



**DRAFT RED HERRING PROSPECTUS**  
Please read Section 60 B of the Companies Act, 1956  
Dated [●], 2007  
(The Draft Red Herring Prospectus will be updated upon  
filing with the Registrar of Companies, Gujarat)  
100% Book Built Issue

## DECOLIGHT CERAMICS LIMITED

(Our Company was incorporated as “Decolight Ceramics Limited” under the provisions of the Companies Act, 1956 pursuant to a Certificate of Incorporation dated March 7, 2000 and has been allocated CIN U26914GJ2000PLC037494.)

**Registered Office:** Behind Romer Ceramics, Ghuntu Road, Morbi – 363 642, Gujarat;

(There has been no change in the Registered Office of our Company since incorporation.)

**Tel:** + 91 2822 241 988 / +91 2822 241 156; **Fax:** +91 2822 241 225 **E-mail:** dcl@decocovering.com; **Website:** www.decocovering.com.

**Contact Person:** Shri. Suresh S. Dave, Company Secretary and Compliance Officer

**Public Issue of [●] Equity Shares of Rs. 10/- each of Decolight Ceramics Limited (hereinafter referred to as the “Company” or “Issuer”) at a price of Rs. [●] per Equity Share for cash aggregating Rs. 4,500 lakh (hereinafter referred to as the “Issue”) including Promoter’s Contribution of [●] Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share for cash aggregating Rs.90.00 lakh (hereinafter referred to as the “Promoter’s Contribution”) and Net Issue to the public of [●] Equity Shares at a price of Rs. [●] per Equity Share aggregating Rs. 4410 lakh (hereinafter referred to “Net Issue”)  
The Net Issue will constitute [●]% of the post Issue paid-up capital of our Company.**

*Our Company is considering a Pre-IPO placement with certain investors, (“Pre-IPO Placement”). The Pre-IPO placement, if any will be completed before the Issue Opening Date. If the Pre-IPO Placement is completed the Net Issue would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue of 25% of the post-Issue paid up Equity Share capital being offered to the public.*

**PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE.**

**THE ISSUE PRICE IS [●] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

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

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Net Issue (subject to mandatorily minimum 10%) will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

This Issue is being made in terms of Clause 2.2.2 (a) (ii) and (b) (i) of SEBI Guidelines, 2000 as amended from time to time, wherein the “Project” has atleast 15% participation by financial institutions / scheduled commercial banks, of which atleast 10% comes from the Appraiser(s). In addition to this, atleast 10% of the Net Issue shall be allotted to QIBs failing which the full subscription money shall be refunded. In case of delay, if any, in refund, we shall pay interest on the application money @ 15% p.a. for the period of delay.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is Rs.10/- and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times of the face value at the higher end of the Price Band. The Price Band (as determined and justified by the Book Running Lead Manager, the Co-Book Running Lead Manager and our Company on basis of assessment of market demand for the Equity Shares by way of Book Building as stated in chapter titled “Basis of Issue Price” beginning on page [●] of this Draft Red Herring Prospectus) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

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

### COMPANY’S ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (NSE). BSE shall be the Designated Stock Exchange for purpose of this Issue. We have received in-principle approval for the listing of our Equity Shares pursuant to letters dated [●] and [●] from BSE and NSE.

### IPO GRADING

Our Company has not opted for IPO Grading

### BOOK RUNNING LEAD MANAGER



#### IDBI CAPITAL MARKET SERVICES LIMITED

5th Floor, Mafatlal Centre,  
Nariman Point, Mumbai – 400 021.  
Tel.: +91 22 6637 1212/24, Fax: +91 22 2288 5848  
E-mail: decoipo@idbicapital.com  
Website: www.idbicapital.com  
Contact Person: Ms. Meenakshi Kaushik

### REGISTRAR TO THE ISSUE



#### BIGSHARE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka,  
Andheri (East), Mumbai – 400 072.  
Tel: 91-22-2856 0652, Fax: 91-22-2847 5207  
Website: www.bigshareonline.com  
Email: ipo@bigshareonline.com  
Contact Person: Mr. N V K Mohan

### BID / ISSUE PROGRAMME

**BID / ISSUE OPENS ON :**

[●]

**BID / ISSUE CLOSES ON :**

[●]

## TABLE OF CONTENTS

CONTENTS	Page No.
<b>SECTION I – GENERAL</b>	
DEFINITION AND ABBREVIATIONS _____	i
GENERAL CONVENTIONAL _____	i
ISSUE RELATED TERMS _____	ii
INDUSTRY RELATED TERMS _____	iv
ABBREVIATIONS _____	v
PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA	vii
<b>SECTION II – RISK FACTORS</b>	
FORWARD- LOOKING STATEMENTS _____	viii
RISK FACTORS _____	ix
<b>SECTION III – INTRODUCTION</b>	
SUMMARY _____	1
THE ISSUE _____	3
SUMMARY OF FINANCIAL DATA _____	4
GENERAL INFORMATION _____	6
CAPITAL STRUCTURE _____	12
OBJECTS OF THE ISSUE _____	22
BASIC TERMS OF THE ISSUE _____	38
BASIS OF ISSUE PRICE _____	40
STATEMENT OF TAX BENEFITS _____	43
<b>SECTION IV - ABOUT US</b>	
INDUSTRY OVERVIEW _____	50
BUSINESS OVERVIEW _____	59
REGULATIONS AND POLICIES _____	68
HISTORY AND OTHER CORPORATE MATTERS _____	69
OUR MANAGEMENT _____	71
OUR PROMOTERS AND THEIR BACKGROUND _____	86
OUR PROMOTER GROUP COMPANY _____	89
<b>SECTION V - FINANCIAL STATEMENTS</b>	
AUDITORS REPORT _____	91
FINANCIAL INFORMATION OF GROUP COMPANY/OTHER VENTURES PROMOTED BY OUR PROMOTERS _____	110
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS _____	114
<b>SECTION VI - LEGAL AND REGULATORY INFORMATION</b>	
OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES _____	119
GOVERNMENT/ STATUTORY AND BUSINESS APPROVALS _____	122
OTHER REGULATORY AND STATUTORY DISCLOSURES _____	124
<b>SECTION VII - ISSUE RELATED INFORMATION</b>	
TERMS OF THE ISSUE _____	134
ISSUE PROCEDURE _____	137
<b>SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION</b>	
MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY _____	162
<b>SECTION IX - OTHER INFORMATION</b>	
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION _____	184
DECLARATION _____	186

## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

Term	Description
“Decolight”, “our Company”, “the Company” and “Issuer”	Unless the context otherwise requires, refers to Decolight Ceramics Limited, a public limited company incorporated under the Companies Act.
“we”, “us” and “our”	Unless the context otherwise requires, refers to Decolight.
Promoter(s)	Unless the context otherwise requires, refers to Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri. Jayantilal M. Pethapara, Smt. Hansaben G. Pethapara, Shri. Hemalkumar G. Pethapara
Group/Associate Companies/ Firms/ Ventures	Unless the context otherwise requires, refers to companies / other ventures promoted by our Promoters (s) i.e. Deco Gold Glazed Tiles Limited; Deco Gold Electronics Limited; Deco Ceramic Industries; Sweta Ceramics; Bahuchar Medical Stores; Vishnu Stone Crushers and Yatri Enterprise.

#### General Conventional Terms

Term	Description
Articles/ Articles of Association	The Articles of Association of our Company.
Auditors	The statutory auditors of our Company, being M/s. S.V. Karia & Associates, Chartered Accountants.
Board of Directors / Board	The Board of Directors of our Company or a Committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of our Company unless otherwise specified.
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
Insurance Act	Insurance Act, 1938, as amended from time to time.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Non Resident	All eligible Bidders, including NRIs, FIIs registered with SEBI and FVCIs registered with SEBI, who are persons not resident in India as defined under FEMA.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended from time to time.
Registered Office	Behind Romer Ceramics, Ghuntu Road, Morbi – 363 642, Gujarat
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.

## Issue related Terms

<b>Term</b>	<b>Description</b>
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, allotment of Equity Shares pursuant to this Issue.
Allocation / Allocation of Equity Shares	Unless the context otherwise requires, allocation of Equity Shares pursuant to this Issue.
Allottee	The successful Bidders to whom Equity Shares are being / have been allotted.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM / Book Running Lead Manager	IDBI Capital Market Services Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Co-BRLM	Chartered Capital And Investment Limited.
Cut-off	The Issue Price finalised by our Company in consultation with the BRLM and Co-BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Gujarat, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	BSE
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It will become a Red Herring Prospectus after filing with the Registrar of Companies, Gujarat, at Ahmedabad at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Gujarat, at Ahmedabad after the Pricing Date.
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account (s)	Account (s) opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among our Company, the Registrar to this Issue, the Escrow Collection Banks, the Refund Bank, the BRLM and the Co-BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.

<b>Term</b>	<b>Description</b>
Escrow Collection Bank(s) / Banker (s) to the Issue	The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for this Issue will be opened, in this case being [●]
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally accepted accounting principles in India.
Issue	The issue of [●] Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating Rs. 4500 Lakh.
Issue/ Bidding Period or Bidding / Issue Period	The period between the Bid / Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM and Co-BRLM on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Funds Portion	That portion of the Issue, being 5% of the QIB portion or [●] Equity Shares (assuming that the QIB portion is 50% of the Net Issue to Public) available for allocation on a proportionate basis to Mutual Funds only.
Net Issue	The Issue other than the Promoters' Contribution, in this being [●] Equity Shares aggregating Rs. 4410 lakh.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-.
Non Institutional Portion	The portion of this Issue being atleast 15% of the Net Issue consisting of [●] Equity Shares of Rs. 10/- each aggregating Rs. 661.5 lakh, available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable.
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band of a minimum price ("Floor Price") of Rs. [●] and the maximum price ("Cap Price") of Rs. [●] and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM and Co-BRLM finalises the Issue Price.
Project	The proposed expansion of our existing capacity of manufacturing 6000 sq. mts. vitrified tiles per day to 12000 sq. mts. vitrified tiles per day, establishing factory for manufacture of Aluminium composite panels, setting up of 4.6 MW wind turbine generators, additional office and factory buildings and godowns, other fixed assets / GEB deposit and line charge etc. and margin money for working capital requirements.
Prospectus	The Prospectus, to be filed with the Registrar of Companies, Gujarat, containing <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Bankers to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	Consists of upto [●] Equity Shares of Rs. 10/- each aggregating Rs. 2,205 lakh being upto 50%

<b>Term</b>	<b>Description</b>
	of the Net Issue (subject to mandatory allotment of minimum 10% of the Net Issue size to QIBs), available for allocation to QIBs. 5% of the QIB Portion i.e. [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, foreign venture capital funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies, provident funds with minimum corpus of Rs. 2500 lakh and pension funds with minimum corpus of Rs. 2500 lakh.
Promoters' Contribution	The amount to be brought in by our Promoters not less than one day prior to the Bid/Issue Opening Date for which the Promoters shall be allotted Equity Shares from the Issue. Our Promoters shall bring in Promoters' Contribution aggregating Rs. 90.00 lakh.
Refund Account	The no-lien account maintained by the Refund Bank to which the surplus money shall be transferred on the Designated Date.
Refund Bank	Shall mean the Escrow Collection Bank who has been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and / or physical mode where payment through electronic mode may not be feasible, in this case being [●]
Registrar/ Registrar to this Issue	Bigshare Services Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 1,00,000/- in any of the bidding options in this Issue.
Retail Portion	Consists of [●] Equity Shares of Rs. 10/- each aggregating Rs. 1,543.5 lakh, being atleast 35% of the Net Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Syndicate	The BRLM, Co-BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member (s)	[●].
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Members to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM, Co-BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.
U.S. GAAP	Generally accepted accounting principles in the United States.

Notwithstanding the foregoing, in the chapter titled "Main Provisions of the Articles of Association of our Company", Statement of Tax Benefits" and "Financial Statements" on pages [●], [●] and [●] of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

#### **Industry Related Terms**

<b>Term</b>	<b>Description</b>
ICCTAS	The Indian Council of Ceramic Tiles and Sanitary ware (ICCTAS) is a voluntary non-profit Association dedicated to the growth of Ceramic Tiles and Sanitary ware manufacturers of the organized sector of India.
HSD	High Speed Diesel
LDO	Light Diesel Oil
LPG	Liquefied petroleum gas (also called LPG) is a mixture of hydrocarbon gases used as a fuel in heating appliances
Lignite	Lignite, often referred to as brown coal, is the lowest rank of coal and used as fuel for steam-

Term	Description
	electric power generation or for any other general utility purposes.
Propane Gas	Propane is a three-carbon alkane, normally a gas, but compressible to a liquid that is transportable in containers. It is derived from other petroleum products during oil or natural gas processing. It is commonly used as a heat source for engines, barbecues, and homes

### Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting.
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DGFT	Directorate General of Foreign Trade.
DP	Depository Participant.
EGM	Extra Ordinary General Meeting of the shareholders of Decolight Ceramics Limited.
EPS	Earnings per Equity Share.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
Fis	Financial Institutions.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GEB	Gujarat Electricity Board
GIR Number	General Index Registry Number.
GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
MAPIN	Market Participant and Investor Database
MW	Mega Watt
NAV	Net Asset Value.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
RBI	The Reserve Bank of India.

