>		
Continuous Bleaching Range (CBR)	1	Dhall, India
Mercerizer	4	Indigenous
J. T. Tank	15	Indigenous
<b>Colour fixing and washing</b>		
Continuous Ager	4	Indigenous
Loop Ager	3	Indigenous
Polymerise	2	Indigenous
Open width Soaper	2	Indigenous
Winch Soaper	3	Indigenous
Hydro extractor	4	Indigenous
<b>Drying , Finishing and batching machine</b>		
Hot Air Stenter	1	Montex
	3	Harish

	2	Dhall
	1	Yamuna
Open Stenter for Batching	3	Indigenous
Hydraulic Batching	3	Indigenous
Float Dyer	1	Indigenous
Drying Range	5	Indigenous
Pitch Machines	3	Indigenous
Sanforizing Machines	4	Indigenous
De-size cum Singing Machines	2	Indigenous
Calender Machines	4	Indigenous
Brushing machine	1	Karu, Italy
Liza brushing machine	1	Italy
Sueding Machine	1	Karu, Italy
<b>Folding, Checking &amp; Packing</b>		
Cloth Folding Machines	8	Indigenous

Our Company has installed a Captive Power Plant in the same location as that of the Fabric Processing Unit. The details of existing Plant & Machinery for the Captive Power Plant are given below:

Machine Name	No. of Machines	Machine Make / Country Imported
Steam Turbine	1	Triveni Engineering & Industries Ltd, India
High Pressure Water Tube Boiler	1	Cethar Vessels Pvt. Ltd., India
Miscellaneous Air Pollution Equipment including Electrostatic Precipitator (ESP)	1	Thermax Ltd., India

For details of Plant and Machinery proposed to be acquired for the Denim Processing Unit, please refer the chapter “Objects of the Issue” on page no. 59 of this Draft Letter of Offer.

## PRODUCTS AND SERVICES

We are engaged in the business of processing Grey Fabric using various bleaching, dyeing and printing processes. VFL is equipped with state of the art machinery to process fabric from 30 inches to 120 inches width with core capability to print, dye and finish a wide range of fabric consisting of 100% cotton, polyester and various blends, regenerated and manmade fabrics viz. Viscose, Rayon, modal, excel, polyester, nylon, acrylic, linen, etc. from finest counts to coarser counts. Our products cater to domestic as well as global markets, ensuring most stringent quality norms. The main products for our processed fabrics are:

Voiles



Georgette / crapes



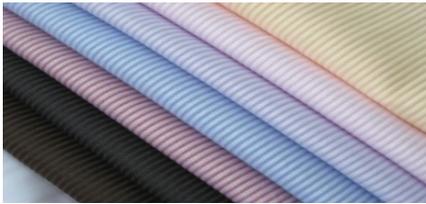
Canvass Fabric



Suiting Fabrics



### Shirting Fabrics



### Dress materials



### Bottom weights



### Bed sheet / Bed covers



### Upholstery / Furnishing fabrics



### Proposed Products

Our Company proposes to enhance its scope of fabric processing by setting up a yarn dyeing and denim processing unit having installed capacity of 800 lakh meters per annum.



Our Company has acquired land admeasuring approximately 13 acres at Dholi near Ahmedabad, Gujarat by way of long term lease for a period of 99 years from Dholi Integrated Spinning Park Ltd (DISPL), which is a Group company of Chiripal Group.

The company proposes to set up the project as under:

Capex Plan	Line 1	Line 2 to 8	Total
Capacity	100 lakh meter p.a.	700 lakh meter p.a.	800 lakh meter p.a.
Expected COD	February 2016	February 2017	February 2017
Project cost	83.22	200.04	283.26
Term Loan	58.17	139.83	198.00
Internal Accruals	20.00	-	20.00
Promoters' Contribution	5.05	60.21	65.26

(₹ in Cr.)

## MANUFACTURING PROCESS

### **Fabric Processing**

To deliver bleached, dyed, printed and finished fabric to our customers we use grey fabric as major input apart from colours, chemicals, steam, power and machine for wet processing. Un-dyed and un-finished fabrics are known as grey fabrics. Grey Fabrics are passed through several water intensive wet processing stages. These processes enhance the appearance, durability and serviceability of the fabric and make the fabric worth of apparel making. Following is the broad outline of process involved in fabric processing.

#### **Grey Fabric**

Fabric received from loom shed or knitting house is called as grey fabric. It is as such not fit to use as it contain several impurities viz. added, acquired or inherent ingredients mostly including sizes, lubricants, anti microbials, anti-static substances, colouring matters, natural pigments, proteins, soil, dirt, oils and grease stains etc., In order to make the fabric fit for further process as per end use it is subjected to de-sizing and scouring through which most of the sizes and other impurities are eliminated and fabric is fit for next operation that is bleaching.

#### **Bleaching**

De-sized and scoured fabric still contains colouring matters which include natural pigments or added colours for yarn identification. Fabric is subjected to bleaching to remove colouring matters by treating fabric with bleaching agents i.e chlorine bleach, hydrogen peroxide etc. This process is carried out on Jiggers or CBR machine. After bleaching fabric is dried and given optical whitener treatment if white fabric is the end product or subjected to drying and dyeing and/or printing.

#### **Mercerizing**

Cotton fabric and its blends having substantial proportion of cotton are subjected to mercerizing if fabrics are to be dyed, or printed. This operation involves treatment of fabric with cold concentrated caustic and results into enhanced durability of fabric, smoothness of surface and shining of fabric due to molecular reorientation.

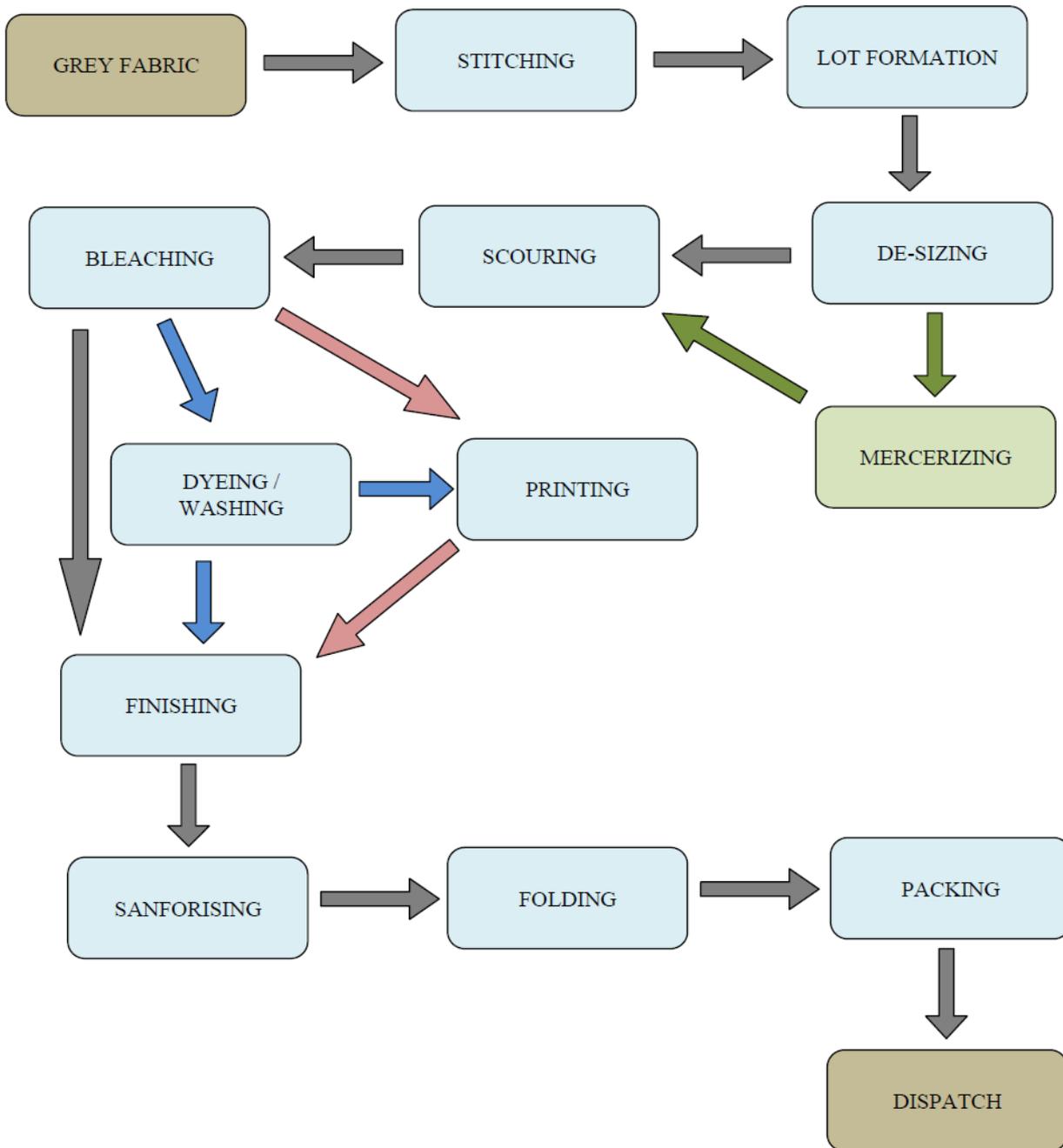
After mercerization fabric is washed, dried and sent for further process i.e. dyeing and/or printing.

#### **Heat Setting:**

Polyester and manmade fabrics are subjected to heat setting (or thermo setting) to impart dimensional stability and to achieve desired width prior to dyeing and printing.

#### **Dyeing**

Scoured and/or bleached fabric is converted into beams to dye the fabric as per end use and to impart desired coloration (shades). Various types of dyes are used as per order and requirements. Mostly disperse reactive, vat, naphthols, indigo sols, indigo, sulphur dyes, phthalocyanins, mineral colours pigment, etc. are used as colouring agents. Colour is fixed on fabric and after ensuring correct shade and fixation of colour, fabric is soaped, washed and dried and sent for further process i.e. finishing or printing.



**Printing**

Dried, dyed or bleached fabric (as per requirement) is subjected to batch formation and taken for printing on printing machines. Colour mixtures are applied via thickeners and other ingredients (for colour fixation) through printing screens engraved with desired patterns and designs. Now-a-days, table, Flat Bed & Rotary Printing machine are mostly used and digital printing / transfer printing is also used for limited production. Roller printing is also practiced in some process houses. However at VFL we use Table printing for sample printing and bulk production is taken on Flat beds & Rotary printing machine. Various kinds of printing is done as per requirement which includes disperse printing, pigment printing, reactive printing, resist printing, vat discharge printing, khadi print, ornamental printing e.g. Zari, silver and bronze powder printing, foil printing, foam printing, etc.

### **Colour Fixation**

After printing colour fixation is done on polymerizes, high temperature loop steamers or continuous steamer as per class of dye used for printing. This process involves heat and steam treatment to printed fabric through which printed patterns are permanently fixed on fabric surface.

### **Washing**

After colour fixation fabric is washed, dried and/or finished through which unfixed colour and gums (thickener) used for printing are removed and fabric is made fit for finishing.

### **Finishing**

Dyed, printed or bleached fabric is subjected to finishing. Chemical finishing imparts desired feel weight and fall to fabric and also incorporate desired properties of viz. water proofing, fire resistance, anti bacterial properties, softness, fragrance etc. This operation also ensures dimensional restructuring and stability of fabric that is width setting. Mostly high speed stenters are used for this process.

After chemical finishing, fabric is subjected to mechanical finishing, imparting dimensional stability. This is done on sanforising machine which controls shrinkage of fabric during washing of garments, calendaring is done to impart shining and smooth feel to end product.

### **Packing**

Finished fabric is sent to checking and packing department for quality inspection and packing followed by dispatching through bale formation.

## **Denim Processing**

The basic manufacturing process of Denim fabric making is weaving. It is the process of interlacing two sets – warp and weft – threads. The vertical threads are called warp and the horizontal running threads are called weft, which are our basic raw material and is commonly known as Grey Yarn.

### **Warping**

The individual cones of grey yarn are put into the creel of the warping machine. The number of cones depend upon fabric construction. The yarn from individual cone is pulled together to form a sheet of yarn, wound on the warping beam. Warp ends are wound onto the warping beam in accordance with the required weave, total number of ends, length and the required warp density (Ends per Inch - EPI) of the fabric.

### **Indigo Dyeing and Sizing**

Conventionally dyeing and sizing are separate processes. However, with the latest technology, the process of dyeing and sizing will combined and both these processes of dyeing and sizing will be carried out in single stage. The indigo dyeing is done in 2 ways viz. package dyeing or sheet/beam dyeing and our Company will be using the later.

Sizing gives a protective coating on yarn surface and is done to prevent abrasion of the fabrics with each other and also to prevent rupturing, weakening and breaking of the yarn due to friction with various loom / machine parts. Sizing improves the strength of yarn by chemically binding the fibres with each other. Also, multiplication of sheets by drawing yarns together from many warps beams and again making one sheet is also performed on sizing machine.

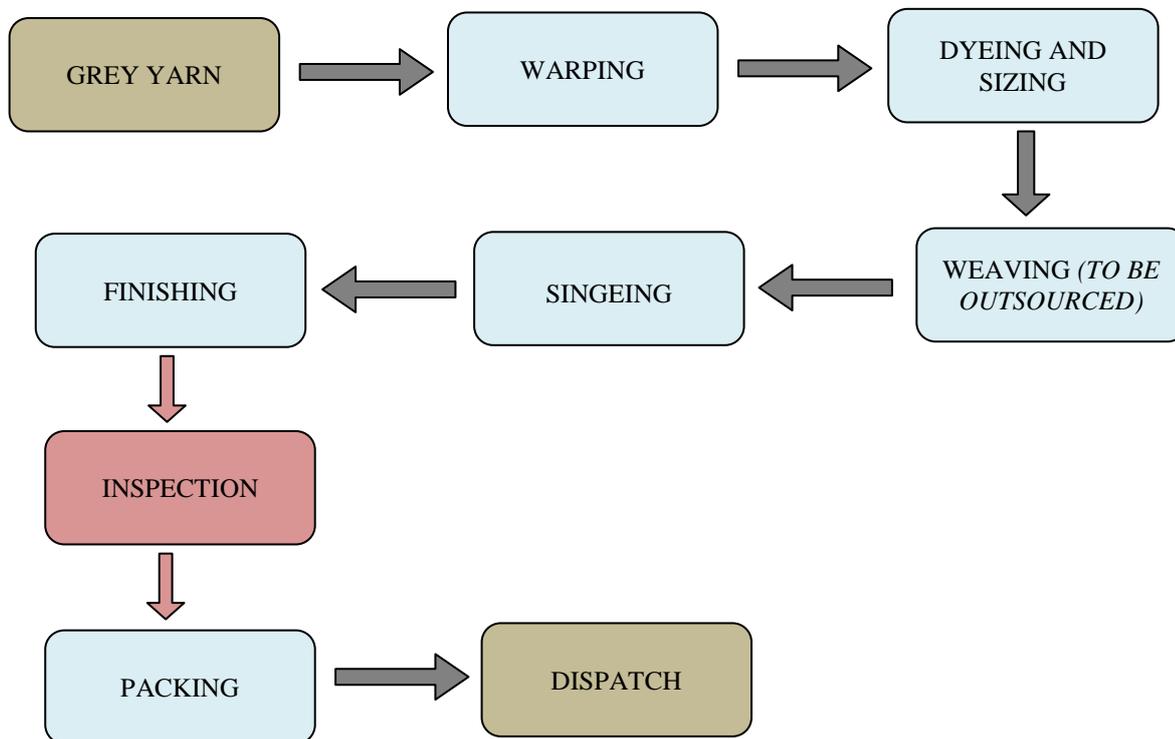
The sized warp sheet is wound on weaver beam which is ready for weaving on loom.

### **Weaving**

Our Company proposes to outsource the weaving or denim fabric manufacturing process. Accordingly, the weaver beams would be sent to the third party weaving unit for weaving into fabric. After getting woven fabric from weaving unit the fabric will be sent for processing & finishing.

### Singeing

Singeing is the process whereby the protruding fibres in a woven fabric are removed by heating and burning such fibres. This is an important process as these fibres act as capillaries in coloration, spoil the appearance of the dyed fabrics, cause slippage of doctor blade resulting in faulty prints in case of roller printing, mask the lustre of the fabric in the case of white mercerized fabrics and also provides a harsh feel to the fabric, particularly after starch finishing.



### Finishing

Finishing is one of the essential processes of a processing mill where all bleached, dyed and printed material are subjected before they are put on the market. The aim of the textile finishing is to render textile goods fit for their end uses. The finishing process consists of sub-processes like Desizing i.e. removing of chemicals and other sizing agents used earlier; mercerizing i.e. treatment of the fabric to improve the lustre, shade and other properties; and heat setting i.e. setting the dimension of the fabric to avoid stretching or shrinking.

### **CAPTIVE POWER PLANT**

In the year 2003, we set up a captive power plant at our Narol Unit for production of 2.3 MW power to improve productivity in our processing plant. The basic purpose of installing this thermal power plant was to meet the heating and power requirement of the process plant.

We have also setup special type of Condensing-cum-Extraction turbines which, in addition to being part of power generation, provides us with Steam for our fabric processing Unit. Steam is an essential component for our Textile Processing Unit. Steam is used in different types of the processes i.e. de-sizing, washing in boiling water, Scouring, Bleaching, Mercerising, Drying, Printing and Dying, Colour Fixation, Washing / Soaping of Dyed / Printed Fabric, Finishing and Sanforizing / Decadising.

The Captive Power Plant has given us various benefits in our day-to-day business and also given us an edge over our competitors. Some of the benefits of the captive power plant are as below:

- Uninterrupted Power. No problems of Load Shedding
- Low Cost Power compared to that obtained from the State Electricity Boards (SEBs)
- Uninterrupted & quality supply of Steam with steady pressure, steady temperature & steady flow for our Fabric Processing Unit.
- Reduction in breakdown due to power fluctuations and lower maintenance costs.

## Development of Design

There is a continuous process of conceptualization and development of design in the Upholstery, Furnishing Fabrics, Shirting and Dress Material Fabrics as per the liking and changing trends of the end user's habits. Our design team continuously works to make innovative designs. This process is undertaken considering the tastes, trends, regions and habits of the target customers.

Our Company is well equipped with an in-house design studio to prepare innovative designs for our customers. Normally, the designs are provided by our clients, including export clients from Europe and Middle East along with the fabric specifications. After receiving the designs necessary modifications are made in our design studio and sent back with the fabric sample / paper sample. The manufacturing of the product commences once the sample is approved and confirmed.

In addition, our Company has recently started designing its own range of women wear, especially in lycra fabric for domestic sale. Our Company intends to gradually increase the scale of our designs. Our Company develops the designs as per the demand and trends of the customers.

## OUR MAJOR CUSTOMERS

The percentage of income derived from top 10 customers in the last financial year is given below:

Sr. No.	Particular	Revenue (₹ in lakhs)	Percentage (%)
1	Income from Top 5 Customers (%)	2,820.27	10.31%
2	Income from Top 10 Customers (%)	4,645.84	16.98%

## COLLABORATIONS

The Company has so far not entered into any technical or financial collaboration agreement.

## RAW MATERIALS

Since the Company processes the fabrics mainly on Job Work basis, the major raw materials required by the Company are Grey Fabric and Colours & Chemicals.

### *Grey Fabric*

Gujarat being a major textile manufacturing state, Grey Fabric is easily available to us. Cotton Fabrics are mostly procured from South India, especially Ichalkaranji, which is a hub for Grey Fabric (Cotton). Polyester based Fabrics are procured from Bhiwandi in Maharashtra.

### *Colours & Chemicals*

To cater to the growing demand of well established Textile Industry in Gujarat, many units manufacturing Colour & Chemicals have been located in Western India. No difficulty is experienced in procuring these raw materials. There are no restrictions for purchase and or import of Colour & Chemicals.

### *Coal/Lignite*

Gujarat Mineral & Development Corporation (GMDC) has plenty of mines of lignite in Gujarat State. GMDC is catering lignite to all industries in Gujarat. We are also registered buyer of GMDC for lignite and getting adequate supply from it. Purchase of coal through import has no restrictions.

### *Proposed Project*

Our Company proposes to enhance its scope of fabric processing by setting up a denim processing unit. For this, our company intends to purchase the cotton yarn from various supplier across west India region and North west region. The Company has identified several cotton yarn suppliers like Vardhaman in Ludhiana (Punjab) and Budnari (M.P.), Trident in Ludhiyana (Punjab) and Budnari (M.P.), Spot King in Bhantiandaa (Punjab) and Arti International in Ludhiana (Punjab).

## UTILITIES

### *Power*

To save on the power cost, our company has installed own power plant at the Narol Unit with a capacity to generate 2.3 MW power. The captive power plant has dual advantage of continuous power supply and saving in power cost. The power plant is run on Coal / Lignite. The cost of power through captive plant is less than the cost of purchased power. Further, the Company also has been sanctioned power of 1,600 KW by Torrent Power Ltd.

The company's present power requirement is being sourced through own Captive Power Plant and power sanctioned by Torrent Power Ltd. In addition to the said captive power plant, the company has installed DG Sets as standby arrangement, which will continued to be used in case of need/shutdown or requirement of additional power.

Further, our Company is in the process to apply to Uttar Gujarat Vij Company Limited (UGVCL) for power connection to its proposed denim processing unit.

### *Steam*

Presently the Company has two steam generating Boilers with a capacity of 20 Tonnes and 12 Tonnes each, which are used for generation of Power & Steam which is used for the Processing facilities. The company existing steam requirement is about 20 tons and the same is met from the Boilers installed.

Further, our Company estimates a requirement of approximately 30 tons per day at its proposed denim processing unit at Dholi near Ahmedabad. Initially, our Company proposes to acquire a boiler with the required capacity for the proposed unit.

### *Water*

The water is required in processing process and for human consumption. The Company has adequate number of own bore-wells to meet the water requirement. The Company has also water storage tank and one Reverse Osmosis Plant for treating the raw water.

Further, our Company proposes to use water from bore-wells and nearby lake for its proposed denim processing unit.

### *Effluent Treatment Plant*

The Company has Effluent Treatment Plant for bringing down the levels of effluents discharged during the process of manufacture to the acceptable levels. The company has also received approval from GPCB and the Disposal is as per the General Standards notified from time to time.

For its proposed denim processing unit, our Company proposes to install an Effluent Treatment and Recycling System with zero liquid discharge.

### *Telecommunication System*

Ahmedabad is a fast emerging tier II city with excellent communication system and is well connected by telephone, fax and wireless system throughout the country and also the world over. All telecommunication systems are available without any disturbances.

## MARKETING SETUP

Our marketing set up is as under:

*Own Fabric* – Fabrics processed for indigenous products are marketed through different divisions of products like, Fabric sales division, Home Furnishing division, Export division, etc. Each division is headed by the Vice President (Marketing), with a team of well experienced Managers and each division has an adequate team to support them.

*Job Work Fabric* – The Fabrics processed as part of our Job Work orders are marketed mainly through divisions like Domestic dress material division, Bottom Dying Division and Export garment division. Each division is managed by well experienced Sales Manager and have adequate team to support them.

*Proposed Denim Processing* – Our Company endeavours to appoint qualified and experienced marketing personnel to procure orders and contracts post implementation of the project. Our Company’s marketing strategy shall be based on the products type and the end user segment. We also believe that adopting a hybrid marketing module comprising of direct customers approach and agent network will be beneficial in the long run. Our Company shall use the existing agent network of Chiripal group for sales in India and in case the need arises shall also appoint new agents. The Group already has an established presence in the states of Maharashtra, Gujarat, Madhya Pradesh, Delhi, Uttar Pradesh, Haryana, Punjab and Rajasthan. The group has over the years developed excellent relationship with many industry players in India and internationally which would enable the company to tap the market.

## MANPOWER

We require a significant amount manpower on our payroll as our processing facility though, technologically advanced, is labour intensive. Following is the number of employees on our company’s payroll as on June 30, 2014:

Sr. No	Category	No. of employees
1.	Executive Director(s)	2
2.	Key Managerial Persons (Including Vice Presidents & Head of Departments)	11
4.	Other Employees (including Office staff and Factory Labourers)	2,056
	<b>Total</b>	<b>2,069</b>

## EXPORT AND EXPORT OBLIGATIONS

The details of Our Export Sales and Export Obligations for the last three (3) years are given below:

Financial Year	Export Sales (₹ in lakhs)	Export Obligations (₹ in lakhs)
2015-16	Nil	Nil
2014-15	Nil	Nil
2013-14	4.54	0.34

## COMPETITION

The industry in which we operate is highly competitive and fragmented. Competition emerges from small as well as big players in the textile industry. The organized players in the industry compete with each other by providing high quality-time bound products and value added services. We have a number of competitors offering services similar to us. We believe the principal elements of competition in textile industry are price, fabric quality, timely delivery and reliability. We compete against our competitors by establishing ourselves as a knowledge-based processing unit with industry expertise in Dying and Printing which enables us to provide our clients with innovative designs suitable to current fashion and market requirements.

## INTELLECTUAL PROPERTY

The logo “” is currently being registered in the name of the company Vishal Fabrics Limited. The company has filed an Application No. 2728943 dated May 01, 2014 before the Trade Mark Registry for registration of its name and logo under Class 24. The application is waiting for registration.

## PROPERTIES

### Freehold Property

The details of the Free Hold property on which we have our processing unit is situated are as under:

Sr. No.	Schedule of property and area	Date of Agreement	Seller	Purpose	Purchase Consideration	Dispute / Litigation Status
1.	Survey No. 197, Plot Nos. 9, 10, 11 and 12 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 916.40 Sq. Mtrs.	March 25, 2008	Vedprakash Devkinandan Chiripal, Jyotiprasad Devkinandan Chiripal, Jaiprakash Devkinandan Chiripal and Brijmohan Devkinandan Chiripal	Processing Unit	₹ 2.19 lakhs	No Pending Dispute / Litigation
2.	Survey No. 201, situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 2,934 Sq. Mtrs.	March 25, 2008	Chiripal Textile Mills Pvt. Ltd.	Processing Unit	₹ 2.65 lakhs	No Pending Dispute / Litigation
3.	Survey No. 197, Plot No. 14 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 212.37 Sq. Mtrs.	March 25, 2008	Nishi Jaiprakash Chiripal	Processing Unit	₹ 2.25 lakhs	No Pending Dispute / Litigation
4.	Survey No. 197, Plot Nos. 15, 16 and 17 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 687.29 Sq. Mtrs.	March 25, 2008	Vedprakash Devkinandan Chiripal, Jyotiprasad Devkinandan Chiripal, Jaiprakash Devkinandan Chiripal and Brijmohan Devkinandan Chiripal	Processing Unit	₹ 1.64 lakhs	No Pending Dispute / Litigation
5.	Survey No. 197, Plot Nos. 18 and 19 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 458.19 Sq. Mtrs.	March 25, 2008	Vedprakash Devkinandan Chiripal, Jyotiprasad Devkinandan Chiripal, Jaiprakash Devkinandan Chiripal and Brijmohan Devkinandan Chiripal	Processing Unit	₹ 1.10 lakhs	No Pending Dispute / Litigation
6.	Survey No. 203, Hissa No. 2 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 2,630.00 Sq. Mtrs.	December 13, 2007	Amichand Textiles Mills Pvt. Ltd.	Processing Unit	₹ 37.35 lakhs	No Pending Dispute / Litigation
7.	Survey No. 203, Hissa No. 1 situated at Ahmedabad, Sub-District Ahmedabad Paschim (Narol), City Taluka Moje Isanpur; admeasuring 2,732.00 Sq. Mtrs.	December 13, 2007	Amichand Textiles Mills Pvt. Ltd.	Processing Unit	₹ 38.80 lakhs	No Pending Dispute / Litigation

### Leasehold Property

Sr. No.	Name of the Lessor	Premises Leased and area	Term of the Lease	Amount of Rent and Security Deposit	Purpose
8.	Prakash Calender Pvt. Ltd.	Land admeasuring 16,103.81 Sq. Mtrs. bearing Survey Nos. 202, 221, 222 – Plot No. 2, 223, and 197 – Plot No. 3, 5, 6, 7 and 8 at Moje Isanpur, Ahmedabad, Narol	For a term of 30 years commencing from April 01, 2002 to March 31, 2032	<i>Amount of Rent:</i> ₹ 19,260 p.a. (excluding municipal & other taxes)  <i>Security Deposit:</i> Nil	Registered Office
9.	Dholi Integrated Spinning Park Limited	Land admeasuring 54,362.75 Sq. Mtrs. bearing Survey No. 291/297 & 289, Dholi Integrated Spinning Park, Village Dholi, Dholka admeasuring	For a term of 99 years commencing from July 23, 2015 to July 22, 3014	<i>One time Premium:</i> ₹ 1097.58  <i>Amount of Rent:</i> ₹ 27,181 p.a.	Proposed Yarn Dyeing and Denim Processing Unit

### INSURANCE

The insurance policies covered by the company are:

Sr. No.	Name of the Insurance Company	Type of Policy	Validity Period	Description of cover under the policy	Policy No.	Sum Insured	Premium
1.	United India Insurance Company Limited	Standard Fire and Special Perils Policy	09.09.2015 to 08/09/2016 <sup>(1)</sup>	Buildings, Plant & Machinery, Furniture, Fixture & Fittings, Category I Stocks	060500/11/15/P1/06721600	₹ 222,00,00,000	₹ 13,33,301
2.	United India Insurance Company Limited	Money Insurance Policy	09.03.2016 to 08.03.2017	Money in Transit	060600/12/15/P1/15158231	₹ 13,00,00,000	₹ 17,633
3.	United India Insurance Company Limited	Fidelity – Floater Policy	17.05.2016 to 16.05.2017	Warehouse situated at Ranipur Narol, Ahmedabad	060701/12/16/P1/02181316	₹ 25,00,000	₹ 9,446
4.	Reliance General Insurance Company Limited	Group Personal Accident Insurance Policy	28.07.2016 <sup>(2)</sup>	Bodily injury solely and directly causing death or disablement of employee(s)	1602362914000205	₹ 60,70,95,288	₹ 2,40,000

<sup>(1)</sup> the same is under the process of being renewed.

<sup>(2)</sup> the renewed the policy pursuant to the Company's proposal for the same dated 28.07.2016. However, the final policy copy is yet to be received

### Vehicle Insurance

Sr. No.	Policy Details	Name of the insuring Company	Period Covered		Total Amount / Premium Amount	Vehicle Details
			From	To		
1.	Private Motor 3 & 4 wheeler Policy bearing No. 0000000003228403	SBI General Insurance Company Limited	August 30, 2015	August 29, 2016 <sup>(1)</sup>	₹ 3,79,168 Premium Amt.: ₹ 12,466	Tata Indica Vista LS 1.2 Quadrajt with Chassis No. 15382
2.	Motor Private Car Package Policy bearing	Reliance General Insurance	February 13, 2016	February 12, 2017	₹ 9,68,572	Skoda Rapid Elegance 1.5 TDI

Sr. No.	Policy Details	Name of the insuring Company	Period Covered		Total Amount / Premium Amount	Vehicle Details
			From	To		
	Policy No. 1602252311028757	Company Limited			Premium Amt: ₹ 20,478	with Chassis No. 8FGO11094
3.	Motor Private Car Insurance bearing Policy No. 1602252311027087	Reliance General Insurance Company Limited	February 05, 2016	February 04, 2017	₹ 1,72,069 Premium Amt: ₹ 4,889.00	Maruti Suzuki Swift LXI 1.3 with Chassis No. 492185
4.	Motor Private Car Insurance bearing Policy No. 1602262311030499	Reliance General Insurance Company Limited	August 12, 2016	August 11, 2017	₹ 2,86,778 Premium Amt: ₹ 5,419	Volkswagen Polo with Chassis No. 00471

<sup>(1)</sup> the same is under the process of being renewed.

## KEY INDUSTRY REGULATIONS AND POLICIES

*We are subject to a number of Central and State legislations which regulate substantive and procedural aspects of the business. Additionally, the operations require sanctions from the concerned authorities, under the relevant Central and State legislations and local bye-laws. The following is an overview of some of the important laws, policies and regulations which are pertinent to our business. The regulations set out below are not exhaustive and are only intended to provide general information to the bidders.*

### **The Companies Act, 1956**

The Act deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Companies Act, 1956 primarily regulates the formation, financing, functioning and winding up of companies. The Act prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Act. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

### **The Companies Act, 2013 (to the extent notified)**

In the first phase of implementation, Government has notified 98 sections on September 12, 2013. On September 18, 2013, Ministry of Corporate Affairs, through its General circular No.16/2013 has clarified that the sections of the old Act i.e. Companies Act, 1956 that correspond to the 98 provisions notified on September 12, 2013, will cease to have effect. Further, vide notification dated 26.03.2014, Ministry of Corporate Affairs has notified a few more sections pursuant to which the earlier sections of Companies Act, 1956 cease to have effect.

### **The Competition Act, 2002**

The Competition Act, 2002 (the "Competition Act") prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates "combinations" in India. The Competition Act also established the Competition Commission of India (the "CCI") as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified recently on March 04, 2011 and came into effect on June 01, 2011. Combinations which are likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as 'Individuals' and 'Group'.

The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective June 01, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

### **Industrial (Development and Regulation) Act, 1951**

The Industrial (Development and Regulation) Act, 1951 has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

## **Factories Act, 1948**

The Factories Act, 1948 (“**Factories Act**”) seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. Section 2(m) of the Act, defines, a ‘factory’ to cover any premises which employs 10 or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least twenty workers even though there is or no electrically aided manufacturing process being carried on. Each State Government has set out rules in respect of the prior submission of plans and their approval for the establishment, registration and licensing of factories. The Act provides that occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, cleanliness and safe working conditions. There is a prohibition on employing children below the age of 14 years in a factory.

## **EMPLOYMENT AND LABOUR LAWS**

### **The Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 was enacted with the objective of providing of payment of bonus to employees on the basis of profit or on the basis of productivity. This Act ensures that a minimum annual bonus *is* payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs.100, whichever is higher.

### **The Workmen Compensation Act, 1923**

The Workmen Compensation Act, 1923 (“WCA”) has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries by accident arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation in accordance with the WCA if a personal injury/disablement/loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation due under the WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

### **The Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 came into force with an objective to provide for the fixation of a minimum wage payable by the employer to the employee. Every employer is mandated to pay the minimum wages to all employees engaged to do any work skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to this Act, in respect of which minimum rates of wages have been fixed or revised under the Act.

### **Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 was introduced with the object to institute provident fund for the benefit of employees in factories and other establishments. It empowers the Central Government to frame the "Employee's Provident Fund Scheme", "Employee's Deposit linked Insurance Scheme" and the "Employees' Family Pension Scheme" for the establishment of provident funds under the EPFA for the employees. It also prescribes that contributions to the provident fund are to be made by the employer and the employee.

### **Employees' State Insurance Act, 1948 (“the ESI Act”)**

All the establishments to which the ESI Act applies are required to be registered under the ESI Act with the Employees State Insurance Corporation. The Act requires all the employees of the establishments to which this Act applies to be insured in the manner provided there under. Employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the Employee State Insurance department.

### **The Equal Remuneration Act, 1976**

The Equal Remuneration Act, 1976 provides for payment of equal remuneration to men and women workers and for prevention of discrimination, on the ground of sex. It states that no employer shall pay to any worker, employed by him in an establishment or employment, remuneration, whether payable in cash or in kind, at rates less favourable than those at which remuneration is paid by him to the workers of the opposite sex in such establishment or employment for performing the same work or work of a similar nature.

### **The Payment of Gratuity Act, 1972**

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease.

### **The Maternity Benefits Act, 1961**

The purpose of the Maternity Benefit Act is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter alia, for paid leave of 12 weeks, payment of maternity benefits and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

### **Trade Union Act, 1926**

Provisions of the Trade Union Act, 1926 provides that any dispute between employers and workmen or between workmen and workmen, or between employers and employers which is connected with the employment, or non employment, or the terms of employment or the conditions of labour of any person shall be treated as trade dispute. For every trade dispute a trade union has to be formed. For the purpose of Trade Union Act, 1926, Trade Union means combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive condition on the conduct of any trade or business etc.

### **The Industrial Disputes Act, 1947**

The Industrial Disputes Act, 1947 makes provisions for investigation and settlement of industrial disputes and for providing certain safeguards to the workers.

### **Standards of Weights and Measures Act, 1976**

Our Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976 and the rules made there under, particularly the Standards of Weights and Measures (Packaged Commodities) Rules, 1977.

### **Child Labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition and Regulation) Act 1986 prohibits employment of children below 14 years of age in certain occupations and processes. Additionally, it regulates employment of children in all other occupations and processes. Employment of child labour is prohibited in the building and construction industry.

### **The Contract Labour (Regulation and Abolition) Act, 1970**

The Contract Labour (Regulation and Abolition) Act, 1970 regulates employment of contract labour and, in certain cases, provides for the abolition of contract labour. Any employer who engages 20 or more contract workers in any year is covered by the Contract Labour (Regulation and Abolition) Act 1970 and is required to register as a principal employer. Similarly any contractor who engages 20 employees in a year covered by the Contract Labour (Regulation and Abolition) Act 1970 is required to obtain a license. The Contract Labour (Regulation and Abolition) Act 1970 prescribes certain welfare measures that principal employers are required to provide for the contract workers. The principal employer is also liable for the payment of wages to contract workers in case the contractor makes any default in respect of the same.

### **The Employers' Liability Act 1938(ELA)**

The ELA excludes certain defences (that may be taken by the employer) in respect of injuries sustained by workmen. The ELA provides that any provision contained in a contract of service or apprenticeship, or in an agreement collateral

thereto, shall be void in-so-far as it would have the effect of excluding or limiting any liability of the employer in respect of personal injuries caused to the person employed or apprenticed by the negligence of persons in common employment with him. The ELA further states that in an suit for damages, the workman shall not be deemed to have undertaken any risk attaching to the employment unless the employer proves that the risk was fully explained to and understood by the workman and the workman voluntarily undertook the same.

### **The Industrial Employment (Standing Orders) Act 1946(Standing Orders Act)**

The Industrial Employment (Standing Orders) Act 1946 applies to all establishments wherein 100 or more employees are employed. Under the Standing Orders Act, employers are required to define with sufficient precision the conditions of employment under them and make the conditions known to the employees employed by them. The Standing Orders Act provides that, employers are required to either adopt the model standing orders or to adopt their own certified standing orders. Standing orders, inter alia, provides for classification of employees, attendance, late coming, termination of employment, and the notice to be given, suspension or dismissal for misconduct etc.

## **TAX RELATED LEGISLATIONS**

### **Value Added Tax (“VAT”)**

The levy of Sales Tax within the state is governed by the Value Added Tax Act and Rules 2008 (“the VAT Act”) of the respective states. The VAT Act has addressed the problem of Cascading effect (double taxation) that were being levied under the hitherto system of sales tax. Under the current regime of VAT the trader of goods has to pay the tax (VAT) only on the Value added on the goods sold. Hence VAT is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax- that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. Periodical returns are required to be filed with the VAT Department of the respective States by the Company.

### **Income Tax Act, 1961**

Income Tax Act, 1961 is applicable to every Domestic / Foreign Company whose income is taxable under the provisions of this Act or Rules made under it depending upon its “Residential Status” and “Type of Income” involved. U/s 139(1) every Company is required to file its Income tax return for every Previous Year by 30<sup>th</sup> September of the Assessment Year. Other compliances like those relating to Tax Deduction at Source , Fringe Benefit Tax, Advance Tax, Minimum Alternative Tax and like are also required to be complied by every Company.

### **Central Sales Tax Act, 1956**

In accordance with the Central Sales Tax Act, every dealer registered under the Act shall be required to furnish a return in Form I (Monthly/ Quarterly/ Annually) as required by the State sale Tax laws of the assessee authority together with treasury challan or bank receipt in token of the payment of taxes due.

### **The Additional Duties of Excise (Textiles and Textile Articles) Act 1978**

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, as amended, provides for the levy and collection of an additional duty of excise on certain textiles and textile related articles

### **Customs Act, 1962 (“the Customs Act”)**

The provisions of the Customs Act and rules made there under are applicable at the time of import of goods i.e. bringing into India from a place outside India or at the time of export of goods i.e. taken out of India to a place outside India. Any company that wishes to import or export any goods is first required to get itself registered and obtain an IEC (Importer Exporter Code).

### **Duty Drawback Scheme**

The Duty Drawback Scheme seeks to rebate duty or tax chargeable on any imported / excisable materials and input services used in the manufacture of export goods. The duties and tax neutralized under the scheme are (i) Customs and Union Excise Duties in respect of inputs and (ii) Service Tax in respect of input services.

### **Importer Exporter Code**

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/divisions/units/factories.

### **Central Sales Tax Act, 1956**

In accordance with the Central Sales Tax Act, every dealer registered under the Act shall be required to furnish a return in Form I (monthly/ quarterly/ annually) as required by the Central Sales Tax laws of the assessee authority together with treasury challan or bank receipt in token of the payment of taxes due.

## **ENVIRONMENTAL LAWS**

### **The Environmental Protection Act, 1986**

The Environmental Protection Act, 1986 is an "umbrella" legislation designed to provide a framework for coordination of the activities of various central and state authorities established under various laws. The potential scope of the Act is broad, with "environment" defined to include water, air and land and the interrelationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

#### **Environmental Legislation**

We are required under applicable law to ensure that the operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended ("Water Pollution Act"), the Air (Prevention and Control of Pollution) Act, 1981, as amended ("Air Pollution Act") and the Environment Protection Act, 1986, as amended ("Environment Act"). The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board. The Central and State Pollution Control Boards constituted under the Water Pollution Act are to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

### **HAZARDOUS WASTE (MANAGEMENT AND HANDLING) RULES, 1989**

The Hazardous Waste (Management and Handling) Rules, 1989, as amended, impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state pollution control board for collecting, storing and treating the hazardous waste.

### **Kyoto Protocol**

The Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the

European community for reducing Green House Gas (GHG) emissions. These amount to an average of five per cent (5%) against 1990 levels over the five-year period 2008-2012. Recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol places a heavier burden on developed nations under the principle of "common but differentiated responsibilities". The Kyoto Protocol was adopted in Kyoto, Japan, on December 11, 1997 and came into force on February 16, 2005. One Hundred and Eighty Four (184) Parties of the Convention have ratified the Protocol to date. The detailed rules for the implementation of the Protocol were adopted at seventh conference of parties in Marrakesh, Morocco, in 2001, and are called the "Marrakesh Accords". Of the few methods to participate in the Carbon market a Clean Development Mechanism (CDM) project must provide emission reductions that are additional to what would otherwise have occurred. The projects must qualify through a rigorous and public registration and issuance process. Approval is given by the Designate National Authorities. Public funding for CDM project activities must not result in the diversion of official development assistance. The mechanism is overseen by the CDM Executive Board, answerable ultimately to the countries that have ratified the Kyoto Protocol.

## **NATIONAL TEXTILE POLICY**

Subsequent to the announcement of the Textile Policy, the woven segment of readymade garment sector and the knitting sector have been de-reserved from the list of items reserved for exclusive manufacture in the small scale sector. The Textile Policy also targets the development of a strong multi-fibre base to facilitate product upgradation and diversification. The Textile Policy provides for government financing and venture capital funding for setting up textile plants. Particular emphasis is laid on exports with the proposal of multi-disciplinary institutional mechanisms to formulate policy and action plans, including the restructuring of Export Promotion Councils and operating a brand equity fund exclusively for textile and apparel products. The Textile Policy also contains sector specific agendas. For the cotton sector, it designates the Technology Mission of Cotton as the nodal body to bring about increase in productivity and stability in prices. For the spinning and weaving sectors, decentralized modernizations is the thrust of the government policy and for the garments sector, the government proposes a number of measures in light of the WTO rules and regulations, including strategic alliances with leading global manufacturers and the establishment of textile/apparel parks. The Ministry of Textiles announced the formulation of the National Textile Policy, 2000 118 ("Textile Policy") in November 2000 with the objective of enabling the textile industry to attain and sustain a preeminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long term goals. The strategy aims at modernizing the equipment and technology that is used in the sector and simultaneously strengthening the traditional knowledge, skills and capabilities in this sector.

## **COTTON CONTROL ORDER 1986**

The Cotton (Control) Order, 1986 ("Cotton Order") prescribes the maximum quantity of cotton that may be possessed by a manufacturer, a cotton ginning factory, a cotton pressing factory, a cotton ginning and pressing factory and a person (other than a member of a Hindu Undivided Family growing cotton). The Cotton Order establishes the office of the Textile Commissioner as the regulator there under. The Cotton Order further specifies the quality standards that have to be met while picking cotton for the purposes of export and domestic consumption as well as the markings that have to be made on the cotton bale before marketing of the same.

## **Textile Committee Act 1963**

The Textiles Committee's main objective is to ensure the quality of textiles and textile machinery both for internal consumption and export purposes. The Textiles Committee, as corollary to its main objective of ensuring the quality of textiles and textiles machinery has been entrusted with the following functions of, among other things, establishing standard specifications for textiles, textile machinery and the packing materials. In addition to this, Textiles Committee also regulates the imposition of cess on textile and textile machinery manufactured in India.

## **Textile (Development and Regulation) Order, 2001**

Textiles (Development and Regulation) Order 2001 superseded the earlier order of 1993. Every manufacturer of textiles, textile machinery and every person dealing with textiles shall keep books of accounts, data and other records relating to his business in the matter of production, processing, import, export, supply, distribution, sale, consumption etc and shall furnish such returns or information as and when directed by Textile Commissioner.

## **Technology Upgradation Fund Scheme (TUFS)**

Technology Upgradation Fund Scheme (TUFS), a flagship scheme of Ministry of Textiles, is a scheme for modernization and technology upgradation in the textiles sector. It aims at making funds available to the domestic textile industry for technology upgradation in the textile sector. It aims at making funds available to the domestic textile industry for technology upgradation of existing units as well as to set up new units.

## **OTHER APPLICABLE LAWS**

### **The Indian Stamp Act, 1899**

Under the Indian Stamp Act, 1899, stamp duty is payable on instruments evidencing a transfer or creation or extinguishment of any right, title or interest in immovable property. Stamp duty must be paid on all instruments specified under the Stamp Act at the rates specified in the schedules to the Stamp Act. The applicable rates for stamp duty on instruments chargeable with duty vary from state to state. Instruments chargeable to duty under the Stamp Act, which are not duly stamped are incapable of being admitted in court as evidence of the transaction contained therein and it also provides for impounding of instruments that are not sufficiently stamped or not stamped at all.

### **Trade Marks Act, 1999 (Trade Marks Act)**

The Trade Marks Act provides for the application and registration of trademarks in India. The purpose of the Trade Marks Act is to grant exclusive rights to marks such as a brand, label and heading and to obtain relief in case of infringement for commercial purposes as a trade description. The registration of a trademark is valid for a period of 10 years and can be renewed in accordance with the specified procedure. Application for trademark registry has to be made to controller-general of patents, designs and trade - marks who is the registrar of trademarks for the purposes of the Trade Marks Act. The Trade Marks Act prohibits any registration of deceptively similar trademarks or chemical compound among others. It also provides for penalties for infringement, falsifying and falsely applying trademarks.

### **Regulation of Foreign Investment in India**

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and the rules and regulations promulgated there under. The RBI, in exercise of its powers under FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") which prohibit, restrict and regulate, transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the RBI for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI. Further, FIIs may purchase shares and convertible debentures of an Indian company under the portfolio investment scheme through registered brokers on recognized stock exchanges in India. Regulation 1 (4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or SEBI approved sub-account of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the Indian company concerned passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

### **The Foreign Trade (Development and Regulation) Act, 1992**

In India, the main legislation concerning foreign trade is the Foreign Trade (Development and Regulation) Act, 1992. The Act provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India and for matters connected therewith or incidental thereto. As per the provisions of the Act, the Government :- (i) may make provisions for facilitating and controlling foreign trade; (ii) may prohibit, restrict and regulate exports and imports, in all or specified cases as well as subject them to exemptions; (iii) is authorised to formulate and announce an export and import policy and also amend the same from time to time, by notification in the Official Gazette; (iv) is also authorised to appoint a 'Director General of Foreign Trade' for the purpose of the Act, including formulation and implementation of the export-import policy.