<b>Abbreviation</b>	<b>Full Form</b>
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
RoC/Registrar of Companies	The Registrar of Companies, Gujarat, located at Ahmedabad.
RoNW	Return on Net Worth.
Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEZ	Special Economic Zone
Stock Exchanges	BSE and NSE
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
UoI	Union of India.
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America.

## **PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

Unless stated otherwise, the financial information used in this Draft Red Herring Prospectus is derived from our Company's restated financial statements as of and for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and six month period ended September 30, 2006, prepared in accordance with Indian GAAP and the Companies Act, 1956 and restated in accordance with SEBI Guidelines, as stated in the report of our Auditors, M/s. S.V. Karia & Associates, Chartered Accountants, beginning on page [●] of this Draft Red Herring Prospectus.

Our fiscal year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a fiscal year (e.g., fiscal 2005), are to the fiscal year ended March 31 of a particular year.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

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

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

## SECTION II – RISK FACTORS

### FORWARD-LOOKING STATEMENTS

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

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

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industries in which we operate;
- Increased competition in these industries;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in countries that we may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer chapters titled “Risk Factors” “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages [●], [●] and [●] of this Draft Red Herring Prospectus respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Book Running Lead Manager and Co-Book Running Lead Manager, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM and Co-BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by BSE and NSE.

## RISK FACTORS

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

### Internal Risk Factors

#### Project Related Risks

*Regulatory approvals for the proposed expansion are yet to be received and any delay or non-receipt of such approvals may cause delay in the Project.*

There are certain licenses / permissions / consents for the Project which are yet to be obtained. Delay in receipt of such approvals may adversely affect the implementation of the Project. For details of licenses obtained for the Project, please refer to chapter titled "Government / Statutory and Business Approvals" beginning on page [●] of this Draft Red Herring Prospectus.

*We have not placed orders for machinery and equipment required for our Project. We may face time and cost overruns in the Project.*

We have not yet entered into any definitive agreements or placed orders for machinery and equipment amounting Rs. 1634.00 lakh out of total plant and machinery of Rs. 3925 lakh required for our Project. We are subject to risks on account of inflation in the price of machinery and other equipment that we require for the Project. Further, in respect of the machinery/equipment/other Project related services that we propose to import/procure from overseas, we may be subject to the risks arising out of currency rate fluctuations. These factors may increase the overall cost of our Project, and we may have to raise additional funds by way of additional debt or equity placement to complete our Project, which may have an adverse effect on our business and results of operations.

*Our new Project is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans*

Our new Project is dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant and machinery and supply and testing of equipment. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns, which in turn may adversely affect our expansion plans.

*The areas of strength and weaknesses as mentioned in the Appraisal report of Bank of India is as follows:*

#### Weakness:

The complete project is dependant on the success of IPO. If the IPO does not bring expected results then the company is planning to drop the idea of ACP and Wind Power Generator. Also it will not go for construction of new administration building.

Also the ACP plant would continue to be exposed to risk from changes in building construction technology, new products, competition and other market conditions.

The WTG project would be exposed to regulatory risks from Electricity Board, the risk of continuous Grid availability and also the risks on account of proper and continuous wind availability over a longer period.

### Threat:

The biggest threat facing this Project is the increased Capacity Expansion in the Vitrified Tiles Market. Many new players are entering the Vitrified Tiles Industry and the existing players are expanding capacities.

The unorganised sector, the Indian ceramic industry contributes Rs 1,00,000 lakh to the exchequer, yet it faces the threat of a slow-down and ultimate closure due to the massive dumping of cheap vitrified tiles by Chinese manufacturers. During 2003-04, Chinese tiles worth Rs 1,00,000 lakh were dumped in the Indian market. This year, it is expected that dumping may well cross the 200 per cent mark to Rs 300,000 lakh. This will undoubtedly put a lot of strain on the local market, and in a long run, may even throw some of the players out of business.

The existing and emergence of so many players will result in intense competition and downward pressure on Prices.

### **Business Related Risks**

***Our success depends upon our ability to attract and retain our key managerial employees. Any labour related disputes may affect our operations, if any.***

Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain skilled and unskilled personnel. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and maintain a very cordial relationship with employees however, any strike, work stoppage or other industrial action in future cannot be ruled out. As on date, our employees are not represented by any labour union and currently we have not faced any union related problem. However, our employees may unionise in future. In that case, there may be restrictions on the flexibility of our labour policies and we may face the risks of strike, agitation and work stoppages, which in turn may affect our operations.

***Any delay in registration of Trade Mark with the Registrar of Trademarks may adversely affect our business and profitability.***

We do not have any registered Trademark as on the date of filing this Draft Red Herring Prospectus with SEBI. We have made an application dated June 14, 2006 to the Registrar of Trademarks, Ahmedabad for the registration of the mark "Granolite" under Class 19 bearing T.M. No. 1289960. In the event that this mark is not registered in our name, it may adversely affect our business and profitability.

***Our success depends upon our ability to effectively implement our strategies and manage the growth of our business.***

Whilst we have been successfully executing our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers. Our inability to manage our business and growth strategy could have a material adverse effect on our business, financial condition and results of operations. Our success depends upon our ability to manage our growth of business.

***There are no long-term contracts with buyers.***

We do not have any long-term contracts with our clients and any change in the buying pattern of buyers can adversely affect the business of our Company. Although we have very good business relations with our customers and have received continued business from them in the past because of our emphasis on quality, timely shipment of goods, after sales service and aggressive marketing, there is no certainty that the same will continue in the years to come and may affect our profitability.

***Risk associated with Contingent Liabilities as on September 30, 2006 are as follows:***

Contingent liabilities as on September 30, 2006

(Rs. in lakh)

Year\Period ended	September 30, 2006
<b>Particulars</b>	
Contingent Liability for Guarantee Given for loans taken by other Group Firms.	50.00*
Contingent Liability for Non Fund Limits Utilized (Letter of Credit) from Bank	122.30
<b>Total</b>	<b>172.30</b>
*This guarantee has been released by Indian Overseas Bank on November 14, 2006.	

***Our buyers prescribe various standards, which we are required to comply with, and they conduct regular inspections to check customer regulatory compliance.***

Some of our buyers prescribe certain technical and quality standards, which we have to comply with. In the event that we are unable to comply with their standards and requirements in the future our profitability may be adversely affected

***Any fluctuation in Foreign Exchange rates may adversely affect our profitability.***

The volatility in global financial markets may have an adverse impact on our imports of plant and machinery and raw material. We have to make payments in foreign exchange for our imports of capital goods. In the future, we expect an increase in our dealings in foreign exchange thus increasing our exposure to foreign exchange markets. Our inability to hedge this foreign exchange exposure may result in an adverse impact on our financial condition.

***Conflict of interest with the other Group Companies***

We have 3 Group Companies / Partnership Firms viz. Deco Gold Glazed Tiles Limited, Sweta Ceramics and Deco Ceramic Industries having main objects and business similar to our Company. Interests of these companies may conflict with each other. For details, please refer to the sections titled “Our Promoter Group Company” and “Financial Information of Group Companies” beginning on pages [●] and [●] of this Draft Red Herring Prospectus. Also, in the future, our Promoter Group may include other entities having business similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

***Risk associated with negative covenants in our agreements with our Bank of India.***

We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the banks to:

- Effect any change in the capital structure;
- Formulate any scheme of amalgamation and reconstruction;
- Undertake any new project or expansion schemes/modernization/diversification/renovation or acquire any fixed assets. Unless the expenditure on such expansion, etc., is covered by our Company’s net cash accruals after providing for dividends, investments etc, or from long term funds received for financing such new projects or expansion;
- Invest by way of share capital in or lend or advance funds to or place deposits with any other concern;
- Enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise save and except the working capital facilities granted/ to be granted by other consortium member banks, under consortium arrangement with the bank and term loans proposed to be obtained from financial institutions/ banks for completion of the replacement-cum-modernization programme;
- Undertake guarantee obligation on behalf of any other company;
- Declare dividends for any year except out of profits relating to that year and with specific approval from the bank;
- Withdraw loans/deposits secured from promoter shareholders, directors, depositors and promoters of our Company;

- To make any drastic change in its management setup without the bank's permission;
- Pay any commission to the guarantors towards the guarantees executed by them for the credit facilities granted by the banks to our Company;
- Create any further charge, lien or encumbrance over the assets and properties of our Company to be charged to the bank in favour of any other bank, financial institution, company, firm or person; and
- Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the bank.

We have obtained No Objection Certificate dated October 12, 2006 from our banker i.e. Bank of India that they have no objection for the proposed Issue / IPO.

***Our limited experience of managing corporate affairs of widely held companies.***

So far our Promoters were running their business through closely held companies and partnership firms. Therefore, they have no experience in managing compliance requirements applicable to widely held companies. Inability of our Promoters to respond appropriately to the changed regulatory environment applicable to widely held companies may adversely affect our Company.

***Any future issuance of Equity Shares by our Company may dilute your holding percentage in our Company.***

To fund future growth plans of our Company we may further raise capital by way of issuance of Equity Shares or convertibles in domestic or overseas market. Such further issuance of Equity Shares or convertibles could dilute your shareholding in our Company. Further, perception of such further issues may also affect the trading price of our Equity Shares.

Also, sale by the Promoters or major shareholders of their shareholding (subject to lock-in compliances) may affect the trading price of our Equity Shares.

***Interests of Promoters/ Directors***

Our Promoters may be deemed to be interested to the extent of Equity Shares held by them, their friends or relatives or the Group Companies, and benefits arriving from their directorship in our Company. Our Promoters are interested in the transaction entered into between our Company and the ventures where our Promoters are interested either as a promoter, director, partner, proprietor or otherwise.

Our Promoter, Shri. Girishkumar M. Pethapara is interested to the extent of lease rent of Rs. 13,812/- payable annually to him as per the lease agreement dated August 8, 2004 entered into between him and our Company for the land on which our Registered Office and factory are located.

For details please refer the chapters "Our Management" and "Our Promoters and their Background" beginning on pages [●] and [●] of this Draft Red Herring Prospectus.

***The following are the details of the tax related penalties levied against our Company***

<b>Types of cases</b>	<b>Particulars</b>	<b>Status</b>
Excise	Under Section 14 of Central Excise Act, for alleged evasion of payment of excise duty, service tax.	Reply Filed.
Excise	Under Section 11A of Central Excise Act	We have paid under protest and the matter is pending.

***The following are the details of the penalties levied against our Company and our Directors:***

Our Executive Directors have received a summons under Section 14 of the Central Excise Act in connection with the enquiry of alleged evasion of payment of central excise duties / service tax on commissioning and installation of imported plant and machinery. Our Company has filed a reply on behalf of the Directors and Company and we are awaiting further

proceedings, if any, in this regard.

***Our Promoters have paid the following penalties***

<b>Sr. No.</b>	<b>Amount of penalty imposed (Rs.)</b>	<b>Brief particulars regarding penalty and reasons therefore</b>	<b>Remarks (paid/payable)</b>
<b>1</b>	12,200/-	Penalty under Section 271(1)(C) of the Income Tax Act, 1961 for assessment year 2003-2004	Paid
<b>2</b>	30,700/-	Penalty under Section 271(1)(C) of the Income Tax Act, 1961 for assessment year 2003-2004	Paid

***Some of the entities promoted by our Promoters have incurred losses or have earned no profits in the last three fiscal years***

Details of the losses incurred by some of the entities promoted by our Promoters in the last three fiscal years is as follows:

<b>Sr. No.</b>	<b>Name of the Entity</b>	<b>(Rs. in lakh)</b>		
		<b>For the year ended March 31,</b>		
		<b>2006</b>	<b>2005</b>	<b>2004</b>
1.	Deco Gold Glazed Tiles Limited	103.6	(60.16)	3.51
2.	Bahuchar Medical Stores	(0.01)	(0.02)	0.07
3.	Yatri Enterprise	-	-	-

***The Promoters and Promoter Group will collectively own approximately [●]% of our Equity Shares post listing and will continue to control and exercise substantial influence over our Company. Their interest may conflict with your interest as a shareholder.***

Post listing our Promoters and Promoter Group will hold approximately [●]% of the paid-up equity capital of our Company. As a result, our Promoters will have the ability to exercise significant influence over the decisions of our Company, as they will be able to determine the outcome of all actions requiring the approval of the shareholders and / or our Board. The interests of our Promoters may conflict with the interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights.

***Our Company proposes to venture into manufacturing of Aluminium composite panels and install wind turbine generators to generate power, which are totally new operations for us.***

We are going to be a new entrant in the manufacturing of Aluminium composite panels, and have no prior experience in this business segment. This may hinder our ability to operate the proposed plant in a commercially successful manner. Further, we will be required to employ new work force for the Project. These factors may adversely affect our results of operations and financials.

Power is extremely important for our operations and constitutes a significant portion of our operational expenses. We plan to install wind turbine generators to generate power and reduce our operational expenses and provide a stable power supply. We have entered into MOU with Suzlon Energy Limited to set up 4.6 MW windmill. Generation of power depends upon various factors including grid availability and wind speed. The supply and speed of wind is subject to the forces of nature.

***All our current manufacturing facilities are geographically located in and around Morbi.***

All our current manufacturing facilities (existing and proposed) are based in and around Taluka Morbi, District Rajkot in the state of Gujarat. As a result, any local social unrest, natural disaster or breakdown of services and utilities in that area could have material adverse effect on the business, financial position and results of operations of our Company.

Further, all of our present and proposed manufacturing facilities are located at Morbi, Rajkot District, Gujarat, which is a Seismic Zone 4 - Earthquake prone area. In the future, if earthquake affects the Rajkot District again, where all the Company's manufacturing facilities are located, it may have an adverse effect on our operations, financials and our business.

As per publicly available information, a number of industrial houses are setting up and expanding their ceramic tiles manufacturing facilities, which will result in an increased demand for infrastructural facilities. In such case, if we go for expansion in future, we may not be able to secure additional infrastructural support and utilities at an economically competitive rate or may not be able to secure those requirements at all. Further, increased cost of living in the local area may increase our manpower cost, which may adversely affect our financial performance.

***The vitrified tiles industry is dependent on construction and infrastructure Industry and various other factors***

The demand for vitrified tiles may fluctuate in the future due to number of factors like any downturn in construction industry, slowdown in basic manufacturing industry etc, Further, China is a major consumer and producer of vitrified tiles in the world and any adverse developments therein shall impact the ceramic industry globally. Unfavourable changes in the demand for vitrified tiles, due to changes in customer preferences, government policies and other factors may adversely affect the ceramic industry and our business and results of operation.

***Our operations create environmental challenges, and changes in environmental laws and regulations may create liabilities in future.***

The activities envisaged in setting up and operating our Project are subject to, among other laws, environmental laws and regulations promulgated by the Ministry of Environment and Forests, Department of Explosives, Government of India and the Gujarat Pollution Control Board. These include laws and regulations that limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of hazardous waste materials, and could become stricter in future.

Some of these laws and regulations may be subject to varying and conflicting interpretations. Many of these laws and regulations provide for substantial fines and potential criminal liabilities for violations and require the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or reduce the likelihood or impact of hazardous substance releases. In some cases, compliance with environmental, health and safety laws and regulations might only be achievable by capital expenditure, such as the installation of additional pollution control equipment. For details of the approvals received by our Company please refer section titled "Government / Statutory and Business approvals" beginning on page [•] of this Draft Red Herring Prospectus.

We cannot accurately predict future developments, such as increasingly strict environmental laws or regulations and enforcement policies resulting in higher compliance costs. This may have an adverse effect on our finances and results of operations.

***Our Company is availing certain exemption in electricity duty, which may not be available to us in the future.***

Our manufacturing facilities at Morbi, Gujarat have been exempted from payment of electricity duty under the Bombay Electricity Duty Act, 1958 till June 9, 2007. Withdrawal/discontinuance of the exemption will affect us adversely by increasing our operating costs.

***Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.***

Our manufacturing facilities at Morbi, Rajkot District, Gujarat are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output, raw material shortage or unsuitability, obsolescence, labour disputes, strikes, lock-outs, non-availability of services of our external contractors, our ability to respond to technological advances and emerging industry standards and practices in the industries we operate and propose to operate on a cost-effective and timely basis. The occurrence of any of these risks could significantly affect our operating results.

We carry out planned shutdowns of our captive power plant for maintenance. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition, results of operations and the trading price of our Equity Shares may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

***We operate in a highly competitive industry, which could limit our ability to grow.***

Most of the end-users for some of our products are price conscious. Pricing is one of the factors that play an important role in selecting these products. The market for tiles is highly competitive with organised players and unorganized players. Some of our competitors may have longer industry experience and greater financial, technical and other resources, which may enable them to react faster. Growing competition may result in a decline in our market share and force us to reduce our margins and revenues. We are focusing more on the higher end of the market for few products for better profits. This segment of the market requires a greater variety of designs and patterns. The distinguishing factor in this segment is the appealing aesthetic look of the products, for which a lot of creativity is required. Our inability to successively create new designs or patterns may have an adverse impact on our profitability.

***Changes in technology may impact our business by making our plants less competitive.***

Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitors plants more competitive. If we are not able to respond to such technological advancement well in time, we may lose our competitiveness.

***Insurance cover is not available for certain risks or may be inadequate.***

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions and/or insurance policies, the indemnities set forth in our contracts and/ or our insurance policies may not be enforceable in all instances or the limitations of liability may not protect us from entire liability for damages. A successful assertion of one or more large claims against us could adversely affect the results of our operations.

We have not taken any insurance for protecting us from future business losses and in the event of such losses occurring the operations of our Company may be affected significantly.

***Threat from import of ceramic tiles***

We may face stiff competition from imported ceramic tiles. The imported ceramic tiles sold at cheaper prices would create pressure on us to reduce our prices. This would have an adverse impact on our profitability.

***We had filed a Draft Prospectus with SEBI which was subsequently withdrawn***

We had filed a Draft Prospectus with SEBI on December 12, 2006 which was subsequently withdrawn since our Company decided to make this Issue by way of the Book Building Process.

**External Risk Factors**

***1. A slowdown in economic growth in India could cause our business to suffer.***

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect our business.

## **2. *Our performance is linked to the stability of policies and the political situation in India***

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The present Government of India, which was formed in May 2004, consists of a coalition of political parties. The withdrawal of one or more of these parties from a coalition government can result in political instability. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares. We cannot assure you that these liberalization policies will continue under the newly elected government. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting companies in the infrastructure sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

## **3. *Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 and other acts of violence or war may negatively affect the Indian markets where our equity shares will trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries. The governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the market price of our equity shares.

Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. 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 on the market price of our equity shares.

## **4. *The price of our Equity Shares may be highly volatile.***

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

- a) Volatility in Indian and global securities market;
- b) Our results of operations and performance;
- c) Performance of our competitors and perception in the Indian market about investment in the infrastructure sector;
- d) Changes in the estimates of our performance or recommendations by financial analysts;
- e) Significant development in India's economics liberalization and de-regulation policies; and
- f) Significant development in India's fiscal and environmental regulations.

There can be no assurance that the price at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

## **5. *Future sales by current shareholders could cause the price of our Equity Shares to decline.***

If our existing shareholders sell a substantial number of our Equity Shares in the public market, the market price of our Equity Shares could fall. Sales or distributions of substantial amounts of our Equity Shares by existing holders, or the perception that such sales or distributions could occur, could adversely affect prevailing market prices for our Equity Shares.

## Notes to Risk Factors

1. Public Issue of [●] Equity Shares of Rs. 10/- each at a price of Rs. [●] for cash aggregating Rs. 4500 lakh (hereinafter referred to as the "Issue") including Promoter's Contribution of [●] Equity Shares of Rs. 10 each at a price of Rs. [●] per Equity Share for Cash aggregating Rs. 90 lakh and Net Issue to the public of [●] Equity Shares at a price of Rs. [●] per Equity Share aggregating Rs. 4410 lakh.
2. The Net Issue would constitute [●] % of the post-Issue paid up capital of our Company.
3. The Net Worth of our Company, as per our restated financial statements as at September 30, 2006, is Rs. 1966.48 lakh
4. The Issue is being made in terms of clause 2.2.2 (a) (ii) and (b) (i) of the SEBI Guidelines as amended from time to time.
5. The average cost of acquisition of Equity Shares by each of our Promoters, is Rs. 12.80/- per Equity Share.
6. Book value of the Equity Shares of our Company, as per our restated financial statements as at September 30, 2006, is Rs. 19.66 /- per Equity Share.
7. For details on Related Party Transactions and Loans and Advances made to any company in which our Directors are interested please refer to the section titled "Related Party Disclosures" appearing in chapter titled "Auditor's Report" beginning on page [●] of this Draft Red Herring Prospectus.
8. The BRLM, Co-BRLM and our Company shall make available all information to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
9. Investors are advised to refer to the section titled "Basis of Issue Price" beginning on page [●] of this Draft Red Herring Prospectus before making an investment in this Issue.
10. We have not issued any Equity Shares other than cash or out of revaluation of assets since inception.
11. The notes on significant accounting policies have been furnished in the auditor's report.
12. There are no material events occurring after the balance sheet date, which have an impact on financial statements as on September 30, 2006.
13. Our Company is considering a Pre-IPO placement with certain investors, ("Pre-IPO Placement"). The Pre-IPO placement, if any will be completed before the Issue Opening Date. If the Pre-IPO Placement is completed the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue of 25% of the post-Issue paid up Equity Share capital being offered to the public.
14. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIBs, Retail Individual Bidders and Non-Institutional Bidders. For more details, please refer "Basis of Allotment" in section titled "Issue Procedure" beginning on page [●] of this Draft Red Herring Prospectus)

***Investors are free to contact the Compliance Officer and/or BRLM and/or Co-BRLM for any complaints/ information/ clarification pertaining to this Issue. For contact details of the Compliance Officer, BRLM and Co-BRLM, please refer to the section titled "General Information" beginning on page [●] of this Draft Red Herring Prospectus.***

## SECTION III – INTRODUCTION

### SUMMARY

**This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information contained in the chapters titled “Risk Factors” and “Financial Statements” and related notes beginning on pages [●] and [●] of this Draft Red Herring Prospectus before deciding to invest in our Equity Shares.**

#### Industry Overview

Apart from their decorative looks, Ceramic Tiles are primarily hygiene products and that is fairly evident from its usage ranging from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences and countless other centers dotting our surroundings. A ceramic tile is basically a "utility product" and popular housing projects are increasingly switching over to Ceramic Tiles from the traditional mosaic and even granite or marble, owing to several factors viz. ease in laying ability, versatility, low price and most importantly hygiene.

The main product segments are the Wall tiles, Floor tiles, Vitrified tiles and Porcelain tile segments. The market shares are 35%, 53% and 12% respectively for Wall, Floor & Vitrified/Porcelain tiles. The tiles are available in a wide variety of designs, textures and surface effects. They cater to tastes as varied from rustics to contemporary marble designs in super glossy mirror finishes.

Ceramic tiles as a product segment has grown to 3.8 million tons production per annum. The potential seems to be great, particularly in view of the boom in the housing sector, retail sector and IT & BPO sectors. The ceramic tiles sector has been clocking a robust growth of 12-15% consistently over the last few years. Today, India is the 7<sup>th</sup> largest manufacturer of ceramic tiles.

The investments in the ceramic tiles industry, in the last five years is approximately Rs 2000 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills and infrastructure facilities despite being fairly capital intensive. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0.15 sq. m per person in comparison to over 2 for like countries like China, Brazil and Malaysia.

#### Business Overview

Our company, currently engaged in manufacturing of Vitrified Ceramic Tiles, is promoted by Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri Jayantilal M. Pethapara, Smt. Hansaben G. Pethapara and Shri Hemalkumar G. Pethapara who have been involved in the ceramic tiles industry for over 10 years. Shri. Girishkumar M. Pethapara, is Chairman of Indian Council of Ceramic Tiles and Sanitary wares Association (ICCTAS) and President of Gujarat Ceramic Tiles Manufacturers Association. Our range of products, marketed under the brand name ‘Granolite’, have an established presence in the market.