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### **The Indian Contract Act, 1872**

The Contract Act is the legislation which lays down the general principles relating to formation, performance and enforceability of contracts. The rights and duties of parties and the specific terms of agreement are decided by the contracting parties themselves, under the general principles set forth in the Contract Act. The Contract Act also provides for circumstances under which contracts will be considered as 'void' or 'voidable'. The Contract Act contains provisions governing certain special contracts, including indemnity, guarantee, bailment, pledge, and agency.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as Vishal Fabrics Private Limited on October 22, 1985 under the Companies Act, 1956 bearing the Registration Number 008206 of 1985-86 with the Registrar of Companies, Gujarat. The status of our Company was changed to a public limited company and the name of our Company was changed to Vishal Fabrics Limited by a special resolution passed on February 25, 2014. The fresh certificate of incorporation consequent to the change of name was granted to our Company on March 31, 2014, by the Registrar of Companies, Ahmedabad, Gujarat.

Our company was incorporated as “Vishal Fabrics Pvt. Ltd” on October 22, 1985 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat. For further details regarding the change in the name of our company, please refer to the chapter titled “*History and Certain Corporate Matters*” beginning on page no. 113 of this Draft Letter of Offer.

Our Company is engaged in the business of dyeing, printing and processing of fabrics of its own and also on job work basis. Our Company procures mainly Grey Fabric and dyes, prints and finishes the same as per the client’s requirements. The processing unit of our Company is based in Narol, Ahmedabad, Gujarat. We have an installed capacity of 1,050 lakhs meters per annum and the plant has the facilities for printing, dyeing and processing wide range of fabrics i.e. cotton, polyester, viscose and man-made & blended fabrics suitable for men’s wear, women’s wear, home furnishing and many other applications.

Our Company is promoted by Chiripal Industries Limited and is part of the Chiripal Group, Ahmedabad. The persons in control of the Group have more than 20 years of experience in the Fabrics business and have incorporated several other companies manufacturing or trading in fabrics, yarn, denim and readymade garments.

Our Company was initially engaged in trading of fabrics. Though the Company was incorporated in 1985, our Company’s activities were almost dormant till the year 1999. During the year 1999-2000, we took over the Units of Associate concerns, Bhushan Petrofils Private Limited and Prakash Calender Private Limited; both located at Narol, Ahmedabad, on lease basis and started the processing of fabrics. Over the years, with a view to expand the installed capacity and broad base the market of its products, we put up our own Plant & Machinery. In the year 2003, we set up a captive power plant for production of 2.3 MW power to improve productivity in our processing plant.

In the year 2005, we increased our processing capacity by installing the Wider Width Unit, which enabled us to process fabrics of upto 120 inch width. In the year 2011, we further enhanced our processing capacity by setting up a Continuous Bleaching Range (CBR) unit. The CBR unit processes upto 80,000 meters of fabric per day as compared to 2,000 – 8,000 meters fabric in other machines.

Our Company, as part of its expansion, intends to set-up a new yarn dyeing and denim processing unit with a proposed installed capacity of 800 lakhs meters per annum. This unit is proposed to be set-up at Dholi, near Ahmedabad, Gujarat and the land for the same has already been acquired. Our Company intends to raise approximately ₹ 8,500 lakhs from this Rights Issue out of the total project cost of ₹ 28,300 lakhs. For details of the project cost, its utilisation and schedule of implementation please refer the chapter “*Objects of the Issue*” on page no. 59 of this Draft Letter of Offer.

For further details regarding our business operations, please see the Chapter titled “*Our Business*” on page no. 88 of this Draft Letter of Offer.

Our Company has One Hundred Forty Four (144) shareholders, as on September 23, 2016.

### Major events in the history of Our Company:

DATE	MAJOR EVENT
October 22, 1985	Incorporation of our Company
September 03, 2003	Setting up of a Captive Power Plant of 2.3 MW
August 10, 2005	Installation of Wider Width processing unit
February 15, 2007	Expansion of the Wider Width Unit by installing new Machinery
February 14, 2011	Setting up of a Continuous Bleaching Range (CBR) Unit
February 11, 2012	Setting up of Oil Boilers
March 31, 2014	Conversion of the Company from Private to Public
August 20, 2014	Listing of the Equity Shares of the Company on the SME platform of BSE Limited.
September 15, 2015	Revision and augmentation of Sanction limit via new Consortium Agreement

### Main Objects of our Company

The main objects of the Company are as follows:

1. To carry on the business of spinners, weavers, manufacturers, ginners, processors, packers, and balers of cotton, jute, hemp, silk, rayon, nylon, stretch-lon, man-made synthetics fibres, staple fibres, wool, and any other fibrous materials and the business of manufacturing, weaving, bleaching, printing and selling yarn, cloth of all types linen and other goods and fabrics of all types, whether knitted or looped and of importing, exporting, buying, selling and/or otherwise dealing in Cotton silk, art silk, rayon, nylon, stretch-lon, man-made, synthetics, fibres, staple fibres, wool, hemp and other fibrous materials yarn, cloth, linen, rayon and other goods and/or merchandise made therefrom and generally to carry on business of spinners, weavers, processors, dyers, sizers, manufacturers and/or dealers in cotton, linen, flax, hemp, jute, silk, artificial silk, rayon, man-made synthetic fibres, staple fibres, wool, yarn and cloth merchants, cleaners, combers, spinners, weavers, bleachers, dyers, printers, sizers, importers, exporters, manufacturers, purchasers, sellers and/or otherwise dealers in above items.
2. To carry on the business of manufacturing, weaving, bleaching, dyeing, processing, mercerising, printing, sizing, importing, exporting, purchasing, selling and/or otherwise dealing in yarn of all types, cloth of all types, and other fabrics made from cotton, jute, wool, silk, art silk, rayon, nylon, man-made synthetics, fibres, staple fibres and other suitable materials and generally to carry on the business of spinning, weaving and processing mill proprietors in all their branches.
3. To gin kapas, and to spin, weave, manufacture, dye, print, clean, press and pack cotton, linen, silk, waste, dropping, flywool, jute, hemp flax and other fabrics, materials and thing capable of being used for dyeing, printing, combing, processing, sizing, bleaching and pressing purposes and to sell, buy or otherwise deal in all such goods, yarn, cloth and/or fibres whether made or treated or processed by the Company or not, to use or dispose of any of the by-products of the Company and also to carry on the business of manufacturing, buying, selling, exchanging, converting, altering, importing, exporting, processing, twisting or otherwise handling or dealing in rayon yarn (Also known as continuous filament rayon or artificial silk yarn and which expression shall include all synthetic fibre or fibres whatsoever for textile use), staple fibre yarn (Also known as Spun Rayon) and such other fibre or fibres or fibrous materials or allied products, by-products or substances or substitutes for all/or any of them or yarn or yarns for textile or other use, as may be practicable or deemed expedient.
4. To carry on the business of generation, accumulation, distribution and supply of and generally deal in electricity and explore, develop, generate, accumulate, supply and distribute or to deal in other forms of energy from any source whatsoever and to establish, operate and maintain generating stations, accumulation, tie lines, substations, workshops, transmission lines and to lay down cables, wires and to manufacture, deal in, let on hire install, repair and to maintain plant, machinery, equipment appliances, components and apparatus of any nature whatsoever used in connection with generation storage, supply, distributors, application of electrical energy.

### Changes in Registered Office of our Company

Date of Change of Registered Office	Old Address	New Address	Reason for Change
May 05, 2003	283, New Cloth Market, Ahmedabad	2nd Floor "Chiripal House" 132 Ft. Ring Road, Shivranjani Cross Road, Ahmedabad – 380015	Shifted to Group Premises
July 31, 2004	2nd Floor "Chiripal House" 132 Ft. Ring Road, Shivranjani Cross Road, Ahmedabad – 380015	Ranipur, Narol Road, Ahmedabad – 382405	Shifted to location of Processing Plant

### Amendments to the Memorandum of Association

Dates on which some of the clauses of the Memorandum of Association of our Company have been changed citing the details of amendment as under:

DATE	NATURE OF AMENDMENT
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April 29 , 2003	Increase in Authorised Capital from ₹ 15,00,000 divided into 15,000 shares of ₹ 100/- each to ₹ 1,15,00,000 divided into 1,15,000 shares of ₹ 100/-
August 19, 2013	Increase in Authorised Capital from ₹ 1,15,00,000 divided into 1,15,000 shares of ₹ 100/- each to ₹ 3,00,00,000 divided into 3,00,000 shares of ₹ 100/-
January 20, 2014	Increase in Authorised Capital from ₹ 3,00,00,000 divided into 3,00,000 shares of ₹ 100/- each to ₹ 10,00,00,000 divided into 10,00,000 shares of ₹ 100/-
February 25, 2014	Increase in Authorised Capital from ₹ 10,00,00,000 divided into 10,00,000 shares of ₹ 100/- each to ₹ 15,00,00,000 divided into 15,00,000 shares of ₹ 100/-
February 25, 2014	Sub Division of the Face Value of the Equity Shares from ₹ 100 to ₹ 10 each
March 31, 2014	Fresh Certificate of Incorporation subsequent to status change to Public Limited. The name of the company was changed from “Vishal Fabrics Private Limited” to “Vishal Fabrics Limited”
April 08, 2014	Changes in Memorandum of Association as required under Companies Act, 2013
September 28, 2015	Increase in Authorised Capital from ₹ 15,00,00,000 divided into 1,50,00,000 shares of ₹ 10/- each to ₹ 20,00,00,000 divided into 2,00,00,000 shares of ₹ 10/-
September 20, 2016	Increase in Authorised Capital from ₹ 20,00,00,000 divided into 2,00,00,000 shares of ₹ 10/- each to ₹ 25,00,00,000 divided into 2,50,00,000 shares of ₹ 10/-

### **Shareholders' Agreement**

There are no Shareholders' Agreements existing as on the date of this Draft Letter of Offer.

### **Acquisition of business/ undertakings**

We have not acquired any business/ undertakings till date.

### **Other Agreements**

Except the contracts/agreements entered in the ordinary course of the business carried on or intended to be carried on by our Company, we have not entered into any other agreement/contract as on the date of this Draft Letter of Offer.

### **Financial Partners**

We do not have any financial partners as on the date of this Draft Letter of Offer.

### **Strategic Partners**

We do not have any strategic partners as on the date of this Draft Letter of Offer.

### **Holding or Subsidiary Companies**

Our Company does not have any holding company or subsidiaries.

### **Joint Ventures**

As on the date of this Draft Letter of Offer, there are no joint ventures of our Company.

### **Other Confirmations**

Our Company is not operating under any injunction or restraining order.

## OUR MANAGEMENT

### Board of Directors:

The Company has Five (5) Directors consisting of one (1) Managing Director (Executive Non-Independent), one (1) Whole Time Director (Executive Non-Independent) and three (3) Non-Executive Independent Directors. The following table sets forth the details of our Board of Directors as on the date of this Draft Letter of Offer:

Name, Father's Name, Address, Occupation, Term and DIN	Qualification	Age	Designation and Status	Other Directorships
<b>Mr. Jyotiprasad D. Chiripal</b> S/o: Mr. Devkinandan K. Chiripal <b>Address:</b> 91, Basant Bahar Bungalow, Opp. Sterling City, Bopal, Ahmedabad – 380 058. <b>Date of appointment as Director:</b> July 07, 1995 <b>Date of appointment as Managing Director:</b> April 04, 2014 <b>Term as Managing Director:</b> upto April 03, 2019 (liable to retire by rotation) <b>Occupation:</b> Business <b>DIN:</b> 00155695	Bachelor of Commerce	62	Managing Director, Non – Independent Director	<ul style="list-style-type: none"> <li>• CIL Nova Petrochemicals Ltd.</li> <li>• Chiripal Industries Ltd.</li> <li>• Ele Mints Pvt. Ltd.</li> <li>• Chiripal Energy Ltd.</li> <li>• Basant Bahar Gymkhana Pvt. Ltd.</li> <li>• Chiripal Infrastructure Ltd.</li> <li>• Shanti Innovation and Research Foundation</li> <li>• Shanti Academic and Research Foundation</li> <li>• Vraj Spintex Private Ltd.</li> <li>• Chiripal Poly Films Ltd.</li> <li>• Dholi Spintex Private Ltd.</li> <li>• Picasso Flexibles Ltd.</li> </ul>
<b>Mr. Amit K. Kadmawala</b> S/o: Mr. Khemchand Kadmawala <b>Address:</b> 2, Jaldeep, Nr. Sarasvati Flat, Kankaria, Ahmedabad – 380 022 <b>Date of appointment as Director:</b> September 28, 2015 <b>Term as Director:</b> upto November 12, 2019 (liable to retire by rotation) <b>Occupation:</b> Service <b>DIN:</b> 07016454	Under Graduate	39	Whole-Time Director, Non – Independent Director	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Mr. Arakhita P. Khandual</b> S/o: Mr. Prahllad Khandual <b>Address:</b> B-102, Panchdhara Plaza, 2 <sup>nd</sup> Floor, B/H Ocean Park, Satellite Road, Ambawadi, Ahmedabad – 380015 <b>Date of appointment as Director:</b> September 30, 2014 <b>Term as Independent Director:</b> upto September 29, 2019 <b>Occupation:</b> Retired <b>DIN:</b> 00055601	CAIIB; Masters in Financial Management; MA (Economics)	63	Independent Director, Non – Executive Director	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Ms. Dhara Shah</b> D/o: Sureshchandra G. Shah <b>Address:</b> 1385-5, Salvi's Corner, Dhanasuthar's Pole, Relief Road, Ahmedabad – 380 001 <b>Date of appointment as Director:</b> September 28, 2015 <b>Term as Independent Director:</b> upto September 27, 2020 <b>Occupation:</b> Professional <b>DIN:</b> 06983857	Company Secretary; General LLB	27	Independent Director, Non – Executive Director	<ul style="list-style-type: none"> <li>• Ace Software Exports Ltd.</li> <li>• Mayur Floorings Ltd.</li> </ul>

Name, Father's Name, Address, Occupation, Term and DIN	Qualification	Age	Designation and Status	Other Directorships
<b>Mr. Shubhankar Jha</b> <b>S/o:</b> Mr. Babu Narayan Jha <b>Address:</b> 80, Vraj Homes, Nr. Shanti School, Sardar Patel Ring Road, Shela, Sanand Ahmedabad – 380 058 <b>Date of appointment as Director:</b> September 28, 2015 <b>Term as Independent Director:</b> upto September 27, 2020 <b>Occupation:</b> Professional <b>DIN:</b> 07208823	B. Sc (Agriculture); M. A. (Gandhian Thought and Social Science)	68	Independent Director, Non – Executive Director	<ul style="list-style-type: none"> <li>• Nil</li> </ul>

**Notes:**

- None of the above mentioned Directors are on the RBI list of wilful defaulters as on the date of this Draft Letter of Offer.
- Further, neither our Company nor our Promoters, persons forming part of our promoter Group, Directors or persons in control of our Company are debarred from accessing the capital market by SEBI.
- None of the Promoters, Directors or persons in control of our Company has been involved as a Promoter, Director or person in control of any other Company, which is debarred from accessing the capital market under any order or directions made by SEBI.
- All the Directors of our Company are Indian nationals. There is no arrangement or understanding with major shareholders, customers, supplier or others, pursuant, to which any of the above mentioned Directors were selected as a director or member of the senior management.
- There is no service contract entered into by the Directors with the issuer Company providing for benefits upon termination of employment.

**Brief Profile of Our Directors**

**Mr. Jyotiprasad D. Chiripal** aged 62 years, is the Chairman and Managing Director of our Company. He has been associated with the Chiripal Group of Companies since 1972. He has completed Bachelor of Commerce from the Gujarat University and has more than 30 years of experience in the fabric and yarn business and marketing of knitted apparels. As the Chairman & Managing Director of our Company, he is responsible for the overall growth and development of our Company.

**Mr. Amit K. Kadmawala** aged 39 years, is the Whole-Time Non-Independent Director of our Company. He has 11 years of experience, working as Head of the Costing Department with our Company (Vishal Fabrics Limited) and has been promoted to the post of Director in the current year. Being the Whole-Time Director of the company he is responsible for ensuring the Productivity, Quality of the Fabrics and other day to day activities as and when required. He was appointed on our board on September 28, 2015.

**Mr. Arakhita Khandual** aged 63 years, is a Non-Executive Independent Director of our Company. He has completed his M.A. in Economics from Utkal University, has pursued Masters Degree in Financial Management (MFM) from Jamnalal Bajaj Institute of Management Studies (Mumbai University) and is also a Certified Associate of the Indian Institute of Bankers (CAIIB). He has vast experience in the Banking industry and has been associated with IDBI Bank for the 32 years handling Project Financing – Appraisal, Monitoring and Rehabilitation of Industrial Projects. Being an Independent Director of the company he shall be responsible for ensuring the board adheres to the required corporate governance requirements. He was appointed on our board as an additional director on April 04, 2014.

**Ms. Dhara Shah** aged 27 years, is the Non-Executive Independent Director of our Company. She has completed her Company Secretary from the ICSI in the year 2012 and General LLB from Gujarat University in the year 2013. Post her CS she has completed her internship with a Practicing Company Secretary firm where she gained experience in Corporate Law, Compliance with ROC, Secretarial Audit. Being a Non-Executive Director of the company her role currently is to ensure that the Board adheres to various Compliances as required under various regulations. She was appointed as Non-Executive Independent Director on September 28, 2015.

**Mr. Shubhankar Jha** aged 68 years, is the Non-Executive Independent Director of our Company. He has obtained a B. Sc. (Agriculture) from Bhagalpur University, Bihar in the year 1968 and a Post-Graduate M. A. in Gandhian Thoughts and Social Science from Gujarat Vidyapeeth in the year 2014. He has over 39 years experience with UCO Bank in various positions from officer to General Manager. He has been part of various projects and programs of local, state and national level with entities like NABARD, SIDBI, GLPC, NAFIL, to name a few. He has also contributed in several books and information booklets for State of West Bengal, Rajasthan, Maharashtra (Mumbai) and Gujarat through NABARD and UNDP. Being a Non-Executive Director of the company his role currently is to ensure that the Board adheres to various Compliances and other checks as required under various regulations. He was appointed as Non-Executive Independent Director on September 28, 2015.

#### **Details of Current & Past Directorship in Listed Companies**

None of the Directors of our Company is or was a Director of any company that has been or was suspended by the Stock Exchange.

Further, none of the Directors of our Company is or was a Director of any company that has been or is being delisted from any Stock Exchange except as below:

#### **Mr. Jyotiprasad Chiripal**

<b>Name of the Company</b>	CIL Nova Petrochemicals Limited
<b>Name of the Stock Exchanges where currently listed</b>	BSE & NSE
<b>Date of Delisting on Stock Exchange</b>	Delisted from Ahmedabad Stock Exchange as on March 31, 2014
<b>Compulsory or Voluntary Delisting</b>	Voluntary Delisting
<b>Reason for Delisting</b>	No benefits expected
<b>Whether Re-listed</b>	No
<b>Term of Directorship</b>	Liable to Retire by Rotation

#### **Relationship between Directors**

None of our Directors have any family relationships.

#### **Borrowing Powers of the Board of Directors**

Our Company at its Extra-Ordinary General Meeting held on April 08, 2014, passed a resolution authorizing Board of Directors pursuant to the provisions of section 180 (1) (c) of the Companies Act, 2013 for borrowing from time to time any sum or sums of money from any person(s) or bodies corporate (including holding Company) or any other entity, whether incorporated or not, on such terms and conditions as the Board of Directors may deem fit for the purpose of the Company's business. The monies so borrowed together with the monies already borrowed by our Company (apart from temporary loans obtained from the banks in the ordinary course of business) may exceed the aggregate of the paid up share capital of our Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of such borrowings together with the amount already borrowed and outstanding shall not, at any time, exceed ₹ 2,000 Crores (Rupees Two Thousand Crores only).

#### **Remuneration of Directors**

- **Mr. Jyotiprasad Chiripal, Managing Director**

The compensation package payable to him as resolved in the shareholders meeting held on September 28, 2015 is stated hereunder:

**Salary, allowances and Perquisites:** ₹ 3,00,000 per month (inclusive of all benefits)

**Bonus:** Nil

**Commission:** Subject to overall limit laid down in Section 197 of the Companies Act, 2013, such percentage of the net profit of the company as may be decided by the Board of Directors for each financial year.

- **Mr. Amit Kadmawala, Whole-Time Director**

The compensation package payable to him as resolved in the shareholders meeting held on September 28, 2015 is stated hereunder:

**Salary, allowances and Perquisites:** ₹ 47,000 per month (inclusive of all benefits)

**Bonus:** Nil

**Commission:** Subject to overall limit laid down in Section 197 of the Companies Act, 2013, such percentage of the net profit of the company as may be decided by the Board of Directors for each financial year.

#### Compensation of Non-Executive Independent Directors

Pursuant to a resolution passed at the meeting of the Board of the Company on May 28, 2015 the Non-Executive Independent Directors will be paid ₹ 20,000 sitting fee for all Board / Committee meetings held.

#### Remuneration paid to Directors for the last completed financial year (i.e. Year ended March 31, 2016)

Sr. No.	Name of Executive Director	Remuneration (₹)	Sitting Fees (₹)	Other Fees (₹)	Total Fees Paid (₹)
1.	Mr. Jyotiprasad Chiripal	22,92,514	Nil	Nil	22,92,514
2	Mr. Amit Kadmawala	4,47,000	Nil	Nil	4,47,000
3.	Mr. Arakhita Khandual	Nil	1,00,000	Nil	1,00,000
4.	Ms. Dhara Shah	Nil	40,000	Nil	40,000
5.	Mr. Shubhankar Jha	Nil	80,000	Nil	80,000

#### Shareholding of the Directors

None of the Directors of our Company hold any shares of the Company.

#### Interest of the Directors

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

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or allotted to the companies in which they are interested as Directors, Members, and Promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated in this section “*Our Management*” on page no. 116 or the section titled “*Annexure XXIV - Related Party Transactions*” on page no. 177 of this Draft Letter of Offer, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Draft Letter of Offer. Our Company has not taken any property on lease from our Promoter(s) within two years of the date of this Draft Letter of Offer.

#### Changes in the Board of Directors in the last 3 years

Following are the changes in our Board of directors in the last three years:

Sr. No.	Name of Director	Date Of Appointment	Date Of Cessation	Reason for change
1.	Mr. Arakhita Khandual	31.03.2014	-	Appointment as Director
2.	Mrs. Binaben Khatri	31.03.2014	-	Appointment as Director

3.	Mr. Arakhita Khandual	-	31.03.2014	Resignation as Director
4.	Mrs. Binaben Khatri	-	31.03.2014	Resignation as Director
5.	Mr. Vinodkumar Shah	-	04.04.2014	Resignation as Director
6.	Mr. Mahavirsingh Yadav	-	04.04.2014	Resignation as Director
7.	Mrs. Nitika Chiripal	04.04.2014	-	Appointment as Director
8.	Mr. Gautam C. Gandhi	04.04.2014	-	Appointment as Director
9.	Mr. Arakhita Khandual	30.09.2014	-	Appointment as Independent Director
10.	Mrs. Nitika Chiripal	-	17.08.2015	Resignation as Director
11.	Mr. Gautam C. Gandhi	-	29.04.2015	Resignation as Director
12.	Mr. Amit K. Kadmawala	28.09.2015		Appointment as Whole-Time Director
13.	Ms. Dhara Shah	28.09.2015		Appointment as Independent Director
14.	Mr. Shubhankar Jha	28.09.2015		Appointment as Independent Director

## CORPORATE GOVERNANCE

We are in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations, the SEBI Regulations and the Companies Act, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

Our Board has been constituted in compliance with the Companies Act and SEBI Listing Regulations and in accordance with best practices in corporate governance. The Board functions either as a full board or through various committees constituted to oversee specific functions. Our executive management provides our Board detailed reports on its performance periodically.

Currently, our Board has Five (5) Directors. In compliance with the requirements of the Companies Act we have two (2) Executive Directors and three (3) Non-Executive Independent Directors on our Board. Our Chairman is an Executive Director and we have a woman director on our Board.

### Committees of our Board

The details of committees of the Board are set out below:

#### 1. Audit Committee

The Audit Committee of our Board was reconstituted by our Directors by a board resolution dated May 28, 2015 pursuant to section 177 of the Companies Act, 2013. The Audit Committee comprises of:

Name of the Member	Nature of Directorship	Designation in Committee
Mr. Arakhita Khandual	Non-Executive Independent Director	Chairman
Mr. Jyotiprasad Chiripal	Executive Non-Independent Director	Member
Mr. Shubhankar Jha	Non-Executive Independent Director	Member
Ms. Dhara Shah	Non-Executive Independent Director	Member

The scope of Audit Committee shall include but shall not be restricted to the following:

1. Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the half yearly financial statements before submission to the board for approval
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors any significant findings and follow up there on.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. To review the functioning of the Whistle Blower mechanism,.
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the Issuer has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

**The Audit Committee enjoys following powers:**

- a. To investigate any activity within its terms of reference,
- b. To seek information from any employee
- c. To obtain outside legal or other professional advice, and
- d. To secure attendance of outsiders with relevant expertise if it considers necessary.
- e. The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the Issuer. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee.

**The Audit Committee shall mandatorily review the following information:**

- a. Management discussion and analysis of financial condition and results of operations;
- b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses; and
- e. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, are binding on the Board. If the Board is not in agreement with the recommendations of the Committee, reasons for disagreement shall have to be incorporated in the minutes of the Board Meeting and the same has to be communicated to the shareholders. The Chairman of the committee has to attend the Annual General Meetings of the Company to provide clarifications on matters relating to the audit.

The Company Secretary of the Company acts as the Secretary to the Committee.

**Meeting of Audit Committee**

The audit committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there shall be a minimum of two independent members present. Since the formation of the committee, no Audit Committee meetings have taken place.

**2. Stakeholders Relationship Committee**

The Shareholder and Investor Grievance Committee of our Board were reconstituted by our Directors pursuant to section 178 (5) of the Companies Act, 2013 by a board resolution dated August 17, 2015. The Shareholder and Investor Grievance Committee comprises of:

Name of the Member	Nature of Directorship	Designation in Committee
Mr. Arakhita Khandual	Non-Executive Independent Director	Chairman
Mr. Shubhankar Jha	Non-Executive Independent Director	Member
Ms. Dhara Shah	Non-Executive Independent Director	Member

**This committee will address all grievances of Shareholders/Investors and its terms of reference include the following:**

1. Allotment and listing of our shares in future
2. Redressing of shareholders and investor complaints such as non-receipt of declared dividend, annual report, transfer of Equity Shares and issue of duplicate/split/consolidated share certificates;
3. Monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by our Company, including review of cases for refusal of transfer/ transmission of shares and debentures;
4. Reference to statutory and regulatory authorities regarding investor grievances;
5. To otherwise ensure proper and timely attendance and redressal of investor queries and grievances;
6. And to do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers.

The Company Secretary of our Company acts as the Secretary to the Committee.

### **Quorum and Meetings**

The quorum necessary for a meeting of the Stakeholders Relationship Committee shall be two members or one third of the members, whichever is greater. Since the formation of the committee, no Stakeholders Relationship Committee meetings have taken place.

### **Policy on Disclosures & Internal procedure for prevention of Insider Trading**

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchange. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 on listing of our Equity Shares on stock exchange. Further, Board of Directors have approved and adopted the policy on insider trading.

Mr. Arakhita Khandual is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the board.

### **3. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of our Board was reconstituted by our Directors pursuant to section 178 of the Companies Act, 2013 by a board resolution dated August 17, 2015.

The Nomination and Remuneration Committee currently comprises of:

<b>Name of the Member</b>	<b>Nature of Directorship</b>	<b>Designation in Committee</b>
Ms. Dhara Shah	Non-Executive Independent Director	Chairman
Mr. Arakhita Khandual	Non-Executive Independent Director	Member
Mr. Shubhankar Jha	Non-Executive Independent Director	Member

The scope of Nomination and Remuneration Committee shall include but shall not be restricted to the following:

- a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- b) Formulation of criteria for evaluation of Independent Directors and the Board;
- c) Devising a policy on Board diversity

- d) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report

#### **Quorum and Meetings**

The quorum necessary for a meeting of the Nomination and Remuneration Committee shall be two members or one third of the members, whichever is greater. The Committee is required to meet at least once a year.

The Company Secretary of our Company acts as the Secretary to the Committee.

#### **4. CSR Committee**

The CSR Committee of our Board was reconstituted by our Directors pursuant to section 135 of the Companies Act, 2013 by a board resolution dated May 28, 2015.

The CSR Committee currently comprises of:

<b>Name of the Member</b>	<b>Nature of Directorship</b>	<b>Designation in Committee</b>
Mr. Jyotiprasad Chiripal	Executive Non – Independent Director	Chairman
Mr. Arakhita Khandual	Non-Executive Independent Director	Member
Mr. Amit Kadmawala	Executive Non – Independent Director	Member
Ms. Dhara Shah	Non-Executive Independent Director	Member

The scope of the CSR Committee shall include but shall not be restricted to the following:

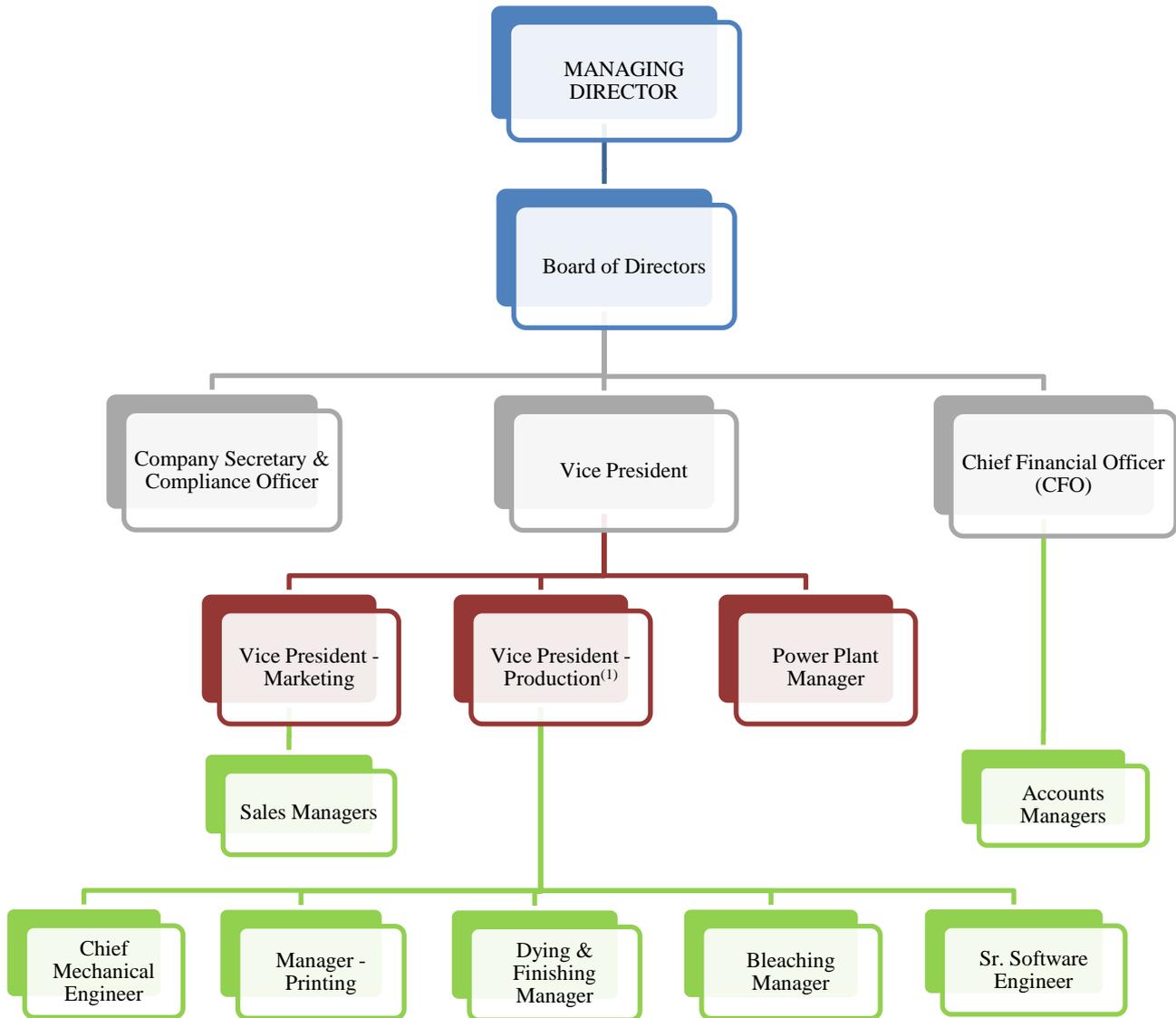
- To formulate and recommend to the Board, a CSR Policy which shall include the activities undertaken by the Company as per the Companies Act, 2013;
- To review And recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company;
- To monitor the CSR Policy of the Company from time to time;
- Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time."

#### **Quorum and Meetings**

The quorum necessary for a meeting of the CSR Committee shall be two members or one third of the members, whichever is greater. The Committee is required to meet at least once a year.

The Company Secretary of our Company acts as the Secretary to the Committee.

**MANAGEMENT ORGANISATION CHART**



<sup>(1)</sup> This position is currently been handled by Mr. Anand Arora who heads the Production department as a consultant (not on Company payrolls).

## Key Managerial Personnel

The following table sets forth the Key Managerial Personnel and their significant details:

Name of Employee	Designation & Functional Area	Date of Joining	C.T.C in last F.Y. (₹ in lakhs)	Qualification	Name of Previous Employer(s)	Total years of Experience
Mr. Vinodkumar Ajmera	Vice President	25/12/2004	14.73	ACA, ACS	<ul style="list-style-type: none"> <li>Bajaj Consumer Care Ltd.</li> <li>RPL (India) Ltd.</li> </ul>	33 years
Mr. Mahesh Kawat	Chief Financial Officer	02/11/1993 <sup>(1)</sup>	4.89	Bachelor of Laws	Nil	22 years
Ms. Tanushree Dave	Company Secretary and Compliance Officer	01/08/2016 <sup>(2)</sup>	-	B. Com; M.Com; Company Secretary (ACS)	<ul style="list-style-type: none"> <li>H R B Floriculture Limited</li> <li>V. M. Associates</li> </ul>	3.5 years (including Articleship)
Mr. Ratilal Solanki	Power Plant Manager	01/04/2003	7.28	Diploma in Mechanical Engineering	<ul style="list-style-type: none"> <li>Zambia Sugar Factory</li> <li>Vaishanavi Sugar Pvt. Ltd.</li> <li>Baroda Sugar Industry</li> <li>Talala Sugar Factory</li> <li>Reliance Industries Pvt. Ltd.</li> <li>Gujarat Carbon Ltd.</li> <li>New Shorock Textile Mill</li> <li>Charotar Sahakari Khand Udyog</li> </ul>	40 years
Mr. Harsh Dubey	Sales Manager	25/12/2004	6.74	B.Com from Gujarat University	Nil	12 years
Mr. Ramkrishna Jaiswal	Printing Manager	17/05/2005	6.88	B. Sc in Maths	<ul style="list-style-type: none"> <li>Gopi Synthetic Ltd.</li> <li>Shanti Process Ltd.</li> <li>Creative Process Ltd.</li> <li>Karma Process Pvt. Ltd.</li> <li>East India Mills Ltd.</li> </ul>	22 years
Mr. Lokendrasingh Shekhawat	Dying & Finishing Manager	01/08/2011	7.59	B.Sc	<ul style="list-style-type: none"> <li>Anjani Fabrics Ltd.</li> <li>Anjani Synthetics Mills Ltd.</li> <li>Durga Processor Pvt. Ltd.</li> </ul>	22 years
Mr. Pratik Upadhyay	Sr. Software Eng	01/07/2006	3.13	B.Com from Gujarat University	<ul style="list-style-type: none"> <li>SMG Infosolutions Pvt. Ltd.</li> <li>Divya Bhaskar</li> <li>Silicon Systems</li> </ul>	12 years
Mr. Jigar Tevar	Chief Mechanical Engineer	01/10/2010	6.03	Diploma in Mechanical Engineering	<ul style="list-style-type: none"> <li>Bharat Vijay Mills Ltd.</li> <li>Soma Textile</li> <li>Mangle Textile</li> </ul>	17 years

Name of Employee	Designation & Functional Area	Date of Joining	C.T.C in last F.Y. (₹ in lakhs)	Qualification	Name of Previous Employer(s)	Total years of Experience
					Industries <ul style="list-style-type: none"> <li>• Mafatlal Industries Ltd.</li> <li>• Dhall ETP &amp; Engineering Ltd.</li> <li>• A. K. Steel Industries</li> </ul>	
Mr. Harishkumar Shetty	AVP - Marketing	28/08/2015	10.87	B.Com.	<ul style="list-style-type: none"> <li>• Nahar Industries Ltd.</li> <li>• Mudra Lifestyle Ltd.</li> <li>• S. Kumars Nationwide Ltd.</li> <li>• Sai Lakshmi Industries Ltd.</li> <li>• Vardhaman Spinning &amp; General Mills Ltd.</li> <li>• Mahavir Spinning Mills Ltd.</li> <li>• Welspun Polyester (India), Ltd.</li> <li>• Raineo Indsutires Limited</li> </ul>	22 years

<sup>(1)</sup> Mr. Mahesh Kawat was appointed as 'Account Manager' in our company on November 02, 1993 and was re-designated as 'Chief Financial Officer' vide Board resolution dated April 04, 2014 as per Section 203 of the Companies Act, 2013.

<sup>(2)</sup> Ms. Tanushree Dave was appointed in our company on August 01, 2016 and was re-designated as 'Company Secretary and Compliance Officer' vide Board Resolution dated August 23, 2016.

The aforementioned KMP are on the payrolls of our Company as permanent employees. Also, they are not related parties as per the Accounting Standard 18.

In addition to the above, Mr. Anand Arora, who was employed in our Company as Vice President – Production, retired from the said position as on June 30, 2016. However, our Company has retained his services of Mr. Anand Arora and he continues to head the Production department as a consultant and is not on the payrolls of our Company. He is not a related party as per the Accounting Standard 18.

#### Relationship amongst the Key Managerial Personnel

None of the aforementioned KMP are related to each other.

Also, none of them have been selected pursuant to any arrangement/understanding with major shareholders/ customers/ suppliers.

#### Shareholding of Key Managerial Personnel

None of the KMP in our Company holds any shares of our Company as on the date of this Draft Letter of Offer.

#### Interest of Key Managerial Personnel

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

Managerial Personnel prior to/ in terms of this Issue, they will be deemed to be interested to the extent of their shareholding and / or dividends paid or payable on the same.

**Bonus or Profit Sharing Plan for the Key Managerial Personnel during the last three years**

Our Company does not have fixed bonus/profit sharing plan for any of the employees, key managerial personnel.

**Loans taken by Key Management Personnel**

None of our Key Managerial Personnel have taken any loan from our Company.

**Employee Share Purchase and Employee Stock Option Scheme**

Presently, we do not have ESOP/ESPS scheme for employees.

**Payment or Benefit to our Officers**

Except for the payment of salaries and yearly bonus, if any, we do not provide any other benefits to our employees.

**Changes in the Key Managerial Personnel in the three years preceding the date of filing this Draft Letter of Offer:**

Name	Designation	Date of Joining	Date of Leaving	Reason
Mr. Lokendrasingh Shekhawat	Dying & Finishing Manager	August 01, 2011	-	Appointment
Ms. Poonam Pabla	Company Secretary	July 18, 2013	-	Appointment
Ms. Poonam Pabla	Company Secretary and Compliance Officer	March 04, 2014		Change in Designation
Mr. Mahesh Kawat	Chief Financial Officer (CFO)	April 04, 2014	-	Change in Designation
Mr. Pawan Chaplot	AVP - Marketing	-	August 01, 2014	Resignation
Mr. Harishkumar Shetty	AVP - Marketing	August 28, 2015		Appointment
Ms. Poonam Pabla	Company Secretary and Compliance Officer	-	July 23, 2016	Resignation
Ms. Tanushree Dave	Company Secretary	August 01, 2016	-	Appointment
Ms. Tanushree Dave	Company Secretary and Compliance Officer	August 23, 2016	-	Change in Designation

## OUR PROMOTERS AND PROMOTER'S GROUP

### OUR PROMOTERS

Chiripal Industries Limited is the Promoter of our Company and it holds 48.32% of the pre-issue paid-up Equity Share Capital of our Company.

#### CHIRIPAL INDUSTRIES LIMITED (hereinafter referred to as "CIL")

<b>Name</b>	Chiripal Industries Limited
<b>Permanent Account Number</b>	AAACC8513B
<b>Company Registration Number</b>	U17110GJ1988PLC010634
<b>Registered Office</b>	Survey No. 199, 200/1 & 200/2, Saijpur – Gopalpur Road, Piplej, Ahmedabad – 382405 Gujarat.
<b>Corporate Office</b>	Chiripal House, Shivranjani Cross Roads, Satellite, Ahmedabad – 380015, Gujarat.
<b>Address of ROC with which the company was registered</b>	ROC Bhavan , Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad – 380013
<b>Bank Account Number</b>	00000010301048006
<b>Name of the Bank and Branch</b>	State Bank of India Commercial Branch, Ahmedabad

#### Brief History and Background

The Company was incorporated as Chiripal Twisting and Sizing Private Limited under the Companies Act, 1956 on April 27, 1988 at Ahmedabad with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli vide registration No. 04-10634 of 1988-89, having registered office at 283, New Cloth, Ahmedabad 380002. Subsequently, Registered Office has been shifted once and is currently at Survey No. 199, 200/1 and 200/2, Saijpur - Gopalpur Road, Piplej, Ahmedabad - 382 405.

The Company was converted from Private to Public and the name of the company was changed from Chiripal Twisting and Sizing Private Limited to Chiripal Twisting and Sizing Limited with a Fresh Certificate of Incorporation consequent to change of name dated October 23, 2003.

Subsequently, the name of our Company was changed to Chiripal Petrochemicals Limited vide Fresh Certificate of Incorporation consequent to change of name dated January 7, 2004. Consequent upon amalgamation with Shanti Processors Limited and Priti Processors Private Limited, the name of our Company was further changed to Chiripal Industries Limited vide Fresh Certificate of Incorporation consequent to change of name dated April 13, 2006.

The Company is engaged in manufacturing of wide range of products along the textile value chain. The main products manufactured are Partially Oriented Yarn, Fully Drawn Yarn, Drawn Textured Yarn, Texturising Yarn, Polar Fleece Fabric, Special Coated Fabrics. Further, they are also engaged in processing of fabrics, embroidery, etc.

#### Main Objects as per the Memorandum of Association

1. To carry on the business of sizers, texturises, spinners, weavers, manufactuers, twisters, pressers and balers of silk, artificial silk, rayon, nylon, stretchlon, man-made synthetic fibres, staple fibres, wool and fibrous materials and the business of manufacturing, texturising, weaving, bleaching, printing and selling cloth of all types, linen and fabrics of all types, whether knitted or looped and of importing, exporting, buying, selling and/or dealing in silk, art silk, rayon, nylon, cloth, linen, rayon and generally to carry on the business of processors, dyers, dealers in linen, flax, hemp, silk, artificial silk, rayon, manmade synthetic fibres, staple fibres, wool and cloth merchants, cleaners, combers, spinners, weavers, bleachers, dyers, printers, sizers, importers, exporters, traders and to transact all and any preparing processes and to give any special treatment to any of the above referred materials at any stage of production such as texturising, testing, crimping on own materials or belonging to others and/or to get the same done through others.
2. To carry on the business of manufacturing, spinning, weaving, bleaching, dyeing, processing, mercerising, printing, sizing, importing, exporting, purchasing, selling, and/or otherwise dealing in yarns of all types made from silk, art silk, rayon, nylon, man-made synthetic fibres, staple fibres and other suitable materials.

3. To carry on the business of processing, converting, manufacturing, formulating, filmmaking, dealing, acquiring, storing, packaging, selling, transporting, distributing, importing, exporting and disposing of all types of petrochemicals and its products and by products related to it like natural gas, synthetic gas, naphtha hydrogen methane, eathane, propane, butane, ethylene, propylene, butenes butadiene and their intermediates and derivatives, Methanol and its derivatives, Methyl, tertiary, Butyl either formaldehyde, Methyl, Methacrylates, Melanin, Acetic acid, acetic anhydride, acetanilide, acetaldehyde, chloro methanes, methyl amines, Dimethyl terephotoaltes, polyacetes naphthalene cycle hexane, cyclohexanon, phenol, phenol formaldehyde, urea formaldehyde, Melanin, Melanin formaldehyde, Ammonia and its derivatives, alkyde resins, polyethylenes, polypropylene, PVC, Polystyrenes, ethyleneoxide, Ethyleneglycol, Polyurethanes, Isopropanol, Acetone, Ketones, Propylene oxide, propylene glycol, Acrylonitrile, Acrolein, Acrylic fibres, Allvi chloride, Epichlor hydrin, Glycerine, allopathic and aromatic alcohols schedules, acrylics, therephtalic acids and their esters, epoxy resins, penlaery throttle, master batches and all other petrochemical products and polymers in all their forms.
4. To carry on the business of manufacturing, refining, processing, buying, selling, importing, exporting and in any way dealing in petroleum and its products transformer oils, Agricultural oils, petroleum oils, Varnishes, paints including essential oils all types of petrochemicals including its intermediates and derivatives.
5. To carry on the business of making, converting, refining, processing, dealing, buying, storing, packaging, selling, transporting, distributing, importing, exporting and disposing all types of petrochemicals based yarns in various forms such as partially oriented yarns, moderately oriented yarns, fully oriented yarns, draw twisting, sizing, oiling and all other related processes.