We initially started with a production capacity of 3000 sq. meters per day of vitrified tiles. We enhanced our capacity to 6000 sq. meters per day in the year 2005-06. Now company plans to enhance the production capacity of vitrified tiles further from 6000 sq meters/day to 12000 sq meters/day.

Vitrified Ceramic Tiles are widely used as floor tiles in:

- Residential complexes
- Commercial complexes (SEZ's, I.T. Parks, Airports, Hotels, Web Worlds, Call Centres etc.)
- Retail spaces (Shopping Malls, Multiplexes etc.)

The market for vitrified tiles is driven by the construction industry. Vitrified tiles have become extremely popular over the years due to ease in laying, strength, durability, price and most importantly hygiene. Vitrified Tiles are available at one-fourth the cost of Italian Marble. They come in in standard sizes of 605mm X 605mm, 807mm x 807mm and 1000mm x 1000mm with thickness of 10 mm and above. Vitrified tiles leave little space at joints such that the joints are almost barely visible

We plan to engage in the production of Aluminum Composite Panels (ACP), used primarily for outer covering of commercial buildings. It offers better resistance to heat and water. It is also used in the inner surface and walls of any types of Buildings. As this product is newly introduced in the Indian market so there are very few players in the market. We can use our established distribution network to market this product as this is also a construction material.

We plan to setup Wind Turbine Generators to reduce costs incurred on electricity.

## THE ISSUE

<b>Equity Shares Offered:</b>	
Issue by our Company	[•] Equity Shares aggregating Rs. 4,500 lakh.
Of which, Promoter Contribution	[•] Equity Shares aggregating Rs. 90.00 lakh.
Net Issue	[•] Equity Shares aggregating Rs. 4,410.00 lakh
<b>Of which</b>	
A) Qualified Institutional Buyers Portion <sup>(1)</sup>	[•] Equity Shares aggregating Rs. 2,205 lakh, constituting upto 50% of the Net Issue (subject to mandatory allotment of minimum 10% of the Issue to QIBs). 5% of the QIB Portion i.e. [•] Equity Shares aggregating Rs. 110.25 lakh shall be available for allocation proportionately to mutual funds. Mutual fund Bidders shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers.
B) Non-Institutional Portion <sup>(1)</sup>	[•] Equity Shares aggregating Rs. 661.50 lakh, constituting not less than 15% of the Net Issue that will be available for allocation to Non-Institutional Bidders.
C) Retail Portion <sup>(1)</sup>	[•] Equity Shares aggregating Rs. 1,543.50 lakh constituting not less than 35% of the Net Issue that will be available for allocation to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue	1,00,00,270 Equity Shares
Equity Shares outstanding after the Issue	[•] Equity Shares
Use of Proceeds	Please refer to chapter titled “Objects of the Issue” on page [•] of this Draft Red Herring Prospectus for additional information.

**Note:**

1) Under subscription, if any, in the Non-Institutional Portion and Retail Portion shall be allowed to be met with spillover from the other categories, at the sole discretion of our Company, the BRLM and Co-BRLM. In case of under subscription in the QIB Portion (i.e. subscription less than 10% mandatory of Issue), the same shall not be available to other categories and full subscription monies shall be refunded.

2) Our Company is considering a Pre-IPO placement with certain investors, ("Pre-IPO Placement"). The Pre-IPO placement, if any will be completed before the Issue Opening Date. If the Pre-IPO Placement is completed the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue of 25% of the post-Issue paid up Equity Share capital being offered to the public.

## SUMMARY FINANCIAL DATA

The following table sets forth selected financial information of our Company as of and for the periods ended March 31, 2002, 2003, 2004, 2005, 2006 and six month period ended September 30, 2006, all prepared in accordance with Indian GAAP, the Companies Act and restated under the SEBI Guidelines.

You should read the following information together with the information contained in the Auditors' report included in the Section titled "Financial Information" beginning on page [●] in this Draft Red Herring Prospectus.

### SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

*(Rs. in lakh)*

As at	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>Fixed Assets</b>						
Gross Block	2,667.64	2,657.50	1,727.51	-	-	-
Less: Depreciation	228.27	165.62	55.54	-	-	-
Net Block	2,439.38	2,491.88	1,671.97	-	-	-
Add: Capial Work in Progress	677.49	480.84	599.85	1,225.84		
	<b>3,116.87</b>	<b>2,972.72</b>	<b>2,271.82</b>	<b>1,225.84</b>	-	-
<b>Investments</b>	NIL	NIL	NIL	NIL	NIL	NIL
<b>Current Assets, Loans and Advances</b>						
Inventories	1,067.17	956.71	572.92	90.92	-	-
Sundry Debtors	938.62	740.43	496.53	-	-	-
Cash and Bank Balances	117.35	100.33	179.55	9.15	11.62	0.05
Loans and Advances	334.13	211.22	147.11	266.37	-	-
	<b>2,457.28</b>	<b>2,008.69</b>	<b>1,396.11</b>	<b>366.44</b>	<b>11.62</b>	<b>0.05</b>
<b>Liabilities and Provisions</b>						
Secured Loans	2,572.16	2,433.25	1,803.04	871.10	-	-
Unsecured Loans	-	17.81	37.73	26.23	1.05	0.90
Deferred Tax Liability	246.58	222.73	60.52	-	-	-
Current Liabilities	594.19	490.24	546.43	36.62	0.03	0.06
Provisions	194.74	166.53	86.81	-	-	-
	<b>3,607.67</b>	<b>3,330.56</b>	<b>2,534.53</b>	<b>933.95</b>	<b>1.08</b>	<b>0.96</b>
<b>Net Worth (A+B+C-D)</b>	<b>1,966.48</b>	<b>1,650.84</b>	<b>1,133.40</b>	<b>658.33</b>	<b>10.53</b>	<b>(0.91)</b>
<b>Represented By</b>						
Share Capital						
- Equity Share Capital	1,000.03	1,000.03	599.81	400.00	5.07	0.07
- Preference Share Capital			300.00	300.00		
Share Application Money	-	-	148.48	-	6.50	-
Reserves & Surplus	1,002.40	663.45	101.96	-	-	-
Less: Miscellaneous Expenses not Written off	35.95	12.64	16.85	41.67	1.04	0.98
	<b>1,966.48</b>	<b>1,650.84</b>	<b>1,133.40</b>	<b>658.33</b>	<b>10.53</b>	<b>(0.91)</b>

STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in lakh)

Year / Period Ended	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>Income</b>						
<b>Sales:</b>						
Of Products manufactured by the company	1,913.06	3,240.20	1,699.44	-	-	-
Of Products not manufactured by the company	464.30	772.63	-	-	-	-
Total	2,377.36	4,012.83	1,699.44			
Other Income	1.53	9.63	3.90	-	-	-
Increase/(decrease) in stocks	51.54	101.90	318.40			
<b>Total</b>	<b>2,430.43</b>	<b>4,124.36</b>	<b>2,021.74</b>	-	-	-
<b>Expenditure</b>						
Material Cost	937.79	1,593.38	442.06	-	-	-
Manufacturing & Operating Cost	728.57	1,457.07	1,138.80	-	-	-
Employment Cost	72.02	71.67	14.31	-	-	-
Sales & Distribution Expenses	38.85	84.42	73.78			
Administration & General Expenses	30.57	37.08	9.40	-	-	-
Interest & Financial Charges	148.10	229.07	107.34	-	-	-
Depreciation	62.64	110.08	55.54	-	-	-
Misc/Deffered Expenses				-	-	-
Preliminary Expenses W/off	2.11	4.21	4.21	-	-	-
<b>Total</b>	<b>2,020.66</b>	<b>3,586.98</b>	<b>1,845.44</b>	-	-	-
<b>Net profit Before tax and Extra Ordinary Items</b>	<b>409.77</b>	<b>537.38</b>	<b>176.30</b>	-	-	-
Taxation	45.98	45.03	13.82	-	-	-
Deferred tax Provision	23.85	162.21	60.52	-	-	-
Fringe Benefit Tax	1.00	3.19	-	-	-	-
<b>Net profit Before Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>	-	-	-
Extra Ordinary Items( net of tax)	-	-	-	-	-	-
<b>Net Profit After Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>	-	-	-

## GENERAL INFORMATION

### Name and Registered Office of our Company

#### Decolight Ceramics Limited;

Behind Romer Ceramics,  
Ghuntu Road,  
Morbi – 363 642,  
Gujarat  
Tel: + 91 2822 241 988 / +91 2822 241 156;  
Fax: +91 2822 241 225;  
E-mail: dcl@decocovering.com  
Website: www.decocovering.com

### Details of Registration

**Registration Number:** 04-37494

**Company Identification Number (CIN):** U26914GJ2000PLC037494

Our Company is registered with the Registrar of Companies, Gujarat, situated at RoC Bhavan, Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad – 380 013.

### Board of Directors

Our current Board of Directors consists of the following:

Sr. No.	Name	Designation
1.	Shri. Girishkumar M. Pethapara	Chairman-cum-Managing Director
2.	Shri. Kantibhai M. Pethapara	Jt. Managing Director
3.	Shri. Jayantilal M. Pethapara	Whole-time Director
4.	Dr. K.N. Maiti	Independent Director
5.	Shri. Gaurang M. Thoriya	Independent Director
6.	Shri. Jaysukhbhai K. Gami	Independent Director
7.	Shri. Rajendra G. Dhamasana	Independent Director
8.	Shri. Maganbhai G. Sanaria	Independent Director

For details of our Directors, please refer chapters titled “Our Promoters and their Background” and “Our Management” beginning on pages [●] and [●] of this Draft Red Herring Prospectus

### Company Secretary and Compliance Officer

Shri. Suresh S. Dave  
Behind Romer Ceramic  
Ghuntu Road  
Morbi – 363642  
Gujarat  
Tel: + 91 2822 241 988 / +91 2822 241 156;  
Fax: +91 2822 241 225  
E-mail: investor@decocovering.com

## **Bankers to our Company**

### **Bank of India**

Jail Road, Vasant Bagh  
Morbi- 363 641  
Gujarat  
Tel. No.: +91 2822 220 022  
Fax No.: +91 2822 230527  
Email: boimorbr@sancharnet.in

## **ISSUE MANAGEMENT TEAM**

### **Book Running Lead Manager**

#### **IDBI CAPITAL MARKET SERVICES LIMITED**

5th Floor, Mafatlal Centre,  
Nariman Point,  
Mumbai – 400 021.  
Tel.: +91-22 6637 1224/12  
Fax: +91-22 2288 5848.  
E-Mail: decoipo@idbicapital.com  
Website: www.idbicapital.com  
Contact person: Ms. Meenakshi Kaushik

### **Co-Book Running Lead Manager**

#### **CHARTERED CAPITAL AND INVESTMENT LTD.**

711, Mahakant, Opp. V.S.Hospital  
Ellisbridge, Ahmedabad-380006  
Tel: 079-2657 5337, 2657 7571, 2657 8029  
Fax No.: +91 79 2657 5731  
E-Mail: decoipo@charteredcapital.net  
Website :www.charteredcapital.net  
Contact Person: Manoj Kumar Ramrakhiani

### **Registrar to this Issue**

#### **Bigshare Services Private Limited**

E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (East), Mumbai – 400 072.  
Tel: 91-22-2856 0652  
Fax: 91-22-2847 5207  
Website: [www.bigshareonline.com](http://www.bigshareonline.com)  
Email: ipo@bigshareonline.com  
Contact Person: Mr. N V K Mohan

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

### **Legal Advisors to the Issue**

#### **M/s. Crawford Bayley & Co.**

State Bank Buildings, 4th floor  
N. G. N. Vaidya Marg

Fort, Mumbai - 400 023  
 Tel.: +91 22 2266 3713  
 Fax: +91 22 2266 0355  
 E-mail: sanjay.asher@crawfordbayley.com

**Escrow Collection Banks**

[•]

**Brokers to the Issue**

All brokers registered with SEBI and member of the recognized stock exchange(s) can act as brokers to the Issue.

**Syndicate Members**

[•]

**Auditors**

**S.V. Karia & Associates**  
**Chartered Accountants**  
 102, Angel Complex,  
 Behind Blue Star Complex,  
 Near Income Tax Underebridge,  
 Off Ashram Road,  
 Ahmedabad – 380 014  
 Gujarat  
 Telefax No.: +91 79 2656 0332  
 Email: shilpangkaria@yahoo.co.in

**STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST THE BRLM and Co-BRLM**

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLM and Co-BRLM as under:

<b>Sr. No.</b>	<b>Activities</b>	<b>Responsibility</b>	<b>Co-ordinator</b>
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments etc.	IDBI Capital	IDBI Capital
2.	Due diligence of the Company’s operations / management / business plans/legal etc.	IDBI Capital	IDBI Capital
3.	Drafting & Design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, Registrar of Companies and SEBI.	IDBI Capital	IDBI Capital
4.	Selection of various agencies connected with the Issue including Registrar, Printers, Advertising Agency, Bankers to the Issue etc.	IDBI Capital/CCIL	IDBI Capital
5.	Company positioning and pre-marketing exercise	CCIL	CCIL
6.	Finalize media & public relation strategy, drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	CCIL/IDBI Capital	CCIL
7.	Qualified Institutional Bidder (QIBs) Category: Finalising the list and division of investors for one-to-one meetings, Co-ordinating institutional investor meetings, institutional allocation and finalizing pricing decision.	CCIL	CCIL

<b>Sr. No.</b>	<b>Activities</b>	<b>Responsibility</b>	<b>Co-ordinator</b>
8.	Non Institutional and Retail Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> <li>• Formulating marketing strategy</li> <li>• Preparation of publicity budget</li> <li>• Finalise Media and Public Relation strategy</li> <li>• Finalising centers for holding conferences for brokers, press, etc.</li> <li>• Follow-up on distribution of publicity and issue material including Bid cum application form, prospectus and deciding on the quantum of the issue material</li> </ul>	CCIL	CCIL
9.	Managing the Book and Interaction & co-ordination with Stock Exchanges for book-building software, bidding terminals and mock trading	CCIL	CCIL
10.	Finalisation of Prospectus and RoC Filing etc.	IDBI Capital	IDBI Capital
11	The post bidding activities including, management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation, dispatch of refund orders to Bidders etc.	CCIL	CCIL
12.	The post issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment / weeding out of multiple applications, listing of Equity Shares and dispatch of allotment advice and refund orders, co-ordination with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Issue and the bank handling refund business.	CCIL	CCIL

The selection of the various agencies like the Registrar to the Issue, Bankers to the Issue Escrow Collection Bank(s), Syndicate Members, brokers, advertising agencies, printer etc. will be finalized by the Company in consultation with the BRLM and Co-BRLM in terms of the interse allocation of responsibilities. Even if many of these activities will be handled by other intermediaries, the designated BRLM and Co-BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

### **Credit Rating**

As this is an Issue of Equity Shares, credit rating is not required.

### **Grading**

We have not opted for grading in this Issue.

### **Trustees**

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

### **Monitoring Agency**

As the net proceeds of the Issue will be less than Rs. 50,000 lakh, under the SEBI Guidelines it is not required that a monitoring agency be appointed by our Company.

### **Appraisal**

The Project has been appraised by Bank of India. The details of the Appraising Agency are as under:

**Bank of India**  
Jail Road, Vasant Bagh  
Morbi – 363 641

Gujarat  
 Tel. No.: +91 2822 220 022  
 Fax No.: +91 2822 230527  
 Email: boimorbr@sancharnet.in

### Book Building Process

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

1. The company
2. Book Running Lead Manager and Co-Book Running Lead Manager
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters. Syndicate members are appointed by the BRLM in consultation with the Co-Book Running Lead Manager
4. Registrar to the Issue.

SEBI, through its guidelines, has permitted the Issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue (with a mandatory allotment of 10%) shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Our Company will comply with these guidelines for this Issue. In this regard, the company has appointed the BRLM and Co-BRLM to procure subscriptions to the Issue.

**QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are now required to pay 10% Margin Amount upon submission of their Bid. For details see the chapter titled “Issue Procedure” on page [•] in this Draft Red Herring Prospectus.**

Steps to be taken by the Bidders for bidding:

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

**Illustration of Book Building and Price Discovery Process** *(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLM and Co-BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

**Underwriting Agreement**

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

The Underwriter has indicated its intention to underwrite the following number of Equity Shares:

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lac)
	[•]	[•]
	[•]	[•]

The above-mentioned amount is an indicative underwriting and would be finalized after pricing and actual allocation. The above Underwriting Agreements is dated [•].

In the opinion of our Board of Directors, the BRLM and Co-BRLM (based on a 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 brokers with the Stock Exchange(s). Our Board of Directors, at their meeting held on [•], have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, the Co-BRLM and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. For further details about allocation please refer to chapter titled “Other Regulatory and Statutory Disclosures” beginning on page [•] of this Draft Red Herring Prospectus.

## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Draft Red Herring Prospectus with SEBI is as set forth below:

	Share Capital as on the date of filing of this Draft Red Herring Prospectus	Amount in Rs.	
		Aggregate Value at Nominal Price	Aggregate Value at Issue Price
<b>A.</b>	<b>Authorised Capital</b> 2,50,00,000 Equity Shares of Rs. 10/- each	25,00,00,000	
<b>B.</b>	<b>Issued, Subscribed and Paid-Up Capital before this Issue</b> 1,00,00,270 Equity Shares of Rs. 10/- each.	10,00,00,270	12,50,02,700
<b>C.</b>	<b>Present Issue to the public in terms of this Draft Red Herring Prospectus</b> [•] Equity Shares of Rs. 10/- each offered at a price of Rs. [•] per share.	[•]	45,00,00,000
<b>D.</b>	<b>Out of (C) above Promoters Contribution</b> [•] Equity Shares of Rs. 10/- each to be issued at a price of Rs. [•] per share to our Promoters.	[•]	90,00,000
<b>E.</b>	<b>Net Issue in Terms of this Draft Red Herring Prospectus</b> [•] Equity Shares of Rs. 10/- each to be issued at a price of Rs. [•] per share	[•]	44,10,00,000
<b>F.</b>	<b>Issued, Subscribed and Paid-Up Capital after this Issue</b> [•] Equity Shares of Rs. 10/- each	[•]	57,50,02,700
<b>G.</b>	<b>Securities Premium Account<sup>(1)</sup></b>		
	Before this Issue	2,50,00,000	
	After this Issue	[•]	

<sup>(1)</sup> The amount standing in the Securities Premium Account, on a pre-Issue basis, is Rs. 250 lakh. The increase in the Securities Premium Account as a result of the Issue will be completed only after the Issue Price is determined.

Out of the present Issue, [•] Equity Shares of Rs. 10/- each, aggregating to Rs. 90 lakh shall be brought in by our Promoters, Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara and Shri. Jayantilal M. Pethapara, as Promoter's Contribution.

In terms of Clause 4.9.1 of the SEBI Guidelines, Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara and Shri. Jayantilal M. Pethapara would bring in the full amount of the Promoter's Contribution at least one day prior to the Issue Opening Date. This amount shall be kept in an Account with one of the Escrow Collection Banks and shall be released to the Public Issue Account together with the rest of the Issue proceeds.

Our Company is considering a Pre-IPO placement with certain investors, ("Pre-IPO Placement"). The Pre-IPO placement, if any will be completed before the Issue Opening Date. If the Pre-IPO Placement is completed the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue of 25% of the post-Issue paid up Equity Share capital being offered to the public.

### Details of Increase in Authorised Share Capital

Date of Increase	Details
March 7, 2000	Rs. 1,50,00,000/- on incorporation
March 31, 2003	Increased from Rs. 1,50,00,000/- to Rs. 7,00,00,000/-
July 1, 2004	Increased from Rs. 7,00,00,000/- to Rs. 9,00,00,000/-
December 31, 2004	Increased from Rs. 9,00,00,000/- to Rs. 13,00,00,000/-
September 30, 2006	Increased from Rs. 13,00,00,000/- to Rs. 20,00,00,000/-
October 28, 2006	Increased from Rs. 20,00,00,000/- to Rs. 25,00,00,000/-

### Notes to Capital Structure

#### History of Share Capital Increase

##### 1. Equity Share Capital History of the Company

Date of Allotment/	No. of Equity Shares	Cumulative No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Reasons for Allotment/ Reduction	Cumulative Securities Premium Account	Cumulative Paid –up Capital (Rs.)
March 7, 2000	700	700	10	10	Cash	Original Subscribers to the Memorandum	-	7,000
December 11, 2002	50,000	50,700	10	10	Cash	Further issue of Capital	-	5,07,000
August 19, 2003	2534810	25,85,510	10	10	Cash	Further issue of Capital	-	2,58,55,100
August 22, 2003	1,22,000	27,07,510	10	10	Cash	Further issue of Capital	-	2,70,75,100
August 23, 2003	1,34,100	28,41,610	10	10	Cash	Further issue of Capital	-	2,84,16,100
August 26, 2003	1,17,600	29,59,210	10	10	Cash	Further issue of Capital	-	2,95,92,100
August 28, 2003	1,14,100	30,73,310	10	10	Cash	Further issue of Capital	-	3,07,33,100
August 30, 2003	1,13,900	31,87,210	10	10	Cash	Further issue of Capital	-	3,18,72,100
September 1, 2003	1,13,000	33,00,210	10	10	Cash	Further issue of Capital	-	3,30,02,100
September 3, 2003	1,07,200	34,07,410	10	10	Cash	Further issue of Capital	-	3,40,74,100
September 5, 2003	1,17,400	35,24,810	10	10	Cash	Further issue of Capital	-	3,52,48,100
September 6, 2003	1,22,800	36,47,610	10	10	Cash	Further issue of Capital	-	3,64,76,100
September 9, 2003	1,24,400	37,72,010	10	10	Cash	Further issue of Capital	-	3,77,20,100
September 11, 2003	1,15,100	38,87,110	10	10	Cash	Further issue of Capital	-	3,88,71,100

Date of Allotment/	No. of Equity Shares	Cumulative No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Reasons for Allotment/ Reduction	Cumulative Securities Premium Account	Cumulative Paid –up Capital (Rs.)
September 13, 2003	1,12,890	40,00,000	10	10	Cash	Further issue of Capital	-	4,00,00,000
December 13, 2004	19,98,070	59,98,070	10	10	Cash	Further issue of Capital	-	5,99,80,700
June 13, 2005	20,84,800	80,82,870	10	10	Cash	Further issue of Capital	-	8,08,28,700
September 13, 2005	10,00,000	90,82,870	10	10	Cash	Further issue of capital	-	9,08,28,700
October 1, 2005	4,17,400	95,00,270	10	10	Cash	Further issue of capital	-	9,50,02,700
October 24, 2005	5,00,000	1,00,00,270	10	60	Cash*	Conversion of Preference Shares to Equity	2,50,00,000	10,00,00,270

\* The Consideration for the preference shares converted into Equity Shares was Cash.

## 2. Preference Share Capital History of our Company (Capital build up)

<u>Date of allotment</u>	<u>No. of Preference shares allotted/ (redemption)</u>	<u>Face Value (Rs.)</u>	<u>Issue price(Rs.)</u>	<u>Nature of payment of consideration</u>	<u>Name of persons / Entity to which preference shares allotted/ (redeemed)</u>
September 15, 2003*	30,00,000	10	10	Cash	Decogold Glazed Tiles Limited

\*Our Board in its meeting held on October 24, 2005 passed a resolution for conversion of 8% Redeemable Preference Shares (Convertible at the option of the Preference Shareholder) to Equity and the Equity Shares were issued at a premium of Rs. 50/-

## 1. Promoters Contribution and Lock-In

### Details of Allotment / Purchase of Equity Shares to Promoters of our Company

Name of the Promoter	Date on which Equity Shares were allotted / transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs.)	Issue price (in Rs.)	Consideration (cash, bonus, consideration other than cash)	Percentage of post-Issue paid-up capital	Lock-in Period (in years)
Shri Girishkumar M. Pethapara	March 7, 2000	100	10	10	Cash	[•]	[•]
	December 11, 2002	15,000	10	10	Cash	[•]	[•]
	August 19, 2003	3,03,300	10	10	Cash	[•]	[•]
	December 13, 2004	4,59,990	10	10	Cash	[•]	[•]
	June 13, 2005	2,40,000	10	10	Cash	[•]	[•]