**We confirm that the PAN, Bank account Number, Company registration number, and the address of the ROC Office with which the company is registered will be submitted to the Stock Exchanges at the time of filing of the Draft Letter of Offer with the Stock Exchange.**

#### **Natural Persons in Control of Chiripal Industries Limited**

	<p><b>Mr. Vedprakash Chiripal</b>                  PAN: AAHPC2102Q                  Passport No.: Z1738229</p>
	<p><b>Mr. Jyotiprasad Chiripal</b>                  PAN: AAJPA4565D                  Passport No.: J2972642</p>
	<p><b>Mr. Jaiprakash Chiripal</b>                  PAN: AAJPA4564C                  Passport No.: Z1735108</p>



**Mr. Brijmohan Chiripal**

PAN: ACCPA7904K

Passport No.: Z2305826

**Board of Directors of CIL as on March 31, 2016**

Sr. No.	Name of Director
1.	Vedprakash Devkinandan Chiripal
2.	Jaiprakash Devkinandan Chiripal
3.	Rajesh Premchand Bindal
4.	Jyotiprasad Devkinandan Chiripal
5.	Jawahar Lal Goel
6.	Ambalal Chhitabhai Patel
7.	Suruchi Sanchit Saraf

**Shareholding Pattern of CIL as on March 31, 2016**

Sr. No.	Name of Shareholder	No. of Equity Shares Held	Shareholding (%)
A.	<b>Promoter / Promoter Group</b>		
1.	Vedprakash D Chiripal	24,18,750	9.85
2.	Jyotiprasad D. Chiripal	26,18,250	10.67
3.	Jayprakash D. Chiripal	23,12,000	9.42
4.	Brij Mohan D. Chiripal	20,38,750	8.30
5.	Savitridevi V. Chiripal	1,66,250	0.68
6.	Urmiladevi J. Chiripal	1,18,750	0.48
7.	Manjudevi J. Chiripal	1,04,750	0.43
8.	Vedprakash Chiripal HUF	6,18,750	2.52
9.	Jyotiprasad D. HUF	6,18,750	2.52
10.	Jaiprakash D HUF	6,18,750	2.52
11.	Brijmohan D HUF	6,18,750	2.52
12.	Kavita Chiripal	2,36,250	0.96
13.	Shaloo Chiripal	32,500	0.13
14.	Shivani V. Chiripal	1,18,750	0.48
15.	Vishal V. Chiripal	6,71,600	2.74
16.	Deepak j Chiripal	1,09,475	0.45
17.	Nishi J Chiripal	68,750	0.28
18.	Nidhi J. Chiripal	6,18,750	2.52
19.	Ronak B Chiripal	3,70,825	1.51
20.	Vansh J. Chiripal	2,25,000	0.92
21.	Pritidevi B. Chiripal	1,57,500	0.64
22.	Vineeta V. Chiripal	1,49,750	0.61
23.	Nitika D. Chiripal	1,67,050	0.68
24.	Navin S. Sarogi	36,475	0.15
25.	Rajesh P. Bindal	4,52,250	1.84
26.	Amit Bindal	2,250	0.01
27.	Sparrow Exports Pvt. Ltd.	2,24,250	0.91
28.	Chiripal Textile Mills Pvt. Ltd.	70,250	0.29
29.	Shanti Exports Pvt. Ltd.	38,250	0.16
30.	Vishal Fabrics Ltd.	20,250	0.08
31.	Prakash Calendar Pvt. Ltd.	3,87,100	1.58

32.	Devkinandan Corporation LLP	4,08,600	1.66
33.	Vrindavan Furnishing Pvt. Ltd.	1,09,750	0.45
34.	Tripoli Management Pvt. Ltd	10,87,875	4.43
35.	Bhavana Textiles Pvt. Ltd.	94,250	0.38
36.	Deepak Impex Pvt. Ltd.	1,70,250	0.69
37.	Quality Exim Pvt. Ltd.	1,70,250	0.69
38.	Hexa International Pvt. Ltd.	1,70,250	0.69
	<b>Total (A)</b>	<b>1,86,21,000</b>	<b>75.85</b>
B.	<b>Others (B)</b>	<b>59,27,916</b>	<b>24.15</b>
	<b>TOTAL (A+B)</b>	<b>2,45,48,916</b>	<b>100.00</b>

### Brief Audited Financials of CIL

(₹ in Lakhs)

Particulars	As at March 31,		
	2016	2015	2014
Equity Capital	2,551.07	2,454.89	2,434.89
Reserves (excluding revaluation reserve) and Surplus	32,844.73	26,269.51	23,961.04
Net Worth <sup>(1)</sup>	35,395.80	28,724.40	26,395.93
Income including other income	87,620.87	81,077.54	76,082.66
Profit/ (Loss) after tax	2,651.28	1,831.93	1,721.87
Earnings per share (₹) <sup>(2)</sup>	10.74	7.46	7.11
Net asset value per share (₹) <sup>(3)</sup>	138.75	117.01	108.47

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

### Changes in the Management and Control

There has been no change in control of the management of Chiripal Industries Limited in the three years preceding the date of this Draft Letter of Offer.

### Outstanding Litigation

There is no outstanding litigation against our Promoters except as disclosed in the sections titled “Risk Factors” and chapter titled “Outstanding Litigations and Material Developments” beginning on page nos. 11 and 198 respectively of this Draft Letter of Offer.

### Experience of Promoters in the line of business

The Promoter of our Company is engaged in the similar line of business.

Further, the natural persons in control of our Promoter namely, Mr. Vedprakash Chiripal, Mr. Jaiprakash Chiripal, Mr. Jyotiprasad Chiripal and Mr. Brijmohan Chiripal have 39 years, 25 years, 28 years and 20 years of relevant industry experience, respectively. Mr. Jyotiprasad Chiripal is the Managing Director of our Company. The company shall also endeavour to ensure that relevant professional help is sought as and when required in the future.

### Interest of Promoters in our Company other than as Promoters

Other than as Promoter, our Promoter is interested in our Company to the extent of its shareholding in our Company and the dividend declared, if any, by our Company.

Except as mentioned in this chapter and the chapters titled “Our Business”, “History and Certain Corporate Matters”, “Financial Indebtedness” and “Annexure XXIV - Related Party Transactions” on page nos. 88, 113, 193 and 177, respectively, of this Draft Letter of Offer, our Promoters do not have any interest in our Company other than as Promoters.

### Common Pursuits of our Promoters

Our Promoter Company is currently engaged in businesses similar to ours. Further, CIL is our Holding Company and has been authorised by its Memorandum of Association to undertake activities which are similar to ours.

Our Company has not adopted any measures for mitigating such conflict situations. However, our Company believes that all such transactions have been conducted on the arms length basis. For further details on the related party transactions, to the extent of which our Company is involved, please see the “*Annexure XXIV - Related Party Transactions*” beginning on page no. 177 of this Draft Letter of Offer.

#### **Interest of Promoters in the Promotion of our Company**

Our Company is promoted by the promoter in order to carry on its present business. Our Promoter is interested in our Company as mentioned above in this chapter, under the heading “*Common Pursuits of our Promoters*” and to the extent of their shareholding in our Company and the dividend declared, if any, by our Company.

#### **Interest of Promoters in the Property of our Company**

Our Promoter has confirmed that they do not have any interest in any property acquired by our Company within two years preceding the date of this Draft Letter of Offer or proposed to be acquired by our Company as on the date of this Draft Letter of Offer.

Further, we confirm that our Promoter does not have any interest in any transactions in the acquisition of land, construction of any building or supply of any machinery.

#### **Payment of Amounts or Benefits to our Promoters or Promoter Group during the last two years**

Except as stated in “*Financial Statements – Annexure XXIV*” on page no. 177 of this Draft Letter of Offer, no amount or benefit has been paid by our Company to our Promoters or the members of our Promoter Group in the last two years preceding the date of this Draft Letter of Offer.

#### **Other Confirmations**

Except as stated elsewhere in this Draft Letter of Offer, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Letter of Offer in which our Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business.

Further, except as disclosed in the chapter titled “*Our Promoter and Promoter Group*” on page no. 129 and “*Our Group Companies*” beginning on page 135 of this Draft Letter of Offer, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

#### **Companies with which the Promoters are disassociated in the last three years**

Our Promoters have not disassociated themselves from any of the companies, firms or entities during the last three years preceding the date of this Draft Letter of Offer.

#### **Additional Disclosure**

CIL is neither a sick company within the meaning of SICA nor has any winding up proceedings been initiated against CIL.

No application has been made to RoC for striking off its name. Additionally, CIL has not become defunct during the period of last five years preceding the date of this Draft Letter of Offer.

#### **OUR PROMOTER’S GROUP**

Our Promoter, Chiripal Industries Limited, is a Corporate Promoter and hence our Promoter Group under Regulation 2(1)(zb) of the SEBI Regulations are as follows:

<b>Sr. No.</b>	<b>Relationship with Corporate Promoter</b>	<b>Name of Promoter Group Entity</b>
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Sr. No.	Relationship with Corporate Promoter	Name of Promoter Group Entity
(A)	a subsidiary or holding company of such body corporate;	NIL
(B)	Any, body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;	<ol style="list-style-type: none"> <li>1. Nandan Denim Limited</li> <li>2. CIL Nova Petrochemicals Limited</li> <li>3. Kautilya Traders Private Limited</li> </ol>
(C)	Any, body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer;	<ol style="list-style-type: none"> <li>4. Chiripal Infrastructure Limited</li> <li>5. Nova Textiles Private Limited</li> <li>6. Shanti Exports Private Limited</li> <li>7. Shanti Educational Initiatives Limited</li> <li>8. Vraj Mega Food Park Limited</li> </ol>
(D)	Other Persons, Firms or Companies whose shareholding is aggregated for the purpose of disclosing in the Draft Letter of Offer under the heading "Shareholding of Promoter Group".	<ol style="list-style-type: none"> <li>9. Vedprakash Chiripal</li> <li>10. Jyotiprasad Chiripal</li> <li>11. Brijmohan Chiripal</li> <li>12. Jaiprakash Chiripal</li> <li>13. Chiripal Exim LLP</li> <li>14. Devkinandan Corporation LLP</li> <li>15. Preetidevi Agarwal</li> <li>16. Nishi Agarwal</li> <li>17. Shivani Chiripal</li> <li>18. Shaloo Agarwal</li> <li>19. Priyanka Chiripal</li> <li>20. Savitridevi Vedprakash Chiripal</li> <li>21. Vishal Chiripal</li> <li>22. Deepak Agarwal</li> <li>23. Manjudevi Agarwal</li> <li>24. Ronak Agarwal</li> <li>25. Urmila Agarwal</li> <li>26. Vedprakash Brijmohan HUF</li> </ol>

Our Promoters, the members of our Promoter Group have confirmed that they have not been identified as wilful defaulters by the RBI or any other governmental authority.

No violations of securities laws have been committed by our Promoters or members of our Promoter Group in the past or are currently pending against them except as stated under chapters "Risk Factors", "Our Group Companies" and "Outstanding Litigations and Material Developments" on page nos. 11, 135 and 198 of this Draft Letter of Offer, respectively.

None of our Promoters, Promoter Groups or persons in control of or on the boards of our Promoter are debarred or prohibited from accessing the capital markets or restrained from buying, selling, or dealing in securities under any order or directions passed for any reasons by the SEBI or any other authority or refused listing of any of the securities issued by any such entity by any stock exchange in India or abroad except as stated under chapters "Risk Factors", "Our Group Companies" and "Outstanding Litigations and Material Developments" on page nos. 11, 135 and 198 of this Draft Letter of Offer, respectively.

## OUR GROUP COMPANIES

The following are our Group Companies:

### Listed Group Companies

- I. Nandan Denim Limited
- II. Shanti Educational Initiatives Limited
- III. CIL Nova Petrochemicals Limited

### Unlisted Group Companies

- IV. Chiripal Poly Films Ltd.
- V. Shanti Spincot Pvt. Ltd.
- VI. Bhushan Petrofils Pvt. Ltd.
- VII. Dindayal Processors Pvt. Ltd.
- VIII. Deepak Impex Pvt. Ltd.
- IX. Shanti Exports Pvt. Ltd.
- X. Tripoli Management Pvt. Ltd.
- XI. Quality Exim Pvt. Ltd.
- XII. Chiripal Textile Mills Pvt. Ltd.
- XIII. Prakash Calender Pvt. Ltd.
- XIV. Shanti Polytechnic Foundation Ltd.
- XV. Dholi Integrated Spinning Park Ltd.
- XVI. Chiripal Industrial Park Ltd.
- XVII. Chiripal Energy Ltd.
- XVIII. Shanti Academic And Research Foundation
- XIX. Vraj Mega Food Park Pvt. Ltd.
- XX. Dholi Spintex Private Ltd.
- XXI. Nandan Industries Pvt. Ltd.
- XXII. Shanti Innovation And Research Foundation
- XXIII. Nandan Terry Pvt. Ltd.

Unless otherwise stated none of the companies forming part of the Group Companies, is a sick company under the meaning of SICA and none of them are under winding up.

## FINANCIAL INFORMATION OF GROUP ENTITIES

As per Schedule VIII (IX)(C)(2) of the SEBI (ICDR) Regulations 2009, the financial information of our top 5 Listed and Unlisted Group Companies on the basis of Market Capitalization and Turnover respectively are given below:

### I. NANDAN DENIM LIMITED. (“NDL”) (Formerly known as “Nandan Exim Limited”)

<b>Incorporation</b>	The Company was originally incorporated as Nandan Exim Private Limited under the Companies Act on August 09, 1994 in the state of Gujarat. It was converted into a limited company vide fresh certificate of incorporation w.e.f January 16, 2004. The name of the company was changed to Nandan Denim Limited pursuant to which a fresh certificate of incorporation was issued on September 03, 2013 by the Registrar of Companies Gujarat, Dadra and Nagar Haveli.
<b>CIN</b>	L51909GJ1994PLC022719
<b>Registered Office</b>	Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405.
<b>Corporate Office</b>	“Chiripal House” Behind Arjun Tower, 132 Ft, Ring Road, Shivranjani Cross Roads, Satellite Road, Ahmedabad 380 015.
<b>Nature of Business</b>	Nandan Denim Limited is engaged in the business of manufacturing of Denim & Weaving and is a listed arm of Chiripal group. The main products being manufactured by NDL are Grey Fabric and Denim. Denim Fabrics woven at NDL are either made up of 100% cotton yarn or mixed with Lycra, Polyester, etc in weft depending upon the market requirement. The Company has also forayed into Ready Made Garment segment.
<b>Registrar of Companies</b>	Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

#### Details of Listing of NDL

<b>Date and Year of Initial Listing</b>	June 13, 2005
<b>Name of the Stock Exchanges where currently listed</b>	BSE and NSE
<b>Details of public offerings in last 3 Years</b>	None
<b>Date of opening and closing of Issue</b>	N. A.
<b>Date of Allotment</b>	N. A.
<b>Face Value (₹)</b>	10/-
<b>Listing Code</b>	BSE: 532641 NSE: NDL

#### Board of Directors

Sr. No.	Name
1.	Vedprakash Devkinandan Chiripal
2.	Brijmohan Devkinandan Chiripal
3.	P. K. Shrivastava
4.	Pratima Ram
5.	Giraj Mohan Sharma
6.	YashoVerdhanVarma
7.	Ambalal Chhitabhai Patel
8.	Tara Sankar Sudhir Bhattacharya

#### Interest of our Promoter / Promoter Group

Our promoter and promoter group hold 58.27% equity shares of this company.

**Shareholding Pattern of NDL as on June 30, 2016**

Category (I)	Category of Share- holder (II)	No. of Share-holder (III)	No. of fully paid-up equity shares held (IV)	No. of Partly paid-up equity shares held (V)	No. of shares Underlying Depository Receipts (VI)	Total Nos. Shares held (VII) = (IV) + (V) + (VI)	Share holding as a % of total No. of Shares (calculated As per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each Class of securities (IX)				No of Under lying Outstanding Convertible securities (incl. Warrants) (X)	Share Holding as a % assuming Full convertible securities (as a % of Diluted Share Capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked In shares (XII)		No. of shares Pledged Or Otherwise encumbered (XIII)		No. of Equity shares held In De-mat form (XIV)
								No of voting Right			Total As a % of (A+B+C)			No (a)	As a % of total shares held (b)	No (a)	As a % of total shares held(b)	
								Class-Equity	Class	Total								
(A)	Promoter & Promoter Group	11	27997188	-	-	27997188	58.27%	27997188	-	27997188	58.27%	-	-	-	-	7500000	26.79%	27997188
(B)	Public	31521	20051868	-	-	20051868	41.73%	20051868	-	20051868	41.73%	-	-	2635000	13.14%	-	-	20037016
(C)	Non Promoter Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	Shares Underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	Shares held by Employee Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>31532</b>	<b>48049056</b>	<b>-</b>	<b>-</b>	<b>48049056</b>	<b>100.00%</b>	<b>48049056</b>	<b>-</b>	<b>48049056</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>2635000</b>	<b>5.48%</b>	<b>7500000</b>	<b>15.61%</b>	<b>48034204</b>

**Brief Audited Financials of NDL**

(₹ in lakhs)

Particulars	As at March 31		
	2016	2015	2014
Equity Capital	4,554.91	4,554.91	4,554.91
Reserves (excluding revaluation reserve) and Surplus	27,665.62	21,333.40	17,095.70
Net Worth <sup>(1)</sup>	32,220.53	25,888.31	21,650.61
Income including other income	1,16,087.99	1,09,957.56	89,774.10
Profit/ (Loss) after tax	6,332.22	5,143.38	3,931.00
Earnings per share (₹) <sup>(2)</sup>	13.90	11.29	8.63
Net asset value per share (₹) <sup>(3)</sup>	70.74	56.84	47.53

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

**The Stock Market data of NDL at BSE (Scrip Code: 532641)**

Month	High (₹)	Low (₹)	No. of Shares Traded	Total Turnover (₹ in lakhs)
August 2016	136.90	120.00	27,47,133	3,450.07
July 2016	147.85	132.50	20,09,668	2,821.63
June 2016	154.85	131.00	28,78,816	4,065.72
May 2016	165.80	131.00	28,08,278	4,120.61
April 2016	140.90	115.50	21,51,098	2,821.66
March 2016	127.50	111.00	24,79,542	2,933.71

(Source: [www.bseindia.com](http://www.bseindia.com))

**The Stock Market data of NDL at NSE (Scrip ID: NDL)**

Month	High (₹)	Low (₹)	No. of Shares Traded	Total Turnover (₹ in lakhs)
August 2016	137.80	120.60	36,60,093	4,625.22
July 2016	148.35	132.50	28,28,629	3,960.65
June 2016	154.50	130.55	39,05,332	5,539.58
May 2016	165.90	130.25	47,29,233	7,036.80
April 2016	140.00	113.60	31,46,808	4,127.30
March 2016	128.00	111.10	32,14,421	3,794.30

(Source: [www.nseindia.com](http://www.nseindia.com))

**Past Penalties and Listing Compliances:**

NDL has not faced any suspension on the BSE and NSE for any listing agreement non-compliance.

**Mechanism for redressal of Investor Grievance**

NDL has appointed Datamatics Financial Services Limited as the Registrar and Transfer Agent, who has been entrusted with responsibility of redressal of investor grievances and servicing the investors.

Besides, the Board has constituted the Shareholders' Grievance Committee as per the guidelines set out in listing agreement that inter alia includes redressing investors' complaints regarding transfer of shares, non-receipt of any correspondence from the Company etc. The Committee also oversees the performance of the Registrar & Transfer Agents and recommends measures for the overall improvement of the quality of the investor services.

As on June 31, 2016 there was one (1) Investor Grievance pending against NDL.

*FY 2011-2012*

During this year, NDL received 1 reference from the investors, which was resolved / addressed till March 31, 2012.

*FY 2012-2013*

During this year, NDL received 3 references from the investors, which were resolved / addressed till March 31, 2013.

*FY 2013-2014*

During this year, NDL received 3 references from the investors, which were resolved / addressed till March 31, 2014.

*FY 2014-2015*

During this year, NDL received 4 references from the investors, out of which 2 were resolved / addressed till March 31, 2015. Company has replied to the other 2 complaints which are pending with the investors.

*FY 2015-2016*

During this year, NDL did not receive any reference from the investors.

**Other Disclosures:**

The Equity Shares of NDL are listed on the BSE and NSE and it has not made any public / rights issue in the last three (3) years. However NDL has issued 25,00,000 Fully Convertible Warrants to Polus Global Fund on Preferential basis on November 10, 2015 which shall entitle the warrant holder to acquire equivalent number of equity shares of ₹ 10/- each at a conversion price of ₹ 200/- per share.

NDL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. Further, NDL neither has a negative net-worth nor has made a loss in the immediately preceding year.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

## II. SHANTI EDUCATIONAL INITIATIVES LIMITED. (“SEIL”)

<b>Incorporation</b>	The Company was originally incorporated as Chiripal Enterprises Limited on May 12, 1988 with the Registrar of Companies, Gujarat as a public limited company under the provisions of the Companies Act 1956 and a certificate of commencement of business was issued by the Registrar of Companies on July 12, 1988. Further the name of our Company was changed from Chiripal Enterprises Limited to Shanti Educational Initiatives Limited vide a fresh certificate of incorporation dated April, 16, 2010 issued by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Havelli.
<b>CIN</b>	L80101GJ1988PLC010691
<b>Registered Office</b>	283, New Cloth Market, Ahmedabad- 380002
<b>Corporate Office</b>	Mondeal Square, A Wing, 6th Floor, Prahladnagar, Ahmedabad - 380 015
<b>Nature of Business</b>	Shanti Educational Initiatives Limited is primarily engaged in the business of providing educational support services to preschools, K-12 and premium category preschools in India, operating under three business units namely, Shanti Juniors, Shanti Asiatic School and Shanti Hopskotch.
<b>Registrar of Companies</b>	Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

### Details of Listing of SEIL

<b>Date and Year of Initial Listing</b>	June 14, 2016
<b>Name of the Stock Exchanges where currently listed</b>	BSE (SME Exchange)
<b>Details of public offerings in last 3 Years</b>	Initial Public Offer of 44,00,000 Equity Shares of ₹ 10/- each in the F. Y. 2016-17
<b>Date of opening and closing of Issue</b>	Opening of the Issue: June 01, 2016 Closing of the Issue: June 06, 2016
<b>Date of Allotment</b>	June 10, 2016
<b>Face Value (₹)</b>	10/-
<b>Listing Code</b>	BSE: 539921

### Board of Directors

Sr. No.	Name
1.	Ms. Vineeta V. Chiripal
2.	Mr. Jaiprakash D. Chiripal
3.	Mr. Chitranjan Ajaib Singh
4.	Ms. Suruchi S. Saraf

### Interest of our promoter

Our promoter and promoter group hold 60.18% equity shares of this company.

**Shareholding Pattern of SEIL as on June 30, 2016**

Category (I)	Category of Share- holder (II)	No. of Share-holder (III)	No. of fully paid-up equity shares held (IV)	No. of Partly paid-up equity shares held (V)	No. of shares Underlying Depository Receipts (VI)	Total Nos. Shares held (VII) = (IV) + (V) + (VI)	Share holding as a % of total No. of Shares (calculated As per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each Class of securities (IX)				No of Under lying Outstanding Convertible securities (incl. Warrants) (X)	Share Holding as a % assuming Full convertible securities (as a % of Diluted Share Capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked In shares (XII)		No. of shares Pledged Or Otherwise encumbered (XIII)		No. of Equity shares held In De-mat form (XIV)
								No of voting Right			Total As a % of (A+B+C)			No (a)	As a % of total shares held (b)	No (a)	As a % of total shares held(b)	
								Class-Equity	Class	Total								
(A)	Promoter & Promoter Group	18	10392500	-	-	10392500	64.55%	10392500	-	10392500	64.55%	-	-	10392500	100.00%	-	-	10392500
(B)	Public	419	5707500	-	-	5707500	35.45%	5707500	-	5707500	35.45%	-	-	1307500	22.91%	-	-	5705000
(C)	Non Promoter Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	Shares Underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	Shares held by Employee Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>437</b>	<b>16100000</b>	-	-	<b>16100000</b>	<b>100.00%</b>	<b>16100000</b>	-	<b>16100000</b>	<b>100.00%</b>	-	-	<b>11700000</b>	<b>72.67</b>	-	-	<b>16097500</b>

**Brief Audited Financials of SEIL**

(₹ in lakhs)

Particulars	As at March 31		
	2016	2015	2014
Equity Capital	1,530.00	1,400.00	1,400.00
Reserves (excluding revaluation reserve) and Surplus	2,156.09	848.33	801.03
Net Worth <sup>(1)</sup>	3,686.09	2,248.33	2,210.03
Income including other income	884.08	666.74	645.68
Profit/ (Loss) after tax	267.75	58.19	4.11
Earnings per share (₹)	1.87	0.42	0.03
Net asset value per share (₹) <sup>(3)</sup>	24.09	16.06	15.78

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

**The Stock Market data of SEIL at BSE (Scrip Code: 539921)**

Month <sup>(1)</sup>	High (₹)	Low (₹)	No. of Shares Traded	Total Turnover (₹ in lakhs)
August 2016	95.00	92.00	14,400	13.38
July 2016	93.05	92.00	76,800	71.33
June 2016	94.00	87.50	13,39,200	1,230.31

(Source: [www.bseindia.com](http://www.bseindia.com))

<sup>(1)</sup> The Company was listed on June 14, 2016, hence only 3 month data is available.

**Past Penalties and Listing Compliances:**

SEIL has not faced any suspension on the BSE for any listing agreement non-compliance.

**Mechanism for redressal of Investor Grievance**

SEIL has appointed Link Intime India Private Limited as the Registrar and Transfer Agent, who has been entrusted with responsibility of redressal of investor grievances and servicing the investors.

Besides, the Board has constituted the Shareholders' Grievance Committee as per the guidelines set out in SEBI Listing Regulations that inter alia includes redressing investors' complaints regarding transfer of shares, non-receipt of any correspondence from the Company etc. The Committee also oversees the performance of the Registrar & Transfer Agents and recommends measures for the overall improvement of the quality of the investor services.

As on March 31, 2016 there were no Investor Grievances pending against SEIL.

**Other Disclosures:**

The Equity Shares of SEIL are listed on the SME Exchange of BSE and it has not made any public / rights issue in the last three (3) years except the IPO in the year 2016 for details of the IPO, please refer the chapter "*Other Regulatory and Statutory Disclosures*" on page no. 198 of this Draft Letter of Offer.

SEIL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. Further, SEIL neither has a negative net-worth nor has made a loss in the immediately preceding year.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

### III. CIL NOVA PETROCHEMICALS LIMITED (“CNPL”)

<b>Incorporation</b>	CIL Nova Petrochemicals Limited was originally incorporated on December 17, 2003 under the Companies Act, 1956 as Nova Polyyarn Limited. The Honourable High Court of Gujarat at Ahmedabad by its order dated August 27, 2009 has approved the scheme of arrangement in the nature of demerger amongst Nova Petrochemicals Limited (New name GSL Nova Petrochemicals Limited) and Nova Polyyarn Limited (New name CIL Nova Petrochemicals Limited) and their respective share holders and creditors. Pursuant to the scheme the name of the Company was change from Nova Polyyarn Limited to CIL Nova Petrochemicals Limited pursuant to which a fresh certificate of incorporation was issued on October 19, 2009 by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
<b>CIN</b>	L17111GJ2003PLC043354
<b>Registered Office</b>	Survey No. 396 (P), 395/4(P), Moraiya Village, Sarkhej – Bavla Highway, Tal. Sanand, Ahmedabad - 382210.
<b>Corporate Office</b>	“Chiripal House” Behind Arjun Tower, 132 Ft, Ring Road, Shivranjani Cross Roads, Satellite Road, Ahmedabad 380 015.
<b>Nature of Business</b>	CIL Nova Petrochemicals Limited is engaged in the business of selling, marketing, producing, manufacturing of polyester chips, partially oriented yarn, fully drawn yarn and allied products. However the erstwhile Company had not commenced any business activity since its incorporation. The business of the Company has commenced pursuant to Scheme of Demerger with appointed date 1st April 2007.
<b>Registrar of Companies</b>	Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

#### Details of Listing of CNPL

<b>Year of Initial Listing</b>	May 23, 2011
<b>Name of the Stock Exchanges where currently listed</b>	BSE and NSE
<b>Details of public offerings in last 3 Years</b>	None
<b>Date of opening and closing of Issue</b>	N. A.
<b>Date of Allotment</b>	N. A.
<b>Face Value (₹)</b>	10/-
<b>Listing Code</b>	BSE: 533407 NSE: CNOVAPETRO

#### Board of Directors

Sr. No.	Name
1.	JyotiprasadDevkinandanChiripal
2.	VedprakashDevkinandanChiripal
3.	Ambalal Chhitabhai Patel
4.	MurlimanoharRaghunandanGoyal
5.	RajendraprasadJethalal Shah
6.	PoojaMurlidharGwalani

#### Interest of our promoter

Our promoter and promoter group hold 68.97% equity shares of this company.

**Shareholding Pattern of CNPL as on June 30, 2016**

Category (I)	Category of Share- holder (II)	No. of Share-holder (III)	No. of fully paid-up equity shares held (IV)	No. of Partly paid-up equity shares held (V)	No. of shares Underlying Depository Receipts (VI)	Total Nos. Shares held (VII) = (IV) + (V) + (VI)	Share holding as a % of total No. of Shares (calculated As per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each Class of securities (IX)			No of Under lying Outstanding Convertible securities (incl. Warrants) (X)	Share Holding as a % assuming Full convertible securities (as a % of Diluted Share Capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked In shares (XII)		No. of shares Pledged Or Otherwise encumbered (XIII)		No. of Equity shares held In De-mat form (XIV)	
								No of voting Right					Total As a % of (A+B+C)	No (a)	As a % of total shares held (b)	No (a)		As a % of total shares held(b)
								Class-Equity	Class	Total								
(A)	Promoter & Promoter Group	24	9356068	-	-	9356068	69.05%	9356068	-	9356068	69.05%	-	-	4082450	43.63%	9356068		
(B)	Public	6039	4193932	-	-	4193932	30.95%	4193932	-	4193932	30.95%	-	-	-	-	3720228		
(C)	Non Promoter Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
(C1)	Shares Underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
(C2)	Shares held by Employee Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	<b>Total</b>	<b>6063</b>	<b>13550000</b>	-	-	<b>13550000</b>	<b>100.00%</b>	<b>13550000</b>	-	<b>13550000</b>	<b>100.00%</b>	-	-	<b>4082450</b>	<b>43.63%</b>	<b>13076296</b>		

**Brief Audited Financials of CNPL**
*(₹ in lakhs)*

Particulars	As at March 31		
	2016	2015	2014
Equity Share Capital	1,355.00	1,355.00	1,355.00
Preference Share Capital (F. V. ₹100/-)	500.00	500.00	500.00
Reserves and Surplus (excluding revaluation reserve)	270.00	(177.62)	(566.08)
Net Worth <sup>(1)</sup>	2,125.00	1,677.38	1,288.92
Income including other income	20,220.18	24,351.78	31,797.80
Profit/ (Loss) after tax	547.62	401.68	289.95
Earnings per share <sup>(2)</sup>	4.04	2.96	2.14
Net asset value per share <sup>(3)</sup>	11.99	8.69	5.82

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

**The Stock Market data of CNPL at BSE (Scrip Code: 533407)**

Month	High (₹)	Low (₹)	No. of Shares Traded	Total Turnover (₹ in Lakhs)
August 2016	36.30	32.25	5,571	1.91
July 2016	36.75	31.60	6,246	2.10
June 2016	35.15	29.00	4,894	1.54
May 2016	37.15	28.50	3,192	1.01
April 2016	35.00	23.85	2,595	0.75
March 2016	36.10	22.75	1,494	0.43

(Source: [www.bseindia.com](http://www.bseindia.com))

**The Stock Market data of CNPL at NSE (Scrip ID: CNOVAPETRO)**

Month	High (₹)	Low (₹)	No. of Shares Traded	Total Turnover (₹ in lakhs)
August 2016	38.70		6,051	2.23
July 2016	38.70	32.00	10,456	3.7
June 2016	35.50	29.65	2,818	0.91
May 2016	37.00	28.55	3,618	1.22
April 2016	36.00	24.50	2,096	0.65
March 2016	31.00	25.70	3,328	0.95

(Source: [www.nseindia.com](http://www.nseindia.com))

**Scheme of Arrangement**

On November 21, 2007 Nova Petrochemicals Limited (hereinafter referred to as 'Nova') filed an application with High Court of Gujarat for considering the scheme of arrangement between Nova and Nova Polyyarn Limited (hereinafter referred to as 'NPL'). On November 26, 2007, the Hon'ble High Court of Gujarat directed that a meeting of the equity shareholders of Nova Petrochemicals Limited be held for considering the scheme of arrangement between Nova and NPL. The Hon'ble High Court of Gujarat by its order dated August 27, 2009 in Company Petition No. 2 and 3 of 2009, approved demerger scheme of NPL. According to the aforesaid order, NPL's name was changed to CIL Nova Petrochemicals Ltd (hereinafter referred to as 'CIL') which came into effect from October 19, 2009 when Registrar of Companies, Gujarat, Dadra and Nagar Haveli issued a fresh certificate of incorporation consequent upon the change of name.

**Past Penalties and Listing Compliances:**

1. On June 01, 2009 Securities and Exchange Board of India ("SEBI") issued a Show Cause Notice ("SCN") to Nova under Section 11, 11(4), 11B of Securities and Exchange Board of India Act, 1992 read with SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as 'PFUTP) for alleged violation of Section 12A of PFUTP. The Company was advised to reply within 21 days of the receipt of SCN. Nova vide letter dated June 26, 2009 sought extension of one month to reply to the SCN, however it failed to reply to the SCN. Thereafter reminder letter dated July 13, 2009 and August 12, 2009 were issued to Nova to reply to the SCN. Again vide letter dated August 19, 2009 Nova sought extension till September 15, 2009, to file its submission, but failed to do so. The Whole Time Member of SEBI on January 12, 2010 passed an order restraining Nova from buying, selling and dealing or accessing the securities market directly or indirectly in any manner whatsoever for a period of two years from the date of the order. Nova filed an application with the Securities Appellate Tribunal on January 27, 2010 against the order of whole time member of SEBI passed on January 12, 2010. On June 07, 2010 the SAT dismissed the appeal of Nova. An oral prayer was made by Nova to stay the operation of the order to enable them to move the Supreme Court; the SAT directed that the operation of order shall remain in abeyance till July 12, 2010. Subsequently the SAT on July 12, 2010 dismissed the application of abeyance.

SEBI vide its letter dated April 07, 2011 granted permission for listing of shares of CIL on BSE Limited citing the reference of the order passed by The Hon'ble High Court of Gujarat on March 21, 2011 advising SEBI to list the Shares of CIL by granting relaxation under rule 19(2)(B) of Securities Contracts (Regulation) Rules 1957. Further, SEBI clarified that, for any purpose other than listing, the SEBI order dated January 12, 2010 will be in operation.

2. CNPL has not faced any suspension on the BSE and NSE for any listing agreement non-compliance. However, CNPL, prior to the scheme of arrangement – the erstwhile Nova Petrochemicals Limited had received a Show Cause Notice dated September 10, 2009 for failure to make disclosure under regulation 7(3) and regulation 8(3) of the SEBI (SAST) Regulations, 1997. After the Scheme of Arrangement The company made a Consent Application vide its letter dated April 16, 2010 and the same was passed with a consent term of ₹ 10,00,000/- (₹ 5,00,000 payable by CIL Nova Petrochemicals Ltd. and GSL Nova Petrochemicals Ltd. each) on April 10, 2013.

#### **Mechanism for redressal of Investor Grievance**

CNPL has appointed Link Intime India Private Limited as the Registrar and Transfer Agent, who has been entrusted with responsibility of redressal of investor grievances and servicing the investors.

Besides, the Board has constituted the Shareholders' Grievance Committee as per the guidelines set out in listing agreement that inter alia includes redressing investors' complaints regarding transfer of shares, non-receipt of any correspondence from the Company etc. The Committee also oversees the performance of the Registrar & Transfer Agents and recommends measures for the overall improvement of the quality of the investor services.

As on June 30, 2016 there were no Investor Grievances pending against CNPL.

#### *FY 2011-2012*

During this year, CNPL received 1 reference from the investors, which was resolved / addressed till March 31, 2012.

#### *FY 2012-2013*

During this year, CNPL received 1 reference from the investors, which was resolved / addressed till March 31, 2013.

#### *FY 2013-2014*

During this year, CNPL did not receive any reference from the investors.

#### *FY 2014-2015*

During this year, CNPL did not receive any reference from the investors.

#### *FY 2015-2016*

During this year, CNPL did not receive any reference from the investors.

#### **Other Disclosures:**

The Equity Shares of CNPL are listed on the BSE and NSE and it has not made any public / rights issue in the last three (3) years.

CNPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. Further, CNPL neither has a negative net-worth nor has made a loss in the immediately preceding year.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. However the Company had failed to make the disclosure in Shareholding/ changes in Shareholding to stock exchanges under Regulation 7(3) and 8(3) of SEBI Takeover Code for which SEBI had imposed regulatory charges of ₹ 5,00,000/- which were settled in the year 2013.

#### IV. CHIRIPAL POLY FILMS LIMITED (“CPFL”)

<b>Incorporation</b>	Chiripal Poly Films Limited was incorporated on August 31, 2009 under the Companies Act, 1956 with the Registrar of Companies, Mumbai, in the State of Maharashtra. It received its Certificate for Commencement of Business on September 24, 2009.
<b>CIN</b>	U17120MH2009PLC195352
<b>Registered Office</b>	109 / 110, Peninsula Centre, Dr. S. S. Rao Road, Parel, Mumbai – 400 012
<b>Nature of Business</b>	CPFL is engaged in the business of manufacturing, importing, exporting, buying, selling, supplying, distributing, stocking, designing of and dealing in polymers, monomers, elastomers and resins of all types, grades and copolymer formulations and in all forms.
<b>Registrar of Companies</b>	100, Everest, Marine Drive; Mumbai – 400002

#### Board of Directors

Sr. No.	Name
1.	Jaiprakash Chiripal
2.	Vedprakash Chiripal
3.	Jyotiprasad Chiripal
4.	Renuka Anjani Upadhyay
5.	Neeraj Kakkar
6.	Hemendrakumar Shah

#### Interest of our promoter

Our promoter and promoter group hold 62.31% equity shares of this company.

#### Shareholding Pattern of CPFL as on March 31, 2016

Name of the shareholders	Number of equity shares held	Percentage (%)
<b>Our Promoters</b>		
Chiripal Industries Ltd.	95,240	1.00%
<b>Sub – Total (A)</b>	<b>95,240</b>	<b>1.00%</b>
<b>Our Promoter Group (B)</b>		
Vishal Chiripal	4,88,000	5.10%
Ronak Agarwal	4,00,000	4.18%
Urmiladevi Agarwal	4,80,000	5.01%
Deepak Chiripal	4,88,000	5.10%
Priyanka Agarwal	2,40,000	2.51%
Pritidevi Chiripal	4,00,000	4.18%
Savitridevi Chiripal	4,80,000	5.01%
Kautilya Traders Pvt. Ltd.	6,62,000	6.92%
Shanti Exports Pvt. Ltd.	95,240	0.99%
Devkinandan LLP	1,60,000	1.67%
Manjudevi Chiripal	10,00,000	10.45%
Jaiprakash Chiripal	2,64,000	2.76%
VedPrakash Chiripal	2,56,000	2.67%
Jyotiprasad Chiripal	2,56,000	2.67%
Brijmohan Chiripal	2,00,000	2.09%
<b>Sub – Total (B)</b>	<b>58,69,240</b>	<b>61.31%</b>
<b>Other Public / Relatives (C)</b>		
Rajesh Bindal	4,000	0.04%
Amit Bindal	4,000	0.04%
Nidhi Agarwal	3,00,000	3.13%
Ruchi Agarwal	2,60,000	2.72%
Vineeta V. Chiripal	3,40,000	3.55%

Name of the shareholders	Number of equity shares held	Percentage (%)
Nikita D. Chiripal	3,40,000	3.55%
Vijay Subham Contrade Pvt. Ltd.	51,620	0.54%
Orange Mauritius Investment Ltd.	7,92,000	8.27%
Opulence Investments Ltd.	7,42,928	7.76%
Platinummic FZE	1,34,993	1.41%
Monil Chiripal	1,22,440	1.28%
Bhushan Petrofils Pvt. Ltd.	95,240	0.99%
Dindayal Processors Pvt. Ltd.	95,240	0.99%
Tripoli Management Pvt. Ltd.	47,620	0.50%
Bhavana Textiles Pvt. Ltd.	95,238	0.99%
Hexa International Pvt. Ltd.	95,240	0.99%
Golden Multitrade FZE	88,308	0.92%
<b>Sub – Total (C)</b>	<b>37,04,107</b>	<b>38.69%</b>
<b>Total (A + B + C)</b>	<b>95,73,347</b>	<b>100.00%</b>

### Brief Audited Financials of CPFL

(₹ in lakhs)

Particulars	As at March 31,		
	2015	2014	2013
Equity Share Capital	957.33	469.60	434.17
Share Application Pending Allotment	2,546.07	-	-
Reserves (excluding revaluation reserve) and Surplus	18,753.59	14,232.02	8,513.14
Net Worth <sup>(1)</sup>	22,256.99	14,701.62	8,947.31
Income including other income	85,268.22	71,490.39	49,675.77
Profit/ (Loss) after tax	3,763.11	2,033.70	644.65
Earnings per share <sup>(2)</sup>	39.79	45.11	14.85
Net asset value per share <sup>(3)</sup>	205.90	313.07	206.06

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

### Other Disclosures:

The Equity Shares of CPFL are not listed and it has not made any public / rights issue in the last three (3) years.

CPFL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. Further, CPFL neither has a negative net-worth nor has made a loss in the immediately preceding year.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

## V. SHANTI SPINCOT PRIVATE LIMITED (“SSPL”)

<b>Incorporation</b>	The Company was incorporated as Shanti Spincot Private Limited on September 06, 2010 under the Companies Act, 1956 with the Registrar of Companies, Ahmedabad, in the State of Gujarat.
<b>CIN</b>	U17120GJ2010PTC062209
<b>Registered Office</b>	Plot No. 11, Vraj Integrated Textile Park Limited, National Highway No.8, Nr. Reliance Petrol pump, Bidaj – 387411. Gujarat
<b>Nature of Business</b>	SSPL is engaged in the business of producing, manufacturing and trading in cotton, blended yarn and other textiles and also deal in weaving, spinning, manufacturing and processing of cotton, linen, silk waste, dropping, flywool, jute, hemp, flex and other fabrics
<b>Registrar of Companies</b>	Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

### Board of Directors

Sr. No.	Name
1.	Sanjay P. Bindal
2.	Amit P. Bindal

### Interest of our promoter

Our promoter and promoter group hold no equity shares of this company.

### Shareholding Pattern of SSPL as on March 31, 2016

Name of the shareholders	Number of equity shares held	Percentage (%)
<b>Our Promoters</b>		
Chiripal Industries Ltd.	Nil	Nil
<b>Sub – Total (A)</b>	<b>Nil</b>	<b>Nil</b>
<b>Our Promoter Group (B)</b>		
Nil	Nil	Nil
<b>Sub – Total (B)</b>	<b>Nil</b>	<b>Nil</b>
<b>Other Public / Relatives (C)</b>		
Amit Premchand Bindal	2,500	25.00
Sunita Amit Bindal	2,500	25.00
Sanjay Premchand Bindal	2,500	25.00
Pushpa Premchand Bindal	2,500	25.00
<b>Sub – Total (C)</b>	<b>10,000</b>	<b>100.00</b>
<b>Total (A + B + C)</b>	<b>10,000</b>	<b>100.00</b>

### Brief Audited Financials of SSPL

(₹ in lakhs)

Particulars	As at March 31,		
	2015	2014	2013
Equity Share Capital	1.00	1.00	1.00
Reserves (excluding revaluation reserve) and Surplus	10.59	4.96	(0.08)
Net Worth <sup>(1)</sup>	11.59	5.96	0.92
Income including other income	21,353.88	20,665.32	0.00
Profit/ (Loss) after tax	5.63	5.04	(0.08)
Earnings per share <sup>(2)</sup>	56.32	50.40	(0.80)
Net asset value per share <sup>(3)</sup>	115.90	59.60	9.20

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

**Other Disclosures:**

The Equity Shares of SSPL are not listed and it has not made any public / rights issue in the last three (3) years.

SSPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. Further, SSPL neither has a negative net-worth nor has made a loss in the immediately preceding year.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

**In addition to the above, the following are the companies form part of our Group Companies, details of which, as per Schedule VIII (IX)(C)(2), are given below:**

*Other Unlisted Companies*

Sr. No.	Name of the Group Entity & CIN	Date of Incorporation	Brief description of permitted business activities	Interest of our Promoters (Including Promoter Group)
1.	Bhushan Processors Private Limited U74899DL1994PTC062653	November 10, 1994	Business of erecting and setting up spinning mills and other factories related to manufacturing and processing of different kinds of textiles and also to trade in all kinds of textiles, natural and synthetic.	18.53%
2.	Dindayal Processors Private Limited U74899DL1994PTC062604	November 09, 1994	Business of erecting and setting up spinning mills and other factories related to manufacturing and processing of different kinds of textiles and also to trade in all kinds of textiles, natural and synthetic.	18.13%
3.	Deepak Impex Private Limited U51909GJ2000PTC037454	March 01, 2000	Business as manufacturers, exporters, importers, factors, agents, traders, dealers & distributors of all classes, kinds of cloth articles, goods, merchandise, commodities for domestic, commercial, industrial, agricultural & defence purpose in India and elsewhere.	16.93%
4.	Shanti Exports Private Limited U17119GJ1998PTC034696	September 22, 1998	Business of exporters, importers of polyester polypropylene, cotton denim textiles, cloth, rayon, nylon, terry towel, woollen, grey cloth, selling cloth of all types, nature and description including fabrics of all kinds and also to carry on the business of manufacturers, exporters, importers of all classes of garments for ladies, gents and children and all other furnishing fabrics/ clothing.	37.55%
5.	Tripoli Management Private Limited U74140WB1993PTC058666	April 27, 1993	Business as consultants and service providers for matters or problems relating various industrial issues across industry segments pertaining to improvement, expansion, construction, etc. and to act as agents, traders, merchants, importer, exporter and dealer in legal matters, financing activities and currencies.	51.47%

6.	Quality Exim Private Limited U51100GJ1994PTC022718	August 09, 1994	Business of manufacturer's representatives, agents, traders, dealers, exporters, importers, factors, consignors and consignees of all kinds, types and sizes of cloth articles goods, merchandise and commodities whether for domestic, commercial, industrial, agriculture and defense purpose/use in India or elsewhere.	18.33%
7.	Chiripal Textile Mills Private Limited U17110GJ1981PTC004442	June 19, 1981	Business of weaving, spinning, manufacturing, etc. of various kinds to textiles, natural and synthetic and also trading in various kinds of textiles, natural and synthetic	62.08%
8.	Prakash Calender Private Limited U17299GJ1990PTC013894	June 18, 1990	Business of buying, selling, manufacturing and processing, including calendering, bleaching, printing, dyeing, mercering, sizing, weaving, importing and exporting in cloth of all types and other fabrics made from cotton, silk, rayon, nylon, man-made, synthetic fibres, staple fibre and other man-made fibres.	24.59%
9.	Shanti Polytechnic Foundation U80302GJ2011NPL065502	May 19, 2011	Business of promoting and encouraging running of training institutes in textiles, fashion and other technical / non-technical vocational courses including IT capabilities.	50.00%
10.	Dholi Integrated Spinning Park Limited U17291GJ2007PLC051939	October 10, 2007	Business to undertake, identify, develop design, operation and maintenance of infrastructure projects in textile sector and other sector by way of Special economic zones, schemes in sectors across India or abroad and ancillary facilities and services to the users of infrastructure projects. Also to act as Special Purpose Vehicles for implementing Government development schemes. To set up manufacturing units, promote the development of textile sector, undertake modernisation of textile sector, conduct trainings, workshops etc and innovating cost saving systems for maximum cost benefit ratio.	44.00%
11.	Chiripal Industrial Park Limited U45200GJ2011PLC066303	July 12, 2011	Business of developing, maintaining and operating industrial parks, Special Economic Zones, Export Promotion Parks, Software technology Parks, etc. and also developing and operating infrastructural projects	86.00%
12.	Chiripal Energy Limited U40108GJ2008PLC053994	May 23, 2008	Business of producers, suppliers, processors, etc. of all forms of energy and its products / by-products and also deal in wind, water, solar, hydro energy and other fuels and fuel handling equipments and any other product derived from this.	99.80%

13.	Shanti Academic and Research Foundation U80301GJ2012NPL071332	July 28, 2012	To promote, make arrangement, maintain schools, colleges, libraries, reading rooms, lecture halls, and educational institutions for the development of education and diffusion of knowledge.	67.00%
14.	Vraj Mega Food Park Private Limited U15100GJ2012PTC069047	February 15, 2012	Business of developing, maintaining and operating Mega Food Parks, Food Processing Units, Food Parks, Agri Warehousing, Cold Storage, Agriculture Economic Zones, Industrial park, Special Economic Zone (SEZ), Realty Projects and also to act as a SPV for government schemes.	52.00%
15.	Dholi Spintex Private Limited U17200MH2016PTC274530	March 17, 2016	Business of weaving, spinning, manufacturing, etc. of various kinds to textiles, natural and synthetic and also trading in various kinds of textiles, natural and synthetic	100.00%
16.	Nandan Industries Private Limited U17299GJ2016PTC091630	April 21, 2016	Business of weaving, spinning, manufacturing, etc. of various kinds to textiles, natural and synthetic and also trading in various kinds of textiles, natural and synthetic and in all types of petrochemicals based yarns	100.00%

#### DETAILS OF GROUP COMPANIES WITH NEGATIVE NET WORTH

##### I. SHANTI INNOVATION AND RESEARCH FOUNDATION (“SIRF”)

<b>Incorporation</b>	Shanti Innovation and Research Foundation was incorporated on February 02, 2012 under the Companies Act, 1956 in Ahmedabad with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
<b>CIN</b>	U80301GJ2012NPL068844
<b>Registered Office</b>	Chiripal House, Near Shivranjani Crossroads, Satellite, Ahmedabad – 380 015
<b>Nature of Business</b>	SIRF is engaged in the business of establishing, running, etc. of kinds of educational institutions and all other activity centres related to all fields of education and knowledge.
<b>Registrar of Companies</b>	Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

##### Board of Directors

Sr. No.	Name
1.	Jyotiprasad Chiripal
2.	Vedprakash Chiripal
3.	Kamlesh Singh

##### Interest of our promoter

Our promoter and promoter group hold 100.00% equity shares of this company.