Name of the Promoter	Date on which Equity Shares were allotted / transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs.)	Issue price (in Rs.)	Consideration (cash, bonus, consideration other than cash)	Percentage of post-Issue paid-up capital	Lock-in Period (in years)
	June 30, 2005 (Transfer)	1,75,200	10	10	Cash	[•]	[•]
	September 13, 2005	85,000	10	10	Cash	[•]	[•]
	October 1, 2005	90,000	10	10	Cash	[•]	[•]
	March 30, 2006 (Transfer)	57,900	10	10	Cash	[•]	[•]
	Pursuant to this Issue	[•]	10		Cash	[•]	[•]
	<b>Sub-Total</b>	<b>[•]</b>	<b>10</b>	<b>[•]</b>	<b>Cash</b>	<b>[•]</b>	
Shri Kantibhai M. Pethapara	March 7, 2000	100	10	10	Cash	[•]	[•]
	August 19, 2003	2,06,000	10	10	Cash	[•]	[•]
	December 13, 2004	2,44,890	10	10	Cash	[•]	[•]
	June 13, 2005	1,25,000	10	10	Cash	[•]	[•]
	June 30, 2005 (Transfer)	1,71,200	10	10	Cash	[•]	[•]
	September 13, 2005	1,65,500	10	10	Cash	[•]	[•]
	October 1, 2005	1,08,900	10	10	Cash	[•]	[•]
	January 30, 2006 (Transfer)	2,26,000	10	10	Cash	[•]	[•]
	March 30, 2006 (Transfer)	4,700	10	10	Cash	[•]	[•]
	Pursuant to this Issue	[•]	10		Cash	[•]	[•]
	<b>Sub-Total</b>	<b>[•]</b>	<b>10</b>	<b>[•]</b>	<b>Cash</b>	<b>[•]</b>	
Shri Jayantilal M. Pethapara	March 7, 2000	100	10	10	Cash	[•]	[•]
	August 19, 2003	2,44,600	10	10	Cash	[•]	[•]
	December 13, 2004	3,21,890	10	10	Cash	[•]	[•]
	June 13, 2005	1,98,810	10	10	Cash	[•]	[•]
	June 30, 2005 (Transfer)	1,17,800	10	10	Cash	[•]	[•]
	September 13, 2005	85,500	10	10	Cash	[•]	[•]
	October 1, 2005	53,000	10	10	Cash	[•]	[•]
	January 1, 2006 (Transfer)	28,800	10	10	Cash	[•]	[•]
	February 28, 2006 (Transfer)	1,00,100	10	10	Cash		
	March 30, 2006 (Transfer)	10,500	10	10	Cash	[•]	[•]
	Pursuant to this Issue	[•]	10		Cash	[•]	[•]
	<b>Sub-Total</b>	<b>[•]</b>	<b>10</b>	<b>[•]</b>	<b>Cash</b>	<b>[•]</b>	

Name of the Promoter	Date on which Equity Shares were allotted / transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs.)	Issue price (in Rs.)	Consideration (cash, bonus, consideration other than cash)	Percentage of post-Issue paid-up capital	Lock-in Period (in years)
Shri Hemalkumar G. Pethapara	August 19, 2003	3,28,800	10	10	Cash	[•]	[•]
	December 13, 2004	1,19,800	10	10	Cash	[•]	[•]
	June 13, 2005	2,09,500	10	10	Cash	[•]	[•]
	September 13, 2005	13,200	10	10	Cash	[•]	[•]
	February 28, 2006 (Transfer)	17,600	10	10	Cash	[•]	[•]
	March 30, 2006 (Transfer)	25,700	10	10	Cash	[•]	[•]
	September 30, 2006 (Transfer)	200	10	10	Cash	[•]	[•]
	<b>Sub-Total</b>	<b>7,14,600</b>	<b>10</b>	<b>10</b>	<b>Cash</b>	<b>[•]</b>	
Smt. Hansaben G. Pethapara	December 11, 2002	20,000	10	10	Cash	[•]	[•]
	August 19, 2003	99,600	10	10	Cash	[•]	[•]
	January 15, 2005 (Transfer)	(10,000)	10	10	Cash	[•]	-
	December 13, 2004	1,21,300	10	10	Cash	[•]	[•]
	June 13, 2005	21,000	10	10	Cash	[•]	[•]
	September 13, 2005	7,000	10	10	Cash	[•]	[•]
	October 1, 2005	5,500	10	10	Cash	[•]	[•]
	February 28, 2006 (Transfer)	79,300	10	10	Cash	[•]	[•]
	March 30, 2006 (Transfer)	1,86,900	10	10	Cash	[•]	[•]
	<b>Sub-Total</b>	<b>5,30,600</b>	<b>10</b>	<b>10</b>	<b>Cash</b>	<b>[•]</b>	<b>[•]</b>
<b>Grand Total</b>		<b>[•]</b>	<b>10</b>	<b>10</b>	<b>Cash</b>	<b>[•]</b>	

**Note:** The lock in period shall be filled in at the time of filing Prospectus with RoC based on the Issue Price.

- (i) Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-issue Equity Share capital of our Company held by our Promoters shall be locked in by our Promoters for a period of three years from the date of allotment in this Issue. The Equity Shares, which are being locked-in for three years, are not ineligible for computation of Promoters' contribution under Clause 4.6 of the SEBI Guidelines:

We confirm that the minimum Promoter contribution of 20% which is subject to lock-in for three years, does not consist of:

- Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum promoters' contribution subject to lock-in.
- Equity Shares issued to promoters on conversion of partnership firms into limited company.

- Equity Shares with a contribution less than Rs. 25,000/- per Bid from each individual and contribution less than Rs. 1,00,000/- from firms and companies.
  - Equity Shares acquired by the Promoter's during the preceding three years resulting from bonus issue, out of revaluation reserves or for consideration other than cash.
  - The Equity Shares issued to Promoter's during the preceding one year at a price lower than the Issue Price.
  - Any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- (ii) The lock-in shall start from the date of allotment in the Public Issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production of vitrified tiles or Aluminium Composite Panels or the date of allotment in the public issue, whichever is later.
- (iii) Written consent dated December 1, 2006 has been obtained from our Promoters whose securities have been included as part of promoter's contribution subject to lock-in and that these securities will not be disposed/sold/transferred by the promoters during the period starting from the date of filing this Draft Red Herring Prospectus with SEBI till the date of commencement of lock in period as stated in this Draft Red Herring Prospectus.
- (iv) In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- (v) In terms of clause 4.15 of the SEBI Guidelines, locked-in securities held by promoters may be pledged only with banks or Financial Institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of Equity Shares is one of the terms of sanction of loan. The Equity Shares locked-in by our Promoters for three years are not pledged to any party.
- (vi) The entire pre-Issue Equity Share Capital of our Company, comprising 1,00,00,270 Equity Shares, shall be locked in for a period of one year from the date of the Allotment of Equity Shares in this Issue, of which [●] Equity Shares held by Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri. Jayantilal M. Pethapara, Shri. Hemalkumar G. Pethapara and Smt. Hansaben G. Pethapara as the Promoters shall be locked in for three years from the date of Allotment of Equity Shares in this Issue.
- (vii) The Book Running Lead Manager and Co-Book Running Lead Manager shall inform the non-transferability details to both the Depositories NSDL and CDSL. The details of lock-in shall be provided to BSE, the Designated Stock Exchange, where the Equity Shares of our Company are proposed to be listed.

**Details of Equity Shares purchased / sold by the promoters in the last 12 months**

Name of the Promoter	Allotment of Shares	Purchases	Sales	Final Shareholding
Girishkumar M. Pethapara	-	57,900	-	14,28,240
Kantibhai M. Pethapara	-	2,30,700	-	12,52,290
Jayantilal M. Pethapara	-	1,39,400	-	11,61,100
Hemalkumar G Pethapara	-	43,300	-	7,14,600
Hansaben G. Pethapara	-	2,66,200	-	5,30,700

**Note: The purchase of Equity Shares have been taken at Face Value of Rs. 10/-.**

**3. Details of Purchases / Sales in the Company's Equity Shares by the Promoter Group and the Directors of our Company during a period of six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI**

The following are the transactions in our Equity Shares by the Promoter Group and the Directors of our Company during a period of six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

Name of the Promoter / Promoter Group	Allotment of Shares	Purchases	Sales	Final Shareholding
Mansukhlal M. Pethapara	-	33,500	-	2,13,800
Artiben J. Pethapara	-	1,07,900	-	4,94,990

**4. Allotment of Equity Shares to Directors of our Company in the last six months**

There have been no allotments of our Equity Shares to our Directors during a period of six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

**5. Shareholding pattern of our Company prior and post this Issue**

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital	
	Number of Equity Shares	%	Number of Equity Shares	%
<b>Promoters</b>				
Girishkumar M. Pethapara	14,28,240	14.28	[•]	[•]
Kantibhai M. Pethapara	12,52,290	12.52	[•]	[•]
Jayantilal M. Pethapara	11,61,100	11.61	[•]	[•]
Hemalkumar G. Pethapara	7,14,600	7.14	7,14,600	[•]
Hansaben G. Pethapara	5,30,700	5.31	5,30,700	[•]
<b>Sub-Total</b>	<b>50,86,930</b>	<b>50.86</b>	<b>[•]</b>	<b>[•]</b>
<b>Promoter Group</b>				
Deco Glazed Tiles Limited	5,00,000	5.00	5,00,000	[•]
Maganlal M. Pethapara	2,04,500	2.04	2,04,500	[•]
Revaben M. Pethapara	1,84,290	1.84	1,84,290	[•]
Jayantilal M. Pethapara (HUF)	10,000	0.10	10,000	[•]
Artiben J. Pethapara	4,94,990	4.95	4,94,990	[•]
Mansukhlal M. Pethapara	2,13,800	2.14	2,13,800	[•]
Lataben K. Pethapara	2,57,260	2.57	2,57,260	[•]
Ramaben M. Pethapara	4,82,500	4.83	4,82,500	[•]
Mayurkumar K. Pethapara	6,60,100	6.60	6,60,100	[•]
Sameerkumar K. Pethapara	1,55,100	1.55	1,55,100	[•]
Hiralben G. Pethapara	7,500	0.07	7,500	[•]
Poonamben M. Pethapara	7,500	0.07	7,500	[•]
Sadhanaben Bharatkumar	2,62,250	2.62	2,62,250	[•]
Vasantaben Rasiklal	3,00,600	3.01	3,00,600	[•]

Anandkumar Rasiklal	98,900	0.99	98,900	[•]
<b>Sub Total</b>	<b>38,39,290</b>		<b>38,39,290</b>	<b>[●]</b>
<b>Others</b>				
Friends & Others	10,74,050	10.74	10,74,500	[•]
Public (pursuant to this Issue)	-		[•]	[•]
<b>Grand Total</b>	<b>1,00,00,270</b>	<b>100</b>	<b>[●]</b>	<b>[●]</b>

**5a) Particulars of top ten shareholders on the date of filing this Draft Red Herring Prospectus with SEBI**

Serial No.	Name of the shareholder	Number of Equity Shares	%
1.	Girishkumar M. Pethapara	14,28,240	14.28
2.	Kantibhai M. Pethapara	12,52,290	12.52
3.	Jayantilal M. Pethapara	11,61,100	11.61
4.	Hemalkumar G. Pethapara	7,14,600	7.14
5.	Mayurkumar K. Pethapara	6,60,100	6.60
6.	Hansaben G. Pethapara	5,30,700	5.31
7.	Deco Gold Glazed Tiles	5,00,000	5.00
8.	Artiben J. Pethapara	4,94,990	4.95
9.	Ramaben M. Pethapara	4,82,500	4.83
10.	Bhavnaben H. Vidja	3,23,450	3.23

**5b) Particulars of top shareholders ten days prior to filing this Draft Red Herring Prospectus with SEBI**

Serial No.	Name of the shareholder	Number of Equity Shares	%
1.	Girishkumar M. Pethapara	14,28,240	14.28
2.	Kantibhai M. Pethapara	12,52,290	12.52
3.	Jayantilal M. Pethapara	11,61,100	11.61
4.	Hemalkumar G. Pethapara	7,14,600	7.14
5.	Mayurkumar K. Pethapara	6,60,100	6.60
6.	Hansaben G. Pethapara	5,30,700	5.31
7.	Deco Gold Glazed Tiles	5,00,000	5.00
8.	Artiben J. Pethapara	4,94,990	4.95
9.	Ramaben M. Pethapara	4,82,500	4.83
10.	Bhavnaben H. Vidja	3,23,450	3.23

**5c) Particulars of the shareholders 2 years prior to the date of filing of this Draft Red Herring Prospectus with SEBI**

Serial No.	Name of the shareholder	Number of Equity Shares	%
1.	Girishbai M. Pethapara	11,93,290	19.89
2.	Jayantilal M. Pethapara	9,03,800	15.07
3.	Kantibhai M. Pethapara	8,50,290	14.18
4.	Hemalkumar G. Pethapara	6,71,300	11.19
5.	Mayurkumar K. Pethapara	5,44,200	9.07

Serial No.	Name of the shareholder	Number of Equity Shares	%
6.	Ramaben M. Pethapara	4,78,200	7.97
7.	Artiben J. Pethapara	4,01,990	6.70
8.	Hansaben G. Pethapara	2,74,400	4.57
9.	Vasantaben Rasiklal	2,68,390	4.47
10.	Lataben K. Pethapara	2,31,360	3.86