##### Shareholding Pattern of SIRF as on March 31, 2016

Name of the shareholders	Number of equity shares held	Percentage (%)
<b>Our Promoters</b>		
Chiripal Industries Ltd.	Nil	Nil
<b>Sub – Total (A)</b>	<b>Nil</b>	<b>Nil</b>
<b>Our Promoter Group (B)</b>		

Name of the shareholders	Number of equity shares held	Percentage (%)
Jyotiprasad Chiripal	50,000	50.00%
Vedprakash Chiripal	50,000	50.00%
<b>Sub – Total (B)</b>	<b>1,00,000</b>	<b>100.00%</b>
<b>Other Public / Relatives (C)</b>		
NIL	Nil	Nil
<b>Sub – Total (C)</b>	<b>Nil</b>	<b>Nil</b>
<b>Total (A + B + C)</b>	<b>1,00,000</b>	<b>100.00%</b>

#### Brief Audited Financials of SIRF

(₹ in lakhs)

Particulars	As at March 31,		
	2015	2014	2013
Equity Share Capital	10.00	10.00	10.00
Reserves (excluding revaluation reserve) and Surplus	(51.68)	(43.09)	(33.49)
Net Worth <sup>(1)</sup>	(41.68)	(33.09)	(23.49)
Income including other income	65.89	50.02	28.25
Profit/ (Loss) after tax	(8.59)	(9.60)	(21.27)
Earnings per share (₹) <sup>(2)</sup>	(8.59)	(9.60)	(21.27)
Net asset value per share (₹) <sup>(3)</sup>	(41.68)	(33.09)	(23.49)

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

#### Other Disclosures:

The Equity Shares of SIRF are not listed and it has not made any public / rights issue in the last three (3) years.

SIRF is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up.

## II. NANDAN TERRY PRIVATE LIMITED (“NTPL”)

<b>Incorporation</b>	Nandan Terry Private Limited was incorporated on January 27, 2015 under the Companies Act, 1956 with the Registrar of Companies, Mumbai, in the State of Maharashtra.
<b>CIN</b>	U17291MH2015PTC261384
<b>Registered Office</b>	Unit No.109, Peninsula Centre, Dr. S. S. Rao Road, Behind Piramal Chambers, Parel (E), Mumbai – 400 012
<b>Nature of Business</b>	NTPL is engaged in the business of weaving, spinning, manufacturing, etc. of various kinds to textiles, natural and synthetic and also trading in various kinds of textiles, natural and synthetic
<b>Registrar of Companies</b>	100, Everest, Marine Drive; Mumbai – 400 002

#### Board of Directors

Sr. No.	Name
1.	Brijmohan Chiripal
2.	Vedprakash Chiripal

#### Interest of our promoter

Our promoter and promoter group hold 100.00% equity shares of this company.

#### Shareholding Pattern of NTPL as on March 31, 2016

Name of the shareholders	Number of equity shares held	Percentage (%)
<b>Our Promoters</b>		

Name of the shareholders	Number of equity shares held	Percentage (%)
Chiripal Industries Ltd.	Nil	Nil
<b>Sub – Total (A)</b>	<b>Nil</b>	<b>Nil</b>
<b>Our Promoter Group (B)</b>		
Vedprakash Chiripal	5,000	50.00%
Brijmohan Chiripal	5,000	50.00%
<b>Sub – Total (B)</b>	<b>10,000</b>	<b>100.00%</b>
<b>Other Public / Relatives (C)</b>		
NIL	Nil	Nil
<b>Sub – Total (C)</b>	<b>Nil</b>	<b>Nil</b>
<b>Total (A + B + C)</b>	<b>10,000</b>	<b>100.00%</b>

#### Brief Audited Financials of NTPL

(₹ in lakhs)

Particulars	As at March 31,		
	2015	2014	2013
Equity Share Capital	1.00	-	-
Reserves (excluding revaluation reserve) and Surplus	2.04	-	-
Net Worth <sup>(1)</sup>	(10.00)	-	-
Income including other income	25.98	-	-
Profit/ (Loss) after tax	2.04	-	-
Earnings per share (₹) <sup>(2)</sup>	2.04	-	-
Net asset value per share (₹) <sup>(3)</sup>	(10.00)	-	-

<sup>(1)</sup> Net Worth Calculated after deducting unamortised / miscellaneous expenses not w/o, if any

<sup>(2)</sup> EPS is calculated on PAT minus Preference Dividend and Tax thereon, if any

<sup>(3)</sup> NAV per share does not include Preference Share Capital and Share Application Money, if any

#### Other Disclosures:

The Equity Shares of NTPL are not listed and it has not made any public / rights issue in the last three (3) years.

NTPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up.

#### NATURE AND EXTENT OF THE INTEREST OF THE GROUP COMPANIES IN OUR COMPANY

##### In the promotion of our Company

None of the Group Companies have any interest in the promotion of our Company.

##### In the properties acquired by our Company

None of the Group Companies have any interest in the properties acquired by our Company within the two years of the date of filing this Draft Letter of Offer or proposed to be acquired by our Company except the acquisition of land from Dholi Integrated Spinning Park Limited on a lease basis for a term of 99 years for the proposed expansion project of setting up of Denim Processing Unit at Dholi near Ahmedabad.

##### In transactions for acquisition of land, construction of building and supply of machinery

None of the Group Companies have any interest in our Company in relation to transactions for acquisition of land, construction of building and supply of machinery except as mentioned in this Draft Letter of Offer.

##### Payment of amount or benefits to our Group Companies during the last two years

Except as disclosed in the section “Financial Information – Annexure XXIV - Related Party Transactions” beginning on page no. 177 of this Draft Letter of Offer, no amount or benefits were paid or were intended to be paid to our Group Companies since the incorporation of our Company.

### **Common pursuits between the Group Companies and our Company**

The Main Object Clause of our Holding Company, Chiripal Industries Limited and certain companies forming part of our Group Companies viz. Nandan Denim Limited, CIL Nova Petrochemicals Limited, Chiripal Textile Mills Private Limited, Deepak Impex Private Limited, Dholi Spintex Private Limited, Nandan Industries Private Limited and Shanti Spincot Private Limited permits them to undertake similar business to that of our business, which may create a potential conflict of interest. Our Company has not adopted any measures for mitigating such conflict situations.

### **Related business transactions within the Group Companies and its significance on the financial performance of our Company**

For details, please see the chapter titled “*Financial Statements- Annexure XXIV - Related Party Transactions*” on page no. 177 of this Draft Letter of Offer.

### **Sale/purchase between Group Companies (exceeding 10% in aggregate of the total sales or purchases of our Company)**

For details, please see the chapter titled “*Financial Statements- Annexure XXIV - Related Party Transactions*” on page no. 177 of this Draft Letter of Offer.

### **Business interest of Group Companies in our Company**

For details, please see the chapter titled “*Financial Statements- Annexure XXIV - Related Party Transactions*” on page no. 177 of this Draft Letter of Offer.

### **Defunct Group Companies**

None of the Group Companies are defunct and no application has been made to the registrar of companies for striking off the name of any of the Group Companies during the five years preceding the date of this Draft Letter of Offer.

### **Outstanding Litigations**

For details relating to the material legal proceedings involving our Group Companies, see the chapter titled “*Outstanding Litigations and Material Developments*” on page no. 177 of this Draft Letter of Offer.

### **Other Confirmations**

Our Group Companies have further confirmed that they have not been declared as wilful defaulters by the RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them except as stated under chapters “*Risk Factors*”, “*Our Group Companies*” and “*Outstanding Litigations and Material Developments*” on page nos. 11, 135 and 198 of this Draft Letter of Offer, respectively. Additionally, none of our Group Companies have been restrained from accessing the capital markets for any reasons by the SEBI or any other authorities except as stated under chapters “*Risk Factors*”, “*Our Group Companies*” and “*Outstanding Litigations and Material Developments*” on page nos. 11, 135 and 198 of this Draft Letter of Offer, respectively.

## CURRENCY OF PRESENTATION

In this Draft Letter of Offer, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten lakhs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million” and the word “trillion” means “One thousand billion”. Throughout this Draft Letter of Offer, all the figures have been expressed in lakhs of Rupees, except when stated otherwise.

In this Draft Letter of Offer, all references to “Rupees” and “Rs.” and “Indian Rupees” and “₹” are to the legal currency of the Republic of India; all references to “U.S. Dollars” and “US\$” are to legal currency of the United States.

In this Draft Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding – off.

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## DIVIDEND POLICY

Under the Companies Act, 2013, our Company can pay dividends upon a recommendation by our Board of Directors and approval by a majority of the shareholders at the General Meeting. The shareholders of our Company have the right to decrease, not to increase the amount of dividend recommended by the Board of Directors. The dividends may be paid out of profits of our Company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both. The Articles of Association of our Company also gives the discretion to our Board of Directors to declare and pay interim dividends.

There are no dividends declared by our Company since incorporation.

Our Company does not have any formal dividend policy for the Equity Shares. The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders of our Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by our Board of Directors.

## SECTION VI – FINANCIAL INFORMATION

### FINANCIAL STATEMENT

#### REPORT OF THE AUDITORS ON FINANCIAL STATEMENTS

To,  
The Board of Directors,  
**Vishal Fabrics Limited**  
Ranipur, Narol,  
Ahmedabad

1. We have examined the Restated Financial Statements and other Financial Information of Vishal Fabrics Limited (the 'Company') for each of the five financial years ended March 31, 2012, 2013, 2014, 2015 and 2016 based on the audited financial statements of the Company audited by us. The said Restated Financial Statements and other Financial Information have been prepared for the purposes of inclusion in the Draft Letter of Offer / Letter of Offer (collectively hereinafter referred to as "Offer Document") in connection with the proposed Rights Issue of the Company in accordance with the requirements of:
  - i. Sub-clauses (i) and (iii) of clause (b) of sub-section (1) of section 26 of the Companies Act, 2013 read with applicable provisions within Rule 4 to 6 of Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended (hereinafter referred to as the "Act");
  - ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the 'SEBI Regulations') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI'); as amended to date;
2. We have examined such Restated Financial Statements taking into consideration
  - a. The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated September 01, 2016 in connection with the proposed Rights Issue of the Company and
  - b. The Guidance Note (Revised) on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India.
3. These Restated Financial Statements have been compiled by the Management from the audited Financial Statements as at and for the years ended as at March 31, 2016, 2015, 2014, 2013 and 2012, audited by us and the same has been approved by Board of Directors.
4. In terms of Schedule VIII, Clause IX of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of Vishal Fabrics Limited, we, Anil S. Shah & Co., Chartered Accountants, have been subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the ICAI.
5. Based on our examination, we further report that:
  - a. The Restated Statement of Assets and Liabilities of the Company as at March 31, 2016, 2015, 2014, 2013 and 2012 examined by us, as set out in **Annexure I** to this examination report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the statement of significant accounting policies in **Annexure IV** and the Notes to Accounts in **Annexure V**.
  - b. The Restated Statement of Profit and Loss of the Company for the years ended on March 31, 2016, 2015, 2014, 2013 and 2012 examined by us, as set out in **Annexure II** to this examination report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the statement of significant accounting policies in Annexure IV and the Statement of Adjustments to the audited financial statements in Annexure V.
  - c. The Restated Statement of Cash Flows of the Company for the years ended March 31, 2016, 2015, 2014, 2013

and 2012 examined by us, as set out in **Annexure III** to this examination report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the statement of significant accounting policies in **Annexure IV** and the Notes to Accounts in **Annexure V**.

- d. The Restated Financial Statements have been made after incorporating adjustments for (i) the changes, if any, in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per the changed accounting policy for all the reporting period /years and (ii) prior period and other material amounts in the respective financial years to which they relate; which are stated in the Notes to Accounts as set out in **Annexure V**
  - e. Such Financial statements do not require any corrective adjustments on account of (i) other remarks/comments in the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub - section (4A) of section 227 of the act, on financial statements of the company as at and for the years ended March 31, 2016, 2015, 2014, 2013 and 2012 and (ii) extra-ordinary items that need to be disclosed separately in the accounts requiring adjustments.
6. At the request of the company, we have also examined the following financial information ("Other Financial Information") proposed to be included in the offer document prepared by the management and approved by the board of directors of the company and annexed to this report:
- i) Schedule of Share Capital (Annexure - VI)
  - ii) Schedule of Reserves & Surplus (Annexure - VII)
  - iii) Schedule of Fixed Assets (Annexure - VIII)
  - iv) Schedule of Long-Term Investments (Annexure – IX)
  - v) Schedule of Long Term Loans & Advances (Annexure – X)
  - vi) Schedule of Short Term Loans & Advances (Annexure – XI)
  - vii) Schedule of Inventories (Annexure – XII)
  - viii) Statement of Trade Receivables (Annexure – XIII)
  - ix) Statement of Cash & Cash Equivalent (Annexure - XIV)
  - x) Details of Long Term Borrowings of the Company (Annexure – XV)
  - xi) Details of Short Term Borrowings of the Company (Annexure – XVI)
  - xii) Statement of Trade Payables (Annexure – XVII)
  - xiii) Schedule of Other Current Liabilities (Annexure – XVIII)
  - xiv) Schedule of Long term Liabilities (Annexure – XIX)
  - xv) Schedule of Long Term Provisions (Annexure –XX)
  - xvi) Schedule of Short Term Provisions (Annexure – XXI)
  - xvii) Schedule of Revenue from Operations (Annexure – XXII)
  - xviii) Schedule of Other Income (Annexure – XXIII)
  - xix) Schedule of Related Party Transactions (Annexure – XXIV)
  - xx) Capitalization Statement (Annexure – XXV)
  - xxi) Schedule of Contingent Liability (Annexure – XXVI)
  - xxii) Summary of Accounting Ratios (Annexure – XXVII)
  - xxiii) Statement of Tax Shelter (Annexure – XXVIII)
7. In our opinion, the Restated Financial Statements and the other Financial Information set forth in Annexure I to XXX read with the significant accounting policies and notes to the restated financial statements have been prepared in accordance with section 26 read with applicable provisions within Rule 4 to 6 of Companies (Prospectus and Allotment of Securities) Rules, 2014 of Companies Act, 2013 and the SEBI Regulations and the Guidance Note on the reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India (ICAI).

Consequently the financial information has been prepared after making such regroupings and adjustments as were, in our opinion, considered appropriate to comply with the same. As a result of these regrouping and adjustments, the amount reported in the financial information may not necessarily be the same as those appearing in the respective audited financial statements for the relevant years.

8. This report should not in any way construed as a reissuance or redrafting of any of the previous audit report issued by us nor should this report be construed as new opinion on any of the financial statement referred to therein.
9. This report is intended solely for your information and for inclusion in the Offer document in connection with the

Company's proposed Rights Issue of equity shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Anil S. Shah & Co.**  
**Chartered Accountants**  
(Firm Registration No.:100474W)

**Krunal A. Shah**  
**Partner**  
Membership No: 115801  
Place: Ahmedabad  
Date: September 16, 2016

**Annexure I**  
**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Funds</b>					
a. Share Capital	1,317.40	1,317.40	970.00	115.00	115.00
b. Reserves & Surplus	6,980.01	5,545.87	3,431.73	3,785.34	3,578.57
Share Application Money Pending Allotment	-	-	-	-	-
	<b>8,297.41</b>	<b>6,863.27</b>	<b>4,401.73</b>	<b>3,900.34</b>	<b>3,693.57</b>
<b>Non Current Liabilities</b>					
a. Long Term Borrowings	2,484.22	1,853.67	2,114.51	2,529.80	2,974.51
b. Deferred Tax Liabilities	-	-	-	-	-
c. Other Long Term Liabilities	38.90	-	-	10.03	8.14
d. Long Term Provisions	302.14	185.67	109.45	99.81	99.00
	<b>2,825.26</b>	<b>2,039.33</b>	<b>2,223.96</b>	<b>2,639.64</b>	<b>3,081.64</b>
<b>Current Liabilities</b>					
a. Short Term Borrowings	2,189.54	2,631.85	2,895.86	2,622.79	2,633.36
b. Trade Payables	2,484.31	1,983.89	2,198.95	2,282.06	1,479.07
c. Other Current Liabilities	286.31	565.94	798.15	769.54	852.87
d. Short Term Provisions	379.06	130.68	121.15	133.25	8.36
	<b>5,339.23</b>	<b>5,312.37</b>	<b>6,014.11</b>	<b>5,807.65</b>	<b>4,973.67</b>
<b>TOTAL</b>	<b>16,461.90</b>	<b>14,214.97</b>	<b>12,639.79</b>	<b>12,347.63</b>	<b>11,748.87</b>
<b>ASSETS</b>					
<b>Non Current Assets</b>					
a. Fixed Assets					
i. Tangible Assets	12,423.09	10,093.09	9,969.92	9,869.28	9,618.36
ii. Intangible Assets (Net)	-	-	-	-	-
Gross Block	12,423.09	10,093.09	9,969.92	9,869.28	9,618.36
Less: Accumulated Depreciation	7,368.53	7,057.85	6,795.81	6,113.30	5,336.05
<b>Net Block</b>	<b>5,054.56</b>	<b>3,035.24</b>	<b>3,174.11</b>	<b>3,755.98</b>	<b>4,282.31</b>
iii. Work in Progress	1,315.09	462.91	-	-	-
b. Non Current Investments	10.24	10.24	11.04	11.04	11.04
b. Deferred Tax Assets (Net)	77.23	113.66	145.04	97.40	29.20
c. Long term Loans & Advances	1,679.93	1,564.36	538.48	138.23	389.64
d. Other Non Current Assets	16.20	16.20	16.20	56.68	63.57
	<b>3,098.68</b>	<b>2,167.38</b>	<b>710.76</b>	<b>303.34</b>	<b>493.44</b>
<b>Current Assets</b>					
a. Inventories	1,316.68	1,366.21	1,057.22	1,092.74	1,125.32
b. Trade Receivables	6,084.13	5,373.72	5,413.39	6,498.71	5,213.24
c. Cash and Cash Equivalents	148.35	633.14	109.47	110.77	67.54
d. Short Term Loans & Advances	759.49	1,639.27	2,174.84	586.09	567.02
e. Other Current Assets	-	-	-	-	-
<b>TOTAL</b>	<b>16,461.89</b>	<b>14,214.96</b>	<b>12,639.79</b>	<b>12,347.63</b>	<b>11,748.87</b>

**Annexure II**  
**STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>INCOME</b>					
Revenue from Operations	27,357.80	22,362.65	20,402.93	18,324.81	14,605.64
Other Income	31.76	12.63	9.30	13.75	47.88
<b>Total Income</b>	<b>27,389.56</b>	<b>22,375.28</b>	<b>20,412.23</b>	<b>18,338.56</b>	<b>14,653.52</b>
<b>EXPENDITURE</b>					
Employee benefit expenses	3,473.42	2,715.21	2,227.87	1,481.28	809.12
Cost of Production	19,458.54	16,221.85	15,363.04	14,170.32	11,306.24
Change in Inventory	(120.56)	(65.13)	(9.87)	(57.76)	(46.26)
Finance costs	507.68	531.83	640.94	685.57	699.45
Depreciation and amortization expense	343.94	305.85	692.31	799.94	769.76
Administration Expenses	1,937.63	1,708.99	1,183.18	991.89	1,104.54
<b>Total Expenses</b>	<b>25,600.65</b>	<b>21,418.61</b>	<b>20,097.47</b>	<b>18,071.25</b>	<b>14,642.84</b>
<b>Profit before extraordinary items, Exceptional item and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Prior period items (Net)	-	-	-	-	-
<b>Profit before exceptional, extraordinary items and tax (A-B)</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Exceptional items	-	-	-	-	-
<b>Profit before extraordinary items and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Exceptional items	-	-	-	-	-
<b>Profit before extraordinary items and tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
Extraordinary items	-	-	-	-	-
<b>Profit before tax</b>	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.31</b>	<b>10.68</b>
<i>Tax expense :</i>					
(i) Current tax	320.00	60.00	77.00	88.00	-
(ii) Deferred tax	36.44	31.38	(47.64)	(68.59)	55.62
(iii) Tax expenses related to prior period items	(1.66)	(32.94)	8.61	41.13	-
(iii) Tax expenses related to prior year written back	-	-	0.39	-	-
<b>Total Tax Expense</b>	<b>354.78</b>	<b>58.43</b>	<b>38.36</b>	<b>60.54</b>	<b>55.62</b>
<b>Profit for the year</b>	<b>1,434.14</b>	<b>898.24</b>	<b>276.39</b>	<b>206.77</b>	<b>66.29</b>

**Annexure III**  
**CASH FLOW STATEMENT, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Cash flow from operating activities:</b>					
Net Profit before tax as per Profit And Loss A/c	<b>1,788.92</b>	<b>956.67</b>	<b>314.75</b>	<b>267.70</b>	<b>10.68</b>
Adjusted for:					
Depreciation & Amortization	343.94	305.85	692.31	799.94	769.76
Interest & Finance Cost	507.68	531.83	640.94	685.57	699.45
Interest & Dividend income	(8.59)	(5.66)	(5.98)	(5.48)	(4.63)
Exceptional & Extraordinary Items	-	-	-	-	-
<b>Operating Profit Before Working Capital Changes</b>	<b>2,631.95</b>	<b>1,788.69</b>	<b>1,642.02</b>	<b>1,747.74</b>	<b>1,475.26</b>
Adjusted for (Increase)/ Decrease:					
Trade Receivables	(710.40)	39.66	1,085.32	(1,285.47)	(2,652.17)
Inventories	49.53	(308.99)	35.52	32.57	260.78
Short Term Loans and Advances	879.78	535.57	(1,588.75)	(19.07)	118.37
Other Current Assets	-	-	-	-	-
Trade payables	500.42	(215.05)	(83.12)	802.99	365.11
Current Liabilities	(279.63)	(232.21)	28.62	(83.33)	16.52
Short Term Provisions (except Tax provision)	(11.62)	26.54	(1.11)	36.89	(45.29)
<b>Cash Generated From Operations Before Extra-Ordinary Items</b>	<b>3,060.03</b>	<b>1,634.21</b>	<b>1,118.51</b>	<b>1,232.33</b>	<b>(461.42)</b>
Add:- Extra-Ordinary Items	-	-	-	-	-
<b>Cash Generated From Operations</b>	<b>3,060.03</b>	<b>1,634.21</b>	<b>1,118.51</b>	<b>1,232.33</b>	<b>(461.42)</b>
Direct Tax Paid	58.34	44.06	97.00	41.13	-
<b>Net Cash Flow from/(used in) Operating Activities:(A)</b>	<b>3,001.69</b>	<b>1,590.15</b>	<b>1,021.51</b>	<b>1,191.20</b>	<b>(461.42)</b>
<b>Cash Flow From Investing Activities:</b>					
Purchase of Fixed Assets	(3,215.45)	(633.51)	(111.99)	(274.79)	(581.04)
Sale of fixed asset	(0.00)	3.62	1.53	1.18	33.64
Interest Income	8.59	5.66	5.98	5.48	4.63
<b>Net Cash Flow from/(used in) Investing Activities: (B)</b>	<b>(3,206.86)</b>	<b>(624.23)</b>	<b>(104.47)</b>	<b>(268.13)</b>	<b>(542.76)</b>
<b>Cash Flow from Financing Activities:</b>					
Proceeds From Share Capital	-	347.40	50.00	-	-
Proceeds from Share Premium	-	1,215.90	175.00	-	-
Proceeds from Share Application Money	-	-	-	-	-
Increase / (Decrease) Long Term Borrowing	630.56	(260.84)	(415.29)	(444.70)	(214.53)
Increase / (Decrease) Long Term Provision	116.48	76.22	9.64	0.81	5.05
Increase / (Decrease) in Short Term Borrowing	(442.31)	(264.01)	273.07	(10.57)	1,954.27
Increase / (Decrease) in Long Term Liabilities	38.90	-	(10.03)	1.89	(19.68)
Increase / (Decrease) in Long Term Loans & Advances	(115.56)	(1,025.89)	(400.25)	251.42	(44.56)
Increase / (Decrease) in Non Current Assets	-	-	40.47	6.89	9.63
Increase / (Decrease) in Non Current Investments	-	0.80	-	-	-
Interest & Financial Charges	(507.68)	(531.83)	(640.94)	(685.57)	(699.45)
<b>Net Cash Flow from/(used in) Financing Activities (C)</b>	<b>(279.62)</b>	<b>(442.25)</b>	<b>(918.33)</b>	<b>(879.84)</b>	<b>990.73</b>

<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(484.79)</b>	<b>523.67</b>	<b>(1.29)</b>	<b>43.23</b>	<b>(13.46)</b>
<b>Cash &amp; Cash Equivalents As At Beginning of the Year</b>	<b>633.14</b>	<b>109.47</b>	<b>110.77</b>	<b>67.54</b>	<b>80.99</b>
<b>Cash &amp; Cash Equivalents As At End of the Year</b>	<b>148.35</b>	<b>633.14</b>	<b>109.47</b>	<b>110.77</b>	<b>67.54</b>

## Annexure IV

### SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Preparation of Financial Statements

- a) These financial statements have been prepared under the historical cost of conversion in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and referred to Section 129 & 133 of the Companies Act, 2013.
- b) The Company follows the mercantile system of accounting ongoing concern basis.

#### B. Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure relating to contingent assets and liabilities as at the date of financial statements are reported amounts of incomes and expenses during the period. Actual results could differ from those estimates.

#### C. Fixed Assets, including Intangible Assets and Capital Work in Progress

- a) Fixed assets are stated at cost of acquisition or construction (net of CENVAT credits), All cost relating to the acquisition and installation of fixed assets are capitalized and include borrowing costs directly attributable to construction or acquisition of fixed assets, up to the date of asset is put to use and adjustment arising out of exchange rate variation relating to liabilities attributable to those fixed assets.
- b) They are stated at historical cost less depreciation.
- c) Project under which Fixed Assets are not yet ready for their intended use are acquired at cost, comprising direct cost, related incidental and pre-operative expenses and attributable interest.
- d) Pre operative Expenses/Income are classified under Capital Work in Progress under Fixed Assets.

#### D. Depreciation and Amortization

- a) Depreciation on Fixed Assets is provided to the extent of depreciable amount on Straight Line Method on Plant & Machineries and Written Down Value Method on other than Plant & Machineries. Depreciation is provided based on useful life of the asset as prescribed in Schedule 1/ to the Companies Act, 2013.
- b) Leasehold Assets are amortized over term of the lease, from the year of commencement of proceed from Manufacturing facility,

#### E. Lease

Assets taken under lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lesser are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit & Loss on a Straight line basis over the lease term.

#### F. Revenue Recognition

- a) Revenue from job work is recognized by the completed service contract.
- b) Sales are accounted for on dispatch of goods to the customers and is exclusive of the Excise, sales return rebate & discount, rate difference but inclusive of the sales tax, if any.
- c) Dividend income has been accounted on cash basis.
- d) Commission income, Investment, Export incentives, Int. on FDR are accounted on accrual basis.
- e) Insurance claims are accounted in the year in which claim are acknowledge with insurance company.

#### G. Inventories

- a) Inventories of Raw materials are valued at cost, determined on FIFO basis. Cost of Raw Materials Stocks is determined so as to exclude from cost, taxes and duties, which are subsequently Recoverable from taxing authorities.
- b) Stock of Work-in-progress valued at estimated cost.

## **H. Investment**

Non Current Investments are stated at cost. Provision for diminution in the value of Non Current Investments is made only if such a decline is other than temporary. Current Investments are stated at lower of Cost or Market Value, if any.

## **I. Retirement Benefits.**

### **a) Gratuity**

Liabilities in respect of Gratuity is assessed actuarially and provided accordingly.

### **b) Provident Fund And Leave Encashment**

A liability in respect of Provident Fund & Leave Encashment is provided in the accounts on accrual basis for the period.

## **J. Foreign Currency Transactions**

Transaction in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction and outstanding in respect thereof are stated at the exchange rates prevailing at the date of Balance Sheet. Exchange differences relating to Fixed Assets are adjusted to the cost of Fixed Assets. Any other exchange difference is dealt in the Profit and Loss Account.

## **K. Borrowing cost**

Borrowing costs directly attributable to the acquisition and construction of qualifying fixed assets are capitalized as part of the cost of the assets, up to the date the asset is put to use. Other borrowing costs and interest on working capital are charged to revenue in the year in which they are incurred.

## **L. Preliminary Expenditure**

Preliminary Expenditure if any, is to be apportion in five equal installments, commencing from the year in which the expenditure has been incurred.

## **M. Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the year, Deferred tax is recognized, on timing differences, being the Difference between taxable incomes and accounting income that originates in one period and are capable of reversal in one or more subsequent periods.

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during specified period. In the year in which the MAT credit becomes eligible, to be recognized as an asset. In accordance with recommendation contained in the guidance note issued by ICAI, said asset is created by way of credit/reversal of provisions to Profit and Loss A/c and shown as MAT Credit Entitlements in Loans and Advances. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

## **N. Prior Period Items**

Prior period incomes & expenditures are treated as current year's income/expenditure.

## **O. Provision**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determine based on best estimate required to settle the

obligations at the balance sheet date these are review at each balance sheet date and adjusted to reflect the best estimates.

**P. Segment Reporting**

The segments have been analysed in line with the AS-17, taking into account the organization structure as well as the differential risks and returns of these segments. The company operates only in one reportable business segment. Hence there are no reportable segments under Accounting Standard - 17.

Geographical Segment is not Considered as Exports are Insignificant / Nil.

**Q. Cash Flow Statement**

The Company has prepared cash flow statement by following an indirect method as per Accounting standard - 3 issued by ICAI.

**R. Earnings Per Share**

The earning considered in ascertaining the company's EPS comprises the Net Profit or Loss for the period after and extraordinary and exceptional items. The basic EPS is computed on the basis of weighted average number of equity shares outstanding during the year.

**S. Provisions, Contingent Liabilities and Contingent Assets:**

Contingent Liabilities are determined on the basis of available information and explanations given to us and are disclosed by way of note to the accounts.

**T. There are no Auditor's Qualifications in the Financial Statements of the Company.**

**Annexure V**  
**NOTES TO ACCOUNTS**

**1. Managerial Remuneration**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<i>Whole Time Directors Remuneration</i>					
Salaries and Allowances	27.40	15.10	63.40	70.60	70.85
Other Fees	-	-	-	-	-
Sitting Fees	-	-	-	-	-
<i>Non - Executive Directors Remuneration</i>					
Sitting Fees	2.20	1.10	-	-	-

**2. Deferred Tax**

Deferred Tax liability on account of timing difference between taxable income and accounting income for the year is accounted for by applying the tax rates and laws enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets are recognized only to the extent of virtual certainty of its realization or adjustment against deferred tax liability.

The company has accounted for Income Tax in compliance with the accounting standards relating "Accounting' for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India.

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Opening Balance of Deferred Tax Assets</b>	113.66	145.03	97.39	29.19	(26.42)
Dif. In depreciation between accounting books and tax return for the year end	(77.23)	(56.10)	52.29	68.58	57.42
Provision for Gratuity disallowable U/s. 43B of the Income Tax Act, 1961	40.79	24.72	(4.64)	(0.39)	1.81
<b>Cl. Bal. of Deferred Tax (Liability)/Asset</b>	77.23	113.66	145.03	97.39	29.19

**3. Remuneration to Statutory Auditors:**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Statutory Audit Fees	1.60	1.57	0.84	0.84	0.83
Tax Audit Fees	0.34	0.34	0.28	0.28	0.28
Company Law Matter	-	1.12	-	-	-
Certification work		1.12			
<b>TOTAL</b>	<b>1.94</b>	<b>4.16</b>	<b>1.12</b>	<b>1.12</b>	<b>1.10</b>

- The Company has not received any intimation from suppliers regarding their status under micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure, if any, in relation to amount unpaid as at the yearend together with interest payable as required under the said Act have not been furnished.
- The management has confirmed that adequate provisions have been made for all the known and determined liabilities and the same is not in excess of the amounts reasonably required.
- Previous year figures have been re-grouped and reclassified wherever necessary to confirm to the current year classification.

**7. Information regarding Foreign Exchange earnings and expenditure:**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
Earning in Foreign Exchange	-	-	-0.13	-	0.01
Expenditure in Foreign Exchange	-	-	-	21.21	9.82

**ADJUSTMENTS MADE IN RESTATED FINANCIAL STATEMENTS / REGROUPING NOTES**

**Regrouping done in Profit & Loss Account that affect the Net Profit after Tax**

*Multiple years*

Preliminary Expenses / Miscellaneous expenses which were treated as deferred expenditure in the audited financials for the year ended March 31, 2016, 2015 and 2014 amounting to ₹ 4.98 lakhs, ₹ 38.63 lakhs and ₹ 13.08 lakhs (net) have now been fully written off in their respective years in the restated financial statements.

Simultaneously, the amount expensed out of the deferred expenditure in the audited financials for the year ended March 31, 2016 and 2015 pertaining to earlier years have been written back in the restated financial statements since the entire expense has been charged to the P&L in their respective years.

The above mentioned changes to Profit after Tax are summarised in the table below:

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Profit after Tax as per Audited Financials</b>	1,426.19	933.60	289.47	206.77	66.29
<b>Changes made in Restated Financials</b>					
Expenses Written not written off	(4.98)	(38.63)	(13.08)	-	-
Expenses Written off , reversed	12.93	3.27	-	-	-
<b>Profit after Tax as per Restated Financials</b>	<b>1,434.14</b>	<b>898.24</b>	<b>276.39</b>	<b>206.77</b>	<b>66.29</b>

**Regrouping done in Profit & Loss Account that do not affect the Net Profit after Tax**

*Multiple years*

Profit / (Loss) on Sale of Fixed Assets and Profit / (Loss) on sale of Shares, showed as Exceptional Items and Extraordinary Items in the audited financials for year ended March 31, 2016, 2015, 2014, 2013 and 2012 have now been shown as part of Other Income in the restated financial statements.

*F. Y. 2013-14*

An amount of ₹ 3.27 lakhs pertaining to 'Other expenses' was added to the depreciation expense in the audited financials for the year ended March 31, 2014. The same has now been shown under the head of Other Expenses in the restated financial statements.

**Annexure VI**  
**STATEMENT OF SHARE CAPITAL, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Authorised Share Capital :</b>					
2,00,00,000 Equity Shares of Rs. 10/- each	2,000.00				
1,50,00,000 Equity Shares of Rs. 10/- each		1,500.00	1,500.00		
1,15,000 Equity Shares of Rs. 100/- each				115.00	115.00
<b>Total</b>	<b>2,000.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>115.00</b>	<b>115.00</b>
<b>Issued Subscribed and Paid Up Capital :</b>					
Equity Shares of Rs. 100/- each (Fully Paid Shares)				115.00	115.00
Equity Shares of Rs. 10/- each (Fully Paid Shares)			970.00		
Equity Shares of Rs. 10/- each (Fully Paid Shares)	1,317.40	1317.40			
<b>TOTAL</b>	<b>1,317.40</b>	<b>1317.40</b>	<b>970.00</b>	<b>115.00</b>	<b>115.00</b>

**Reconciliation of number of shares outstanding:**

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Equity Shares of Rs 100/- each</b>					
Equity shares at the beginning of the year	13,174,000	9,700,000	115,000	115,000	115,000
Add: Bonus Shares issued during the year (ratio = 3:1)	-	-	345,000		-
<b>Total Shares after Bonus Issue</b>	<b>13,174,000</b>	<b>9,700,000</b>	<b>460,000</b>	<b>115,000</b>	<b>115,000</b>
Sub Division of Shares	-	-	4,600,000	-	-
Add: Bonus Shares issued during the year (ratio = 1:1)	-	-	4,600,000	-	-
Add: Shares Allotted during the year	-	3,474,000	500,000	-	-
Less: Shares Forfeited	-	-	-	-	-
<b>Equity Shares at the end of the year</b>	<b>13,174,000</b>	<b>13,174,000</b>	<b>9,700,000</b>	<b>115,000</b>	<b>115,000</b>

**Annexure VII**  
**STATEMENT OF RESERVES AND SURPLUS**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>General Reserve</b>					
Opening Balance	-	-	1.95	1.95	1.95
Add / (Less):	-	-	1.95	-	-
Add: Additions during the year	-	-	-	-	-
Less: Utilised during the year	-	-	-	-	-
<b>Total (A)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.95</b>	<b>1.95</b>
<b>Profit &amp; Loss A/c (as per audited balance sheet)</b>	<b>4,154.97</b>	<b>3,256.73</b>	<b>3,249.19</b>	<b>3,042.42</b>	<b>2,976.12</b>
Add / (Less): Changes during the year					
Profit After Tax	1,434.14	898.24	276.39	206.77	66.29
Less: Change in Accumulated depreciation	-	-	-	-	-
Less: During the year for issue of Bonus Shares	-	-	268.85		
Less: Adjustment due to restatement	-	-	-	-	-
<b>Total (b)</b>	<b>5,589.11</b>	<b>4,154.97</b>	<b>3,256.73</b>	<b>3,249.19</b>	<b>3,042.42</b>

<b>Security Premium</b>					
Opening Balance	1,390.90	175.00	534.20	534.20	534.20
Add / (Less):	-	-	-	-	-
Add: Additions during the year	-	1,215.90	175.00	-	-
Less: Utilised during the year	-	-	534.20	-	-
<b>Total (c)</b>	<b>1,390.90</b>	<b>1,390.90</b>	<b>175.00</b>	<b>534.20</b>	<b>534.20</b>
<b>Total (a+b+c)</b>	<b>6,980.01</b>	<b>5,545.87</b>	<b>3,431.73</b>	<b>3,785.34</b>	<b>3,578.57</b>

**Annexure VIII**  
**STATEMENT OF FIXED ASSETS, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Land</b>					
Opening Balance	121.25	121.25	121.25	121.25	121.25
Addition during the year(Lease Hold Land)	1,097.58	-	-	-	-
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
<b>Closing Balance</b>	<b>1,218.83</b>	<b>121.25</b>	<b>121.25</b>	<b>121.25</b>	<b>121.25</b>
<b>Factory Building</b>					
Opening Balance	1,542.78	1,542.78	1,542.78	1,413.23	1,387.61
Addition during the year	-	-	-	129.55	25.62
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	951.49	880.65	801.32	718.94	634.53
<b>Closing Balance</b>	<b>591.28</b>	<b>662.13</b>	<b>741.45</b>	<b>823.84</b>	<b>778.69</b>
<b>Plant &amp; Machinery</b>					
Opening Balance	7,916.76	7,820.99	7,727.95	7,613.37	6,718.67
Addition during the year	1,243.00	117.51	93.05	138.45	940.26
Reduction during the year	33.27	21.75	-	23.87	45.56
Accumulated Depreciation	5,983.96	5,779.42	5,606.79	5,019.58	4,353.72
<b>Closing Balance</b>	<b>3,142.52</b>	<b>2,137.34</b>	<b>2,214.21</b>	<b>2,708.36</b>	<b>3,259.65</b>
<b>Vehicle</b>					
Opening Balance	91.71	74.58	78.67	78.67	78.25
Addition during the year	5.49	42.82	7.25	-	0.42
Reduction during the year	-	25.68	11.34	-	-
Accumulated Depreciation	63.85	46.09	56.42	61.16	55.06
<b>Closing Balance</b>	<b>33.35</b>	<b>45.62</b>	<b>18.16</b>	<b>17.51</b>	<b>23.61</b>
<b>Office Equipment</b>					
Opening Balance	35.49	30.40	25.34	23.48	21.69
Addition during the year	5.59	5.09	5.06	1.86	1.79
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	28.33	23.09	16.24	14.60	12.95
<b>Closing Balance</b>	<b>12.75</b>	<b>12.40</b>	<b>14.16</b>	<b>10.75</b>	<b>10.54</b>

<b>Air Conditions</b>					
Opening Balance	57.73	55.73	55.27	54.46	49.61
Addition during the year	6.68	2.00	0.47	0.80	4.85
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	51.37	49.10	47.23	43.99	39.72
<b>Closing Balance</b>	<b>13.04</b>	<b>8.63</b>	<b>8.50</b>	<b>11.28</b>	<b>14.75</b>
<b>FURNITURE &amp; FIXTURE</b>					
Opening Balance	236.98	235.52	232.07	229.28	223.64
Addition during the year	0.34	1.46	3.44	2.80	5.64
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	202.47	194.38	184.70	173.86	161.34
<b>Closing Balance</b>	<b>34.84</b>	<b>42.60</b>	<b>50.82</b>	<b>58.21</b>	<b>67.94</b>
<b>COMPUTER FIX</b>					
Opening Balance	86.79	85.06	82.35	81.33	78.86
Addition during the year	4.58	1.73	2.72	1.02	2.47
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	83.89	82.08	80.18	78.40	76.15
<b>Closing Balance</b>	<b>7.48</b>	<b>4.71</b>	<b>4.88</b>	<b>3.94</b>	<b>5.18</b>
<b>WEIGHTING SCALE</b>					
Opening Balance	3.61	3.61	3.61	3.30	3.30
Addition during the year	-	-	-	0.31	-
Reduction during the year	-	-	-	-	-
Accumulated Depreciation	3.14	3.05	2.93	2.78	2.59
<b>Closing Balance</b>	<b>0.47</b>	<b>0.57</b>	<b>0.68</b>	<b>0.83</b>	<b>0.70</b>
<b>Tangible Gross Block</b>					
	<b>12,423.09</b>	<b>10,093.09</b>	<b>9,969.92</b>	<b>9,869.28</b>	<b>9,618.36</b>
<b>Total Accumulated Depreciation</b>					
	<b>7,368.53</b>	<b>7,057.85</b>	<b>6,795.81</b>	<b>6,113.30</b>	<b>5,336.05</b>
<b>Depreciation For the year</b>					
	<b>343.94</b>	<b>305.85</b>	<b>692.31</b>	<b>799.94</b>	<b>769.76</b>
<b>Net Block</b>					
	<b>5,054.56</b>	<b>3,035.24</b>	<b>3,174.11</b>	<b>3,755.98</b>	<b>4,282.31</b>
<b>WORK IN PROGRESS</b>					
<b>Plant &amp; Machinery</b>					
Opening Balance	462.91	-	-	-	-
Addition during the year	1,315.09	462.91	-	-	-
Reduction during the year	462.91	-	-	-	-
<b>Closing Balance</b>	<b>1,315.09</b>	<b>462.91</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Annexure IX**  
**STATEMENT OF LONG-TERM INVESTMENTS, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Unquoted Shares (At Cost)</b>					
20,250 (Pr. Year 13500) Equity Shares of Chripal Industries Limited of ₹ 10 Each	0.90	0.90	0.90	0.90	0.90
35,000 (Pr. Year 35000) Equity Shares of Prakash Calender Pvt. Ltd. of ₹ 10 Each	3.50	3.50	3.50	3.50	3.50

44 (Pr. Year 44) Equity Shares of Ellisbridge Co-op Bank Ltd. of ₹ 25 Each	0.01	0.01	0.01	0.01	0.01
4 (Pr. Year 4) Equity Shares of Nutan Nagrik Sahkari Bank Limited	0.001	0.001	0.001	0.001	0.001
150 (Pr. Year 150) Equity Shares of Deepak Impex P. Ltd. of ₹ 100 Each	0.15	0.15	0.15	0.15	0.15
1,45,000 (Pr. Year 1,45,000) Equity Shares of Merit Credit Corp. Ltd of ₹ 1.16 each	1.68	1.68	1.68	1.68	1.68
75,000 (Pr. Year 75,000) Equity Shares of Sun Fin Lease (Guj.) Ltd. of ₹ 1.00 each	0.00	0.00	0.80	0.80	0.80
<b>Quoted Shares (At Cost)</b>					
20,000 (Pr. Year 20000) Equity Shares of GSL Nova Petrochemicals (Market value ₹ 1,49,800; Previous year ₹ 1,30,000/-)	2.00	2.00	2.00	2.00	2.00
20,000 (Pr. Year 20000) Equity Shares of CIL Nova Petrochemicals (Market value of Previous year 1,30,000/-)	2.00	2.00	2.00	2.00	2.00
<b>TOTAL</b>	<b>10.24</b>	<b>10.24</b>	<b>11.04</b>	<b>11.04</b>	<b>11.04</b>

#### Annexure X

#### STATEMENT OF LONG TERM LOANS AND ADVANCES, AS RESTATED

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Unsecured, considered good for Land	-	1,275.48	400.00	-	-
Unsecured Consider Good	1,322.38	111.31	9.98	32.76	250.41
MAT Credit entitlement	264.13	114.53	92.98	59.26	98.35
Balance With government Authorities (unsecured Consider good)					
CENVAT Credit Receivable	0.48	0.48	0.48	25.93	25.93
Other Deposit	92.94	62.56	35.03	20.28	14.96
<b>TOTAL</b>	<b>1,679.93</b>	<b>1,564.36</b>	<b>538.48</b>	<b>138.23</b>	<b>389.64</b>

#### Annexure XI

#### STATEMENT OF SHORT TERM LOANS AND ADVANCES, AS RESTATED

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Tax Deducted At Source	154.78	132.39	121.51	125.08	65.72
Income Tax Refundable	171.91	198.17	156.43	146.58	84.09
Advance Recoverable In cash or in kind for value to be received	432.80	1308.71	1896.89	314.43	417.21
<b>TOTAL</b>	<b>759.49</b>	<b>1,639.27</b>	<b>2,174.84</b>	<b>586.09</b>	<b>567.02</b>

#### Annexure XII

#### STATEMENT OF INVENTORIES, AS RESTATED

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Raw Material</b>					
Colour & Chemical (At Cost)	322.89	394.59	370.71	269.70	172.33

Design(At Cost)	22.38	15.16	21.95	22.12	25.43
<b>Work In Progress</b>					
Grey of work in progress(At Cost)	218.70	349.95	78.16	88.05	39.42
Semifinished Cloth of Gray (At Cost)	-	-	77.34	-	
Work in progress of Job (At Cost)	452.60	332.04	245.34	257.03	199.28
<b>Finished goods</b>					
Fabric Finished Good (Cost or Market Value Whichever is lower)		-	46.50	141.22	174.65
<b>Stock In Trade</b>					
Grey Cloth (Cost or Market Value Whichever is lower)	-	-	-	93.13	295.90
<b>Others</b>					
Stores & Spares (At Cost)	223.04	208.45	160.01	129.82	142.08
Coal & Firewood (At Cost)	50.50	52.80	35.87	68.90	51.39
Packing Material (At Cost)	9.68	8.77	11.92	20.82	17.02
Stationary (At Cost)	5.49	2.30	3.37	1.96	3.23
Diesel & Oil (At Cost)	11.41	2.15	6.05	-	4.58
<b>TOTAL</b>	<b>1,316.68</b>	<b>1,366.21</b>	<b>1,057.22</b>	<b>1,092.74</b>	<b>1,125.32</b>

**Annexure XIII**  
**STATEMENT OF TRADE RECEIVABLES, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Unsecured, considered good</b>					
Less than six months	6,084.13	5,373.72	5,413.39	6,498.71	5,213.24
More than six months	-	-	-	-	-
<b>TOTAL</b>	<b>6,084.13</b>	<b>5,373.72</b>	<b>5,413.39</b>	<b>6,498.71</b>	<b>5,213.24</b>

**Details of Trade Receivables from Related Parties**

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>From</b>					
Associate Concerns	-	-	-	-	99.25
Holding Company	-	-	-	-	-
Key Management Person	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99.25</b>

**Annexure XIV**  
**STATEMENT OF CASH AND CASH EQUIVALENTS, AS RESTATED**

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Cash On Hand	29.62	25.35	37.73	9.87	12.47
In Current Account	42.83	517.84	12.57	43.25	2.07
F.D.R. with Banks	75.90	89.94	59.17	57.64	53.00
<b>TOTAL</b>	<b>148.35</b>	<b>633.14</b>	<b>109.47</b>	<b>110.77</b>	<b>67.54</b>

**Annexure XV**  
**STATEMENT OF LONG TERM BORROWINGS, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Secured Loans</b>					
From Banks	281.41	714.36	960.74	1,289.03	1,686.46
Vehicle Loan	22.93	20.47	2.16	-	-
<b>Total (a)</b>	<b>304.34</b>	<b>734.83</b>	<b>962.89</b>	<b>1,289.03</b>	<b>1,686.46</b>
<b>Unsecured Loans</b>					
Loan from Directors, Relatives & Shareholders	-	-	-	891.43	891.85
From Banks	179.88	243.80	222.09	237.33	296.20
Loan from Others(Inter Corporate Loan)	2,000.00	875.04	929.53	112.00	100.00
<b>Total (b)</b>	<b>2,179.88</b>	<b>1,118.84</b>	<b>1,151.62</b>	<b>1,240.77</b>	<b>1,288.05</b>
<b>TOTAL</b>	<b>2,484.22</b>	<b>1,853.67</b>	<b>2,114.51</b>	<b>2,529.80</b>	<b>2,974.51</b>
Current Maturities of Borrowings	199.92	270.90	395.83	486.53	488.43

**Annexure XVI**  
**STATEMENT OF SHORT TERM BORROWINGS, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Secured</b>					
From Banks					
Cash Credit	2,189.54	2,631.85	2,481.77	2,622.79	2,633.36
Others	-	-	414.09	-	-
From NBFC	-	-	-	-	-
<b>Unsecured</b>					
From Director and Shareholders	-	-	-	-	-
Inter Corporate Deposits	-	-	-	-	-
<b>Total Of Unsecured Loan</b>	<b>2,189.54</b>	<b>2,631.85</b>	<b>2,895.86</b>	<b>2,622.79</b>	<b>2,633.36</b>

The above amounts in Annexure XV and XVI include:

(₹ in lakhs)

Secured Borrowings	2,680.45	3,624.80	4,207.30	4,292.68	4,808.25
Unsecured Borrowings	2,193.23	1,131.62	1,198.90	1,288.05	1,288.05
<b>TOTAL</b>	<b>4,873.68</b>	<b>4,756.42</b>	<b>5,406.20</b>	<b>5,580.73</b>	<b>6,096.30</b>

Note: For details of the Terms of Sanction, Maturity and other details of Secured Loans please see the Schedule I - "Financial Indebtedness" attached along with this Restated Financials.

**Annexure XVII**  
**STATEMENT OF TRADE PAYABLES, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
<b>Unsecured, considered good</b>					
Creditors for Goods	1,313.06	985.51	1,286.74	1,384.91	641.35
Creditors for Expenses	1,171.26	998.38	912.21	897.15	837.72
<b>TOTAL</b>	<b>2,484.31</b>	<b>1,983.89</b>	<b>2,198.95</b>	<b>2,282.06</b>	<b>1,479.07</b>

**Annexure XVIII**  
**STATEMENT OF OTHER CURRENT LIABILITIES, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Other Liabilities	72.67	275.37	375.50	237.17	253.23
Insurance Claim received for third party	-	-	-	-	62.11
Current Maturities of Borrowings	199.92	270.90	395.83	486.53	488.43
Expenses Payables	0.81	5.62	6.16	33.78	34.49
Statutory Remittances	12.91	14.05	20.66	12.06	14.61
<b>TOTAL</b>	<b>286.31</b>	<b>565.94</b>	<b>798.15</b>	<b>769.54</b>	<b>852.87</b>

**Annexure XIX**  
**STATEMENT OF LONG TERM LIABILITIES, AS RESTATED**

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Sundry Creditors For Capital goods	38.90	-	-	10.03	8.14
<b>TOTAL</b>	<b>38.90</b>	<b>-</b>	<b>-</b>	<b>10.03</b>	<b>8.14</b>

**Annexure XX**  
**STATEMENT OF LONG TERM PROVISIONS, AS RESTATED**

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Provision for Gratuity( Un funded)	302.14	185.67	109.45	99.81	99.00
<b>TOTAL</b>	<b>302.14</b>	<b>185.67</b>	<b>109.45</b>	<b>99.81</b>	<b>99.00</b>

**Annexure XXI**  
**STATEMENT OF SHORT TERM PROVISIONS, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Provision for Taxation	320.00	60.00	77.00	88.00	-
Provision for leave Encashment	3.96	17.83	11.24	26.30	-
Expenses	55.11	52.86	32.91	18.95	8.36
<b>TOTAL</b>	<b>379.06</b>	<b>130.68</b>	<b>121.15</b>	<b>133.25</b>	<b>8.36</b>

**Annexure XXII**  
**STATEMENT OF REVENUE FROM OPERATIONS, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Sale Of products</b>					
<b>Manufactured goods</b>					
Fabric Sales	6,819.81	4,773.97	2,240.74	2,519.00	2,722.59
Fabric Export Sales	-	-	4.54	515.37	376.46
Stitching Charges	-	-	-	-	-
Semi finished Cloth of Gray	-	-	73.95	-	-
<b>Traded Goods</b>					
Grey Cloths	-	-	-	325.50	2,133.07
High Sea Sales	-	-	4,024.43	3,665.12	-
Chips Sales	1,240.65	1,247.00	958.01	776.76	795.47

Process Charges to ww Division	-	-	97.33	-	-
<b>Sale Of Services</b>					
Job Work Sales	19,297.35	16,341.68	13,003.60	10,487.59	8,538.41
<b>Other operating Revenue</b>					
DEPB	-	-	-	-	-
Drawback	-	-	0.34	35.47	39.64
<b>TOTAL</b>	<b>27,357.80</b>	<b>22,362.65</b>	<b>20,402.93</b>	<b>18,324.81</b>	<b>14,605.64</b>

**Annexure XXIII**  
**STATEMENT OF OTHER INCOME, AS RESTATED**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>Other income</b>					
Insurance Claim	-	-	1.50	0.31	4.50
Share Dividend	-	-	-	-	-
Vatav Kasar	-	0.95	-	0.07	-
Interest on FDR	8.59	5.66	5.98	5.48	4.63
Foreign Exchange Differences	-	-	0.13	-	0.01
Interest on Income Tax Refund	13.20	4.51	-	-	-
Miscellaneous Income	-	-	-	-	0.01
Balance Written off	8.65	1.15	0.57	4.35	42.11
Profit / (Loss) on Sale of Fixed Assets	1.31	0.42	1.11	3.55	(3.37)
Profit / (Loss) on Sale of Shares	-	(0.05)	-	-	-
<b>TOTAL</b>	<b>31.76</b>	<b>12.63</b>	<b>9.30</b>	<b>13.75</b>	<b>47.88</b>

**Annexure XXIV**  
**STATEMENT OF RELATED PARTY TRANSACTIONS, AS RESTATED**

As per Accounting Standard 18 on related party disclosure issue by the Institute of Chartered Accountants of India, the Company's related parties are disclosed below:

(I) Holding Company

For the year ended March 31,				
2016	2015	2014	2013	2012
		Chiripal Industries Limited	Chiripal Industries Limited	Chiripal Industries Limited

(II) Key Managerial Personnel

For the year ended March 31,				
2016	2015	2014	2013	2012
Mr. Jyotiprasad D. Chiripal	Mr. Jyotiprasad D. Chiripal	Mr. Mahavir Singh Yadav	Mr. Mahavir Singh Yadav	Mr. Mahavir Singh Yadav
Mr. Vindokumar Ajmera	Mr. Vindokumar Ajmera	Mr. Jyotiprasad D. Chiripal	Mr. Jyotiprasad D. Chiripal	Mr. Jyotiprasad D. Chiripal
Mr. Amit Kadmawala	Mr. Amit Kadmawala	Mr. Vindokumar Shah	Mr. Vindokumar Shah	Mr. Vindokumar Shah
Mr. Arakhita Khandual	Mr. Arakhita Khandual	Mr. Vindokumar Ajmera	Mr. Vindokumar Ajmera	Mr. Vindokumar Ajmera
Mrs. Nitika D. Chiripal	Mrs. Nitika D. Chiripal	Mr. Arakhita Khandual	Mr. Bharat Bhushan Agarwal	Mr. Bharat Bhushan Agarwal
Ms. Dhara S. Shah	Ms. Dhara S. Shah	Mrs. Nitika D.	-	-

		Chiripal		
Mr. Maheshchandra kawat	Mr. Maheshchandra kawat	Mr. Gautam Gandhi	-	-
Ms. Poonam Pabla	Ms. Poonam Pabla	Mrs. Binaben Khatri	-	-
Mr. Shubhankar Jha	Mr. Vindokumar Shah	-	-	
	Mr. Gautam Gandhi	-	-	

(III) Relatives of KMPs

For the year ended March 31,				
2016	2015	2014	2013	2012
-	-	-	Mr. Deepka J Agarwal	Mr. Deepka J Agarwal

(IV) Associates / Enterprises over which directors and / or their relatives has significant influence

For the year ended March 31,				
2016	2015	2014	2013	2012
Chripal Industries Limited	Chripal Industries Limited	Nanan Exim Limited	Nanan Exim Limited	Bhushan Processors Pvt. Ltd.
Nanan Denim Limited	Nanan Exim Limited	Prakash Calender Pvt. Ltd.	Prakash Calender Pvt. Ltd.	Nanan Exim Limited
Shanti Exports Pvt. Ltd.	Shanti Exports Pvt. Ltd.	Dindayal Processors Pvt. Ltd.	Dindayal Processors Pvt. Ltd.	Prakash Calender Pvt. Ltd.
Chripal Poly Films Ltd.	Chripal Poly Films Ltd.	Shanti Exports Pvt. Ltd.	Shanti Exports Pvt. Ltd.	CIL Nova Petrochemical Limited
Shanti Education Initiative Ltd.	Shanti Education Initiative Ltd.	S.D. Education Trust	S.D. Education Trust	Dindayal Processors Pvt. Ltd.
Milestone Educom Trust	Milestone Educom Trust	Chripal Poly Films Ltd.	Chripal Poly Films Ltd.	Shanti Exports Pvt. Ltd.
Shanti Polytechnic Foundation Limited	Shanti Polytechnic Foundation Limited	Shanti Education Initiative Ltd.	Shanti Education Initiative Ltd.	-
Dholi Integrated Spinning Park Ltd.	Dholi Integrated Spinning Park Ltd.	Quality Exim Pvt. Ltd.	Quality Exim Pvt. Ltd.	-
Chripal Textile Mills Pvt. Ltd.	-	Deepak Impex Pvt. Ltd.	Deepak Impex Pvt. Ltd.	-
Shanti Spincot Pvt. Ltd.	-	-	-	-
Tripoly Management Pvt. Ltd.	-	-	-	-

(V) Particulars of Transactions with Related Parties

**Holding Company**

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>1) Purchase</b>					
Goods/Process Charges	-	-	396.13	231.85	380.57
<b>2) Sales</b>					
Goods	-	-	195.15	107.66	525.84
DEPB	-	-	-	-	0.58
<b>3) Finance</b>					
Loan Taken	-	-	-	-	-
Repayment of Loan	-	-	-	-	-
Advance / Deposits given	-	-	227.40	-	-

<b>4) Expenses</b>					
Rent Deposits	-	-	-	-	-
Interest Paid	-	-	-	-	-
<b>5) Others</b>					
Received On Behalf of us	-	-	-	-	-
Paid On Behalf of us	-	-	-	23.99	-
<b>6) Out standing</b>					
Receivables	-	-	446.55	440.95	99.25
Payables	-	-	-	-	-

### Key Management Personnel

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>1) Finance</b>					
Loan Taken	-	-	-	-	-
Repayment of Loan taken	-	-	-	-	-
Investment in Equity	-	-	-	-	-
<b>2) Expenses</b>					
Rent	-	-	-	-	-
Interest Paid	-	-	-	-	-
Remuneration	59.96	42.49	88.85	84.00	92.13
<b>3) Out standing</b>					
Receivables	-	-	-	-	-
Payables	-	-	-	-	-
Interoperate Deposit Taken	-	-	-	0.05	0.05

### Relatives of KMPS

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>1) Finance</b>					
Loan Taken	-	-	-	-	-
Repayment of Loan taken	-	-	-	-	-
Investment in Equity	-	-	-	-	-
Advance / Deposits given	-	-	-	-	-
<b>2) Expenses</b>					
Rent Deposits	-	-	-	-	-
Remuneration	-	-	-	-	-
<b>3) Out standing</b>					
Receivables	-	-	-	-	0.10
Payables	-	-	-	-	-

### Associate Companies / Entities

(₹ in lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
<b>1) Purchase</b>					
Goods/Process Charges	428.86	601.76	876.75	443.45	1.95
Purchase Return	-	-	-	428.88	-
Leasehold Land Purchase	1,097.58	-	-	-	-
<b>2) Sales</b>					
Goods	390.83	2,172.82	1,171.61	5,554.29	3,397.82
DEPB	-	-	-	-	0.58
<b>3) Finance</b>					
Loan Taken	-	-	-	-	-
Repayment of Loan	-	-	-	-	-
Advance / Deposits Given	-	-	335.00	25.00	60.00

Advance / Deposits Accepted	-	-	-	891.38	891.80
Inter Corporate Deposit	1,163.43	-	-	-	-
<b>3) Others</b>					
Received On Behalf of us	-	-	-	-	2.11
Paid On Behalf of us	150.70	13.74	-	-	1.11
Paid On Behalf their Behalf	8.43	266.02	-	-	-
Donation	50.00	20.00	-	-	-
Deposit	-	10.00	-	-	-
Advance for Land	-	71.10	-	-	-
<b>4) Expenses</b>					
Rent & Maintenance	-	6.83	4.54	1.35	4.52
Maintenance	-	-	-	4.04	0.11
Electricity	-	-	-	-	2.55
Interest Paid	28.31	-	-	-	-
<b>5) Out standing</b>					
Receivables	12.90	1,601.32	928.17	4,811.20	1,057.79
Payables	-	-	-	-	-
Deposit	-	10.00	-	-	-
Advance for Land	-	1,280.98	-	-	-
Inter-corporate Deposit Taken	-	-	-	891.30	891.80
Inter-corporate Deposit Given	-	-	275.50	25.00	105.00
Financial Guarantee Obtained	1,980.00	1,980.00	1,980.00	1,980.00	1,980.00
Provision For Expenses	-	6.83	-	-	-

**Annexure XXV  
STATEMENT OF CAPITALIZATION**

(₹ in lakhs)

Particular	Pre Issue (as at March 31, 2016)	Post Issue
<b>Debt</b>		
Long Term Debt	2,484.22	2,484.22
Short Term Debt	2,189.54	2,189.54
<b>Total Debts (A)</b>	<b>4,673.76</b>	<b>4,673.76</b>
<b>Equity (Shareholder's funds)</b>		
Equity share capital	1,317.40	2,195.67
Reserve and Surplus <sup>(1)</sup>	6,980.01	14,884.41
<b>Total Equity (B)</b>	<b>8,297.41</b>	<b>17,080.08</b>
<b>Long Term Debt / Equity Shareholder's funds</b>	<b>0.30 : 1</b>	<b>0.15 : 1</b>
<b>Total Debts / Equity Shareholder's funds</b>	<b>0.56 : 1</b>	<b>0.27 : 1</b>

\* The Reserves and Surplus considered herein are after deducting revaluation reserve.

**Note:**

1. The above has been computed on the basis of Restated Financials of the Company.

**Annexure XXVI  
STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED**

(₹ in lakhs)

Particulars	As at March 31,				
	2016	2015	2014	2013	2012
Unexecuted Contract	1,322.38	111.30	409.98	-	233.19
Letter of Credit	237.65	740.27	480.28	222.28	378.20
Income Tax Demand	9.34	-	7.30	-	-
Employee Fraud	11.26	11.26	11.26	11.26	11.26
Insurance Claim for Fire (Third Party)	363.70	363.70	363.70	363.70	363.70

Custom Penalty	-	0.90	0.90	-	-
Excise / Textile Cess	17.75	17.75	17.75	-	-
Labour Cases	2.50	2.50	2.87	-	-
Civil Suit	4.57	4.57	4.57	-	-
Corporate Guarantee	296.74	-	-	-	-
Sales Tax Demand	35.49	-	-	-	-
<b>TOTAL</b>	<b>2,301.38</b>	<b>1,252.26</b>	<b>1,298.62</b>	<b>597.24</b>	<b>986.35</b>

**Annexure XXVII**  
**STATEMENT OF ACCOUNTING RATIOS, AS RESTATED**

(₹ in Lakhs)

Particulars	For the year ended March 31,				
	2016	2015	2014	2013	2012
Restated PAT as per P & L Account	1,434.14	898.24	276.39	206.77	66.29
Actual Number of Equity Shares outstanding at the end of the year	13,174,000	13,174,000	9,700,000	115,000	115,000
Equivalent Weighted Avg. number of Equity Shares at the end of the year	13,174,000	11,898,614	9,204,110	9,200,000	9,200,000
Reserves & Surplus	6,980.01	5,545.87	3,431.73	3,785.34	3,578.57
Misc. Expenses not w/o	0.00	0.00	0.00	0.00	0.00
Net Worth	8,297.41	6,863.27	4,401.73	3,796.84	3,693.57
<b>Earnings Per Share:</b>					
Basic & Diluted	10.89	7.55	3.00	2.25	0.72
Return on Net Worth (%)	17.28%	13.09%	6.28%	5.45%	1.79%
Net Asset Value Per Share (Rs) - based on actual no. of equity shares at the end of the year <sup>(1)</sup>	62.98	52.10	45.38	3,30.16	3,21.18
Nominal Value per Equity share (Rs.)	10.00	10.00	10.00	10.00	10.00

<sup>(1)</sup> The Face Value of the Equity Shares for the year March 31, 2013 and 2012 was ₹ 100/-. However, for comparison purposes, the same has been considered as face value of ₹ 10/- per Equity Share and No. of Shares accordingly adjusted.

*Notes on Accounting Ratios:*

- The above statement should be read with the Significant accounting policies and notes to accounts appearing in Annexure IV & V respectively.
- Formulas used for calculating above ratios are as under:
  - Basic EPS is being calculated by using the formula: ( Net Profit after excluding Extra-ordinary items / Equivalent Weighted Average No. of outstanding shares )
  - Net Asset Value is being calculated by using the formula: ( Net Worth / Actual Number of Equity Shares at year end )
- Return on Net worth is being calculated by using the formula: ( Profit After Tax / Networth)
- Net Tangible Assets comprises Net Fixed Assets and Net Working Capital.
- There is no revaluation reserve in last five years in our company.
- As there is no dilutive capital in the company, Basic and Diluted EPS are similar.

**Annexure XXVIII  
STATEMENT OF TAX SHELTER**

(₹ in lakhs)

Particular	For the year ended on March 31,				
	2016	2015	2014	2013	2012
Normal Corporate tax rates (%)	30%	30.00%	30.00%	30.00%	30.00%
Minimum alternative tax rates	18.5%	18.50%	18.50%	18.50%	18.50%
Profit before tax as per Restated P/L	1746.74	992.03	327.83	267.31	10.67
Applicable Corporate tax Rate	30%	30.00%	30.00%	30.00%	30.00%
<b>Notional tax as per tax rate on profits (A)</b>	<b>524.02</b>	<b>297.61</b>	<b>98.35</b>	<b>80.19</b>	<b>3.20</b>
<b>Tax Adjustment</b>					
<b>Permanent Difference</b>					
Donation & Other Expenses	-	29.36	0.83	50.13	0.18
Income Tax, FBT & Provision for Income Tax	-	-	-	-	-
U/s. 40(a) (ia)	-	-	-	-	-
Provision for Gratuity	40.79	76.21	14.32	0.12	5.56
Profit on Sale of Fixed Assets	-	-	(1.11)	-	-
Loss on Sale of Fixed Assets	-	-	-	-	3.37
<b>Total Permanent Difference (B)</b>	<b>40.79</b>	<b>76.21</b>	<b>14.04</b>	<b>50.25</b>	<b>9.11</b>
<b>Timing Difference</b>					
Depreciation	(77.23)	(161.09)	161.14	116.08	66.86
Exp. Disallowed u/s. 43B	-	-	-	-	-
Un Paid Professional Tax	-	-	-	-	-
Un Paid Bonus	-	24.01	17.40	-	0.04
U/s. 36(1) (VA) & 43B	-	-	-	6.48	3.84
<b>Total Timing Difference (C)</b>	<b>(77.23)</b>	<b>(137.08)</b>	<b>178.54</b>	<b>122.56</b>	<b>70.74</b>
<b>Business Losses not set off in past years (D)</b>			-	-	
<b>Total Adjustment (E) = (B+C+D)</b>	<b>(36.44)</b>	<b>(60.87)</b>	<b>192.58</b>	<b>172.81</b>	<b>79.85</b>
<b>Tax Expenses / (Saving) thereon (F) = (E)* Tax rate</b>	<b>(10.93)</b>	<b>(18.26)</b>	<b>57.77</b>	<b>51.84</b>	<b>23.96</b>
<b>Tax payable as per normal provisions (other than 115JB) of the Act (G)</b>	<b>604.51</b>	<b>45.20</b>	<b>40.15</b>	<b>23.68</b>	<b>-</b>
<b>MAT tax rate (H)</b>	<b>18.50%</b>	<b>18.50%</b>	<b>18.50%</b>	<b>18.50%</b>	<b>18.50%</b>
<b>Tax under MAT (I)</b>	<b>380.09</b>	<b>183.53</b>	<b>65.59</b>	<b>53.48</b>	<b>2.03</b>
<b>Tax payable for the year maximum of (G) or (I)</b>	<b>604.51</b>	<b>183.53</b>	<b>65.59</b>	<b>53.48</b>	<b>2.03</b>
<b>Interest under section 234B &amp; 234C (As per income tax return)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tax Payable(*)</b>	<b>604.51</b>	<b>183.53</b>	<b>65.59</b>	<b>53.48</b>	<b>2.03</b>

**Notes:**

1. The aforesaid Statement of tax Shelters has been prepared as per the 'Restated Profit and Loss Account'

**CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS**

There has been no change in the Accounting Policies in the last three (3) years

**CHANGE IN ACCOUNTING PERIOD**

There has been no change in the accounting period of the Company.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of financial condition and results of operations together with our financial statements included in this Draft Letter of Offer. The following discussion relates to our Company and is based on our restated financial statements. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act.*

*Note: Statement in the Management Discussion and Analysis Report describing our objectives, outlook, estimates, expectations or prediction may be "Forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to our operations include, among others, economic conditions affecting demand/supply and price conditions in domestic and overseas market in which we operate, changes in Government Regulations, Tax Laws and other Statutes and incidental factors.*

### **Business Overview**

Our company was incorporated as "Vishal Fabrics Pvt. Ltd" on October 22, 1985 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat. For further details regarding the change in the name of our company, please refer to the chapter titled "History and Certain Corporate Matters" beginning on page no. 113 of this Draft Letter of Offer.

Our Company is engaged in the business of dyeing, printing and processing of fabrics of its own and also on job work basis. Our Company procures mainly Grey Fabric and dyes, prints and finishes the same as per the client's requirements. The processing unit of our Company is based in Narol, Ahmedabad, Gujarat. We have an installed capacity of 1,050 lakhs meters per annum and the plant has the facilities for printing, dyeing and processing wide range of fabrics i.e. cotton, polyester, viscose and man-made & blended fabrics suitable for men's wear, women's wear, home furnishing and many other applications.

Our Company is promoted by Chiripal Industries Limited and is part of the Chiripal Group, Ahmedabad. The persons in control of the Group have more than 20 years of experience in the Fabrics business and have incorporated several other companies manufacturing or trading in fabrics, yarn, denim and readymade garments.

Our Company was initially engaged in trading of fabrics. Though the Company was incorporated in 1985, our Company's activities were almost dormant till the year 1999. During the year 1999-2000, we took over the Units of Associate concerns, Bhushan Petrofils Private Limited and Prakash Calender Private Limited; both located at Narol, Ahmedabad, on lease basis and started the processing of fabrics. Over the years, with a view to expand the installed capacity and broad base the market of its products, we put up our own Plant & Machinery. In the year 2003, we set up a captive power plant for production of 2.3 MW power to improve productivity in our processing plant.

In the year 2005, we increased our processing capacity by installing the Wider Width Unit, which enabled us to process fabrics of upto 120 inch width. In the year 2011, we further enhanced our processing capacity by setting up a Continuous Bleaching Range (CBR) unit. The CBR unit processes upto 80,000 meters of fabric per day as compared to 2,000 – 8,000 meters fabric in other machines.

Our Company, as part of its expansion, intends to set-up a new yarn dyeing and denim processing unit with a proposed installed capacity of 800 lakhs meters per annum. This unit is proposed to be set-up at Dholi, near Ahmedabad, Gujarat and the land for the same has already been acquired. Our Company intends to raise approximately ₹ 8,500 lakhs from this Rights Issue out of the total project cost of ₹ 28,300 lakhs. For details of the project cost, its utilisation and schedule of implementation please refer the chapter "Objects of the Issue" on page no. 59 of this Draft Letter of Offer.

### **COMPETITION**

The industry in which we operate is highly competitive and fragmented. Competition emerges from small as well as big players in the textile industry. The organized players in the industry compete with each other by providing high quality-time bound products and value added services. We have a number of competitors offering services similar to us. We believe the principal elements of competition in textile industry are price, fabric quality, timely delivery and reliability. We compete against our competitors by establishing ourselves as a knowledge-based processing unit with industry expertise in Dying and Printing which enables us to provide our clients with innovative designs suitable to current fashion and market requirements.

## **Significant Developments after March 31, 2016 that may affect our Future Results of Operations**

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the Draft Letter of Offer which materially or adversely affect or is likely to affect the profitability of our Company, or the value of our assets, or our ability to pay liabilities within next twelve months.

### **Factors affecting our Result of Operation**

Except as otherwise stated in this Draft Letter of Offer and the Risk Factors given in the Draft Letter of Offer, the following important factors could cause actual results to differ materially from the expectations include, among others:

#### ***Revenue Generation***

We earn majority of our revenue from sale of Finished fabrics which includes own fabric and fabric for Job work undertaken. Regular income is the only source to create a healthy working of our Company. Once a Job Work assignment is entered into, our revenues are fixed, while revenue from own products depend on the domestic and export demand. Our revenue growth is impacted by Job work orders received and also by the own fabric processed.

We have a robust marketing team allocated amongst different divisions each handled by well trained Managers who are in turn headed by the Vice President (Marketing).

#### ***Raw Material Cost***

Grey cloth and Colours & Chemicals are the primary inputs required for processing our products and constitutes around 66% of our turnover. Our grey fabric and colours & chemical requirements depend on the quality of our end products for domestic and international markets. Our Company has developed a healthy and long term relationship with the quality suppliers of both grey cloth and colours & chemicals from whom we source our current requirements. Our Company places back to back order for grey cloth based on sales order received thereby minimizing exposure to price volatility of raw material. Our endeavour is to efficiently utilize the input material and get maximum output.

#### ***Our Financial Expenses***

Our profitability is significantly impacted by our financial costs. For the fiscal 2016, 2015 and 2014, our financial expenses were ₹ 507.68 lakhs, ₹ 531.83 lakhs and ₹ 640.94 lakhs or 1.85%, 2.38% and 3.14% respectively, of the total income. Our financial growth depends on how well we manage and service our debts.

#### ***Our ability to successfully implement its strategy and its growth and expansion plans***

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of our strategy and growth and expansion plans could impact our Company's roll out schedules and cause cost and time over runs.

#### ***Increasing competition in the industry***

Our Company faces competition from local, national and international processing units. Our Company operates in competitive environment which may force us to reduce the prices of our processed fabrics and it may have an effect on our margins.

#### ***General economic and business conditions***

As a Company with its complete operations in India, we are affected by general economic conditions in the country and in particular economic factors that affect textile industry in India. India's gross domestic product, or GDP, has been and will continue to be of importance in determining our operating results and future growth.

## Results of our Operations

(₹ in lakhs)

Particulars	For the year ended March 31,							
	2016	% of Total Income	2015	% of Total Income	2014	% of Total Income	2013	% of Total Income
<b>REVENUE:</b>								
Revenue from Operations	27,357.80	99.88%	22,362.65	99.94%	20,402.93	99.95%	18,324.81	99.93%
Other Income	31.76	0.12%	12.63	0.06%	9.30	0.05%	13.75	0.07%
<b>Total Revenue</b>	<b>27,389.56</b>	<b>100.00%</b>	<b>22,375.28</b>	<b>100.00%</b>	<b>20,412.23</b>	<b>100.00%</b>	<b>18,338.56</b>	<b>100.00%</b>
<b>EXPENSES:</b>								
Cost of materials consumed	19,458.54	71.04%	16,221.85	72.50%	15,363.04	75.26%	14,170.32	77.27%
Changes in inventories of finished goods , WIP and stock - in trade	(120.56)	-0.44%	(65.13)	-0.29%	(9.87)	-0.05%	(57.76)	-0.31%
Employee benefits expense	3,473.42	12.68%	2,715.21	12.13%	2,227.87	10.91%	1,481.28	8.08%
Finance cost	507.68	1.85%	531.83	2.38%	640.94	3.14%	685.57	3.74%
Depreciation and amortization expense	343.94	1.26%	305.85	1.37%	692.31	3.39%	799.94	4.36%
Other expenses	1,937.63	7.07%	1,708.99	7.64%	1,183.18	5.80%	991.89	5.41%
<b>Total expenses</b>	<b>25,600.65</b>	<b>93.47%</b>	<b>21,418.61</b>	<b>95.72%</b>	<b>20,097.47</b>	<b>98.46%</b>	<b>18,071.25</b>	<b>98.54%</b>
<b>Net Profit / (Loss) before Tax</b>	<b>1,788.91</b>	<b>6.53%</b>	<b>956.67</b>	<b>4.28%</b>	<b>314.75</b>	<b>1.54%</b>	<b>267.31</b>	<b>1.46%</b>
<b>Less: Provision for Tax</b>								
Current tax	320.00	1.17%	60.00	0.27%	77.00	0.38%	88.00	0.48%
MAT Credit Receivable	(1.66)	-0.01%	(32.94)	-0.15%	9.00	0.04%	41.13	0.22%
Deferred tax	36.44	0.13%	31.38	0.14%	(47.64)	-0.23%	(68.59)	-0.37%
<b>Total</b>	<b>354.78</b>	<b>1.30%</b>	<b>58.43</b>	<b>0.26%</b>	<b>38.36</b>	<b>0.19%</b>	<b>60.54</b>	<b>0.33%</b>
<b>Net Profit / ( Loss ) for the period after tax</b>	<b>1,434.14</b>	<b>5.24%</b>	<b>898.24</b>	<b>4.01%</b>	<b>276.39</b>	<b>1.35%</b>	<b>206.77</b>	<b>1.13%</b>

### Main Components of our Profit and Loss Account

#### Income

Our total income comprises of revenue from operations and other income.

#### Revenue from Operations

Our revenue from operations (i.e. Manufactured and Traded Goods including domestic & export sales) as a percentage of total income was 99.88%, 99.94% and 99.95% in fiscals 2016, 2015 and 2014 respectively.

#### Other Income

Our other income includes Interest on FDR and other miscellaneous non-recurring incomes. Other income, as a percentage of total income was 0.12%, 0.06% and 0.05% in fiscals 2016, 2015 and 2014 respectively.

#### Expenditure

Our total expenditure primarily consists of Purchases, Changes in Inventories, Employee Benefit Expenses, Financial Cost, Depreciation and Amortization Expenses and Other expenses.

### *Purchases*

Costs of Purchases are primarily in relation to purchases of raw materials which mainly includes Grey Cloth and Dyes and Chemical.

### *Employee Benefit Expenses*

Expenses in relation to employees' remuneration and benefits include salary, bonus and allowances, workmen and staff welfare costs, Director's remuneration etc.

### *Other Expenses*

Other expenses primarily include Rent, Advertisement expenses, Legal & Professional fees, Office expenses, etc

### *Financial Cost*

Financial Cost primarily consists of Bank Interest and Bank Charges.

### *Depreciation and Amortization Expenses*

Depreciation and Amortization Expenses primarily consist of depreciation/amortization on the fixed assets and Intangible Assets of our Company which primarily includes Vehicles, Furniture and fixtures, Computers and Office Equipments.

### *Provision for Tax*

Income taxes are accounted for in accordance with Accounting Standard – 22 on “Accounting for Taxes on Income” (“AS-22”), prescribed under the Companies (Accounting Standards) Rules, 2006. Our Company provides for current tax as well as deferred tax, as applicable.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits available to our Company under the provisions of the I. T. Act.

Deferred tax arises from the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods and is measured using the tax rates and laws applicable as of the date of the financial statements. Our Company provides for deferred tax asset / liability on such timing differences subject to prudent considerations in respect of deferred tax assets.

## **Fiscal 2016 compared with fiscal 2015**

### *Income*

In fiscal 2016, our income from operations increased by ₹ 4,995.15 lakhs or 22.34%, from ₹ 22,362.65 lakhs in fiscal 2015 to ₹ 27,357.80 lakhs in fiscal 2016. The major factor for such increase was due to increase in Sale of Fabrics. Other income increased by ₹ 19.13 lakhs or 151.45%, from ₹ 12.63 lakhs in fiscal 2015 to ₹ 31.76 lakhs in fiscal 2016 mainly on account of increase in interest from Fixed Deposits and Income tax refunds.

### *Purchases*

The purchases in fiscal 2016 were ₹ 19,458.54 lakhs, an increase of 19.95% as compared to the previous year purchases of ₹ 16,221.85 lakhs in fiscal 2015. The above increase was mainly due to increase in scale of operations.

### *Employee Benefit Expenses*

Our staff cost increased by ₹ 758.20 lakhs or 27.92%, from ₹ 2,715.21 lakhs in fiscal 2015 to ₹ 3,473.42 lakhs in fiscal 2016. This increase was mainly due to increase in number of employees and yearly increments.

### *Financial Cost*

Financial cost decreased by ₹ 24.15 lakhs or 4.54% from ₹ 531.83 lakhs in fiscal 2015 to ₹ 507.68 lakhs in fiscal 2016. The cause of decrease in these financial costs was majorly due to decrease in borrowings due to regular repayments.

### *Depreciation and Amortization Expenses*

Depreciation expenses increased by ₹ 38.09 lakhs or 12.46%, from ₹ 305.85 lakhs in fiscal 2015 to ₹ 343.94 lakhs in fiscal 2016. This increase was due to the purchase of additional fixed assets in the current fiscal.

### *Other Expenses*

Other expenses increased by ₹ 228.64 lakhs or 13.38% from ₹ 1,708.99 lakhs in fiscal 2015 to ₹ 1,937.63 lakhs in fiscal 2016. The increase in these expenses was majorly due to increase in scale of operations.

### *Profit before Tax*

Due to operational efficiency and increase in total income our PBT increased by ₹ 832.24 lakhs from ₹ 956.67 lakhs in fiscal 2015 to ₹ 1,788.91 lakhs in fiscal 2016.

### *Profit after Tax*

Our profit after tax increased by ₹ 535.90 lakhs from ₹ 898.24 lakhs in fiscal 2015 to ₹ 1,434.14 lakhs in fiscal 2016.

## **Fiscal 2015 compared with fiscal 2014**

### *Income*

In fiscal 2015, our income from operations increased by ₹ 1,959.72 lakhs or 9.61%, from ₹ 20,402.93 lakhs in fiscal 2014 to ₹ 22,362.65 lakhs in fiscal 2015. The major factor for such increase was due to increase in Sale of Fabrics and increase in job work sales. Other income increased by ₹ 3.33 lakhs or 35.85%, from ₹ 9.30 lakhs in fiscal 2014 to ₹ 12.63 lakhs in fiscal 2015 mainly on account of increase in interest on Income tax refunds.

### *Purchases*

The purchases in fiscal 2015 were ₹ 16,221.85 lakhs, an increase of 5.59% as compared to the previous year purchases of ₹ 15,363.04 lakhs in fiscal 2014. The above increase was mainly due to increase in scale of operations.

### *Employee Benefit Expenses*

Our staff cost increased by ₹ 487.34 lakhs or 21.87%, from ₹ 2,227.87 lakhs in fiscal 2014 to ₹ 2,715.21 lakhs in fiscal 2015. This increase was mainly due to increase in number of employees and yearly increments.

### *Financial Cost*

Financial cost decreased by ₹ 109.11 lakhs or 17.02% from ₹ 640.94 lakhs in fiscal 2014 to ₹ 531.83 lakhs in fiscal 2015. The cause of decrease in these financial costs was majorly due to decrease in borrowings due to regular repayments.

### *Depreciation and Amortization Expenses*

Depreciation expenses decreased by ₹ 386.46 lakhs or 55.82% from ₹ 692.31 lakhs in fiscal 2014 to ₹ 305.85 lakhs in fiscal 2015. This decrease was due to the written down value of fixed assets in the current fiscal.

### *Other Expenses*

Other expenses increased by ₹ 525.82 lakhs or 44.44% from ₹ 1,183.18 lakhs in fiscal 2014 to ₹ 1,708.99 lakhs in fiscal 2015. The increase in these expenses was majorly due to increase in scale of operations.

### *Profit before Tax*

Due to operational efficiency and increase in total income our PBT increased by ₹ 641.92 lakhs from ₹ 314.75 lakhs in fiscal 2014 to ₹ 956.67 lakhs in fiscal 2015.

### *Profit after Tax*

Our profit after tax increased by ₹ 621.85 lakhs from ₹ 276.36 lakhs in fiscal 2014 to ₹ 898.24 lakhs in fiscal 2015.

## **Fiscal 2014 compared with fiscal 2013**

### *Income*

In fiscal 2014, our income from operations increased by ₹ 2,078.12 lakhs or 11.34%, from ₹ 18,324.81 lakhs in fiscal 2013 to ₹ 20,402.93 lakhs in fiscal 2014. The major factor for such increase was due to increase in Sale of Fabrics and increase in job work sales. Other income decreased by ₹ 4.45 lakhs or 32.37%, from ₹ 13.75 lakhs in fiscal 2013 to ₹ 9.30 in fiscal 2014 mainly on account of decrease in balance written off A/c.

### *Purchases*

The purchases in fiscal 2014 were ₹ 15,363.04 lakhs, an increase of 8.42% as compared to the previous year purchases of ₹ 14,170.31 lakhs in fiscal 2013. The above increase was mainly due to increase in scale of operations.

### *Employee Benefit Expenses*

Our staff cost increased by ₹ 746.59 lakhs or 50.40%, from ₹ 1,481.28 lakhs in fiscal 2013 to ₹ 2,227.87 lakhs in fiscal 2014. This increase was mainly due to yearly increments and marginal increase in number of employees.

### *Financial Cost*

Financial cost decreased by ₹ 44.64 lakhs from ₹ 685.57 lakhs in fiscal 2013 to ₹ 640.94 lakhs in fiscal 2014. The cause of decrease in these financial costs was majorly due to decrease in borrowings due to regular repayments.

### *Depreciation and Amortization Expenses*

Depreciation expenses decreased by ₹ 107.63 lakhs, from ₹ 799.94 lakhs in fiscal 2013 to ₹ 692.31 lakhs in fiscal 2014. This decrease was due to the written down value of fixed assets in the current fiscal.

### *Other Expenses*

Other expenses increased by ₹ 191.28 lakhs or 19.28% from ₹ 991.89 lakhs in fiscal 2013 to ₹ 1,183.18 lakhs in fiscal 2014. The cause of increase in these expenses was majorly due to increase in scale of operations.

### *Profit before Tax*

Due to operational efficiency and increase in total income our PBT increased by ₹ 47.44 lakhs or 17.75% from ₹ 267.31 lakhs in fiscal 2013 to ₹ 314.75 lakhs in fiscal 2014.

### *Profit after Tax*

Our profit after tax increased by ₹ 69.62 lakhs from ₹ 206.77 lakhs in fiscal 2013 to ₹ 276.39 lakhs in fiscal 2014.

## **Cash Flows**

(₹ in lakhs)

Particulars	Year ended March 31,		
	2016	2015	2014
Net Cash from Operating Activities	3,001.69	1,590.15	1,021.51
Net Cash from Investing Activities	(3,206.86)	(624.23)	(104.47)
Net Cash used in Financial Activities	(279.62)	(442.25)	(918.33)
Net Increase / (Decrease) in Cash and Cash equivalents	(484.79)	523.67	(1.29)

### ***Cash Flows from Operating Activities***

Net cash from operating activities in fiscal 2016 was ₹ 3,001.69 lakhs as compared to the PBT of ₹ 1,788.92 lakhs for the same period. This difference is primarily on account of changes in trade receivables, short term loans & advances, trade payables and other current liabilities.

Net cash from operating activities in fiscal 2015 was ₹ 1,590.15 lakhs as compared to the PBT of ₹ 956.67 lakhs for the same period. This difference is primarily on account of changes in inventories, short term loans & advances, trade payables and other current liabilities.

Net cash from operating activities in fiscal 2014 was ₹ 1,021.51 lakhs as compared to the PBT of ₹ 314.75 lakhs for the same period. This difference is primarily on account of changes in trade receivables and short term loans & advances.

### ***Cash Flows from Investment Activities***

In fiscal 2016, the net cash invested in Investing Activities was negative ₹ 3,206.86 lakhs. This was mainly on account of purchase of fixed assets.

In fiscal 2015, the net cash invested in Investing Activities was negative ₹ 624.23 lakhs. This was mainly on account of purchase of fixed assets.

In fiscal 2014, the net cash invested in Investing Activities was negative ₹ 104.47 lakhs. This was mainly on account of purchase of fixed assets.

### ***Cash Flows from Financing Activities***

Net cash from financing activities in fiscal 2016 was negative ₹ 279.62 lakhs. This was on account of decrease in short term borrowings, Long Term Loans & Advances and payment of interest paid and dividend.

Net cash from financing activities in fiscal 2015 was negative ₹ 442.25 lakhs. This was on account of decrease in short term borrowings, Long Term Loans & Advances and payment of interest paid and dividend.

Net cash from financing activities in fiscal 2014 was negative ₹ 918.33 lakhs. This was on account of decrease in long term and short term borrowings, Long Term Loans & Advances and payment of interest paid and dividend.

### ***OTHER MATTERS***

#### **1. Unusual or infrequent events or transactions**

Except as described in this Draft Letter of Offer, during the periods under review there have been no transactions or events, which in our best judgment, would be considered unusual or infrequent.

#### **2. Significant economic changes that materially affected or are likely to affect income from continuing Operations**

Other than as described in the Section titled “*Financial Information*” and chapter titled “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*”, beginning on page nos. 158 and 183 respectively of this Draft Letter of Offer respectively, to our knowledge there are no Significant economic changes that materially affected or are likely to affect income from continuing Operations.

#### **3. Known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations**

Other than as described in the chapter titled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Conditions and Result of Operations*”, beginning on page nos. 11 and 183 respectively of this Draft Letter of Offer respectively to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

#### **4. Future relationship between Costs and Income**

Other than as described in the chapter titled “*Risk Factors*” beginning on page no. 11 of this Draft Letter of Offer, to our knowledge there are no factors, which will affect the future relationship between costs and income or which are expected to have a material adverse impact on our operations and finances.

#### **5. The extent to which material increases in revenue or income from operations are due to increased volume, introduction of new products or services or increased prices**

Increases in revenues are by and large linked to increases in volume of business activity carried out by the Company.

#### **6. Total turnover of each major industry segment in which the issuer company operates.**

The Company is a textile based Company and is in the business of processing grey fabric to manufacture finished fabric for various uses. Relevant industry data, as available, has been included in the chapter titled “*Industry Overview*” beginning on page no. 74 of this Draft Letter of Offer.

#### **7. Status of any publicly announced new products or business segments**

Please refer to the chapter titled “*Business Overview*” beginning on page no. 88 of this Draft Letter of Offer.

#### **8. The extent to which the business is seasonal.**

Our business is not seasonal in nature.

#### **9. Any significant dependence on a single or few suppliers or customers**

The revenues from our top 10 customers constituted approximately 16.98% for F. Y. 2016.

#### **10. Competitive Conditions**

Despite the fact that we are not affected by competition in the short-term, our results of operations could be affected by competition in the textile industry in India and in abroad in the future. We expect competition to intensify due to possible changes in government policy, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established fabric processing companies. This we believe may impact our financial condition and operations.

### WORKING RESULTS

In accordance with Circular No.F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977, our working results for the period from April 1, 2016 till August 31, 2016 are set out in the table below:

<b>Particulars</b>	<b>Amount (₹ in lakhs)</b>
Sales / Turnover	11,594.95
Other Income	1.20
<b>Total Income</b>	<b>11,596.15</b>
<b>Estimated gross profit/ (loss) (excluding depreciation/amortization and taxes)</b>	<b>943.40</b>
Provision for depreciation/amortization	150.48
Provision for taxes (current tax and deferred tax)	125.25
<b>Estimated Net Profit/ (Loss)</b>	<b>667.67</b>

## MARKET PRICE INFORMATION

The Company is listed and trading on the SME Platform of BSE Ltd.

### Stock Market Data of the Equity Shares

The high and low closing prices recorded on BSE SME Exchange during the last three (3) years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below:

Financial Year <sup>(1)</sup>	High			Low			Average price (₹)
	Date	Price (₹)	Volume	Date	Price (₹)	Volume	
2014-15	17.03.2014	65.00	6,000	20.08.2014	46.90	1,95,000	52.98
2015-16	20.10.2015	190.00	6,000	06.04.2015	65.00	51,000	148.09
2016-17 <sup>(2)</sup>	22.09.2016	204.00	750	01.04.2016	169.00	6,000	176.05

<sup>(1)</sup> The shares of the Company were listed on August 20, 2014.

<sup>(2)</sup> Data for F. Y. 2016-17 is for the period of April 01, 2016 to September 28, 2016

(Source: [www.bseindia.com](http://www.bseindia.com))

### Prices for the last six (6) months

The high and low prices and volume of Equity Shares traded on the respective dates during the last six (6) months, on the BSE SME Exchange, are stated as under:

Month Year <sup>(1)</sup>	High			Low			Average price (₹)
	Date	Price (₹)	Volume	Date	Price (₹)	Volume	
August 2016	08.08.2016	174.95	9,000	19.08.2016	171.50	750	173.06
July 2016	13.07.2016	179.00	79,500	20.07.2016	171.50	750	176.94
June 2016	27.06.2016	178.00	1,500	01.06.2016	178.00	1,500	178.00
May 2016	31.05.2016	178.00	2,250	02.05.2016	178.00	6,000	178.00
April 2016	28.04.2016	178.00	6,000	01.04.2016	169.00	6,000	170.00
March 2016	31.03.2016	169.00	4,500	01.03.2016	169.00	3,000	169.00

(Source: [www.bseindia.com](http://www.bseindia.com))

The Board of Directors of our Company has approved the Issue at their meeting held on August 23, 2016 and the same was approved by our Shareholders in their meeting dated September 20, 2016. The high and low prices of our Company's shares as quoted on the BSE SME Exchange on September 07, 2016 and September 21, 2016, the day on which the trading happened immediately following the date of the Meetings is as follows:

Date	Volume (Nos.)	High (₹)	Low (₹)
September 07, 2016	750	171.50	171.50
September 21, 2016	1,500	201.50	201.00

(Source: [www.bseindia.com](http://www.bseindia.com))

### Volume of Shares traded in the last six (6) months

The volume of Equity Shares traded in the scrip of our Company during the last six (6) months, on the BSE, is as follows:

Month	Volume (in number of shares)
August 2016	1,77,000
July 2016	4,89,750
June 2016	8,250
May 2016	1,86,750
April 2016	94,500
March 2016	81,000

(Source: [www.bseindia.com](http://www.bseindia.com))

## FINANCIAL INDEBTEDNESS

Set forth below, is a brief summary of our Company's borrowings as on March 31, 2016 together with a brief description of certain significant terms of such financing arrangements.

Nature of Borrowing	Amount (₹ in Lakhs)
Secured Borrowings	2,680.45
Unsecured Borrowings	2,193.23
<b>Total<sup>(1)</sup></b>	<b>4,873.68</b>

<sup>(1)</sup> Includes ₹ 199.92 lakhs shown under Current Liabilities as 'Current Maturities of Long Term Debt'.