6. Our Company is considering a Pre-IPO placement with certain investors, ("Pre-IPO Placement"). The Pre-IPO placement, if any will be completed before the Issue Opening Date. If the Pre-IPO Placement is completed the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue of 25% of the post-Issue paid up Equity Share capital being offered to the public.
7. Our Company, Directors, Promoters, BRLM and Co-BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.
8. The total number of members of our Company as on the date of filing this Draft Red Herring Prospectus is 47.
9. Our Company has not raised any bridge loan against the proceeds of this Issue.
10. This Issue is being made in terms of clause 2.2.2 (a)(ii) and (b)(i) of SEBI Guidelines as amended from time to time, wherein at least 10% of the Issue size i.e. [●] Equity Shares shall be allotted to QIBs, failing which the full subscription money shall be refunded.
11. An over-subscription to the extent of 10% of the Net Issue can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot while finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum Bid size in this Issue. Consequently, the actual allotment may go up be a maximum of 10% of the Net Issue as a result of which the post-Issue paid up capital after the Issue would also increase by the excess amount of allotments so made. In such an event, the Equity Shares held by the Promoters and subject to lock-in shall be suitably increased so as to ensure that 20% of the post-Issue paid up capital is locked-in.
12. In the case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the Mutual Fund Portion in the QIB Portion will also be eligible for allocation in the remaining QIB portion. Further, not less than 15% of Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above this Issue Price.
13. Under subscription, if any, in the Non-Institutional Portion and Retail Portion shall be allowed to be met with spillover from the other categories, at the sole discretion of our Company and the BRLM and Co-BRLM. In case of under subscription in the QIB Portion (i.e. subscription less than 10% mandatory of Net Issue), the same shall not be available to other categories and full subscription monies shall be refunded.
14. We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the banks to Effect any change in the capital structure; Formulate any scheme of amalgamation and reconstruction; Undertake any new project or expansion schemes/modernization/diversification /renovation or acquire any fixed assets. Unless the expenditure on such expansion, etc., is covered by our Company's net cash accruals after providing for dividends, investments etc, or from long term funds received for financing such new projects or expansion; Invest by way of share capital in or lend or advance funds to or place deposits with any other concern; Enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise save and except the working capital facilities granted/ to be granted by other consortium member banks, under consortium arrangement with the bank and term loans proposed to be obtained from financial institutions/ banks for completion of the replacement-cum-modernization programme; Undertake guarantee obligation on behalf of any other company; Declare dividends for any year except out of profits relating

to that year and with specific approval from the bank; Withdraw loans/deposits secured from promoter shareholders, directors, depositors and promoters of our Company; To make any drastic change in its management setup without the bank's permission; Pay any commission to the guarantors towards the guarantees executed by them for the credit facilities granted by the banks to our Company; Create any further charge, lien or encumbrance over the assets and properties of our Company to be charged to the bank in favour of any other bank, financial institution, company, firm or person; and Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the bank.

We have obtained No Objection Certificate dated October 12, 2006 from our banker i.e. Bank of India that they have no objection for the proposed Issue / IPO.

15. Our Company does not have any ESOS or ESPS scheme for our employees and we do not intend to allot any Equity Shares to our employees under ESOS or ESPS scheme from the proposed Issue.
16. We have not issued any Equity Shares in last twelve months.
17. Our Company has not made any public issue since its incorporation.
18. Our Company has not revalued its assets since inception.
19. The Equity Shares offered through this public issue shall be made fully paid-up as the entire money of Rs. [●] per Equity Share (face value of Rs. 10/- + premium of Rs. [●]) is being called on Bid.
20. The Equity Shares will be issued and traded on the BSE and NSE only in dematerialized form. Hence the market lot of the Equity Shares is 1 (One share).
21. Our Company undertakes that at any given time, there shall be only one denomination for our Equity Shares and we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
22. A Bidder cannot make a Bid for more than the size of the Issue, i.e., Rs. 4500 lakh, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
23. As on date of filing this Draft Red Herring Prospectus with SEBI, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

## OBJECTS OF THE ISSUE

The objects of this Issue of Equity Share are to raise capital for part financing the funds required for:

- i. To expand the capacity of vitrified tiles from 6000 sq.meters per day to 12000 sq. meters per day.
- ii. To establish manufacturing facilities of aluminum composite panels (ACP).
- iii. To set up 4.6 MW wind turbine generators.
- iv. To list our Equity Shares on BSE and NSE

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

### FUNDS REQUIREMENT

The estimated funds requirement for the above objects is set forth below:

(Rs in lakh)		
Sr No	Purposes of IPO	Proposed Investments
1	To expand the capacity of manufacture of vitrified tiles from 6000 sq.meters per day to 12000 sq. meters per day	1265.00
2	To establish manufacturing facilities of aluminum composite panels(ACP)	335.00
3	To set up 4.6 MW wind turbine generators (WTG)	2325.00
4	Additional office & factory buildings and godowns	640.00
5.	Other fixed assets / GEB Deposit & Line charges, extra space etc	235.00
6	Margin money for Working capital requirements.	1100.00
7	To meet the issue expenses	350.00
	<b>Total</b>	<b>6250.00</b>

### PROJECT DETAILS

#### 1. Vitrified Tiles Capacity Expansion:

We plan to double our current manufacturing capacity of vitrified tiles from 6000 sq. mt per day to 12,000 sq. mt. per day.

#### Details of Plant & Machineries

We plan to acquire machinery aggregating to Rs. 1265.00 lakh, similar to those being used in our existing plant, for the proposed plants from various suppliers, as detailed in the table below:

(Rs. In lakh)				
A	Indigenous Machineries	Supplier	Amount	Amount
(a)	<b>Slip House</b>			
	-Tractor with Loader HMT Model6522 2 nos	M/s Gujarat Agro Industries Morbi	15.00	
	-Pebbles JYOTI Brand 45 MTs	M/s Shreeji Sales, Vadodara	30.00	
	-Vibrating Screen 48" dia. 3 Nos	M/s Saideep, Mumbai	4.00	
	-Magnetic drum 300 mm dia. X 1000 mm long	M/s Saideep, Mumbai	7.00	
	-Magnetic Rods , Channel Magnet 600 nos of size 9" long	M/s Saideep, Mumbai	9.00	

	SS Channel 200' long	M/s Saideep, Mumbai	3.00	
	-Main Conveyor Belt 900 mm wide with structure and Accessories 58 mtrs long. - 1 no	SF		
	-Platform Conveyor Belt 900 mm wide 9 mtrs with structure and Accessories - 1 no	SF		
	-Platform Conveyor Belt 900 mm wide 45 mtrs with structure and Accessories - 1 no	SF	16.00	
	Conveyer Belt for Box feeder 960 mm with structure and accessories 7 mtrs long.	SF		
	-Ball Mill Foundation	SF	3.00	
	-Ball Mill Platform size 10' X 8.6' X 6' with hoist expansion complete	SF	5.00	
	-Modification of slip house Electrification	SF	1.00	
	Stirrer Modification with 6 groove pulleys 12 nos	SF	4.00	<b>97.00</b>
(b)	<b>Spray Drier</b>			
	-280 Ton capacity spray Drier 1 No	M/s Balaji Consultech	180.00	
	-Silos S. S. Body - 4 Nos.	M/s Balaji Consultech, Pune	60.00	
	- Foundation- New Silos	SF	5.00	
	- Silos Platform, Structures & Roofing.	SF	30.00	
	- New Conveyor 4 mtrs from vibrator to silos / 45 mtrs vibrator to silo / above silo conveyor belt 20 mtrs / Conveyor belt below silo 22 mtrs conveyor belt from silo to Press 80 mtrs with structure and platform.	SF	18.00	
	-Vibrating screen 60" size 3 nos	M/s Saideep, Mumbai	6.00	
	-HAG Platform 5 mtrs X 5 mtrs X 5 mtrs	SF	1.00	
	-Cyclone Platform and roofing structure	SF	3.00	
	-Electrical Panel Board for new spray drier		4.00	<b>307.00</b>
(c)	<b>Coal Gas Plant</b>			
	-New Coal Gas Plant for Spray Drier 4409600 Kcal per hour / Model POWERMAN - 3200 MM	M/s Gurukrupa Engineers	76.00	
	-Civil Work Foundation etc.	SF	14.00	
	-Coal Gas Pipeline 400 fts	SF	6.00	
	-Coal Gas Electric & Panel & cables	SF	2.00	
	-Coal Gas water supply system 1/2" & 3/4" 500' & 100' Pipeline GI and Accessories Valves & water seal etc	SF	4.00	
	-Cooling tower 12' X 18' with water tank new - 2 nos		6.00	<b>108.00</b>
(d)	<b>Kiln &amp; Drier - New</b>			
	-New Kiln Entry/ Exit table with installation		15.00	
	-New Kiln Platform no 1, 6 mtrs X 4 mtrs with structure	SF	2.00	
	-New Kiln Platform no 2, 6 mtrs X 3.5 mtrs with structure	SF	2.00	
	-New Kiln & Horizontal drier electrification & Panel & Cabling for 350 KVA power supply		20.00	
	-New Kiln Gas line fitting 620 mm dia MS pipe complete with fitting and structure 300'		7.00	
	-Gas Distribution Line 8" dia. 260' long with accessories & fitting		4.00	
	-Burner Line		2.00	

	-Kiln Air Line with accessories and fitting complete		2.00	
	-New Kiln & New Dryer legging		12.00	
	-Horizontal Drier Platform 6 mtrs X 4.5 mtrs - 3 Nos	SF	4.00	
	-Horizontal Drier Air Pipeline 144 mtrs long X 600 dia. MS pipe complete with fitting and accessories	SF	3.00	
	-Horizontal Drier Gas Pipeline 50' X 200 mm dia. long X 620 dia. X 20' MS pipe complete with fitting and accessories	SF	3.00	
	-Compensator Foundation	SF	1.00	
	-Modification of existing Kiln & Drier Entry table & Exit table modification – Changing gear Box, Belt and other accessories.	SF	8.00	
	Changing of High Alumina Bricks for firing zone modification	SF	36.00	
	-New Petcoke firing system with structure, Foundation etc.	SF	15.00	
	- Existing Drier Modification by changing low Alumina Bricks	SF	18.00	
	-Cost of modification by extending the length of Driers 13 mtrs both old and new	SF	20.00	<b>174.00</b>
(e)	<b>Polishing Line</b>			
	-New Polishing line (Imported) Model KP600 / MBL24B + KG6C+TG6C+32A+MBS28B+8m drying +6 heads waxing – One line \$ 265,000		173.00	
	-New polishing line erection installation, foundation, structure Pipeline & plumbing arrangements		27.00	
	-Additional Polishing Machines Heads 650/16A 1set USD 59,400		39.00	
	-Additional Polishing Machines Heads 100/16A 1set USD 72,000		47.00	
	-Abrasives for New polishing Line (USD 54891+43300=USD98191)		64.00	
	-New Sorting table –3		3.00	<b>353.00</b>
(f)	<b>Modification of Old polishing line no 2</b>			
	-Spares parts for polishing line (USD 1056+ USD7431)		6.00	
	-Labour charges for modification & fitting of spare parts		4.00	
	-Air line & water line laying		4.00	
	-Polishing line Hoist 3 ton with foundation & structure		6.00	
	-Drainage line for water		1.00	
	-Abrasive stands 10 nos		1.00	<b>22.00</b>
(g)	<b>Tile Press</b>			
	-Modification of Fetlic - Nos. 2		2.00	
	-Conveyer Line 4.3 mtrs x 1.5 mtrs (New Line 1), Line 2 - 11.5 mtrs x 1.15 mtrs		3.00	
	-Additional Platform for press 6.5 mtrs x 18 mtrs		2.00	
	-Punches size 605mm x 605mm lower and upper 15 nos each USD 10245		7.00	
	Tile Feeders with accessories - 2 nos		10.00	<b>24.00</b>
(h)	<b>Glaze line Modification</b>			
	-Changing of pulleys, Belts and gear Boxes of 145 mtrs x	M/s Gajendra	4.00	