### Details of Secured Loans

(₹ in lakhs)

Name of Lender	Type of Loan	Date of Sanction	Amount Sanctioned	Amount Outstanding as on March 31, 2016	Interest (in % p.a.)	Repayment Schedule	Security
Oriental Bank of Commerce	Term Loan	May 30, 2007 <sup>(1)(2)</sup>	600.00	15.57	BR 10.00 + FR 4.25 = 14.25	Reviewed at outstanding level for Eighteen Month.	Secured by equitable mortgage of factory land and building of the company and hypothecation of Plant and Machinery and other fixed assets. Further Corporate Guarantee of given by certain group companies and personal guarantee of Managing Director and relative of such Managing Director of the company. Further secured by second charge on current assets of the company
		August 03, 2010 <sup>(1)</sup>	1,120.00	443.84	BR 10.00 + FR 4.00 = 14.00	Reviewed at outstanding level for one year	
Oriental Bank of Commerce ("OBC"), IDBI Bank ("IDBI") and Laxmi Vilas Bank ("LVB")	Cash Credit / Working Capital Facility	Second Supplemental Working Capital Consortium Agreement dated September 15, 2015 and the sanction letters issued by each of the	Aggregate Amount: 3,500.00	2,189.54	Base Rate (%) ("BR"), Floating Rate (%) ("FR")		Primary: First pari passu charge over current assets of the Company (both present and future).  Collateral: First pari passu charge by way of mortgage of factory, land & building situated at Mouje Ranipur, Isanpur, Taluka City, Ahmedabad-5 (Narol) and First pari passu charge by way of hypothecation of plant and machinery of Prakash Calenders
			OBC: 1,400.00 <sup>(3)</sup>	793.28	BR 10.00 + FR 3.50 = 13.50	Repayable in one year	

		Consortium Lenders	IDBI: 750.00	100.01	BR 10.00 + FR 3.50 = 13.50	Repayable on demand (to be reviewed annually)	Pvt. Ltd. and Bhushan Petrofils Pvt. Ltd. located at above. Second charge on the fixed assets of the company.  Corporate Guarantee: Given by certain group companies and personal guarantee of the Managing Director and relative of such Managing Director of the Company  Any additional security in line with consortium lead bank
			LVB: 1,350.00	1,296.26	BR 10.95 + FR 2.25 = 13.20	Repayable in one year	
Standard Chartered Bank	Long Term Working Capital Loan	June 24, 2011	300.00	193.23	Base Rate 9.25 + FR 3% = 12.25%	Repayable in 144 months	Collateral secured by property situated at A – 621 Sushant Lok – 4, Nr. Centre Point Pizza Hut, Gurgaon, Delhi owned partnership Firm owned by relatives of the MD. Further Guarantee of MD and relatives of such MD of the Company and corporate guarantee of holding company

<sup>(1)</sup> The amount of term loan sanctioned are as per the original sanction letters dated March 27, 2005, May 30, 2007 and August 03, 2010. However, OBC vide the 'First Supplemental Term Loan Agreement' dated October 01, 2014 has reviewed the above loans for a period of one year at the outstanding amounts as on that date i.e. ₹ 149.00 lakhs, ₹ 231.00 lakhs and ₹ 976.00 lakhs respectively.

<sup>(2)</sup> The sanctioned limit according to the original sanction letter dated May 30, 2007 was ₹ 1100.00 lakhs. However, vide letter dated October 23, 2007, OBC amended the terms of the former sanction and revised the limit to ₹ 600.00 lakhs.

The aforesaid amounts sanctioned do not include sub-limit for amounts sanctioned towards Letters of Credit ("LC"), Buyer's Credit ("BC") and Bank Guarantee ("BG") facilities. The details of the Non-Fund Based sanctions as per the above mentioned loan documentation is mentioned below:

Sr. No.	Name of the Lender	Amount Sanctioned (₹ lakhs)
<b>Consortium Lenders</b>		
1.	Oriental Bank of Commerce <sup>(1)</sup>	200.00
2.	IDBI Bank	250.00
3.	Laxmi Vilas Bank	150.00
<b>Total</b>		<b>600.00</b>

<sup>(1)</sup> Actual sanction amount of Fund Based limit is ₹ 1,000.00 lakhs and a Non-Fund Based limit for Packing Credit – Renewal has been sanctioned for ₹ 400.00 lakhs which is fully interchangeable with the fund based CC limit. Further, Non-Fund Based limits include LC limit allowed up to ₹ 200.00 lakhs.

#### Details of Vehicle Loans

(₹ in lakhs)

Name of the Lender	Loan Account / Sanction No.	Agreement / Sanction Letter Date	Sanctioned Amount (₹ in lakhs)	Outstanding Amount as on March 31, 2016	Rate of Interest (%)	Repayment Schedule	Security Created
ICICI Bank	LAABD0002708027	September 04, 2013	4.00	0.76	10.52%	Repayable in 36 monthly Installments of ₹ 0.13 lakhs	Hypothecation of Motor Car
ICICI Bank		July 01, 2014	28.29	19.66	9.64%	Repayable in 60 monthly Installments of ₹ 0.60 lakhs	Hypothecation of Motor Car
IDBI Bank	01 / 1603 / Isanpur-Ghodasar Road / Feb / 2015	February 24, 2015	12.00	10.08	10.60%	Repayable in 60 monthly Installments of ₹ 0.26 lakhs	Hypothecation of Motor Car

#### Details of Unsecured Borrowings:

(₹ in lakhs)

Name of Lender	Amount outstanding as on March 31, 2016	Interest (in % p.a.)	Repayment Schedule	Security
Others	2,000.00	N. A.	Repayable on demand	N.A.

**DETAILS OF LOAN SANCTIONED FOR THE NEW PROJECT:**
*(₹ in lakhs)*

Name of Lender	Type of Loan	Date of Sanction	Amount Sanctioned	Interest (in % p.a.)	Repayment Schedule	Security <sup>(5)</sup>
Bank of Baroda ("BOB"), Bank of Maharashtra ("BOM"), Lakshmi Vilas Bank ("LVB"), Oriental Bank of Commerce ("OBC"), State Bank of India ("SBI"), Vijaya Bank ("VB")	Term Loan	The sanction letters of respective banks dated 04.03.2016 ("BOB"), 06.04.2016 ("BOM"), 18.12.2015 ("LVB"), 22.07.2016 ("OBC"), 16.08.2016 ("SBI"), 14.07.2016 ("VB")	Aggregate Amount: 19,800.00	Base Rate (%) ("BR"), Floating Rate (%) ("FR"), Tenure Premium (%) ("TP")		Primary: First pari-passu charge on project assets present and future (including assignment of leasehold right of land).  Details of land: Non-Agricultural land bearing Survey No 289 paiki admeasuring 23240.48 Sq. Mtrs. , Survey no 297 paiki admeasuring 19050 Sq. Mtrs and Survey No 291 paiki admeasuring 12075.27 Sq Mtrs , Total land area admeasuring 54362.75 Sq Mtrs situated at the Spinning Park in the Sim of Village Dholi, Dholka Taluka, Ahemdabad.
			BOB : 5,000.00 <sup>(1)</sup>	BR 9.65 + FR 3.25 + TP 0.10 = 13.00%	Repayable in 30 structured quarterly instalments beginning from 30 <sup>th</sup> April 2018.	Collateral: a) First pari – passu charge on existing fixed assets of the company other than those exclusively charged to existing bank on reciprocal basis.  b) First pari passu charge by Equitable Mortgage of factory land and building at Survey no. 202, 221, 222/2, 197/3, 197/4, 197/5, 197/6, 197/7, 197/8 and 223 of area 16285 sq/ft leased from M/s Prakash Calendars Pvt Ltd in the name of M/s Vishal Fabrics Ltd  c) First pari passu charge by EM of land bearing S. No. 197/9, 197/10, 197/11, 197/12, 197/15, 197/16, 197/17, 197/18, and 197/19 situated at Mouje Tanipur, Isanpur, Taluka City, Dist. Ahemdabad -5 admeasuring 1919.72 sq. Mts in the name of Mr. Ved Prakash D. Chiripal , Mr. Jyoti Prasad D. Agarwal, Mr. Jai Prakash D Chiripal and Mr. Brijmohan D Chiripal  d) Second pari passu charge over the current assets of the company.
			BOM : 5,000.00 <sup>(2)</sup>	BR 9.70 + FR 2.80 = 12.50%	Repayable in 30 unequal quarterly instalments beginning from February 2017.	
			LVB : 1,800.00	BR 10.95 + FR 1.70 = 12.65%	Repayable in 30 unequal quarterly instalments beginning from March 2019.	
			OBC : 2,000.00 <sup>(3)</sup>	BR 9.55 + FR 3.00 = 12.55%	Repayable in 30 structured quarterly instalments beginning from 30 <sup>th</sup> April 2018.	
			SBI : 3,500.00	BR 9.10 + FR 3.20 = 12.30%	Repayable in 30 structured quarterly instalments beginning from 30 <sup>th</sup> April 2018.	
			VB : 2,500.00 <sup>(4)</sup>	BR 9.45+ FR 3.55 = 13.00%	Repayable in 30 structured quarterly instalments commencing after an initial construction cum moratorium period of 27 months from first disbursement.	

<sup>(1)</sup> Out of the total sanctioned amount of Rs. 5,000.00 Lakhs an amount of Rs. 3,687.00 Lacs is sanctioned towards TUFs.

<sup>(2)</sup> Out of the total sanctioned amount of Rs. 5,000.00 Lakhs an amount of Rs. 3,687.00 Lacs is sanctioned towards TUFS.

<sup>(3)</sup> Out of the total sanctioned amount of Rs. 2,000.00 Lakhs an amount of Rs. 1,500.00 Lacs is sanctioned towards TUFS.

<sup>(4)</sup> The total sanctioned amount of Rs. 2,500.00 Lakhs is sanctioned towards TUFS.

<sup>(5)</sup> In addition to the above security the aforementioned loans are also secured by way of personal guarantee, the details of which are as under:

Sr. No.	Name of Bank	Personal / Corporate Guarantee
1	Bank of Baroda	Mr. Vedprakash Chiripal, Mr. Jyotiprakash Chiripal, Mr. Jai Prakash Chiripal, Mr. Brijmohan Chiripal, M/s Prakash Calenders Pvt Ltd and M/s Bhushan Petrofills Pvt Ltd.
2	Bank of Maharashtra	Mr. Vedprakash Chiripal, Mr. Jyotiprakash Chiripal, Mr. Jai Prakash Chiripal, Mr. Brijmohan Chiripal and M/s Prakash Calenders Pvt Ltd
3	Oriental Bank of Commerce	Mr. Vedprakash Chiripal, Mr. Jyotiprakash Chiripal, Mr. Jai Prakash Chiripal, Mr. Brijmohan Chiripal, M/s Prakash Calenders Pvt Ltd and M/s Bhushan Petrofills Pvt Ltd.
4	State Bank of India	Mr. Vedprakash Chiripal, Mr. Jyotiprakash Chiripal, Mr. Jai Prakash Chiripal, Mr. Brijmohan Chiripal, M/s Prakash Calenders Pvt Ltd and M/s Bhushan Petrofills Pvt Ltd.

During the currency of the facilities, without prior approval of the Lenders which shall not be unreasonably withheld, the Borrower (Vishal Fabrics Limited) shall not:

- ✓ Change or alter capital structure, unless stipulated by the Bank
- ✓ Effect any scheme of amalgamation or reconstitution.
- ✓ Implement a new scheme of expansion or take up an allied line of business / manufacture.
- ✓ Divert the funds raised to Inter Corporate Deposits, Debentures, Stocks & Shares, Real Estate, etc.
- ✓ Declare dividends without paying the due instalments, interests etc. to the Bank and without regularizing the Bank Accounts.
- ✓ Enlarge the scope of other manufacturing / trading activities.
- ✓ Withdraw moneys brought in by promoters / directors / friends and relatives.
- ✓ Invest any fund by way of deposits or loans or in share capital.
- ✓ Borrow or obtain credit facilities from any other Bank / Institution.
- ✓ Undertake guarantee obligations on behalf of any other company, firm or person without the Bank's prior permission in writing.
- ✓ Create any further charge, lien or encumbrance over the assets and properties of the company / firm, charged / to be charged to the Bank, in favour of any other bank, financial institution, Company, firm or person.

## SECTION VII – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, over dues to banks and financial institutions, defaults against bank and financial institutions and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no default in creation of full security as per the Terms of the Issue, no proceedings initiated for economic or 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, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Promoters, our Directors or Promoter Group Companies.*

#### I. LITIGATIONS INVOLVING OUR COMPANY

##### A. LITIGATIONS AGAINST OUR COMPANY

###### 1. Civil Suit

Summary Suit No. 371/2013 filed by Kachrabhai Hatisingh Shah against the Company in City Civil Court, Ahmedabad for recovery of ₹ 4, 57,378/- for dyeing and job work done.

###### 2. Labour Matters

- a) Petition No. 192/1992 filed before the Labour Court of Ahmedabad by Jethabhai Kachrabhai pertaining to Workmen Compensation Act. The claim amount has been settled by the Insurance Company but the workman has demanded interest and penalty of ₹ 60,000/- approximately from the company.
- b) Petition No.377/2012 filed before Labour Court Ahmedabad, by Paresh Ramabhai Patel claiming reinstatement of services has been since withdrawn as services have been reinstated. Final order for disposal is awaited.
- c) Reference No. (L.C.A.) 1029/2010 filed in Labour Court, Ahmedabad by Navratan Manibhai Joshi for illegal retrenchment and claiming reinstatement.
- d) Recovery Application No.314 of 2016 filed by Pravinbhai Patel before Hon'ble Presiding Officer of Labour Court, Ahmedabad claiming amount of ₹ 12,05,425/- towards leave encashment, gratuity and other dues.

###### 3. Custom

Deputy Commissioner of Customs, Customs Division, Jamnagar has imposed a penalty of ₹ 90,000/- u/s.117 of Custom Act, 1962. On Appeal, Office of the Commissioner of Customs (Appeals) Jamnagar has vide Order dated 04.09.2014 has allowed the Appeal and set aside the Order imposing penalty of ₹ 90,000/-.

###### 4. Excise

- a) The Company has preferred Special Leave Petition (Civil) No. 3190/2009 with application for condonation of delay in filing of SLP filed by the Company, before the Supreme Court of India. The Supreme Court of India has set aside the impugned order of the High Court of Gujarat in SCA No. 9843/2008 dated 28.08.2008 by its order dated 03.08.2009 and has remitted back to the High Court for de novo consideration. The amount involved was ₹ 11,41,668/- (2001-02 to 2004-05).
- b) Appeal No. 6/2009 by the Company is filed before the Textile Cess Appellate Tribunal, Mumbai against notice of demand dated 23.09.2009 by Textile Committee imposing cess of ₹ 6,33,617/- for the period from 2004-05 to 2006-07. The Appeal is pending before the Textile Cess Appellate Tribunal, Mumbai.

## 5. Income Tax

- a) The Company had filed an Appeal No. 476/2013-14 to CIT(A) Ahmedabad for A.Y.2011- 12 against order passed u/s. 143(3) by the DCIT(OSD) CIR.8, Ahmedabad disallowing ₹ 2,70,69,861/-. The Appeal has been allowed by the Office of Commissioner of Income Tax (Appeals XIV) Ahmedabad vide its Order dated 10.10.2014. The Income Tax Department has challenged the Order dated 10.10.2014 by appealing to the Income Tax Tribunal.

## B. LITIGATIONS BY OUR COMPANY

### 1. Income Tax

- a) The Company has filed Appeal against order under section 143 (3) of the Act, for A.Y.2012-13 holding that profit on sale of steam was not eligible for direction u/s. 80IA of the Act.
- b) The Company has filed Appeal against order under section 143 (3) of the Act, for A.Y.2013-14 holding that profit of ₹ 1,95,15,953/- on sale of steam was not eligible for direction u/s. 80IA of the Act.
- c) Appeal to the Commissioner of Income Tax (Appeals) has been filed for the AY 2012-13 by the Company for TDS amounting to ₹ 64,50,872.
- d) Appeal to the Commissioner of Income Tax (Appeals) has been filed for the AY 2013-14 by the Company for TDS amounting to ₹ 64,50,872.

## II. LITIGATIONS INVOLVING OUR PROMOTERS

### A. LITIGATION AGAINST OUR PROMOTER

#### *CHIRIPAL INDUSTRIES LIMITED*

### 1. Cestat

- a) Deputy Commissioner, Customs Division, Jamnagar has imposed penalty of ₹ 90,000/- vide 31.3.2014 on the Company for non-production of original documents within the specified time in terms of PD Bond in the matter of import of Indonesian Steam Coal. The Company had preferred an Appeal against the said O-I-O being Appeal No. 250/ Commr.(A)/JMN/2014 before the Office of Commissioner of Customs (Appeals). The Appeal has been allowed thereby setting aside the penalty of ₹ 90,000/- which was imposed on the Company vide an Order dated 04.09.2014.
- b) The Company has filed Appeal at the Tribunal in Appeal No. E/577/07 against order of the Commissioner of Central Excise (Appeals-I), Ahmedabad for duty demanded. The approximate amount involved is ₹ 60,24,437/-. The Appeal has been allowed vide order dated 21-05-2015.
- c) The Company has filed Appeal at the Tribunal in Appeal No. E/1165/2007 against order of Commissioner Appeals. The approximate amount involved is ₹ 14,13,366/-. The Appeal has been allowed vide order dated 26-06-2015.
- d) The Commissioner, Central Excise, Ahmedabad has filed Appeal at the Tribunal in Appeal No. E/270/08-DB against order of Commissioner (Appeals I). The approximate amount involved is ₹ 38,91,104/-. The Appeal has been rejected vide order dated 31-10-2014.
- e) The Company has filed Appeal at the Tribunal in against order in Appeal No.251/2010(AHD-I)/CE/MM/COMMR. (A)/AHD. The approximate amount involved is ₹ 19,10,807/-.
- f) The Company has filed Appeal and Stay Application before the Tribunal in Appeal No. E/1104/2013-EX (DB) & E/11048/2013-EX (DB) dated on 01/05/2013. The approximate amount involved is ₹ 5,25,35,438/-. The Appeal has been allowed vide order dated 06-05-2015.

- g) The Commissioner, Central Excise, Ahmedabad-I filed Appeal at the Tribunal in Appeal No. E/10609 /2013 against order of the Commissioner of Central Excise (Appeals I), Ahmedabad. The approximate amount involved is ₹ 9,04,398/-.
- h) The Additional Commissioner, Customs (Preventive), Jamnagar, has issued Show Cause Notice for assessment of correct classification and differential customs duty amounting to ₹ 23,41,103/- in the matter of Bill of Entry for bituminous coal. The Company filed an Appeal against the said O-I-O being Appeal No. JMN-CUSTOM-000-APP-291-15-16 before the Office of Commissioner of Customs (Appeals), Ahmedabad. The Appeal was rejected vide Order dated 31.03.2016 thereby upholding the Order passed by the Additional Commissioner, Customs (Preventive), Jamnagar.
- i) The Commissioner, Central Excise, Ahmedabad I has preferred Appeal No. E/809/2007 against order of Commissioner(Appeals) I, Central Excise , Ahmadabad allowing the balance deemed CENVAT Credit of ₹ 40,25,955/- to the Company. The notice in the matter is to Shanti Processors Ltd, since merged with Chiripal Industries Ltd. The Appeal is rejected vide Order No. A/10943/2015 dated 26.06.2015.
- j) The Commissioner, Central Excise and Customs, Ahmedabad has preferred Civil Application No. 456/2011 to the High Court of Gujarat against order of the CESTAT disallowing penalty of ₹ 29, 89,162/- . The order in the matter is of Shanti Processors Ltd, since merged with Chiripal Industries Ltd.
- k) CESTAT has granted stay to the operation of the order of the Commissioner of Central Excise, Ahmedabad I in Appeal No. E/655/2009, imposing a penalty of ₹ 1,29,79,625/- in the case of Cotton Hosi on Shanti Processors Ltd, since merged with Chiripal Industries Ltd.
- l) CESTAT has remanded back Appeal No. E/114/10 of Priti Textile to the Asst. Commissioner to re-examine the original documents and deal with refund claim of the Company. The demand is for ₹ 3,67,822/- of which the Company has deposited ₹ 91,956/- being 25% of the demand. Priti Textile has since merged with Chiripal Industries Ltd.
- m) Commissioner, Central Excise and Customs, Ahmedabad has preferred Tax Appeal No. 326/2009 to the High Court of Gujarat against order of the CESTAT disallowing refund claim of ₹ 7,62,652/- in the case of galleries portion. The order in the matter is of Priti Processors Ltd, since merged with Chiripal Industries Ltd. The Appeal is dismissed vide Order dated 11.03.2015 passed by the Hon'ble High Court of Gujarat at Ahmedabad.
- n) Criminal Case No. 839/2000 has been filed before the Addl. Chief Judicial Magistrate, Gandhidham, by Commissioner of Customs, Kandla u/s 135 of the Customs Act against Chiripal Twisting and Sizing Pvt. Ltd. and its Directors. CESTAT has in Appeal No. C/37-38,78-80/97 set aside the penalty imposed. The name of the Company Chiripal Twisting and Sizing Pvt. Ltd. was changed to Chiripal Petrochemicals Ltd and thereafter to Chiripal Industries Ltd.
- o) The show cause notice dated 12.04.2016 has been issued to Chiripal Industries Limited by office of the Principal Commissioner of v Central Excise Ahmedabad for disallowing the credit taken on capital goods amounting to ₹ 1,07,04,079 further for charging interest and penalty on such amount as per Cenvat Credit Rules, 2004.
- p) The show cause notice dated 25.06.2015 has been issued to Chiripal Industries Limited by office of the Principal Commissioner Of Central Excise Ahmedabad the amount involved in the show notice is around ₹ 1,85,47,063 for disallowing the credit taken on capital goods.

## 2. Labour Cases

- a) Case No. 139/2003 filed by Sukhdev Waghela before the Hon'ble PF Commissioner at Ahmedabad against retrenchment from services. The matter is pending for judgment.
- b) Case No. 09/2002 filed by Pradeep Mehta before the Hon'ble Judge of Labour Court at Ahmedabad against retrenchment from services. Pending for cross enquiry.
- c) Case No. 16/2009 filed by Pradeep Mehta before the Hon'ble Judge of Labour Court at Ahmedabad against retrenchment from services. Pending for cross enquiry.

- d) The claim amount in Case No. 09/2002 and 16/2009 filed by Pradeep Mehta before the Hon'ble Judge of Labour Court at Ahmedabad sums up to ₹ 5,15,200/-.
- e) Case No. (T) 73/2008 filed by Bharat Parmabhai before the Hon'ble Judge of Labour Court at Ahmedabad against retrenchment from services. Pending for cross enquiry. The amount claimed is ₹ 25,000/-.
- f) Case No. P.W.627/2012 filed by Bharat Parmar before Hon'ble Judge of Labour Court at Ahmedabad claiming balance salary, overtime, bonus and leave encashment. Pending for cross enquiry.
- g) Case No. 122009 filed by Kanu Viram before Hon'ble Judge of Labour Court at Ahmedabad claiming balance salary, overtime, bonus and leave encashment. Pending for cross enquiry. The amount claimed is ₹ 1,50,000/-.
- h) Case No. (T) 85/2011 filed by Mahendra Premnarayan Parihar before Hon'ble Judge of Labour Court at Ahmedabad claiming balance salary, overtime, bonus and leave encashment. Pending for cross enquiry.
- i) Case No. (T) 86/2011 filed by Premnarayan Parihar before Hon'ble Judge of Labour Court at Ahmedabad claiming balance salary, overtime, bonus and leave encashment. Pending for cross enquiry.
- j) Case No. P.W.452/2011 filed by Premnarayan Parihar & Other before Hon'ble Judge of Labour Court at Ahmedabad for compensation on death while in service. Pending for cross enquiry. The amount claimed is ₹ 84,806/-.
- k) Case No. WC6/2013 filed by Dinesh Rampati Patel before Hon'ble Judge of Labour Court at Ahmedabad for compensation on death while in service. Pending for cross enquiry. The amount claimed is ₹ 2,82,064/-.
- l) Case No. (T) 175/2008 filed by Arvind Singh Ridal Singh Paney before Hon'ble Judge of Labour Court at Ahmedabad claiming balance salary, overtime, bonus and leave encashment. Pending for cross enquiry. The amount claimed is ₹ 2,50,000/-.
- m) Case No. W.C.4209 filed by Rajnath Shrivastav before Hon'ble Judge of Labour Court at Ahmedabad for accidental compensation. Pending for cross enquiry. The amount claimed is ₹ 2,40,130/-.

### 3. Income Tax

- a) The Company has filed Appeal No.02/04/2014 to CIT(A) for A.Y.2011-12 against order of the DCIT(OSD) Range-1, Ahmedabad u/s.143(3) of the I.T. Act, 1961 regarding addition of ₹ 21,96,690/-. The Appeal is partly allowed vide Order dated 27.01.2016.
- b) The Company has filed Appeal No.CIT(A) – VI/Addl. CIT, R-1/ 103/2011-12 Now – 47/CIT(A) -1 on 18/04/2013 to CIT(A) for A.Y.2010-11 against order of the ACITRange-1, Ahmedabad u/s.143(3) of the I.T. Act, 1961 regarding addition and disallowance of ₹ 84,69,562/-. The Appeal is partly allowed in favour of the Company vide the Order dated 13.04.2015.
- c) Deputy CIT (OSD), Range 1, Ahmedabad has filed Appeal No. 1628/Ahd-2003 at the Tribunal for AY 2008/2009 against order of CIT (Appeals VI) passed u/s 143(3) of the I T Act.
- d) DCIT(OSD) Range-1, Ahmedabad has filed Appeal No. 400/Ahd/2011 for A.Y.2006-07 against the Company to revise the depreciation amount from 13,48,51,978 to 10,66,84,908 and delete the addition on account of income from sale of furniture of ₹ 19,77,276/- treating the same as Short term Capital Gain.
- e) The Company has filed Appeal to CIT (A) for A.Y.2012-13 against order of the DCIT, Circle 1(1) (2) Ahmedabad u/s.143(3) of the I.T. Act, 1961 regarding addition and disallowance of ₹ 8,68,040/-. The Appeal is partly allowed vide Order dated 29.03.2016.

## B. LITIGATIONS BY OUR PROMOTERS

### *CHIRIPAL INDUSTRIES LIMITED*

#### 1. Under Negotiable Instruments Act, 1881

- a) The Company has filed a criminal complaint against Rajesh Sinha, proprietor of Tirupati Agencies for ₹ 2,34,477/- in case No.27407/2007 in the Court of Chief Judicial Magistrate, Ahmedabad.
- b) The company has filed a criminal complaint against Pravin Goyal, Proprietor of New Ashoka Fabrics for ₹ 7,59,861/- in case No. 1921/08 in the Court of the Civil Judge, Ahmedabad.
- c) The Company has filed a criminal complaint against Yogesh Modani, proprietor of Solomio for ₹ 5,43,400/- in case No.1311/2010 in the Ahmedabad Rural Metropolitan Magistrate Court.
- d) The company has filed Criminal Complaint No. 1867/2013 in the Court of Chief Judicial Magistrate Ahmedabad against Daus Packaging for recovery of ₹ 6,42,946 /-.
- e) The company has filed Criminal Complaint No. 6336/2013 in the Court of Addl. Chief Magistrate Ahmedabad against S Karunkarra Tapes for recovery of ₹ 4,81,324/-.
- f) The company has filed Criminal Complaint No.1794/2011 in the Court of Chief Judicial Magistrate Ahmedabad (Rural) against R.P. Trading for recovery of ₹ 3,74,000/-.
- g) The company has filed criminal complaint Nos.554/2013 and 555/2013 in the Court of Chief Magistrate Ahmedabad against Triveni Adhesive Tapes for recovery of ₹ 11,72,000/-.
- h) The company has filed Criminal Complaint No. 23/2013 in the Court Ahmedabad Rural Chief Metropolitan Magistrate's under sections 420 and 506 of Indian Penal Code against R. N. Sahani for ₹ 6,10,000/-.

#### 2. Civil Suits

- a) The Company has filed Summary Suit No. 13/2014 in the Court of Civil Judge Ahmedabad against Culture Clothing for recovery of ₹ 9,28,956/-.
- b) The Company has filed Summary Suit No. 20/2014 in the Court of Chief Judicial Magistrate Ahmedabad, against BOPP Tapes for recovery of ₹ 1,10,288/-.
- c) The Company has filed Summary Suit No 4821/2012 in the Court of Chief Judicial Magistrate Ahmedabad against Sakaria Brothers for recovery of ₹ 11,70,500/-.
- d) The Company has filed Special Summary Suit No. 33/14 in the Court of the 5th Add. Sr. Civil Judge, Ahmedabad against Indus Fila Ltd. for recovery of ₹ 1,05,60,470/- against return of cheques.
- e) The Company has appealed to the High Court, Ahmedabad under Appeal No. 63/2013 against order of District Judge Ahmedabad against Shobhanaben Shantilal and Ors for injunction and right of way for the suit premises being Gate No. T.P. 125, Survey No. 172+173A & 172+173B, Plot No. 196, Gopalpur, Pirana Road, Piplej, Ahmedabad.

#### 3. Cestat

- a) The Company has preferred Appeal No. CA-1/2013 with the Commissioner (Appeals), Customs, Mumbai III against order of the Assistant Commissioner of Customs, Air Cargo Complex, Sahar, imposing ₹ 4,91,803/- as duty drawback recoverable as the Company had not submitted Bank Realization Certificates pertaining to Garment Exports.

#### 4. Wealth Tax

- a) The company has filed Appeal No. 11/12/2013 1 to CIT(A) of Wealth Tax, Ahmedabad against order passed on 22/11/2013 by Wealth Tax Officer u/s.16(3) r.w.s. 17(1) for A.Y.2008-09. The addition is of ₹ 4,98,01,421/-.

### III. LITIGATION INVOLVING OUR DIRECTORS

#### A. LITIGATIONS AGAINST OUR DIRECTORS

NIL

#### B. Litigations by our Directors

NIL

### IV. LITIGATION INVOLVING OUR GROUP COMPANIES

#### A. LITIGATIONS AGAINST OUR GROUP COMPANIES

##### *NANDAN DENIM LIMITED (FORMERLY KNOWN AS NANDAN EXIM LIMITED)*

#### 1. Civil Suits

- a) Special Suit No. 553 of 2013 has been filed by Suringbhai Ranchodbhai Thakore against the Company & others in City Civil Court, Ahmedabad for cancellation of false sale deed of land.
- b) Special Civil Suit No. 185/2012 is filed against company by Laxmiben Shakrabhai Bhoi before the Court at Ahmedabad for declaration cancellation of document, recovery of possession and compensation and for permanent injunction. The suit is valued at ₹ 8,91,00,600/-
- c) Civil Suit No. 773/2012 is filed against company by Viraji Shanaji Thakore & Others before the Court at Ahmedabad for declaration cancellation of document, and for permanent injunction. The suit is valued at ₹ 2,50,600.00 plus interest.

#### 2. Criminal

- a) M. Case No. 2/2012 in criminal inquiry No.72/2012 has been filed against the Company by Kanchanben J. Vijay widow of Vijay Viraji Thakore before the Court of Hon'ble Additional Judge of Ahmedabad (Rural) at Ahmedabad for offence under sections 406, 420, 465, 468, 457, 506(2), 323, 114, 120(b) of Indian Penal Code in the Matter of sale of land.
- b) M. Case No. 1/2012 in criminal inquiry No.69/2012 has been filed against the Company by Vikram Shakrabhai Bhoi before the court of Hon'ble Additional Judge of Ahmedabad (Rural) at Ahmedabad for offence under sections 406, 420, 465, 468, 471, 457, 506(2), 323, 114, 120(b) of Indian Penal Code in the matter of sale of land.
- c) Application No. 1859/2012 filed by two employees of the Company against State of Gujarat. It is an anticipatory bail which has been granted with conditions.

#### 3. Labour

- a) In the Application No. 97/2009 to the Judge of Labour Court, Ahmedabad it has been ordered that the Company do reinstate Nitin Revabhai Patel whose services had been illegally terminated.
- b) A recovery application No. 327/2012 under Industrial Disputes Act for 60,000/- plus costs has been filed in Labour Court, Ahmedabad by Nitin Revabhai Patel in dated 25/07/2012. The amount involved ₹ 65,000/-.

- c) Recovery application No. 10/2013 under Industrial Disputes Act for ₹ 15,286/- plus costs has been filed in Labour Court, Ahmedabad by Nitin Revabhai Patel.
- d) In Payment of Wages Application No. 818/2009 to the appropriate authority under payment of Wages Act it has been ordered that the Company do pay ₹ 14,586/- plus ₹ 700/- as cost to Nitin Revabhai Patel.
- e) Petition No. 458/2012 has been filed in Labour Court, Ahmedabad by Gopal Shriram Bansi Shah claiming salary, special allowance, over time, bonus, paid leave and outstanding salary. The approximate amount involved is ₹ 1,07,740/-.
- f) Petition No. 90/2009 has been filed in Labour Court, Ahmedabad by Hiren Panchal claiming reinstatement of service with back wages for unreasonably and illegally terminating the applicant by adopting unfair labour practice.
- g) Petition 258/2013 has been filed in Labour Court, Ahmedabad by Ramesh Arvindbhai claiming special allowance, leave salary, double salary of overtime, bonus, notice pay and unemployment compensation. The approximate amount involved is 41, 000/-.
- h) The Application No. 82/2014 filed by Savitaben Shanabhai Bariya before the Hon'ble Labour Court at Ahmedabad claiming that her signature was obtained on blank paper, purported to be the resignation letter, by force.
- i) The Application No. 81/2014 filed by Rajubhai Ambalal Marathi before the Hon'ble Labour Court at Ahmedabad claiming that he had been discharging his duties diligently and faithfully since the last one year as a worker.
- j) The Application No. 108/2014 filed by Babubhai Chaturbhai Parmar before the Hon'ble Labour Court at Ahmedabad claiming that the company was having grudge against him as he had joined Maha Gujarat Mill Majdur Union (SITU).
- k) The Application No. 71/2014 filed by Umaben Kesav Ravat before the Hon'ble Labour Court at Ahmedabad claiming salary for the period she remained absent The approximate amount involved is ₹ 1,50,000/-.
- l) The Application No. 131/2013 filed by Arun Dukhi Pasvan and other workmen before the Hon'ble Labour Court at Ahmedabad claiming outstanding salary and other rights and other benefits although he has not worked directly or indirectly with the company.
- m) The Application No. 22/2014 filed by Bijendrasinh Sundersinh Rajput before the Hon'ble Labour Court at Ahmedabad claiming that he was discharging his duties since the last six years as security guard.
- n) The Application No. 9/2014 filed by Bhikabhai Balabhai Chauhan before the Hon'ble Labour Court at Ahmedabad claiming that the company was having grudge against him as he had joined Maha Gujarat Mill Majdur Union (SITU).

#### 4. Income Tax

- a) The Dy. CIT, Circle 5, Ahmedabad has filed ITAT Appeal No.1260/AHD-2011 for the A.Y. 2008-09 against order of CIT(A) regarding deletion of disallowance of interest of ₹ 13,11,030/- u/s.14A and ₹ 6,19,251/- being depreciation on car. The Deputy Commissioner of Income Tax, Circle 3(1)(1), Ahmedabad has sought to reopen the case and has passed order dated 30.06.2015 u/s 143(3) of the Act and has added to the income ₹ 38,36,025/- as disallowance u/s 43A of the Act and has sought to levy penalty u/s 271(1)(c) r/w section 274 of the Act. The company has challenged the order and preferred appeal to the CIT(Appeals) 9, Ahmedabad.
- b) The Company has filed ITAT Appeal No. CIT(A) - XI/135/13-14 for the A.Y. 2009-10 regarding Part disallowance u/s 14A of ₹ 3,11,516/- and prior period expenditure of ₹ 59,76,398/-

- c) The Company has filed Appeal to the CIT(Appeals) for the A.Y. 2009-10 regarding addition in respect of TUFF Interest Subsidy of ₹ 96,92,369/- which was levied vide notice u/s 148 of the Act and reassessment proceedings u/s 143(3) r.w.s.147 of the Act were completed on 20/03/2015.
- d) The ACIT, Circle 5, Ahmedabad has filed ITAT Appeal No. 2039/AHD-2013 for the A.Y. 2010-11 regarding deletion of disallowance of ₹ 12,87,372/- of Interest u/s 14 A r.w.r 8D of the I.T. Rules and deletion of the disallowance of ₹ 8,40,988/- being depreciation on motor cars not owned by the company.
- e) The Company has received a notice u/s. 143(2) on 07/08/2013 for the A.Y.2012-13 from ACIT Circle-5, Ahmedabad. Matter is to be adjudicated by the Assessing officer.

#### **5. Excise**

- a) Refund application for ₹ 11,13,007/- has been filed with Assistant Commissioner of Customs (Refunds) CR-I, JNCH, Nhavasheva in order in Appeal Nos.503,504 & 505 in connection with exemption of VAT.
- b) Refund application for ₹ 29,18,285/- has been filed with Assistant Commissioner of Customs(Refunds) CR-I, JNCH, NhavaSheva in Appeal Nos.515 to 521 in connection with exemption of VAT.
- c) Deputy Commissioner of Customs Gandhinagar has filed Appeal in tribunal. Company has field cross-objection. The amount involved is ₹ 83,04,022/-, for exemption of CVD on Indigo Blue.
- d) Assistant Commissioner of Central Excise, Ahmedabad has issued show cause notice for erroneous sanction of duty rebate for ₹ 5,14,545/- which has been replied by the company.
- e) Assistant Commissioner of Central Excise, Ahmedabad has filed revision application before Joint Secretary, Ministry of Finance, for ₹ 31,73,265/- against order No. 203, 204 and 205/2008 of the Commissioner (Appeals), Central Excise, Ahmedabad. The company has received ₹ 16,52,399/- towards duty rebate claim.
- f) The Company has filed Revision Application No. 312/30.09.2009 before Joint Secretary Ministry of Finance against order in Appeal passed by Commissioner (Appeals-I), Central Excise, Ahmedabad in the matter of duty rebate claim for ₹ 4,22,834/-.

#### ***SHANTI EXPORTS PVT. LTD***

- 1. Civil Suit:** Nil
- 2. Labour Matters:** Nil
- 3. Customs:** Nil
- 4. Criminal:** Nil

#### ***SHANTI EDUCATIONAL INITIATIVES LIMITED***

- 1. Civil Suit:** Nil
- 2. Labour Matters:** Nil
- 3. Customs:** Nil
- 4. Criminal:** Nil

The Company has received letter no. IVD/ID4/TIL/200497/10 dated 31.03.2010 from Securities and Exchange Board of India (SEBI) in connection with dealings in the shares of Teledata Informatics Ltd. The Company replied to the same and appeared for a personal hearing before the Investigating Authority on 13.07.2010. Thereafter SEBI sought additional information vide letter dated 19.07.2010 which was submitted by the Company on 21.7.2010.

## *CIL NOVA PETROCHEMICALS LTD (CNP)*

### **1. Income Tax**

- a) The DCIT has filed ITAT Appeal No. 49/AHD-2008 for the A.Y. 2004-05. The ITAT passed order in which ₹ 63,66,750/- is not allowed as depreciation. Further ITAT has allowed ₹ 7,36,021/- as foreign travel expenditure, ₹ 15,166/- has been allowed on depreciation on electrical installation of software division, ₹ 3,02,832/- has been allowed as a loss on sale of capital asset and ₹ 32,77,800/- has been allowed u/s 36(i)(iii). Revenue's Appeal has been partly allowed.
- b) The company has received notice from ACIT (OSD), Range-1, Ahmedabad vide notice no. ACIT (OSD)/271(1)(c)/2013-14 dated 03/02/2014 for A.Y. 2011-12.

### **2. Excise**

- a) The commissioner Excise has Appealed in High Court In Appeal No. 254 of 2014 with 25 of 2014 to 276 of 2014 at Ahmedabad challenging the order of CESTAT Ahmedabad for demanding ₹ 17,39,44,566/- in the matter of diversion of goods in 100% EOU supplied in open market.
- b) Stay under S/94/WZB/AHD/2010 has been granted by CESTAT Ahmedabad against order of the Commissioner Central Excise demanding NCCD POY issued for Captive Consumption. The amount demanded is ₹ 42,79,513/- and stay has been granted by CESTAT Ahmedabad against order of the commissioner Central Excise for exemption from NCCD. The amount demanded is ₹ 26,83,420/-.
- c) Assistant Commissioner Central Excise Div IV Ahmedabad II has call book show cause notice demanding ₹ 2,82,957/- for CENVAT Credit on outward freight paid to GTA.
- d) Commissioner Appeal Central Excise Div IV Ahmedabad II has call book show cause notice demanding ₹ 19,59,742/- for duty demand on scrap sales.
- e) Stay has been granted by CESTAT Ahmedabad against order of the commissioner Central Excise for duty demand on commission for ₹ 74,34,000/-.
- f) The Commissioner of Central Excise has Appealed in Appeal No. E/1065/2010 to CESTAT Ahmedabad for credit taken twice and the amount involved is ₹ 32,84,076/-.
- g) The Commissioner Excise has filed Appeal No. 2335 of 2009 in High Court at Ahmedabad challenging the order of CESTAT Ahmedabad for credit of NCCD taken on own invoices and on returned goods for ₹ 2,43,361/-.
- h) The Commissioner Excise has filed Appeal No. 638 of 2011 in High Court at Ahmedabad challenging the order of CESTAT Ahmedabad for credit of NCCD taken on own invoices for ₹ 71,43,146/-.
- i) Stay has been granted by CESTAT Ahmedabad against order of the Commissioner Central Excise for interest on duty reversal for ₹ 4,88,186/-.

### **3. Service Tax**

- a) Stay has been granted by CESTAT Ahmedabad against order of the commissioner Central Excise for wrongly availed service tax credit for ₹ 20,12,181/-.
- b) Assistant Commissioner Service Tax Div II has call book show cause notice demanding ₹ 2,15,902/- on account of wrong utilisation of GTS Service Tax credit.
- c) Additional Commissioner of Central Excise Ahmedabad II has call book show cause notice on outward freight on GTA credit taken for ₹ 23,78,038/-.

#### 4. Textile Cess

- a) Appeal pending before Tribunal of Textile Committee, Mumbai for levy of Textile Cess demand of ₹ 45,64,597/- for period September 1995 to July 2001.
- b) Appeal pending before Tribunal of Textile Committee, Mumbai for levy of Textile Cess demand of ₹ 41,32,456/- for period August 2001 to March, 2004.
- c) Appeal pending before Tribunal of Textile Committee, Mumbai for levy of Textile Cess demand of ₹ 14,83,185/- for period April 2004 to March 2005.

### B. LITIGATIONS BY OUR GROUP COMPANIES

#### *NANDAN DENIM LIMITED (FORMERLY KNOWN AS NANDAN EXIM LIMITED)*

##### 1. Civil Suits

- a) Summary Suit No. 2264/2011 has been filed by the Company against Fair Washing Company & others in The City Civil Court, Ahmedabad for recovery of ₹ 27,47,348/- plus interest.
- b) Suit No. 6/2011 has been filed by the Company against M/s Taj Garments in the City Civil Court, Ahmedabad for recovery of ₹ 1,52,663/- plus interest.
- c) Suit No 7/2011 has been filed by the Company against S.M. Apparels & others in The City Civil Court, Ahmedabad for recovery of ₹ 7,00,723/- plus interest.

##### 2. Insurance

- a) Petition filed by the Company against Employees State Insurance Corporation, Ahmedabad on 05/04/2013 in Application No. 49/2010 at Employees Insurance Court, Gujarat, Ahmedabad. The approximate amount involved is ₹ 15,77,616/- .

##### 3. Negotiable Instruments Act, 1881

- a) The company has filed case against Resham Impex and Sakil Akil Pathan in case no 14152/08. The amount involved is ₹ 2,05,550/-. Summons is issued.
- b) The company has filed cases against Alankit textile Pvt. Ltd. in case No.6674/09 & 9431/09. The amount involved is ₹ 3,00,000/-. Bailable warrant is issued.
- c) The company has filed a case against Pitamber Creation (i) P. Ltd. in case No.7466/09. The amount involved is ₹ 8,32,064/- .Non-bailable warrant is issued.
- d) The company has filed a case against Simplex Trading Syndicate in case No.7467/09. The amount involved is ₹ 15,54,148/-. Bailable warrant is issued
- e) The company has filed a case against Rajendra Khandelia, proprietor of Nectex in case No. 15083/10. The amount involved is ₹ 2,68,195/- .
- f) The company has filed a case against Tanushri Textile in case No.65/2011. The amount involved is 13,21,804/- .
- g) The company has filed a case against Vishala International & Export Pvt. Ltd. in case No.3501/2011. The amount involved is ₹ 6,04,707/- .

##### 4. Income Tax

- a) The Company has filed Appeal No. CIT(A) – XI/135/13-14 to CIT(A) to CIT(A) against order under section 271(1)(c) of the ACIT, Circle-5, Ahmedabad, for A.Y.2009-10 imposing penalty of ₹ 17,92,919/- and disallowance of prior period expenditure of ₹ 59,79,398/-.

- b) The Company has filed Appeal No. 476/2013-14 to CIT(A) in CIT(A)-XI/476/13-14 for the A.Y.2011-12 against order u/s.143(3) of the I.T. Act, 1961 on addition of ₹ 9,36,422/- u/s.14A and disallowance of depreciation on motor car of ₹ 1,20,553/- and disallowance of prior period expenditure of 1,06,240/- and disallowance of insurance expenses of ₹ 19,601/- and addition of ₹ 12,46,960/- for job work income and disallowance of ₹ 1,25,082/- u/s.36(i)(iii) and in charging of interest u/s 234B.
- c) The Company has filed Appeal for the A.Y.2012-13 against order u/s.143(3) of the I.T. Act, 1961 on addition of ₹ 1,25,082/- disallowed, being proportionate interest expenses as per the provisions of Section 36 (1) (iii) and disallowance of ₹ 9,36,422/- u/s. 14A and disallowance of PF of ₹ 5,87,036/- and disallowance of depreciation on vehicles of ₹ 1,20,553/- and disallowance of Prior Period Expense of ₹ 1,06,240/- and disallowance of the New Car Insurance Expense debited to the Profit & loss Account of ₹ 19,601/- .
- d) The Company has filed Appeal to CIT(A) against order dated 22.04.2016 u/s. 271(1)(c) of the Act for A.Y. 2011-12 imposing penalty of ₹ 5,05,674/-.

## 5. Arbitration

The Company has filed Petition IAAP/1/16 before the Hon'ble High Court of Gujarat at Ahmadabad against K.S.R Freight Forwarders (P) Ltd. in the matter under section 11 the Arbitration and Conciliation Act, 1996 and mainly for appointment of sole Arbitrator and restraining K.S.R Freight Forwarders (P) Ltd. from dispossessing, destroying, damaging the goods of the Company. The Company has called upon K.S.R Freight Forwarders (P) Ltd. to pay an amount of ₹ 74,21,265/- towards the value of goods, interest, expense and damage before the Hon'ble High Court of Gujarat at Ahmadabad against K.S.R Freight Forwarders (P) Ltd. in the same.

Earlier the Company had filed Special Civil Application no. 18590 of 2015 in the subject matter. Vide order dated 8.01.2016 the said Special Civil Application no. 18590 of 2015 was allowed to be withdrawn in view of filing of the aforesaid Petition IAAP/1/16.

### ***SHANTI EDUCATIONAL INITIATIVES LIMITED***

1. **Civil Suit:** Nil
2. **Labour Matters:** nil
3. **Customs:** Nil
4. **Criminal:** Nil

### ***SHANTI EXPORTS PVT. LTD***

1. **Civil Suit:** Nil
2. **Labour Matters:** Nil
3. **Customs:** Nil
4. **Criminal:** Nil
5. **Indirect Tax Matter**

Appeal numbers 414, 415 and 416 filed by the Sales Tax Commissioner of Gujarat in the Hon'ble Gujarat High Court against the Tribunal's orders for stay have been rejected and refund of ₹ 6,95,87,721/- plus interest to the company is due for the Assessment years 2003-04, 2004-05 and 2005-06.

## ***CIL NOVA PETROCHEMICALS LIMITED (CNP)***

### **1. Income Tax**

- a) The Company has filed Appeal to CIT(A) in Appeal No. CIT(A)-XI/313/DCIT.Cir-5/10-11 against order of the A.O., under section 143(3) r.w.s. 147 of the I.T. Act, 1961 for the A.Y.2003-04 determining the appellants total income/loss at ₹ 38,13,020/- as against loss of ₹ 1,03,97,750/-. The Appeal is allowed.
- b) The company has field Appeal to CIT (A) in Appeal No. CIT(A)-XI/312/DCIT.Cir.5/10-11 against order of the A.O., under section 143(3) r.w.s 147 of the I.T. Act, 1961 for the A.Y.2004-05 determining the appellants total income as NIL as against loss of ₹ 9,59,87,357/-. The Appeal is allowed.
- c) The Company has filed Appeal to CIT(A)-XI in Appeal No. CIT(A)-XI/314/DCIT.Cir-5/10-11 against order of the DCIT Circle-5 dated 18/11/2010, for the A.Y.2005-06. The CIT(A)-XI passed an order allowing the A.O. to re-open the assessment, the CIT(A)-XI has allowed an expenditure of ₹ 29,61,313/- u/s.40(a)(i), the CIT(A)-XI has partly allowed appellants Appeal with regard to ₹ 1,98,620/- u/s.14A of the Act, the CIT(A)-XI has allowed ₹ 66,55,118/- on account of excessive depreciation and the CIT(A)-XI has partly allowed appellants Appeal with regard to issuance of notice u/s.148.
- d) The Company has filed Appeal to CIT (A)-II, Ahmedabad on 07/08/2012 for the A.Y. 2008-09 in Appeal no. 312 of 2008-09.
- e) The Company has filed Appeal to CIT (A)-III, Ahmedabad for the A.Y. 2009-10 in Appeal No. CIT (A) - III/ACIT.CIR-1/296/2012-13.
- f) The Company has filed Appeal to CIT(A)-II, Ahmedabad for the A.Y. 2010-11 in Appeal no CIT(A) - II/ACIT(OSD).C.-1/427/2013-14 against liability of ₹ 27,19,970.

## **PENALTIES LEVIED UPON OUR COMPANY / PROMOTER / PROMOTER GROUP COMPANIES IN THE PAST FIVE YEARS**

### ***CIL NOVA PETROCHEMICALS LIMITED***

1. On June 01, 2009 Securities and Exchange Board of India (“SEBI”) issued a Show Cause Notice (“SCN”) to Nova under Section 11, 11(4), 11B of Securities and Exchange Board of India Act, 1992 read with SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as ‘PFUTP’) for alleged violation of Section 12A of PFUTP. The Company was advised to reply within 21 days of the receipt of SCN. Nova vide letter dated June 26, 2009 sought extension of one month to reply to the SCN, however it failed to reply to the SCN. Thereafter reminder letter dated July 13, 2009 and August 12, 2009 were issued to Nova to reply to the SCN. Again vide letter dated August 19, 2009 Nova sought extension till September 15, 2009, to file its submission, but failed to do so. The Whole Time Member of SEBI on January 12, 2010 passed an order restraining Nova from buying, selling and dealing or accessing the securities market directly or indirectly in any manner whatsoever for a period of two years from the date of the order. Nova filed an application with the Securities Appellate Tribunal on January 27, 2010 against the order of whole time member of SEBI passed on January 12, 2010. On June 07, 2010 the SAT dismissed the appeal of Nova.
2. An oral prayer was made by Nova to stay the operation of the order to enable them to move the Supreme Court; the SAT directed that the operation of order shall remain in abeyance till July 12, 2010. Subsequently the SAT on July 12, 2010 dismissed the application of abeyance.

SEBI vide its letter dated April 07, 2011 granted permission for listing of shares of CIL on BSE Limited citing the reference of the order passed by The Hon’ble High Court of Gujarat on March 21, 2011 advising SEBI to list the Shares of CIL by granting relaxation under rule 19(2)(B) of Securities Contracts (Regulation) Rules 1957. Further, SEBI clarified that, for any purpose other than listing, the SEBI order dated January 12, 2010 will be in operation.

3. CNPL has not faced any suspension on the BSE and NSE for any listing agreement non-compliance. However, CNPL, prior to the scheme of arrangement – the erstwhile Nova Petrochemicals Limited had received a Show Cause Notice dated September 10, 2009 for failure to make disclosure under regulation 7(3) and regulation 8(3) of the SEBI (SAST) Regulations, 1997. After the Scheme of Arrangement The company requested for a Consent

Order vide its letter dated April 16, 2010 and the same was passed with a consent term of ₹ 10,00,000/- (₹ 5,00,000 payable by CIL Nova Petrochemicals Ltd. and GSL Nova Petrochemicals Ltd. each) on April 10, 2013.

#### **MATERIAL DEVELOPMENTS**

In the opinion of the Board, other than as disclosed in the Notes to our Financial Statements in the section “*Financial Statements*” on page no. 158 and in the section “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page no. 183 of this Draft Letter of Offer, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next 12 months.

#### **AMOUNTS OWED TO SMALL SCALE UNDERTAKINGS AND OTHER CREDITORS**

Our Company does not owe any small scale undertakings any amounts as of the date of this Draft Letter of Offer.

As on March 31, 2016, our Company owes total amounts aggregating to ₹ 2,484.31 lakhs towards all creditors. There are no disputes with such entities in relation to payments to be made to them. The details pertaining to amounts due towards such creditors are available on the website of our Company at the following link: [www.vishalfabricsltd.com](http://www.vishalfabricsltd.com).

*Information provided on the website of our Company is not a part of this Prospectus and should not be deemed to be incorporated by reference. Anyone placing reliance on any other source of information, including our Company’s website, would be doing so at its own risk.*

#### **ADVERSE EVENTS**

There has been no adverse event affecting the operations of our Company occurring within one year prior to the date of filing Draft Prospectus with the Registrar of Companies.

## GOVERNMENT AND OTHER STATUTORY APPROVALS

Our Company has received the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no other material approvals are required by us for carrying on its present business activities. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake its current business activities and no further material approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

### I. APPROVALS OBTAINED BY THE COMPANY

#### Approvals pertaining to existing unit at Narol Road

Sr. No.	Particulars	Granting Authorities	Registration/Approval/Co de No./ Artistic Work No.	Date of Issue	Period of Validity if specified
1	Fresh Certificate of Incorporation on conversion of Vishal Fabrics Pvt. Ltd. to Vishal Fabrics Ltd.	Registrar of Companies, Ahmedabad	U17110GJ1985PLC008206	31.03.2014	Valid until cancelled
2	Permanent Account No.	Income Tax Department, Government of India	AAACV6304R	22.10.1985	Valid until cancelled
3	Tax Deduction Account No. (TAN)	Income Tax Department, Government of India	AHMV00328G-		Valid until cancelled
4	Service Tax Registration Number	Deputy Commissioner of Service Tax, Ahmedabad	AAACV6304RST001		Valid until cancelled
5	Tax Payer's Identification No. (TIN) –VAT	Registration Officer, Sales Tax Department, Ahmedabad	24075000615	01.07.2002	Valid until cancelled
6	Tax Payers Identification No. (TIN) – Sales Tax	Registration Officer, Sales Tax Department, Ahmedabad	2457500615-CST	26.11.1987	Valid until cancelled
7	Registration under Employees Provident Fund & Miscellaneous Provisions Act, 1952	Provident Fund Commissioner	GJ/0002638/B		Valid until cancelled
8	Registration under Employees State Insurance Act, 1948	Employees State Insurance Corporation	37/14212/19	29.10.2009	Valid until cancelled
9	Importer Exporter Code(IEC)	Government of India, Ministry of Commerce	0893016993	6.4.1994	Valid until cancelled
10	Registration of	Directorate	085140	23.12.1994	

Sr. No.	Particulars	Granting Authorities	Registration/Approval/Code No./ Artistic Work No.	Date of Issue	Period of Validity if specified
	Certificate under Factories Act, 1948	Industrial Safety & Health Gujarat State			
11	Registration under Contract Labour (Regulation and Abolition) Act, 1970	Registering and Licensing Authority, Contract Labour (Regulation and Abolition) Act, 1970. 1/25/2002	Zone- 1/25/2002	28.11.2002	Valid until cancelled
12	Sanction letter from Torrent Power Ltd	Assistant Manager	KA/HT-8000611/807	18.11.2015	
13	Approval for the layout of the factory	Director, Industrial Safety & Health	DISH/F-NAKSHA/2008/640/641	11.06.2008	Valid until cancelled
14	Professional Tax	Gujarat State , Tax on Professions, Trades, Callings and Employment Act, 1976	PRC013210083		
15	Certificate for use of Boiler	Deputy Director of Boiler, Gujarat Boiler Inspection Department, Ahmedabad	No.20 For GT- No. 4532 No.21 for GT- No.4698	18.07.2016 08.01.2016	
16	Renewal of consent to operate under Air (Prevention & Control of Pollution ) Act, 1981	Gujarat Pollution Control Board	PC/ABD/NL/CCA-55/ID:14711/157943	27.08.2013	
17	Technology Upgradation Fund Scheme (TUFS)	Office of Textile Commissioner, Ministry of Textiles, Government of India	Term loans sanctioned by the respective banks vide their sanction letters as mentioned in the chapter "Financial Indebtedness" in the Draft Letter of Offer.		Valid Until cancelled/till subsistence of scheme

#### Approvals pertaining to new project at Dholi, Ahmedabad<sup>(1)</sup>

Sr. No.	Particulars	Granting Authorities	Registration/Approval/Code No./ Artistic Work No.	Date of Issue	Period of Validity if specified
1.	Consent to establish industrial plant at Dholi from Gujarat Pollution Control Board	Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar	GPCB/CCA/ABD-GEN-1273.ID-48881/355 063	06.05.2016	
2.	Acknowledgement from Secretariat for Industrial Assistance	Industrial Entrepreneurs Memorandum Section, Ministry of Commerce & Industry	1729/SIA/IMO/2015	30.11.2015	

Sr. No.	Particulars	Granting Authorities	Registration/Approval/ Code No./ Artistic Work No.	Date of Issue	Period of Validity if specified
3.	Approval from Uttar Vij Co Ltd for use of 1000kva power at new unit in Dholi	Chief Engineer(OP)	UGVCL/REGD/COM/N EW/1367	13.06.2016	
4.	Registration under Excise & Customs	Central Board of Excise & Customs	AAACV6304REM003	09.03.2016	

<sup>(1)</sup> The Company is in the process of applying for other approvals pertaining to the expansion project of Yarn Dyeing and Denim Processing Plant and the Company intends to obtain the same before commissioning of the Project.

## II. PENDING APPROVALS RELATING TO INTELLECTUAL PROPERTY

Sr. No.	Particulars of Mark	Applicant	Application No.	Date of Filing	Class
1.	Registration of Trade Mark "VISHAL FABRICS LIMITED" Under Class 24	Registrar of Trade Marks- The mark is still under objection	2728943	01.05.2014	24

## III. EPCG LICENSES OF OUR COMPANY

Application for redemption of licenses has been made for the following EPCG licenses of our Company as on the date of the Draft Letter of Offer, details of which are as following:

License No.	Date
<b>For A. Y. 2007</b>	
0830001830	01.02.2007
<b>For A. Y. 2010</b>	
0830003451	05.03.2010
0830003484	16.03.2010
<b>For A. Y. 2011</b>	
0830004144	10.03.2011

## SECTION VIII – OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Board of Directors of the Company has approved the Issue under Section 62(1)(A) of the Companies Act, at their meeting held on August 23, 2016 to make the offer to Eligible Equity Shareholders of the Company with a right to renounce. The same was further approved by the shareholders at the AGM held on September 20, 2016. Subsequently, the Board of Directors approved this Draft Letter of Offer at their meeting held on September 29, 2016.

The Board of Directors have determined the Issue Price as ₹ 100 per Equity Share and the Rights Entitlement as 2 Equity Share(s) for every 3 fully paid up Equity Share(s) held on the Record Date. The Issue Price has been arrived at in consultation with the Lead Manager.

Our Company has received approval from BSE under the SEBI Listing Regulations for listing of the securities to be allotted in the Issue pursuant to the letter dated [●].

### RBI Approval for Renunciation

Our Company proposes to apply to the RBI for seeking its approval for renunciation of the Rights Entitlement by (a) an Equity Shareholder resident in India, in favour of any person resident outside India (*other than OCBs*); (b) an Equity Shareholder resident outside India (*other than OCBs*), in favour of any person resident in India; and (c) an Equity Shareholder resident outside India (*other than OCBs*), in favour of any other person resident outside India (*other than OCBs*).

### Prohibition by SEBI or RBI or other Government Authorities

Neither the Company, the Promoters, the Promoter Group Entities, the Directors, the Group Entities nor the persons in control of the corporate Promoters or any other company to which the above persons are associated as promoters, directors or persons in control, have been prohibited from accessing or operating in the capital markets, or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI except as stated under chapters “*Risk Factors*”, “*Our Group Companies*” and “*Outstanding Litigations and Material Developments*” on pages 11, 135 and 198 of this Draft Letter of Offer, respectively.

Further neither us, the Promoters, the Promoter Group entities, the Group Companies nor the relatives of the Promoter have been declared willful defaulters by the RBI or any other authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

Except as stated in the section titled “*Our Management*” on page no. 116 of this Draft Letter of Offer, none of our directors hold current or have held directorships in the last five years in a listed company whose shares have been suspended from trading on BSE or NSE or in a listed company that has been/ was delisted from any stock exchange.

### Association with Securities Market

We confirm that none of our Directors are associated with the Securities Market in any manner and no action has been initiated against these entities by SEBI at any time except as stated under chapters “*Risk Factors*”, “*Our Group Companies*” and “*Outstanding Litigations and Material Developments*” on page nos. 11, 135 and 198 of this Draft Letter of Offer.

### Eligibility for the Issue

Our Company is an existing company registered under the Companies Act whose Equity Shares are listed on the SME platform of BSE Limited. Our Company is eligible to undertake this Issue in terms of Regulation 4(2), Chapter IV and Regulation 106 (M) (3) of the SEBI (ICDR) Regulations, 2009 as amended from time to time.

However, as per the proviso of Regulation 106(M)(3) of SEBI (ICDR) Regulations, 2009, the provisions of Regulations 6(1), 6(2), 6(3), Regulation 8, Regulation 9, Regulation 10, Regulation 25, Regulation 26, Regulation 27 and Sub regulation (1) of Regulation 49 of SEBI (ICDR) Regulations, 2009 shall not apply to us in this Issue.

Pursuant to clause (2) of part E of Schedule VIII of the SEBI Regulations, our Company is eligible to make an offer this Issue in terms of ‘Part A’ of Schedule VIII of the SEBI (ICDR) Regulations, 2009.

We further confirm that we shall be complying with all the other requirements as laid down for such an Issue under Chapter X-B of SEBI (ICDR) Regulations, as amended from time to time and subsequent circulars and guidelines issued by SEBI and the Stock Exchange.

#### **Disclaimer Clause of SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MERCHANT BANKER, ARYAMAN FINANCIAL SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER, ARYAMAN FINANCIAL SERVICES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [●].**

**AS PER REGULATION 106(O) OF THE SEBI ICDR REGULATIONS, ONLY THE LETTER OF OFFER HAS TO BE FILED WITH SEBI ALONGWITH A DUE DILIGENCE CERTIFICATE AS PER FORM A OF SCHEDULE VI OF THE SEBI ICDR REGULATIONS BY THE BRLM. ACCORDINGLY, THIS SECTION WILL BE UPDATED AT THE TIME OF FILING THE LETTER OF OFFER WITH STOCK EXCHANGE AND LETTER OF OFFER AND DUE DILIGENCE CERTIFICATE AS PER FORM A OF SCHEDULE VI OF THE SEBI ICDR REGULATIONS WITH SEBI.**

**THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 (SECTION 34 OR SECTION 36 OF THE COMPANIES ACT, 2013) OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.**

#### **Disclaimer from our Company and the Lead Manager**

The Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by us or by any other persons at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the Issue will be deemed to have represented to us and Lead Manager and their respective directors, officers, employees, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/ evaluation as to their ability and quantum of investment in the Issue.

#### **CAUTION**

The Company and the Lead Manager shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer. You must not rely on any unauthorized information or representations. This Draft Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Draft Letter of Offer is current only as of its date.

### **Disclaimer in respect of Jurisdiction**

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

### **Designated Stock Exchange**

The Designated Stock Exchange for the purpose of the Issue will be BSE Ltd.

### **Disclaimer Clause of BSE**

As required, a copy of this Draft Letter of Offer has been submitted to the BSE. The disclaimer clause as intimated by the BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchanges.

### **Disclaimer Clause under Rule 144A of the U.S. Securities Act**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 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 or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold (i) in the United States only to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and in compliance with the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Applicants may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

### **Filing**

The Draft Letter of Offer shall not be filed with SEBI, nor will SEBI issue any observation on the offer document in terms of Regulation 106(O)(1). However, a copy of the Letter of Offer shall be filed with SEBI at the Western Regional Office, Unit No: 002, Ground Floor, SAKAR I, Near Gandhigram Railway Station, Opp. Nehru Bridge, Ashram Road, Ahmedabad – 380 009.

A copy of the Letter of the Offer, required to be filed under SEBI (ICDR) Regulations, 2009 would be filed with all the Stock Exchange(s) where the Equity Shares of our Company are listed.

### **Selling Restrictions**

The distribution of this Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. We are making this Issue of Equity Shares on a rights basis to our Eligible Equity Shareholders and will dispatch the Letter of Offer/ Abridged Letter of Offer and CAFs to the Eligible Equity Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer is filed with SEBI for observations. Accordingly, the rights or Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction.

Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the rights or Equity Shares or rights, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the rights referred to in this Draft Letter of Offer.

Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

#### **IMPORTANT INFORMATION FOR INVESTORS – ELIGIBILITY AND TRANSFER RESTRICTIONS**

As described more fully below, there are certain restrictions regarding the rights and Equity Shares that affect potential investors. These restrictions are restrictions on the ownership of Equity Shares by such persons following the offer.

**The rights and the Equity Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (“U.S. Persons”) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.**

**The rights and the Equity Shares have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of rights or Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

#### **Eligible Investors**

The rights or Equity Shares are being offered and sold only to persons who are outside the United States and are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. All persons who acquire the rights or Equity Shares are deemed to have made the representations set forth immediately below.

#### **Equity Shares and Rights Offered and Sold in the Issue**

Each purchaser acquiring the rights or Equity Shares, by its acceptance of the Draft Letter of Offer and of the rights or Equity Shares, will be deemed to have acknowledged, represented to and agreed with us and the Lead Managers that it has received a copy of the Draft Letter of Offer and such other information as it deems necessary to make an informed investment decision and that:

- I. The purchaser is authorized to consummate the purchase of the rights or Equity Shares in compliance with all applicable laws and regulations;
- II. The purchaser acknowledges that the rights and Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- III. The purchaser is purchasing the rights or Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;

- IV. The purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the rights or Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such rights or Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such rights or Equity Shares for the account or benefit of any U.S. Person or any person in the United States or entered into any arrangement for the transfer of such rights or Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;
- V. The purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;
- VI. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such rights or Equity Shares, or any economic interest therein, such rights or Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them, and confirms that the proposed transfer of the rights or Equity Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act;
- VII. The purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the Securities Act in the United States with respect to the rights or the Equity Shares;
- VIII. The purchaser understands that such rights or Equity Shares (to the extent they are in certificated form), unless the Company determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:
- THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.
- IX. The purchaser agrees, upon a proposed transfer of the rights or the Equity Shares, to notify any purchaser of such rights or Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the rights or Equity Shares being sold;
- X. The Company will not recognize any offer, sale, pledge or other transfer of such rights or Equity Shares made other than in compliance with the above-stated restrictions; and
- XI. The purchaser acknowledges that the Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such rights or Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such rights or Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State) who receives any communication in respect of, or who acquires any rights or Equity Shares under, the offers contemplated in the Draft Letter of Offer will be deemed to have represented, warranted and agreed to with Lead Manager and the Company that in the case of any rights or Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:

- (i) the rights or Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified

investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Lead Manager has been given to the offer or resale; or

- (ii) where rights or Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those rights or Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any of the rights or Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the rights or Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the rights or Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

### **Listing**

The existing Equity Shares are listed on the SME platform of BSE Limited. Our Company has made an application to BSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of the Draft Letter of Offer. Our Company has received approval from the BSE vide letter dated [●]. Our Company will apply to BSE for listing of the securities to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the Rights Equity Shares is not granted by the Stock Exchange mentioned above, within 6 days from the Issue Closing Date, our Company shall forthwith repay, without interest, all monies received from Investors in pursuance of the Draft Letter of Offer. If such money is not paid within 8 days after our Company becomes liable to repay it, then our Company and every Director of our Company who is an officer in default shall, on and from expiry of 8 (eight) days, be jointly and severally liable to repay interest as prescribed under the applicable provisions of the Companies Act, 2013.

### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to the Company and (b) the Lead Manager, Escrow Collection Bankers<sup>(1)</sup>, Refund Banker<sup>(1)</sup>, Registrar to the Issue, the Legal Advisors to the Issue, to act in their respective capacities, have been obtained and such consents shall not be withdrawn.

<sup>(1)</sup> *Consents will be obtained before filing of Letter of Offer.*

In accordance with the Companies Act, 2013 and the SEBI (ICDR) Regulations, M/s. Anil S. Shah & Co., Chartered Accountants, Statutory Auditors have provided their written consent to the inclusion of their report dated September 16, 2016 on Restated Financial Statements and their report dated September 08, 2016 on Statement of Tax benefits, both included in this Draft Letter of Offer, and such consent and reports have not been withdrawn up to the time of filing of this Draft Letter of Offer.

### **Expert Opinion**

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received written consent from the Statutory Auditor namely, M/s. Anil S. Shah & Co., Chartered Accountants to include their name as required under section 26(1)(a)(v) of the Companies Act, 2013 in this Draft Letter of Offer and as “Expert” as defined under section 2(38) of the Companies Act, 2013 in respect of the reports on the Restated Financial Statements dated September 16, 2016 and the Statement of Tax Benefits dated September 08, 2016, issued by them, included in this Draft Letter of Offer and such consent has not been withdrawn as on the date of this Draft Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

### **ISSUE RELATED EXPENSES**

The expenses of this Issue include, among others, management fees and underwriting fees, printing and distribution expenses, legal fees, statutory advertisement expenses, registrar and depository fees and listing fees, which is as given below:

Sr. No.	Particulars	Amount (₹ in lakhs)	% of Total Expenses	% of Total Issue size
1	Issue Management and Underwriting fees	54.91	77.44%	0.63%
2	Printing & Stationery, Distribution, Postage, Advertisement and Marketing Expenses, etc.	5.00	7.05%	0.06%
3	Stock Exchange and Other Fees (Legal Fees, Registrar Fees, Listing Charges, out of pocket expenses)	11.00	10.46%	0.08%
<b>Total</b>		<b>70.91</b>	<b>100.00%</b>	<b>0.77%</b>

#### Fees, Brokerage and Selling Commission Payable to the Lead Manager

The total fees payable to the Lead Manager (including underwriting commission and selling commission) is as stated in the MOU dated September 24, 2016 and the Underwriting Agreement dated September 24, 2016 among the Company and the Lead Manager and other parties (if any), a copy of which will be made available for inspection at our Registered Office.

#### Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the MoU between the Company and the Registrar to the Issue dated September 26, 2016.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice by registered post/speed post.

#### CAPITAL ISSUE DURING THE LAST FIVE YEARS

##### Previous Public and Rights Issues

Vishal Fabrics Limited has made its Initial Public Offering in the year 2014 and issued 34,74,000 Equity Shares of the face value ₹ 10 each at a price of ₹ 45 (including a premium of ₹ 35 per share) per share aggregating to ₹ 1,563.30 lakhs. The details of the IPO are given below:

IPO Closing Date	August 05, 2014
Date of Allotment	August 13, 2014
Date of Refunds (including unblocking of ASBA funds)	August 14, 2014
Date of Listing	August 20, 2014

##### Previous Issues of Equity Shares otherwise than for Cash

Except as stated in the chapter titled “*Capital Structure*” beginning on page no. 50 of this Draft Letter of Offer, we have not issued any Equity Shares for consideration other than for cash.

##### Commission and Brokerage Paid on Previous Issues of our Equity Shares

The Company listed its shares on August 20, 2014. The total commission and brokerage paid for the successful allotments in the IPO was ₹ 1.33 lakhs.

##### Capital Issues in the last three (3) years by Listed Group Companies / Subsidiaries / Associates

None of our Group Companies / Associates that are listed on any Stock Exchange have made any Capital Issue in the last three (3) years except as stated below:

Name of the Company	Shanti Educational Initiatives Limited
Year of Issue	2016
Type of Issue	Initial Public Offer
Amount of the Issue	₹ 3,960.00 lakhs
Date of Closure of the Issue	June 06, 2016
Date of Completion of Delivery of Shares	June 10, 2016

Date of completion of project, if applicable	N. A.
Rate of Dividend paid	N. A.

Further, our listed group company, CIL Nova Petrochemicals Limited has filed a Draft Letter of Offer with SEBI on July 05, 2016.

We do not have any subsidiary as on date of this Draft Letter of Offer.

## PERFORMANCE VIS-À-VIS OBJECTS

### Issuer Company

Our Company had come out with its Initial Public Offering in the year 2014 by issuing 34,74,000 Equity Shares of the face value ₹ 10 each at a price of ₹ 45 per share (including a premium of ₹ 35 per share) aggregating to ₹ 1,563.30 lakhs. The objects of the issue and the respective utilizations as on 31st March, 2015 are as follows:

(₹ in lakhs)

Particulars	Proposed Objects	Actual Utilisations
Funding Long Term Working Capital Requirements	1,400.00	1,400.00
Funding expenditure for General Corporate Purposes	102.80	102.80
Issue Related Expenses	60.50	60.50

### Listed Group Companies / Subsidiaries / Associate Companies

#### *Initial Public Issue by Shanti Educational Initiatives Limited*

Shanti Educational Initiatives Limited had come out with Public Issue by issuing 44,00,000 Equity Shares of ₹ 10/- each at a Premium of ₹ 80 per share aggregating to ₹ 3,960.00 lakhs through an Offer for Sale of 36,00,000 Equity Shares by the Selling Shareholders aggregating to ₹ 3,240.00 lakhs and a Fresh Issue of 8,00,000 Equity Shares aggregating to ₹ 720.00 lakhs. The Fresh Issue was to fund the construction of school building at Vastral in Gujarat. The said issue was opened for subscription on June 01, 2016 and closed on June 06, 2016. The issue was fully subscribed and the shares were allotted to the successful applicants on June 10, 2016 and the new equity shares were listed on BSE with effect from June 14, 2016.

*The objects of the issue were*

1. Construction of School Building at Vastral in Gujarat
2. General Corporate Expenses
3. Issue Expenses

Since the Issue closed on June 06, 2016, the status of funds utilisation is not available.

#### *Rights Issue by Nandan Denim Limited*

Nandan Denim Limited (formerly known as Nandan Exim Limited) had come out with Right Issue by issuing 15,18,30,188 Equity Shares of ₹ 1/- each at a Premium of ₹ 2 per share on a Rights basis to the existing shareholders of the Company in the ratio of 1 Equity Shares for every 2 Equity Shares held as on the Record date i.e. December 19, 2007 Aggregating ₹ 4,554.90 lakhs to fund the expansion of existing units and setting up of new spinning unit and Power Plant. The said issue was opened for subscription on December 29, 2007 and closed on January 28, 2008. The issue was fully subscribed and the shares were allotted to the successful applicants on February 22, 2008 and the new equity shares were listed on BSE with effect from March 05, 2008.

*The objects of the issue were*

1. Expansion of Denim capacity by 200 lakh meters per annum to 400 lakh meters per annum
2. Setting up of spinning unit with installed capacity of 32,000 spindles to produce 50 TPD of yarn
3. Setting up of 15 MW captive power plant 6,250.00
4. Utilize the funds for general corporate purposes and to meet the expenses of the issue

NDL intended to fund the above object worth ₹ 33,354.90 lakhs through various means including Bank Loan, Preferential Issue, internal Accruals and the said Rights Issue. Out of the total, ₹ 28,800 was raised through other means of finance and ₹ 4,554.90 was raised through the said Rights Issue.

As per the stock exchange filings made by NDL, the Company has fully completed expansion project as per Letter of Offer filed with SEBI and the Company is now having 4 Denim Lines of 400 Lakh meters p.a.; 40 TPD Spinning Plant along with 15 MW Power Project. Further, the proceeds of the Rights Issue of ₹ 4,554.90 lakhs have been fully utilized as per expansion project.

#### **OUTSTANDING DEBENTURES, BONDS, REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED BY THE COMPANY**

The Company has no outstanding debentures or bonds. The Company has not issued any redeemable preference shares or other instruments in the past.

#### **Stock Market Data for our Equity Shares**

For stock market data, please refer to section titled “Market Price Information” beginning on page no. 192 of this Draft Letter of Offer.

#### **DISPOSAL OF INVESTOR GRIEVANCES**

##### **Mechanism for Redressal of Investor Grievances**

The Company has appointed Link Intime India Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with the Compliance Officer of the Company. All grievances received by our Company are addressed by the Registrar with in consultation with the Compliance Officer.

Our Board by a resolution on August 17, 2015 reconstituted the Stakeholders Relationship Committee. The composition of the Stakeholders Relationship Grievance Committee is as follows:

<b>Name of the Member</b>	<b>Nature of Directorship</b>	<b>Designation in Committee</b>
Mr. Arakhita Khandual	Non-Executive Independent Director	Chairman
Mr. Shubhankar Jha	Non-Executive Independent Director	Member
Ms. Dhara Shah	Non-Executive Independent Director	Member

For further details, please see the chapter titled “Our Management” beginning on page no. 116 of this Draft Letter of Offer.

The contact details of our Registrar and Share Transfer agent are as follows

##### **Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup West,

Mumbai – 400 078

Tel. No.: +91 – 22 – 2596 7878

Fax No.: +91 – 22 – 2596 0329

Email: [yishal.rights@linkintime.co.in](mailto:yishal.rights@linkintime.co.in)

Investor Grievance Email: [yishal.rights@linkintime.co.in](mailto:yishal.rights@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

Contact Person: Mr. Dinesh Yadav

SEBI Registration No.: INR000004058

##### **Status of Investor Complaints**

We confirm that we have not received any investor complaint during the three years preceding the date of this Draft Letter of Offer and hence there are no pending investor complaints as on the date of this Draft Letter of Offer.

### **Investor Grievances arising out of this Issue**

The investor grievances arising out of the Issue will be handled by Ms. Tanushree Dave, Compliance Officer and Company Secretary, and Link Intime India Private Limited, Registrars to the Issue. The Registrar to the Issue will have a separate team of personnel handling only our post-Issue correspondence. The agreement between us and the Registrar to the Issue will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of letter of allotment/ share certificates / warrant/ refund order to enable the Registrars to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first Investors, number and type of shares applied for, application form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the details of the Renounees should be furnished.

The average time taken by the Registrar to the Issue for redressal of to routine grievances will be 7 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. The Company would monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

**Investors may contact the Compliance Officer / Company Secretary in case of any pre – Issue / post – Issue related problems such as non-receipt of letters of allotment / share certificates / demat credit / refund orders etc. The contact details are as follows:**

**Name: Ms. Tanushree Dave**

**Address:** Chiripal House, Near Shivranjani Cross Roads,  
Satellite, Ahmedabad – 380015

Tel. No.: +91 – 79 – 26734660 / 62 / 63

Fax No.: +91 – 79 – 26768656

Email: [tanushree.dave@chiripalgroup.com](mailto:tanushree.dave@chiripalgroup.com)

### **DISPOSAL OF INVESTOR GRIEVANCES BY LISTED COMPANIES UNDER THE SAME MANAGEMENT**

For details of Investor Grievances by Listed Companies under the same Management, see the chapter “*Our Group Companies*” beginning on page no. 135 of this Draft Letter of Offer.

### **CHANGE IN AUDITORS**

There has been no change in auditors of our company in the last 3 years.

### **CAPITALISATION OF RESERVES OR PROFITS**

Except as stated in the chapter titled “*Capital Structure*” beginning on page no. 50 of this Draft Letter of Offer, our Company has not capitalised our reserves or profits during the last five years.

### **REVALUATION OF ASSETS**

We have not revalued our assets in the last 5 years.

## SECTION IX – OFFER RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares proposed to be issued on a rights basis, are subject to the terms and conditions contained in this Draft Letter of Offer, the Abridged Letter of Offer, the Composite Application Form, the Split Application Form, the Memorandum of Association and Articles of Association of our Company, and the provisions of the Companies Act, FEMA, the guidelines and regulations issued by SEBI, the guidelines, notifications and regulations for the issue of capital and for listing of securities issued by the Government of India and other statutory and regulatory authorities from time to time, approvals, if any from the RBI or other regulatory authorities, the SEBI Listing Regulations and terms and conditions as stipulated in the allotment advice or security certificate.

Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, QIB Applicants, Non-Institutional Investors and other Applicants whose application amount exceeds ₹ 200,000, complying with the eligibility conditions of SEBI circular SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009, can participate in the Issue only through the ASBA process. The Investors who are not (i) QIBs, (ii) Non-Institutional Investors or (iii) Investors whose application amount is not more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non-ASBA process. ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. For further details, please refer '*Terms of the Issue - Procedure for Application*' beginning on page no. 228 of this Draft Letter of Offer.

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 02, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

All rights/obligations of the Eligible Equity Shareholders in relation to application and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

#### **Authority for the Issue**

The Issue has been authorised by a resolution of our Board passed at its meetings held on August 23, 2016 pursuant to Section 62(1)(a) of the Companies Act, 2013 and by a special resolution passed by the shareholders of our Company at their AGM held on September 20, 2016.

#### **Ranking of Equity Shares**

The Rights Shares being issued shall be subject to the provisions of the Memorandum of Association and the Articles of Association. The Rights Shares allotted in the Issue shall rank *pari passu* with the existing Equity Shares in all respects including dividends.

For further details, please see the section titled "*Main Provisions of the Articles of Association of our Company*" on page no. 255 of this Draft Letter of Offer.

#### **Mode of payment of dividend**

In the event of declaration of dividend, our Company shall pay dividend to the Eligible Equity Shareholders as per the provisions of the Companies Act and the provisions of the Articles of Association.

## **Basis for the Issue**

The Equity Shares are being offered for subscription for cash to the existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and on the register of members of our Company in respect of the equity shares held in physical form at the close of business hours on the Record Date, i.e., [●], fixed in consultation with the Designated Stock Exchange.

## **Rights Entitlement**

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Eligible Equity Shareholder of our Company in respect of the Equity Shares held in physical form as on the Record Date, i.e., [●], you are entitled to the number of Equity Shares as set out in Part [●] of the CAFs.

**The distribution of the Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Our Company is making the issue of Equity Shares on a rights basis to the Eligible Equity Shareholders and the Letter of Offer/Abridged Letter of Offer and the CAFs will be dispatched only to those Eligible Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer/Abridged Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be in any restricted jurisdiction.**

## **PRINCIPAL TERMS OF THE EQUITY SHARES**

### **Face Value**

Each Equity Share will have the face value of ₹ 10.

### **Issue Price**

Each Equity Share is being offered at a price of ₹ 100.

### **Rights Entitlement Ratio**

The Rights Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of two (2) Rights Shares for every three (3) Equity Shares held on the Record Date.

### **Terms of Payment**

Full amount of ₹ 100 per Rights Share is payable on application.

### **Fractional Entitlements**

The Equity Shares are being offered on a rights basis to the Eligible Equity Shareholders in the ratio of two (2) Equity Shares for every three (3) Equity Share held on the Record Date. Fractional entitlement if any will be rounded off to higher integer and the share required for the same will be adjusted from any of the promoter's entitlement in the rights issue.

### **Listing and trading of Equity Shares proposed to be issued**

Our Company's existing Equity Shares are currently traded on the BSE SME Exchange (Scrip code – 538598) under the ISIN INE755Q01017. The Rights Equity Shares proposed to be issued shall be listed on the SME Platform of BSE under the existing ISIN for fully paid up Equity Shares of our Company.

The listing and trading of the Rights Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

The Rights Shares allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of the necessary formalities for listing and commencement of trading of the Rights Shares shall be taken within seven (7) Working Days of finalization of Basis of Allotment. Our Company has received approval from BSE dated [●].

Our Company will apply to the BSE for final approval for the listing and trading of the Rights Shares. No assurance can be given regarding the active or sustained trading in the Rights Shares or the price at which the Rights Shares offered under the Issue will trade after the listing thereof.

If permissions to list, deal in and for an official quotation of the Rights Shares are not granted by the BSE, the Company will forthwith repay, without interest, all moneys received from the Applicants in pursuance of the Letter of Offer. If such money is not repaid beyond eight (8) days after the Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of fifteen (15) days from the Issue Closing Date in case no permission is granted, whichever is earlier, then the Company and every Director who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest as applicable.

### **Subscription to the Issue by our Promoter and Promoter Group**

Chiripal Industries Limited, the Promoter of our Company, together with the members of the Promoter Group ('Promoters'), currently holds 97,00,000 Equity Shares aggregating to 73.62% of the pre-Issue share capital of our Company and have undertaken that they intend to subscribe to the full extent of its Rights Entitlement in the Issue. Our Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group.

The subscription by our Promoters of the Rights Shares and the consequent Allotment of the Right Shares would be subject to the aggregate shareholding of the Promoters not exceeding 75% of the post-Issue Equity Share Capital of our Company on the date of Allotment, in compliance with Rule 19 (2) (b) of the Securities Contracts (Regulation) Rules, 1957 and the SEBI Listing Regulations. Also, such Allotment of Rights Shares shall be exempt from open offer requirements in terms of Regulation 10 (4) (a) of the SEBI (SAST) Regulations.

As such, other than meeting the requirements indicated in this section on "Objects of the Issue", there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoter & Promoter Group, in this Issue, the Promoter's & Promoter Groups' shareholding in our Company exceeds their current shareholding. The Promoter & Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

For further details of under subscription and Allotment to the Promoter, please refer to section titled *Terms of the Issue - Basis of Allotment* on page no. 243 of this Draft Letter of Offer.

### **Rights of the Equity Shareholder**

Subject to applicable laws, Equity Shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll either in person or by proxy;
4. Right to receive offers for rights shares and be allotted bonus shares, if announced;
5. Right to receive surplus on liquidation;
6. Right of free transferability of shares; and
7. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividends, forfeiture, lien, transfer and transmission, and / or consolidating / splitting, please refer to the chapter titled "*Main Provisions of the Articles of Association of our Company*" on page no. 255 of this Draft Letter of Offer.

### **Arrangements for Disposal of Odd Lots**

The trading of the Equity Shares will happen in the minimum contract size of 750 shares. However, the Market Maker shall buy the entire shareholding of a shareholder in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME platform of BSE.

## GENERAL TERMS OF THE ISSUE

### Market Lot

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Rights Shares in dematerialised mode is one (1) equity share. In case an Eligible Equity Shareholder holds Rights Shares in physical form, our Company would issue to the Allottees one (1) certificate for the Equity Shares allotted to each folio (“Consolidated Certificate”). Such Consolidated Certificates may be split into smaller denominations at the request of the respective Eligible Equity Shareholder.

### Joint Holders

Where two (2) or more persons are registered as the holders of any Rights Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association.

### Nomination

Nomination facility is available in respect of the Rights Shares in accordance with the provisions of the Section 72 of the Companies Act. An Eligible Equity Shareholder can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Eligible Equity Shareholders who are individuals, a sole Eligible Equity Shareholder or the first named Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole Eligible Equity Shareholder or all the joint Eligible Equity Shareholders, as the case may be, shall become entitled to the Rights Shares offered in the Issue. A person, being a nominee, becoming entitled to the Equity Shares by reason of death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered Eligible Equity Shareholder.

Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Rights Shares, in the event of death of the said Eligible Equity Shareholder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Rights Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. Where the Rights Shares are held by more than one (1) person jointly, the nominee shall become entitled to all the rights in the Rights Shares only in the event of death of all the joint holders.

Fresh nominations can be made only in the prescribed form available on request at the Registered Office of our Company or such other person at such addresses as may be notified by our Company. The Investor can make the nomination by filling in the relevant portion of the CAF. In terms of Section 72 of the Companies Act, or any other rules that may be prescribed under the Companies Act, any person who becomes a nominee shall upon the production of such evidence as may be required by the Board, elect either:

1. to register himself or herself as the holder of the Equity Shares; or
2. to make such transfer of the Equity Shares, as the deceased holder could have made.

If the person being a nominee, so becoming entitled, elects to be registered as holders of the Rights Shares himself, he shall deliver to our Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased Equity Shareholder.

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 Rights Shares, and if the notice is not complied with within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Rights Shares, until the requirements of the notice have been complied with.

Only one (1) nomination would be applicable for one folio. Hence, in case the Investor(s) has already registered the nomination with our Company, no further nomination needs to be made for Rights Shares that may be allotted in this Issue under the same folio.

**In case the Allotment of Rights Shares is in dematerialised form, there is no need to make a separate nomination for the Rights Shares to be allotted in this Issue. Nominations registered with respective DP of the Investor**

would prevail. Any Investor desirous of changing the existing nomination is requested to inform its respective DP.

## Notices

All notices to the Eligible Equity Shareholder(s) required to be given by our Company shall be published in one (1) English language national daily newspaper with wide circulation, one (1) Hindi national daily newspaper with wide circulation and one (1) Gujarati language daily newspaper with wide circulation and/or, will be sent by post to the registered address of the Eligible Equity Shareholders in India or the Indian address provided by the Equity Shareholders from time to time.

## Procedure for Application

The CAF for the Rights Shares offered as part of the Issue would be printed for all Eligible Equity Shareholders. In case the original CAFs are not received by the Eligible Equity Shareholder or is misplaced by the Eligible Equity Shareholder, the Eligible Equity Shareholder may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID, Client ID and their full name and address. In case the signature of the Investor(s) does not match with the specimen registered with our Company, the application is liable to be rejected.

Please note that neither our Company nor the Registrar to the Issue shall be responsible for delay in the receipt of the CAF/duplicate CAF attributable to postal delays or if the CAF/duplicate CAF are misplaced in the transit.

**Please note that QIB Applicants, Non-Institutional Investors and other Applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process. The Investors who are not (i) QIBs, (ii) Non-Institutional Investors, or (iii) Investors whose application amount is more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non-ASBA process. Renounees and Eligible Shareholders holding Equity Shares in physical form, if any, are not eligible ASBA Investors and must only apply for Equity Shares through the non-ASBA process, irrespective of the Application Money.**

## CAF

The Registrar to the Issue will dispatch CAF to Eligible Equity Shareholders as per their Rights Entitlement on the Record Date. The CAF will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to. Applicants may also choose to accept the offer to participate in the Issue by making plain paper Applications. For more information, see “*Terms of the Issue – Application on Plain Paper (Non-ASBA Process)*” on page no. 232 of this Draft Letter of Offer.

The CAF consists of four (4) parts:

- Part A: Form for accepting the Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Equity Shares;
- Part B: Form for renunciation of Equity Shares;
- Part C: Form for application of Equity Shares by Renounee(s);
- Part D: Form for request for split Application forms

Please note that Eligible Equity Shareholders can apply for Equity Shares only through CAF (or plain paper). Please also note that Renounees can apply for Equity Shares only through CAF.

## Option available to the Eligible Equity Shareholders

The CAFs will clearly indicate the number of Rights Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies for an investment in Equity Shares, then he can:

1. Apply for his Rights Entitlement of Equity Shares in full;
2. Apply for his Rights Entitlement of Equity Shares in part;
3. Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Rights Shares;
4. Apply for his Rights Entitlement in full and apply for additional Rights Shares;
5. Renounce his Rights Entitlement in full.

## Acceptance of the Issue

You may accept the offer to participate and apply for the Rights Shares offered, either in full or in part, by filling Part A of the CAFs and submit the same along with the application money payable to the Bankers to the Issue or any of the collection centers as mentioned on the reverse of the CAFs before close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors in this regard. Investors at centres not covered by the collection branches of the Bankers to the Issue can send their CAFs together with the cheque drawn at par on a local bank at Ahmedabad or a demand draft payable at Ahmedabad to the Registrar to the Issue by registered post so as to reach the Registrar to the Issue prior to the Issue Closing Date. Please note that neither our Company nor the Lead Manager or the Registrar to the Issue shall be responsible for delay in the receipt of the CAF attributable to postal delays or if the CAF is misplaced in the transit. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. An ASBA Investor may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard. For further details on the mode of payment, please refer to section titled '*Terms of the Issue - Mode of Payment for Resident Investors*' and '*Terms of the Issue - Mode of Payment for Non Resident Investors*' on page nos. 234 and 234, respectively of this Draft Letter of Offer.

## Additional Rights Shares

You are eligible to apply for additional Rights Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Rights Shares offered to you without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Shares shall be considered and Allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under '*Terms of the Issue - Basis of Allotment*' on page no. 243 of this Draft Letter of Offer.

If you desire to apply for additional Rights Shares, please indicate your requirement in the place provided for additional Rights Shares in Part A of the CAF. Renouncee(s) applying for all the Rights Shares renounced in their favour may also apply for additional Rights Shares.

Where the number of additional Rights Shares applied for exceeds the number of Rights Shares available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

## Renunciation

The Issue includes a right exercisable by you to renounce the Rights Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not Allot and/or register the Rights Shares in favour of the following Renouncees: (i) more than three (3) persons (including joint holders); (ii) partnership firm(s) or their nominee(s); (iii) minors; (iv) HUF; or (v) any trust or society (unless the same is registered under the Societies Registration Act, 1860, as amended or the Indian Trust Act, 1882, as amended or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares, as the case may be). Additionally, the Eligible Equity Shareholders may not renounce in favour of persons or entities which would otherwise be prohibited from being offered or subscribing for Rights Shares or Rights Entitlement under applicable securities laws.

Any renunciation (i) from a resident Eligible Equity Shareholder to a Non-Resident, or (ii) from a non-resident Eligible Equity Shareholder to a resident, or (iii) from a Non-Resident Eligible Equity Shareholder to a Non-Resident is subject to the renouncer / Renouncee obtaining the necessary approvals, including from the RBI, and such approvals should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (**OCBs**) have been derecognized as an eligible class of Investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the Eligible Equity Shareholders of our Company who do not wish to subscribe to the Rights Shares being offered but wish to renounce the same in favour of Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

The RBI has, however, clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated Non-Resident entities in terms of Regulation 5(1) of RBI Notification No. 20/ 2000-RB dated May 3, 2000 under the FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of the RBI if the investment is through the automatic route on case by case basis. Equity Shareholders renouncing their rights in favour of OCBs may do so provided such Renouncee obtains a prior approval from the RBI. On submission of such approval to us at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be the conclusive evidence for our Company of the fact of renouncement to the person(s) applying for Equity Shares in Part 'C' of the CAF for the purpose of Allotment of such Rights Shares. The Renouncees applying for all the Rights Shares renounced in their favour may also apply for additional Rights Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no right to further renounce any Rights Shares in favour of any other person.

### **Procedure for renunciation**

#### **To renounce all the Rights Shares offered to an Eligible Equity Shareholder in favour of one Renouncee**

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renouncees, all joint Renouncees must sign Part 'C' of the CAF.

#### **To renounce in part/or renounce the whole to more than one person(s)**

If you wish to either (i) accept this offer in part and renounce the balance, or (ii) renounce the entire offer under this Issue in favour of two (2) or more Renouncees, the CAF must be first split into requisite number of forms. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs i.e. [●]. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Rights Shares, does not match with the specimen registered with our Company/ Depositories, the application is liable to be rejected.

### **Renouncee(s)**

The person(s) in whose favour the Rights Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAFs on or before the Issue Closing Date along with the application money in full.

### **Change and/or introduction of additional holders**

If you wish to apply for Rights Shares jointly with any other person(s), not more than three (3) including you, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

**However, this right of renunciation is subject to the express condition that the Board of Directors shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereof.**

### **Instructions for Options**

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF:

S. No.	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A ( <i>All joint holders must sign</i> )
2.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Shares ( <i>All joint holders must sign</i> )
3.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) Or Renounce your Rights Entitlement to all the Rights Shares offered to you to more than one Renouncee	Fill in and sign Part D ( <i>all joint holders must sign</i> ) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once. On receipt of the SAF take action as indicated below. 1. For the Rights Shares you wish to accept, if any, fill in and sign Part A. 2. For the Rights Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncees. 3. Each Renouncee should fill in and sign Part C for the Rights Shares accepted by them.
4.	Renounce your Rights Entitlement in full to one person ( <i>Joint Renouncees are considered as one</i> ).	Fill in and sign Part B ( <i>all joint holders must sign</i> ) indicating the number of Rights Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C ( <i>All joint Renouncees must sign</i> )
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

**Please note that:**

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholder to whom the Letter of Offer has been addressed. If used, this will render the application invalid.
- Request for each SAF should be made for a minimum of one (1) Rights Share or, in each case, in multiples thereof and one SAF for the balance Rights Shares, if any.
- Request by the Investor for the SAFs should reach the Registrar to the Issue on or before [●].
- Only the Eligible Equity Shareholder to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
- SAFs will be sent to the Investor(s) by post at the Applicant's risk.
- Eligible Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Rights Shares or Rights Entitlement under applicable securities laws.
- While applying for or renouncing their Rights Entitlement, all joint Eligible Equity Shareholders must sign the CAF and in the same order and as per specimen signatures recorded with our Company/ Depositories.
- Non-Resident Eligible Equity Shareholders:* Application(s) received from Non-Resident/NRIs, or persons of Indian origin residing abroad for Allotment of Rights Shares allotted as a part of this Issue shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, Allotment of Rights Shares, subsequent issue and Allotment of Rights Shares, interest, export of Share Certificates, etc. In case a Non-Resident or NRI Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

9. The RBI has mandated that CTS 2010 compliant cheques can only be presented in clearing hence the CAFs accompanied by non-CTS cheques could get rejected.

#### **Availability of duplicate CAF**

In case the original CAF is not received, or is misplaced by the Eligible Equity Shareholder, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his / her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within seven (7) days prior to the Issue Closing Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of either original CAF or both the applications. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of duplicate CAF in transit, if any.

#### **Application on Plain Paper (Non-ASBA)**

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an account payee cheque drawn on a bank in Ahmedabad, pay order/demand draft, net of bank and postal charges payable at Ahmedabad and the Investor should send the same by registered post directly to the Registrar to the Issue. For details of the mode of payment, please refer 'Terms of the Issue - Modes of Payment' on page no. 234 of this Draft Letter of Offer. Applications on plain paper will not be accepted from any address outside India.

The envelope should be super scribed "**Vishal Fabrics Limited – Rights Issue**" and should be postmarked in India. The application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with our Company /Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

1. Name of our Company / Issuer, being **Vishal Fabrics Limited**;
2. Name and address of the Eligible Equity Shareholder including joint holders;
3. Registered Folio Number / DP and Client ID No.;
4. Number of Equity Shares held as on Record Date;
5. Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
6. Number of Rights Shares entitled to;
7. Number of Rights Shares applied for;
8. Number of additional Rights Shares applied for, if any;
9. Total number of Equity Shares applied for;
10. Total amount paid at the rate of ₹ 100 per Rights Share;
11. Particulars of cheque/ demand draft;
12. Savings / current account number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order. In case of Equity Shares held in dematerialized form, the Registrar shall obtain the bank account details from the information available with the Depositories;
13. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Shares applied for pursuant to the Issue;
14. If the payment is made by a draft purchased from NRE/FCNR/NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/NRO account;
15. PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
16. Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Company/Depositories); and
17. Additionally, all such Applicants are deemed to have accepted the following:

*"I/ We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (US Securities Act) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the United States) or to, or for the account or benefit of a "U.S. Person" as defined in Regulation S of the US Securities Act (Regulation S). I/ we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/ we understand the offering to which this*

*application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/ we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that neither us, nor the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is ineligible to participate in the Issue under the securities laws of their jurisdiction.*

*I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for Investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.*

*I/ We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.*

*I/ We acknowledge that we, the Lead Manager, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."*

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Eligible Equity Shareholder violates such requirements, he/ she shall face the risk of rejection of both the applications. Our Company shall refund such application amount to the Eligible Equity Shareholder without any interest thereon.

**For Applicants residing at places where the Bank collection centres have been opened, application forms duly completed together with cash/ cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue.**

**For Applicants residing at places other than the cities where the Bank collection centres have been opened, application forms duly completed together with cash/ cheque/demand draft for the application money net of bank charges for demand draft and postal charges must reach Registrar to the Issue before the close of the subscription list.**

**For ASBA Investors may fill Part A of the respective CAFs, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.**

**The Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Manager and the Registrar not having any liabilities to such Applicants.**

#### **Last date for Application**

The last date for submission of the duly filled in CAF is [●]. The Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding thirty (30) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose-off the Equity Shares hereby offered, as provided under 'Basis of Allotment' on page no. 243 of this Draft Letter of Offer.

## Modes of Payment

Investors are advised to use CTS cheques to make payment. Investors are cautioned that CAFs accompanied by non-CTS cheques are liable to be rejected.

### Mode of payment for Resident Investors

1. All cheques / demand drafts accompanying the CAF should be drawn in favour of "**Vishal Fabrics Limited – Rights Issue**" crossed 'A/c Payee only' and should be submitted along with the CAF to the Bankers to the Issue/ Collecting Bank or to the Registrar to the Issue;
2. Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with an account payee cheque drawn on a bank in Ahmedabad, pay order/demand draft for the full application amount, net of bank and postal charges drawn in favour of "**Vishal Fabrics Limited– Rights Issue**", crossed 'A/c Payee only' and payable at Ahmedabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The envelope should be superscribed "**Vishal Fabrics Limited – Rights Issue**". Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

### Mode of payment for Non-Resident Investors

As regards the application by Non-Resident Investor, the following conditions shall apply:

1. Individual Non-Resident Indian Applicants who are permitted to subscribe for Rights Shares by applicable local securities laws can obtain application forms from the following address:

**Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup West, Mumbai – 400 078

Tel. No.: +91 – 22 – 2596 7878

Fax No.: +91 – 22 – 2596 0329

Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)

Investor Grievance Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

Contact Person: Mr. Dinesh Yadav

SEBI Registration No.: INR000004058

2. Applications will not be accepted from Non-Resident Indian in any jurisdiction where the offer or sale of the Rights Entitlements and Rights Shares may be restricted by applicable securities laws.
3. Non-Resident Investors applying from places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges drawn in favour of "**Vishal Fabrics Limited – Rights Issue**", crossed 'A/c Payee only' payable at Ahmedabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The envelope should be superscribed "**Vishal Fabrics Limited – Rights Issue**". Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.
4. Payment by Non-Residents must be made by demand draft payable at Mumbai, pay order/cheque payable drawn on a bank account maintained at Mumbai or funds remitted from abroad in any of the following ways:

### Application with repatriation benefits

- a. By Indian Rupee drafts purchased from abroad and payable at Ahmedabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate);or
- b. By cheque/draft drawn on an NRE or FCNR Account maintained in Mumbai; or
- c. By Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in Mumbai;

- d. FIIs/ FPIs registered with SEBI must utilise funds from special non-resident rupee account;
- e. Non-Resident Investors with repatriation benefits should draw the cheques/ demand drafts in favour of "**Vishal Fabrics Limited – Rights Issue – NR**", crossed 'A/c Payee only' for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Bankers to the Issue/collection centres or to the Registrar to the Issue;
- f. Applicants should note that where payment is made through drafts purchased from NRE/ FCNR/ NRO account as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/ NRO account should be enclosed with the CAF. In the absence of such an account debit certificate, the application shall be considered incomplete and is liable to be rejected.

#### **Application without repatriation benefits**

1. As far as Non-Residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
2. Non-Resident Investors without repatriation benefits should draw the cheques/demand drafts in favour of "**Vishal Fabrics Limited – Rights Issue**", crossed 'A/c Payee only' for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Bankers to the Issue/collection centres or to the Registrar to the Issue;
3. Applicants should note that where payment is made through drafts purchased from NRE/ FCNR/ NRO accounts, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. In the absence of such an account debit certificate, the application shall be considered incomplete and is liable to be rejected.
4. An Eligible Equity Shareholder whose status has changed from resident to non-resident should open a new demat account reflecting the changed status. Any application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Manager.

#### **Notes:**

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Shares can be remitted outside India, subject to tax, as applicable according to the Income Tax Act.
- In case Rights Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from Non-Residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by the RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

#### **Application by ASBA Investors**

##### **Process**

*This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. Our Company and the Lead Manager is not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.*

*The Lead Manager, our Company, its Directors, its employees, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.*

**Please note that pursuant to the applicability of the directions issued by SEBI vide its circular CIR/CFD/DIL/1/2011 dated April 29, 2011, all Applicants who are QIBs, Non-Institutional Investors or other Applicants whose application amount exceeds ₹200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI Circular SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009. The Investors who are not (i) QIBs, (ii) Non-Institutional Investors (iii) Investors whose application amount is more than ₹200,000, can participate in the Issue either through the ASBA process or the non ASBA process. Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.**

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public / rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

#### **Eligible Equity Shareholders who are eligible to apply under the ASBA Process**

The option of applying for Rights Shares in the Issue through the ASBA Process is only available to the Eligible Equity Shareholders of our Company on the Record Date and who:

- hold the Equity Shares in dematerialised form as on the Record Date and have applied towards his/her Rights Entitlements or additional Rights Shares in the Issue in dematerialised form;
- have not renounced his/her Rights Entitlements in full or in part;
- are not a Renouncee;
- are applying through a bank account maintained with SCSBs; and
- are eligible under applicable securities laws to subscribe for the Rights Entitlement and the Equity Shares in the Issue.

#### **CAF**

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Investors who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Investors desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSBs who provide such facility. The Investors shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said ASBA Account.

More than one (1) ASBA Investor may apply using the same ASBA Account, provided that the SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account.

#### **Acceptance of the Issue under the ASBA process**

ASBA Investors may accept the Issue and apply for the Rights Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to

the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

### Renunciation under the ASBA Process

ASBA Investors can neither be Renounees, nor can renounce their Rights Entitlement.

### Mode of payment under the ASBA process

The Investor applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue's instruction from the ASBA Account. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by our Company for the purpose of the Issue. The balance amount remaining after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The Investor applying under the ASBA Process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the CAF. The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account, details of which have been provided by the Investor in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

Please note that in accordance with the provisions of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011 all QIBs and Non-Institutional Investors complying with eligibility conditions prescribed under the SEBI circular SEBI /CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009 must mandatorily invest through the ASBA process. A Retail Individual Investor applying for a value of up to ₹ 200,000, can participate in the Issue either through the ASBA process or non-ASBA process.

### Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Investors is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Sr. No.	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A of the CAF ( <i>All joint holders must sign</i> )
2.	Accept your Rights Entitlement in full and apply for additional Rights Shares.	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Shares ( <i>All joint holders must sign</i> )

**The Investors applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the Designated Branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAFs would be treated as if the Investor has selected to apply through the ASBA process option.**

### Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares (as the case may be) that you are entitled to, provided that (i) you have applied for all the Equity offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment

shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “*Basis of Allotment*” on page no. 243 of this Draft Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF.

#### **Application on Plain Paper under the ASBA process**

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. Eligible Equity Shareholders shall submit the plain paper application to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any address outside India.

The envelope should be super scribed ‘*Vishal Fabrics Limited*’ and should be postmarked in India. The application on plain paper, duly signed by the Eligible Equity Shareholders including joint holders, in the same order and as per the specimen recorded with our Company / Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

1. Name of Issuer, being Vishal Fabrics Limited;
2. Name and address of the Eligible Equity Shareholder including joint holders;
3. Registered Folio Number/ DP and Client ID No.;
4. Certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
5. Number of Equity Shares held as on Record Date;
6. Number of Rights Shares entitled to;
7. Number of Rights Shares applied for;
8. Number of additional Rights Shares applied for, if any;
9. Total number of Rights Shares applied for;
10. Total amount paid at the rate of ₹ [●] per Rights Share;
11. Particulars of cheque / demand draft;
12. Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
13. In case of Non-Resident Investors, details of the NRE/FCNR/NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
14. Except for applications on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Shares applied for pursuant to the Issue;
15. Signature of the Eligible Equity Shareholders to appear in the same sequence and order as they appear in our records; and
16. Additionally, all such Applicants are deemed to have accepted the following:

*"I/ We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (US Securities Act) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the United States) or to or for the account or benefit of a 'U.S. Person' as defined in Regulation S of the US Securities Act*

*(Regulation S). I/ we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/ we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/ we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that none of us, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who, we, the Registrar, the Lead Manager or any other person acting on behalf of we have reason to believe is ineligible to participate in the Issue under the securities laws of their jurisdiction.*

*I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for Investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.*

*I/ We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.*

*I/ We acknowledge that we, the Lead Manager, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."*

#### **Last date of Application**

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for a minimum of [●] days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue or if the CAF is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under "Basis of Allotment".

#### **Option to receive Equity Shares in Dematerialized Form**

**ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE RIGHTS SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.**

#### **General instructions for Investors applying under the ASBA Process**

1. Please read the instructions printed on the respective CAF carefully.
2. Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer, Letter of Offer, Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
3. The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.
4. All Applicants, and in the case of application in joint names, each of the joint Applicants, should mention his/her PAN allotted under the Income Tax Act, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, **CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for**

**credit" and no Allotment and credit of Equity Shares pursuant to the Issue shall be made into the accounts of such Investors.**

5. All payments will be made by blocking the amount in the ASBA Account. Cash payment or payment by cheque/demand draft/pay order is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
6. Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the CAF as per the specimen signature recorded with our our Company /or Depositories.
7. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company / Depositories. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.
8. All communication in connection with application for the Equity Shares, including any change in address of the Investors should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Applicant, folio numbers and CAF number.
9. Only the person or persons to whom the Rights Shares have been offered and not Renouncee(s) shall be eligible to participate under the ASBA process.
10. Only persons outside the restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Shares under applicable securities laws are eligible to participate.
11. Only the Eligible Equity Shareholders holding shares in demat are eligible to participate through ASBA process.
12. Eligible Equity Shareholders who have renounced their entitlement in part/ full are not entitled to apply using ASBA process.
13. Please note that pursuant to the applicability of the directions issued by SEBI *vide* its circular CIR/CFD/DIL/1/2011 dated April 29, 2011, all Applicants who are QIBs, Non-Institutional Investors and other Applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process. The Investors who are not (i) QIBs, (ii) Non- Institutional Investors (iii) Investors whose application amount is more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non ASBA process.

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public/ rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.

In case of non – receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under '*Terms of the Issue - Application on Plain Paper*' beginning on page no. 232 of this Draft Letter of Offer.

**Do's:**

1. Ensure that the ASBA Process option is selected in Part A of the CAF and necessary details are filled in.
2. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

3. Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
4. Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} X {Issue Price of Equity Shares, as the case may be}) available in the ASBA Account mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
5. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the ASBA Account, of which details are provided in the CAF and have signed the same.
6. Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the CAF in physical form.
7. Except for CAFs submitted on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, each Applicant should mention their PAN allotted under the Income Tax Act.
8. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
9. Ensure that the Demographic Details are updated, true and correct, in all respects.
10. Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.

**Don'ts:**

1. Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
2. Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
3. Do not pay the amount payable on application in cash, by money order, pay order or by postal order.
4. Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
5. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
6. Do not apply if the ASBA Account has been used for five Applicants.
7. Do not apply through the ASBA Process if you are not an ASBA Investor.
8. Do not instruct the SCSBs to release the funds blocked under the ASBA Process.

**Grounds for Technical Rejection under the ASBA Process**

In addition to the grounds listed under '*Terms of the Issue - Grounds for Technical Rejection for Non-ASBA Investors*' beginning on page no. 249 of this Draft Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

1. Application on a SAF.
2. Application for Allotment of Rights Entitlements or additional Rights Shares which are in physical form.
3. DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.

4. Sending an ASBA application on plain paper to the Registrar to the Issue.
5. Sending CAF to Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
6. Renounee applying under the ASBA Process.
7. Submission of more than five CAFs per ASBA Account.
8. Insufficient funds are available with the SCSB for blocking the amount.
9. Funds in the ASBA Account whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
10. Account holder not signing the CAF or declaration mentioned therein.
11. CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in any restricted jurisdiction and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
12. CAFs which have evidence of being executed in/dispatched from any restricted jurisdiction.
13. QIBs, Non-Institutional Investors and other Eligible Equity Shareholders applying for Rights Shares in this Issue for value of more than ₹ 200,000 who hold Equity Shares in dematerialised form and is not a renouncer or a Renounee not applying through the ASBA process.
14. The application by an Eligible Equity Shareholder whose cumulative value of Rights Shares applied for is more than ₹ 200,000 but has applied separately through split CAFs of less than ₹ 200,000 and has not done so through the ASBA process.
15. Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.
16. Submitting the GIR instead of the PAN.
17. An Eligible Equity Shareholder, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.
18. Applications by persons not competent to contract under the Indian Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.

#### **Depository account and bank details for Investors applying under the ASBA Process**

**IT IS MANDATORY FOR ALL THE INVESTORS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR RIGHTS SHARES IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY THE INVESTOR AS ON THE RECORD DATE. ALL INVESTORS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. INVESTORS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF 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 CAF/PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.**

**Investors applying under the ASBA Process should note that on the basis of name of these Investors, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF/plain paper applications, as the case may be, the Registrar to the Issue will obtain from the Depository, demographic details of these Investors such as address, bank account details for printing on refund orders and occupation (Demographic Details). Hence, Investors applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.**

These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor. The Demographic Details given by the Investors in the CAF would not be used for any other purposes by the Registrar to the Issue. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAFs, the Investors applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Letters intimating Allotment and unblocking or refund (if any) would be mailed at the address of the Investor applying under the ASBA Process as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Shares are not allotted to such Investor. Investors applying under the ASBA Process may note that delivery of letters intimating unblocking of the funds 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 Investor in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.**

**Note that any such delay shall be at the sole risk of the Investors applying under the ASBA Process and none of our Company, the SCSBs or the Lead Manager shall be liable to compensate the Investor applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that matches three (3) parameters, (a) names of the Investors (including the order of names of joint holders), (b) the DP ID, and (c) the beneficiary account number, then such applications are liable to be rejected.

#### **Underwriting**

The Issue is not underwritten.

#### **Issue Schedule**

Issue Opening Date	[•]
Last date for receiving requests for SAFs:	[•]
Issue Closing Date	[•]

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding thirty (30) days from the Issue Opening Date.

#### **Basis of Allotment**

Subject to the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Rights Shares in the following order of priority:

1. Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Rights Shares renounced in their favour, in full or in part.
2. Investors whose fractional entitlements are being ignored would be given preference in Allotment of one (1) additional Rights Share each if they apply for additional Rights Share. Allotment under this head shall be considered if there are any unsubscribed Rights Shares after Allotment under (1) above. If number of Rights Shares required for Allotment under this head is more than the number of Rights Shares available after Allotment under (1) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.
3. Allotment to the Eligible Equity Shareholders who having applied for all the Rights Shares offered to them as part of the Issue, have also applied for additional Rights Shares. The Allotment of such additional Rights Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Rights Shares after making full Allotment in (1) and (2) above. The Allotment of such Rights Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.

4. Allotment to Renounees who having applied for all the Rights Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (1), (2) and (3) above. The Allotment of such Rights Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.
5. Allotment to any other person that the Board of Directors as it may deem fit provided there is surplus available after making Allotment under (1), (2), (3) and (4) above, and the decision of the Board in this regard shall be final and binding.
6. After taking into account Allotment to be made under (1) to (4) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of Regulation 3(1)(b) of the SEBI Takeover Code.

CIL, the Promoter of our Company, currently holds 63,66,000 Equity Shares aggregating to 48.32% of the pre-Issue share capital of our Company and have undertaken that they intend to subscribe to the full extent of its Rights Entitlement in the Issue. Such Allotment of Rights Shares shall be exempt from open offer requirements in terms of Regulation 10 (4) (a) of the SEBI Takeover Code.

For further details of under subscription and Allotment to the Promoter, please refer to sub-chapter entitled '*Basis of Allotment*' under the chapter entitled '*Terms of the Issue*' beginning on page no. 224 of this Draft Letter of Offer.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for the Issue, for each successful ASBA;
2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

### **Underwriting**

In accordance with Regulation 106(P) of the SEBI (ICDR) Regulations, this Issue has been hundred percent underwritten and that the Lead Manager to the Issue has underwritten more than 15% of the Total Issue Size. For further details pertaining to said underwriting please refer to "*General Information – Underwriting*" on page no. 48 of this Draft Letter of Offer.

### **Allotment Advices / Refund Orders**

Our Company will issue and dispatch Allotment advice/ Share Certificates/ demat credit and/or letters of regret along with refund order or credit the allotted Rights Shares to the respective beneficiary accounts, if any, within a period of fifteen (15) Working Days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

Investors residing at centers where clearing houses are managed by the RBI will get refunds through National Electronic Clearing Service (*NECS*) except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Rights Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within fifteen (15) Working Days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letter of allotment, the corresponding Rights Share certificates will be kept ready within two (2) months from the date of Allotment thereof under Section 56 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the Rights Share certificates.

The letter of allotment/ refund order would be sent by registered post/ speed post to the sole/ first Investor's registered address in India or the Indian address provided by the Eligible Equity Shareholders from time to time. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/ first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

In the case of Non-Resident Shareholders or Investors who remit their application money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the applicable laws and other approvals, in case of Non-Resident Shareholders or Investors who remit their application money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. Our Company will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post / speed post to the address in India of the Non Resident Shareholders or Investors.

The Letter of Offer/ Abridged Letter of Offer and the CAF shall be dispatched to only such Non-resident Shareholders who have a registered address in India or have provided an Indian address.

### **Payment of Refund**

#### **Mode of making refunds**

The payment of refund, if any, would be done through any of the following modes:

1. NECS - Payment of refund would be done through NECS for Investors having an account at any of the 68 centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).
2. National Electronic Fund Transfer (*NEFT*) - Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
3. Direct Credit - Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
4. RTGS - If the refund amount exceeds ₹ 200,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
5. For all other Investors the refund orders will be despatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
6. Credit of refunds to Investors in any other electronic manner, permissible under the banking laws, which are in force, and is permitted by SEBI from time to time.

#### **Refund payment to Non- residents**

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at Mumbai, refunds will be made in the Indian rupees based on the U.S. Dollars equivalent which ought to be refunded. Indian rupees will be

converted into U.S. Dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned Applicant and our Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

#### **Printing of Bank Particulars on Refund Orders**

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

#### **Allotment advice / Share Certificates/ Demat Credit**

Allotment advice / Share Certificates / demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within fifteen (15) Working Days, from the Issue Closing Date. In case our Company issues Allotment advice, the respective Share Certificates will be dispatched within one (1) month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for Share Certificates.

#### **Option to receive Rights Shares in Dematerialized Form**

Investors shall be allotted the Rights Shares in dematerialized (*electronic*) form at the option of the Investor. Our Company has signed a tripartite agreement with NSDL on June 18, 2014 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. Our Company has also signed a tripartite agreement with CDSL on May 23, 2014 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the Allottees who have opted for Rights Shares in dematerialized form will receive their Rights Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a Depository Participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Rights Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Rights Shares in physical form. No separate CAFs for Rights Shares in physical and/or dematerialized form should be made. If such CAFs are made, the CAFs for physical Rights Shares will be treated as multiple CAFs and is liable to be rejected. In case of partial Allotment, Allotment will be done in demat option for the Rights Shares sought in demat and balance, if any, will be allotted in physical Rights Shares. Eligible Equity Shareholders of our Company holding Equity Shares in physical form may opt to receive Rights Shares in the Issue in dematerialized form.

**INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.**

**THE RIGHTS EQUITY SHARES WILL BE LISTED ON THE SME PLATFORM OF BSE.**

The procedure for availing the facility for Allotment of Rights Shares in this Issue in the electronic form is as under:

1. Open a beneficiary account with any Depository Participant (*care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company*). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Investors who have already opened such beneficiary account(s) need not adhere to this step.*

2. For Eligible Equity Shareholders already holding Equity Shares of our Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Rights Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of our Company are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Company / Depositories.

The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's Depository Participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's Depository Participant.

If incomplete / incorrect beneficiary account details are given in the CAF, the Investor will get Rights Shares in physical form.

The Rights Shares allotted to Applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Applicant by the Registrar to the Issue but the Applicant's Depository Participant will provide to him the confirmation of the credit of such Rights Shares to the Applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

#### **General instructions for non-ASBA Investors**

1. Please read the instructions printed on the CAF carefully.
2. Applicants that are not QIBs or are not Non - Institutional Investor or those whose application money does not exceed ₹200,000 may participate in the Issue either through ASBA or the non-ASBA process. Eligible Equity Shareholders who have renounced their entitlement (in full or in part), Renouncees and Applicants holding Equity Shares in physical form and/or subscribing in the Issue for Allotment in physical form may participate in the Issue only through the non ASBA process.
3. Application should be made on the printed CAF, provided by our Company except as mentioned under '*Terms of the Issue - Application on Plain Paper*' beginning on page no. 232 of this Draft Letter of Offer and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.

The CAF together with the cheque/demand draft should be sent to the Bankers to the Issue/Collecting Bank or to the Registrar to the Issue and not to our Company or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post. If any portion of the CAF is/are detached or separated, such application is liable to be rejected.

**Applications where separate cheques/demand drafts are not attached for amounts to be paid for Rights Shares are liable to be rejected. Applications accompanied by cash, postal order or stockinvest are liable to be rejected.**

1. Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN allotted under the Income Tax Act , irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.
2. Investors, holding Equity Shares in physical form, are advised that it is mandatory to provide information as to their savings/current account number, the nine digit MICR number and the name of the bank with whom such

account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.

3. All payment should be made by cheque/demand draft only. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
4. Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Investors must sign the CAF as per the specimen signature recorded with our Company.
5. In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
6. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company /Depositories. Further, in case of joint Investors who are Renounees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
7. Application(s) received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA, including regulations relating to QFI's, in the matter of refund of application money, Allotment of Rights Shares, subsequent issue and Allotment of Rights Shares, interest, export of Share Certificates, etc. In case an NR or NRI Investor has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/NRIs in any jurisdiction where the offer or sale of the Rights Entitlements and Rights Shares may be restricted by applicable securities laws.
8. All communication in connection with application for the Rights Shares, including any change in address of the Investors should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Investors, after the date of Allotment, should be sent to the Registrar and Transfer Agents of our Company, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
9. SAFs cannot be re-split.
10. Only the person or persons to whom Rights Shares have been offered and not Renounee(s) shall be entitled to obtain SAFs.
11. Investors must write their CAF number at the back of the cheque /demand draft.
12. Only one (1) mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
13. A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash.

14. No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
15. The distribution of the Draft Letter of Offer and issue of Rights Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in such jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Rights Shares.

#### **Do's for non-ASBA Investors**

1. Check if you are eligible to apply i.e. you are an Eligible Equity Shareholder on the Record Date.
2. Read all the instructions carefully and ensure that the cheque/ draft option is selected in Part A of the CAF and necessary details are filled in.
3. In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Rights Shares will be allotted in the dematerialized form only.
4. Ensure that your Indian address is available to our Company and the Registrar and Transfer Agent, in case you hold Equity Shares in physical form or the Depository Participant, in case you hold Equity Shares in dematerialised form.
5. Ensure that the value of the cheque/ draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be) before submission of the CAF.
6. Ensure that you receive an acknowledgement from the collection branch of the Banker to the Issue for your submission of the CAF in physical form.
7. Ensure that you mention your PAN allotted under the Income Tax Act with the CAF, except for Applications on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts.
8. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
9. Ensure that the demographic details are updated, true and correct, in all respects.

#### **Don'ts for non-ASBA Investors**

1. Do not apply if you are not eligible to participate in the Issue the securities laws applicable to your jurisdiction.
2. Do not apply on duplicate CAF after you have submitted a CAF to a collection branch of the Banker to the Issue.
3. Do not pay the amount payable on application in cash, by money order or by postal order.
4. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
5. Do not submit Application accompanied with stockinvest.

#### **Grounds for Technical Rejections for non-ASBA Investors**

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable.
2. Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar and Transfer Agent (in the case of physical holdings).

3. Age of Investor(s) not given (in case of Renounees).
4. Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN not given for application of any value.
5. In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted.
6. If the signature of the Investor does not match with the one given on the CAF and for renounce(s) if the signature does not match with the records available with their depositories.
7. CAFs are not submitted by the Investors within the time prescribed as per the CAF and this Draft Letter of Offer.
8. CAFs not duly signed by the sole/joint Investors.
9. CAFs/ SAFs by OCBs not accompanied by a copy of an RBI approval to apply in this Issue.
10. CAFs accompanied by stockinvest/ outstation cheques/ post-dated cheques/ money order/ postal order/ outstation demand drafts.
11. In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Investors (including the order of names of joint holders), DP ID and Client ID.
12. CAFs that do not include the certifications set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in any restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations.
13. CAFs which have evidence of being executed in/dispatched from restricted jurisdictions.
14. CAFs by ineligible Non-Residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided.
15. CAFs where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements.
16. In case the GIR number is submitted instead of the PAN.
17. Applications by Renounees who are persons not competent to contract under the Indian Contract Act, 1872, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.
18. Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.
19. Applications from QIBs, Non-Institutional Investors or Investors applying in this Issue for Equity Shares for an amount exceeding ₹200,000, not through ASBA process.

Please read this Draft Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Draft Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in this Draft Letter of Offer or the CAF.

### **Bids by FPIs, FIIs and QFIs**

In terms of the SEBI (FPI) Regulations, the issue of Equity Shares to a single FPI or an Investor group (*which means the same set of ultimate beneficial owner(s) investing through multiple entities*) is not permitted to exceed 10% of our Company's post-Issue Equity Share Capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share Capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid up Equity Share Capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special

resolution passed by the Equity Shareholders of our Company. However, as on the date of this Draft Letter of Offer, our Company has not increased the FII limit.

FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three (3) years for which fees have been paid as per the SEBI FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (*being deemed FPIs*) shall be included.

Further, in terms of the SEBI (FPI) Regulations, a QFI may continue to buy, sell or otherwise deal in securities, subject to the provisions of the SEBI (FPI) Regulations, until January 6, 2015 (or such other date as may be specified by SEBI) or until the QFI obtains a certificate of registration as FPI, whichever is earlier.

The existing individual and aggregate investment limits for Eligible QFIs in an Indian company are 5% and 10% of the paid-up capital of an Indian company, respectively. In terms of the FEMA Regulations, a QFI shall not be eligible to invest as a QFI upon obtaining registration as an FPI. However, all investments made by a QFI in accordance with the regulations, prior to registration as an FPI shall continue to be valid and taken into account for computation of the aggregate limit.

#### **Investment by NRIs**

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. Applications will not be accepted from NRIs in restricted jurisdictions.

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 reserved category. The NRI Applicants who intend to make payment through NRO accounts shall use the Application Form meant for resident Indians and shall not use the Application Forms meant for reserved category.

#### **Procedure for Applications by Mutual Funds**

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

**Please note that pursuant to the applicability of the directions issued by SEBI *vide* its circular bearing number CIR/ CFD/ DIL/ 1/ 2011 dated April 29, 2011, all Applicants who are QIBs, Non- Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000 shall mandatorily make use of ASBA facility.**

#### **Impersonation**

**Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:**

*"Any person who:*

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*

- (b) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to ten years".*

#### **Dematerialized dealing**

Our Company has entered into agreements dated June 18, 2014 and May 23, 2014 with NSDL and CDSL, respectively, and its Equity Shares bear the ISIN INE755Q01017.

#### **Payment by stockinvest**

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stockinvest Scheme has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

#### **Disposal of application and application money**

No acknowledgment will be issued for the application moneys received by our Company. However, the Bankers to the Issue / Registrar to the Issue / Designated Branch of the SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Rights Shares allotted, will be refunded to the Investor within a period of fifteen (15) Working Days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the CAF carefully.

#### **Utilisation of Issue Proceeds**

The Board of Directors declares that:

1. All monies received out of the Issue shall be transferred to a separate bank account as per sub-section (3) of Section 40 of the Companies Act, 2013;
2. Details of all monies utilized out of the Issue shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised;
3. Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and
4. Our Company may utilize the funds collected in the Issue only after the Basis of Allotment is finalized.

#### **Undertakings by our Company**

Our Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Rights Shares are to be listed will be taken within seven (7) Working Days of finalization of Basis of Allotment.

3. The funds required for making refunds to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Company.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within fifteen (15) Working Days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. No further issue of securities affecting our Company's Equity Share Capital shall be made till the securities issued/ offered through this Draft Letter of Offer are listed or till the application money are refunded on account of non-listing, under-subscription etc.
6. Our Company accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
7. Adequate arrangements shall be made to collect all ASBA applications and to consider then similar to non-ASBA applications while finalising the Basis of Allotment.
8. At any given time there shall be only one (1) denomination for the Equity Shares of our Company.
9. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

### **Minimum Subscription**

This Issue is not restricted to any minimum subscription level and this Issue is 100% underwritten.

However, we shall ensure that the minimum subscription to be received shall be subject to allotment of minimum number of specified securities as prescribed in sub-clause (b) of clause (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957.

### **Important**

1. Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
2. All enquiries in connection with this Draft Letter of Offer or CAF and requests for SAFs must be addressed quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed "*Vishal Fabrics Limited - Rights Issue*" on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

**Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup West, Mumbai – 400 078

Tel. No.: +91 – 22 – 2596 7878

Fax No.: +91 – 22 – 2596 0329

Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)

Investor Grievance Email: [vishal.rights@linkintime.co.in](mailto:vishal.rights@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

Contact Person: Mr. Dinesh Yadav

SEBI Registration No.: INR000004058

3. The Issue will remain open for a minimum fifteen (15) days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding thirty (30) days from the Issue Opening Date.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are FIPB and the RBI.

The Government has from time to time made policy pronouncements on FDI through press notes and press releases. The DIPP, issued the consolidated FDI Policy by way of circular no. D/o IPP F. No. 5(1)/2015-FC-1 dated May 12, 2015 (“FDI Policy”), which with effect from June 07, 2016, consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DIPP that were in force and effect as on June 07, 2016. The Government proposes to update the consolidated circular on FDI Policy once every year and therefore, FDI Policy will be valid until the DIPP issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (“FDI”) Policy and transfer does not attract the provisions of the Takeovers Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer.

## SECTION X – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY

*Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company. Pursuant to Table F in Schedule I of the Companies Act, 2013, the main provisions of the Articles of Association of our Company are detailed below:*

*These Articles of Association were adopted in substitution for and to the entire exclusion of the earlier Articles of Association at the Extra-ordinary General Meeting of the Company held on 8<sup>th</sup> April, 2014.*

### **SHARE CAPITAL AND VARIATION OF RIGHTS**

4. Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.
5. (i) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided:
  - (a) one certificate for all his shares without payment of any charges; or
  - (b) several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.(ii) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.  
(iii) In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
6. (i) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.  
(ii) The company may issue new share certificates pursuant to consolidation or sub-division of share certificate(s) upon written request received from shareholder together with production and surrender of respective original share certificate(s). Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.  
(iii) The provisions of Articles (5) and (6) shall mutatis mutandis apply to debentures of the company.
7. Except as required by law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
8. (i) The company may exercise the powers of paying commissions conferred by sub-section (6) of section 40, provided that the rate percent. or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made thereunder.  
(ii) The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of section 40.

(iii) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

9. (i) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of section 106 & 107 of Companies Act, 1956, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

(ii) To every such separate meeting, the provisions of these regulations relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.

10. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

11. Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

#### LIEN

12. (i) The company shall have a first and paramount lien—  
(a) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and  
(b) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company:

Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

(ii) The company's lien, if any, on a share shall extend to all dividends payable and bonuses declared from time to time in respect of such shares.

13. The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

Provided that no sale shall be made—

- (a) unless a sum in respect of which the lien exists is presently payable; or  
(b) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

14. (i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.

(ii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.

(iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

15. (i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(ii) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

### CALLS ON SHARES

16. (i) The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:

Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

(ii) Each member shall, subject to receiving at least fourteen days notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares.

(iii) A call may be revoked or postponed at the discretion of the Board.

(iv) Company may delegate power to make calls on shares subject to approval of the shareholders in a general meeting of the company.

17. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments

18. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

19. (i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent. per annum or at such lower rate, if any, as the Board may determine.

(ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.

20. (i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

(ii) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

21. The Board—

(a) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and

(b) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve percent. per annum, as may be agreed upon between the Board and the member paying the sum in advance but shall not confer a right to dividend or to participate in profits.

### TRANSFER OF SHARES

22. (i) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.

(ii) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

23. The Board may, subject to the right of appeal conferred by section 58 decline to register—

(a) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or

(b) any transfer of shares on which the company has a lien.

24. The Board may decline to recognise any instrument of transfer unless—

(a) the instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(c) the instrument of transfer is in respect of only one class of shares.

25. On giving not less than seven days previous notice in accordance with section 91 and rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.

26. Subject to the provisions of Section 59 of Companies Act, 2013, the Board may decline to register any transfer of Shares on such grounds as it think fit in the benefit of the company (notwithstanding that the proposed transferee be already a Member), but in such case it shall, within two months from the date the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company.

### **TRANSMISSION OF SHARES**

27. (i) On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares.

(ii) Nothing in clause (i) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

28. (i) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either—

(a) to be registered himself as holder of the share; or

(b) to make such transfer of the share as the deceased or insolvent member could have made.

(ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

29. (i) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

(ii) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

(iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.

30. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.

### **FORFEITURE OF SHARES**

31. If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a

notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

32. The notice aforesaid shall—
- (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
  - (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.
33. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
34. (i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
- (ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
35. (i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.
- (ii) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.
36. (i) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
- (ii) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
- (iii) The transferee shall thereupon be registered as the holder of the share
- (iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
37. The provisions of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### **ALTERATION OF CAPITAL**

38. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
39. Subject to the provisions of section 61, the company may, by ordinary resolution,—
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - (b) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
  - (c) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;
  - (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

40. Where shares are converted into stock,—
- (a) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

(b) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

(c) such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words “share” and “shareholder” in those regulations shall include “stock” and “stock-holder” respectively.

41. The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law,—
- (a) its share capital;
- (b) any capital redemption reserve account; or
- (c) any share premium account.

#### **CAPITALISATION OF PROFITS**

42. (i) The company in general meeting may, upon the recommendation of the Board, resolve—
- (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company’s reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
- (b) that such sum be accordingly set free for distribution in the manner specified in clause (ii) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- (ii) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (iii), either in or towards—
- (A) paying up any amounts for the time being unpaid on any shares held by such members respectively;
- (B) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;
- (C) partly in the way specified in sub-clause (A) and partly in that specified in sub-clause (B);
- (D) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares;
- (E) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.
43. (i) Whenever such a resolution as aforesaid shall have been passed, the Board shall—
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and
- (b) generally do all acts and things required to give effect thereto.
- (ii) The Board shall have power—
- (a) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and
- (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the

company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;

(iii) Any agreement made under such authority shall be effective and binding on such members.

#### DEMATERIALISATION OF SECURITIES

44. (i) For the purpose of this Article:-

**“Beneficial Owner”**: Beneficial Owner shall have the meaning assigned thereto in section 2(1)(a) of the Depositories Act, 1996.

**“Depositories Act”**: Depositories Act shall mean the Depositories Act, 1996 and includes any statutory modification or re-enactment thereof for the time being in force.

**“Depository”**: Depository shall mean a Depository as defined in section 2(1)(e) of the Depositories Act, 1996.

**“Member”**: Member shall mean a duly registered holder from time to time of the security of the company and includes every person whose name is entered as beneficial owner in the records of the Depository.

**“Security”**: Security shall mean such security as may be specified by SEBI.

(ii) **“Dematerialisation of Securities”**: Notwithstanding anything on the contrary contained in this Article, the company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form and further to rematerialise the securities held on depository pursuant to the Depositories Act, 1996 or any amendment thereof.

(iii) **“Option to hold securities in physical form or with depository”**: Every person holding securities of the company through allotment or otherwise shall have the option to receive and hold the same in the dematerialised form with a depository.

(iv) **“Beneficial Owner may opt out of a Depository”**: Every person holding securities of the company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provided under the provisions of the Depositories Act and the Rules, if any, prescribed there under and on fulfilment of the conditions prescribed by the company from time to time, company shall issue the relevant security certificates to the beneficial owner thereof.

(v) **“Securities in Depositories to be in fungible form”**: All securities held by a depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(vi) **“Rights of depository and beneficial owners”**: A depository shall be deemed to be the registered owner for the purposes of affecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights or any other rights in respect of the securities held by it.

(vii) 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 rights and benefits and be subject to all the liabilities in respect of his/her securities, which are held by a depository.

(viii) **“Transfer of securities”**: Transfer of security held in a depository will be governed by the provisions of the Depository Act, 1996. Nothing contained in Section 108, of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

(ix) **“Register and Index of beneficial owners”**: 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 purpose of these Articles.

(x) "**Other matters**": Notwithstanding anything contained in these Articles, the provision of Depositories Act, 1996 relating to dematerialisation of securities including any modification(s) or re-enactment thereof and Rules/Regulations made there under shall prevail accordingly.

(xi) Notwithstanding anything contained in the Act or the Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or disks.

#### **NOMINATION**

45. Notwithstanding anything contained in Articles, every holder of shares(s) or debenture(s) of the Company may, at any time, nominate, in the prescribed manner, a person to whom these share(s) shall vest in the event of his death and the provisions of Section 109A and Section 109B of the Companies Act, 1956 shall apply in respect of such nomination.

The provisions of this Article shall apply mutatis mutandis to a depository of money with the Company as per the provisions of Section 58A of the Act.

#### **BUY-BACK OF SHARES**

46. Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

#### **GENERAL MEETINGS**

47. All general meetings other than annual general meeting shall be called extraordinary general meeting.
48. (i) The Board may, whenever it thinks fit, call an extraordinary general meeting.  
(ii) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

#### **PROCEEDINGS AT GENERAL MEETINGS**

49. (i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.  
(ii) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in section 103.
50. The chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.
51. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.
52. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

#### **ADJOURNMENT OF MEETING**

53. (i) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.  
(ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(iii) 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.

(iv) Save as aforesaid, and as provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

### **VOTING RIGHTS**

54. Subject to any rights or restrictions for the time being attached to any class or classes of shares,—  
(a) on a show of hands, every member present in person shall have one vote; and  
(b) on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.
55. A member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.
56. (i) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.  
(ii) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
57. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
58. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
59. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.
60. (i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.  
(ii) Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

### **PROXY**

61. The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.
62. An instrument appointing a proxy shall be in the form as prescribed in the rules made under section 105.
63. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

### **BOARD OF DIRECTORS**

64. The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them.
65. (i) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.
- (ii) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—
- (a) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or
- (b) in connection with the business of the company.
66. The Board may pay all expenses incurred in getting up and registering the company.
67. The company may exercise the powers conferred on it by section 88 with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that section) make and vary such regulations as it may think fit respecting the keeping of any such register.
68. All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.
69. Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.
70. (i) Subject to the provisions of section 149, the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.
- (ii) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

### **PROCEEDINGS OF THE BOARD**

71. (i) The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.
- (ii) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.
72. (i) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.
- (ii) In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.
73. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.
74. (i) The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office.
- (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their member to be Chairperson of the meeting.

75. (i) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.
- (ii) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
76. (i) A committee may elect a Chairperson of its meetings.
- (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.
77. (i) A committee may meet and adjourn as it thinks fit.
- (ii) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.
78. All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.
79. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

#### **CHIEF EXECUTIVE OFFICER, MANAGER, COMPANY SECRETARY OR CHIEF FINANCIAL OFFICER**

80. Subject to the provisions of the Act,—
- (i) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;
- (ii) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.
81. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

#### **THE SEAL**

82. (i) The Board shall provide for the safe custody of the seal.
- (ii) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

#### **DIVIDENDS AND RESERVE**

83. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

84. Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.
85. (i) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, think fit.
- (ii) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.
86. (i) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.
- (ii) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.
- (iii) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
87. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.
88. (i) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- (ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent
89. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.
90. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
91. No dividend shall bear interest against the company.
92. No unclaimed Dividend shall be forfeited, and unclaimed Dividends shall be dealt with in accordance with the applicable provisions of the Act

#### ACCOUNTS

93. (i) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.
- (ii) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.

#### WINDING UP

94. If the Company shall be wound-up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind, the whole or, any part of the assets of the Company, whether they consist of property of the same kind or not.
95. For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members of different classes of members.
96. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator shall think fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

#### INDEMNITY

97. Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.

## SECTION XI – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by the Company (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two (2) years before the date of this Draft Letter of Offer) which are or may be deemed material have been attached to the copy of the Draft Letter of Offer delivered to the RoC for registration. Copies of the abovementioned contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all Working Days from Application/Issue Opening Date until the Application/Issue Closing Date.

#### **A. Material Contracts**

1. Memorandum of Understanding dated September 24, 2016 between our Company and the Lead Manager.
2. Memorandum of Understanding dated September 26, 2016 between our Company and the Registrar to the Issue.
3. Underwriting Agreement dated September 24, 2016 between our Company and the Lead Manager and the Market Maker.
4. Tripartite agreement between the NSDL, our Company and the Registrar dated June 18, 2014.
5. Tripartite agreement between the CDSL, our Company and the Registrar dated May 23, 2014.

#### **B. Material Documents**

1. Certified true copies of the Memorandum and Articles of Association of our Company, as amended from time to time.
2. Copy of Certificate of Incorporation of Vishal Fabrics Limited.
3. Copy of the resolution of the Board of Directors under Section 62 of the Companies Act passed in its meeting dated August 23, 2016 authorising the Issue.
4. Copy of the resolution of the shareholders under Section 62 of the Companies Act passed in their meeting dated September 20, 2016 authorising the Issue.
5. Statutory Auditor's report for Restated Financials dated September 16, 2016 included in this Draft Letter of Offer.
6. The Statement of Tax Benefits dated September 08, 2016 from our Statutory Auditors.
7. Consent of our Directors, Company Secretary and Compliance Officer, CFO, Statutory Auditors, Lead Manager, Legal Advisor to the Issue, Registrar to the Issue and Underwriters, to include their names in the Draft Letter of Offer to as referred to in their specific capacities.
8. Due Diligence Certificate dated [●] to be submitted to SEBI from Lead Manager along with the filing of the Letter of Offer.
9. Copy of resolution passed at the meeting of Board of Directors held on September 29, 2016 for approving this Draft Letter of Offer.
10. Approval from BSE vide letter dated [●] to use the name of BSE in this Draft Letter of Offer for listing of the additional Equity Shares on the SME Platform of the BSE.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time, if so required, in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, hereby declare that, all the relevant provisions of the Companies Act, 1956, Companies Act, 2013 (to the extent notified) and the guidelines issued by the Government of India or the regulations or guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in the Draft Letter of Offer is contrary to the provisions of the Companies Act, 1956, Companies Act, 2013 (to the extent notified), the Securities and Exchange Board of India Act, 1992, each as amended or rules made there under or guidelines / regulations issued, as the case may be. We further certify that all the disclosures and statements made in the Draft Letter of Offer are true and correct.

### SIGNED BY THE DIRECTORS OF OUR COMPANY:

\_\_\_\_\_  
**Mr. Jyotiprasad Chiripal**  
(Managing Director)

\_\_\_\_\_  
**Mr. Amit Kadmawala**  
(Whole – Time Director)

\_\_\_\_\_  
**Mr. Arakhita Khandual**  
(Non-Executive Independent Director)

\_\_\_\_\_  
**Mr. Shubhankar Jha**  
(Non-Executive Independent Director)

\_\_\_\_\_  
**Ms. Dhara Shah**  
(Non-Executive Independent Director)

### SIGNED BY THE CHIEF FINANCIAL OFFICER

\_\_\_\_\_  
**Mr. Mahesh Kawat**  
(Chief Financial Officer)

### SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER

\_\_\_\_\_  
**Ms. Tanushree Dave**  
(Company Secretary & Compliance Officer)

Date: September 29, 2016  
Place: Ahmedabad