	800mm x 1150mm	Machine Tools		
	-Modification of Printing Machine Nos. 4	M/s Gajendra Machine Tools	3.00	
	Water recycling tanks 15' x 20' x 10' --- 20 nos	SF	40.00	<b>47.00</b>
(i)	<b>Other New Machineries</b>			
	-Filter Press complete with pump & Pipeline & Civil work USD 23910+ Filter element USD 179		16.00	
	-Filter Press foundation, Erection, Installation		5.00	
	-General Tools,tackles and equipments		22.00	<b>43.00</b>
(j)	<b>Electrification</b>			
	-Expenses for increasing the power connection Line from 1500 KVA to 2400 KVA		15.00	
	-Changing of Panel Main Boards and New Panel Boards in control room		25.00	
	-Changing of control room cables & accessories		14.00	<b>54.00</b>
(k)	<b>Packing /Material handling</b>			
	-New Packing Machines – 3 Nos.	M/s Allespack Systems Pvt Ltd	5.00	
	-Sorting table complete with inspection arrangements - 3 Nos		2.00	
	-Handling Trolleys -10 Nos.		5.00	
	-Pallets size 4' x 3' - 10000 @Rs.200/- each	SF	20.00	
	-Display Cabinets -2000 @Rs. 200/-	SF	4.00	<b>36.00</b>
	<b>Total (A)</b>			<b>1265.00</b>

The following are the details of the machinery for which we have already placed orders as on date November 30, 2006:

(Rs. in lakh)

Description	No of units	Amount Spent	Price	Order placed with	Date of Purchase Order	Expected month of Delivery
<b>Slip House</b>						
-Tractor with Loader HMT Model 6522	2	2.16	15.00	Bhagwati Agro Steel, Morbi	Nov 06	Jan 07
Pebbles	45 MTs	30.19	30.00	Shreeji Sales, Vadodara; Mehra's Pebbles, Anand. Yang Tze Co. Ltd., China, Unique Forwarders, Gandhinagar, Kandla Frieght Carriers, Kandla	June 06	Already Delivered
Vibrating Screen 48" diameter	3	4.34	4.00	Saideep, Mumbai; Gala Precision Technology Ltd., Waghodia; Electro Magnetic Industries, Baroda.	July 06	Already Delivered
Main Conveyor Belt 900 mm wide with structure and Accessories 58 meters long	1	8.22	16.00	Conveyor and transmission, Ahmedabad; Orient Enterprise, Rajkot; Nilay Traders, Ahmedabad; Shree Ram Steel Corporation, Morbi	Oct 06	Jan 07
Ball Mill Foundation	1	3.04	3.00	B. K. Steel Tube, Alang; Shree Umiyagi Sales Agency, Rajkot, Pravin Sales, Morbi	May 06	Already Delivered
Ball Mill Platform size 10' X 8.6' X 6' with hoist		5.01	5.00	Shree Ram Steel Corporation, Morbi; Shree Umiya Cement Agency, Morbi; Kotak Steel Corporation, Morbi	April 06	Already Delivered

expansion complete						
Modification of slip house Electrification		1.00	1.00	Pawanshut Electric, Morbi; Omkar Electricals, Morbi; Alka Electric Stores, Morbi,	Aug 06	Already Delivered
Stirrer Modification with 6 groove pulleys	12	4.00	4.00	Chaman Lathe Works; Kuber Hardware Company, Morbi; Accurate Hardware and Machine Tools, Morbi; Nilay Traders, Ahmedabad, Sonal Agencies, Morbi	April 06	Already Delivered
<b>Spray Drier</b>						
-280 Ton capacity spray Drier	1	0.13	180.00	Shiv Shakti Engineering Works, Morbi;	Aug 06	Jan 07
Foundation - New Silos		5.04	5.00	Patel Sales, Morbi, Binami Cement, Morbi, Pravin Sales, Morbi.	June 06	Already Delivered
Silos Platform, Structures and Roofing.		11.62	30.00	Orient Enterprise, Rajkot; Nilay Traders, Ahmedabad; Shree Ram Steel Corporation, Morbi, Shah Foils Pvt. Ltd., Morbi	Aug 06	Jan 07
New Conveyor 4 mtrs from vibrator to silos / 45 mtrs vibrator to silo / above silo conveyor belt 20 mtrs / Conveyor belt below silo 22 mtrs conveyor belt from silo to Press 80 mtrs with structure and platform.		2.89	18.00	Chandan Hardware, Morbi, Nilay Traders Ahmedabad , Orient Enterprises, Ahmedabad. Convoyar & Transmission Ahmedabad.	Oct 06	Jan. 07
HAG Platform 5 mtrs X 5 mtrs X 5mtrs Cyclone Platform and roofing structure		4.09	4.00	Shree Ram Steel Corporation, Morbi	Sep 06	Already Delivered
Electrical Panel Board for new spray drier		4.00	4.00	Omkar Electrical, Morbi; Ambika Electricals, Ahmedabad; Alka Electric Store, Morbi	Sep 06	Already Delivered
<b>Coal Gas Plant</b>						
-New Coal Gas Plant for Spray Drier 4409600 Kcal per hour / Model POWERMAN – 3200 MM		15.00	76.00	M/s Gurukrupa Engineers	June 06	Jan 07
Civil Work Foundation etc.		5.11	14.00		June 06	Jan 07
Coal Gas Electric, Panel and cables		2.04	2.00	Gopal Hardware, Morbi; Omkar Electricals, Morbi, Soanl Agencies, Ahmedabad	June 06	Jan 07
Coal Gas water supply system ½” & ¾” 500’ &		4.00	4.00	Ghiya Tube Corporation, Rajkot Amber Engineering Works Morbi, Sanjay Automobiles Morbi, Gopal Hardware Morbi,	July 06	Already Delivered

100' Pipeline GI and Accessories Valves and water seal etc				Accurate Hardware, Morbi, Shree Hem Plastics, Morbi, Asia Enterprises Morbi, Anubhuti Sales Agency, Morbi , Sai Services Rajkot		
<b>Kiln &amp; Drier – New</b>						
New Kiln Entry / Exit table with installation		2.25	15.00	Accurate Hardware and Machine Tools, Morbi, Anubhuti Sales, Morbi	Aug 06	Jan 07
New Kiln Platform No. 1, 6 mtrs x 4 mtrs with structure		4.00	4.00	Devikrupa Steel Traders, Morbi, Shree Ram Steel Corporation, Morbi	Oct 06	Already Delivered
New Kiln Platform No. 2, 6 mtrs x 3.5 mtrs with structure						
New Kiln & Horizontal drier electrification, Panel and cabling for 350 KVA power supply		20.01	20.00	Anubhuti Sales Agency, Morbi; Ashok Electric Store, Morbi; Automation and Engineering Service, Gandhinagar; Bhumi Trading Company, Morbi Datasel Industrial Controls, Morbi; Elmech Engineering Company, Ahmedabad; Farocare Machines Private Ltd., Pune; Fildman Engineers Private Limited; Haridarshan Enterprise, Ahmedabad; Hi-Tech Furnaces, Thangadh; Innovative Solutions, Rajkot; Kuna Impex Private Limited, Ahmedabad; Mahavir Agencies, Gandhinagar; Maulik Electricals, Morbi; Omkar Electricals, Morbi; Labdhi Enterprise, Bhavnagar; Sinic Electronics Private Limited, Dhule; Tulsi Electric Store, Morbi; Vishal Trading Company, Rajkot, Sonal Agencies, Ahmedabad. Parmeshwar Electric, Morbi, Pooja Electricals Morbi.	April 06	Already Delivered
New Kiln Gas line fitting 620 mm diameter MS pipe complete with fitting and structure 300'		7.03	7.00	Mahavir Steel (India), Morbi; Gopal Hardware, Morbi; Gokul Steel, Rajkot Prarthi Corporation, Mumbai; Uttam Hardware, Morbi; Samay Traders, Morbi; Accurate Hardware and Machine Tools, Morbi; Samay Traders, Morbi; Orbit Engineers, Morbi, Systronic Systems, Ahmedabad, Pooja Electricals, Rajkot	April 06	Already Delivered
Gas Distribution Line 8" diameter 260' long with accessories and fitting		4.03	4.00	Gokul Steel (India), Rajkot; Ghiya Tube Corporation, Rajkot; and Mahabir Steel Industries, Bhavnagar	July 06	Already Delivered
Burner Line		2.02	2.00	Mahavir Steel (India), Morbi, Accurate Hardware Morbi, Kuber Trading Morbi, Shiv Agencies, Morbi	July 06	Already Delivered
Kiln Air Line with accessories and fitting complete		2.05	2.00	Accurate Hardware and Machinery Tools, Morbi; Gopal Hardware, Morbi; Uttam Hardware, Morbi; Hawa Valves Automation, Rajkot; I Industries, Morbi; Jagatmata Paints Agency, Morbi	July 06	Already Delivered
New Kiln & New		6.38	12.00	Shree Gayatri Insulation, Ahmedabad; and	July 06	Jan 07

Dryer legging				Shree Gayatri Traders, Ahmedabad, Kuber Trading , Morbi		
Horizontal Drier Platform 6 mtrs x 4.5 mtrs	3	4.02	4.00	Uttam Hardware, Morbi; Shree Ram Steel Corporation, Morbi; Vishwakarma Hardware, Morbi	July 06	Already delivered
Horizontal Drier Air Pipeline 144 mtrs long X 600 diameter MS pipe complete with fitting and accessories		3.10	3.00	Uttam Hardware, Morbi; Patel Hydraulics, Morbi; Mr. Labdhi Enterprise, Bhavnagar; Kuber Trading Company, Morbi; Hawa Valves Automation, Rajkot; Accurate Mechanical Process, Morbi; Kuber Trading Company, Morbi	July 06	Already delivered
Horizontal Drier Gas Pipeline 50' x 200 mm diameter long x 620 diameter x 20' MS pipe complete with fitting and accessories		3.03	3.00	Uttam Hardware, Morbi, P.G. & Brothers Bhavnagar , Ghiya Tube Corporation Rajkot	July 06	Already delivered
Compensator Foundation		1.02	1.00	SF	Oct 06	Already delivered
Modification of existing Kiln and Drier Entry table and Exit table modification – Changing gear Box, Belt and other accessories.		8.09	8.00	Orient Enterprise, Rajkot; Foshan Textile Import and Export Co., China; Marine Logistics, Mumbai; Tai Pan Shipping, Gandhidham; Unique Forwarders, Gandhidham; Kandala Freight Carrier Gearing (India), Ahmedabad; Shail International Private Limited, Mumbai; Gautam Trading Corporation, Bhavnagar; Anubhuti Sales Agency, Morbi; Amber Engineering Works, Mumbai; Gopal Hardware, Morbi	June 06	Already delivered
Changing of High Alumina Bricks for firing zone modification		27.37	36.00	Shreenath Enterprise, Ahmedabad; Kuber Trading Company, Morbi; Foshan Textile Import and Export Co., China; Unique Forwarders, Gandhidham; Maxtop Shipping Limited, Hong Kong; Unique Logistic Service Private Limited, Gandhidham; and Shivam Ceramics, Morbi	April 06	Jan 07
New Petcoke firing system with structure, Foundation etc.		1.15	15.00	Airtech Engineering, Ahmedabad; Maxair Engineers, Ahmedabad; Patel Engineering Company, Morbi	June 06	Jan 07
Existing Drier Modification by changing low Alumina Bricks		18.04	18.00	Foshan Textile Import and Export Company Limited, China; Unique Forwarders, Gandhidham; Unique Logistic Services Private Limited, Gandhidham; Kuber Trading Company, Morbi; Shreeji Enterprises, Ahmedabad	April 06	Already Delivered
Cost of modification by extending the length of Driers 13 mtrs both old and new		17.94	20.00	Foshan Nanhai Jin Zhi Gang New Materials Co. Ltd., China; New Materials Co. Ltd.; Unique Forwarders, Gandhidham; Orient Enterprise, Rajkot; Kuber Trading Co., Morbi; Samay Traders, Morbi; Nilay, Traders, Ahmedabad; Amber Engineering Works, Mumbai, P.G.& Brothers	July 06	Jan 07

				,Bhannagar, Pune Impex Ahmedabad, Anubhuti Sales Agencies , Morbi		
<b>Polishing Line</b>						
-New Polishing line (Imported) Model KP600 / MBL24B + KG6C+TG6C+32 A+MBS28B+8m drying +6 heads waxing – One line \$ 265,000		6.87	173.00	Commissioner of Custom,Kandla;	Oct 06	Jan 07
New polishing line erection installation, foundation, structure Pipeline & plumbing arrangements		21.65	27.00	Guangdong Foshan Packaging Import and Export Co. Ltd., China; Marine Logistics, Mumbai; and Unique Forwarders, Gandhidham	July 06	Jan 07
Additional Polishing Machines Heads i) 650/ 16A ii) 100/ 16A		87.28	86.00	Foshan Kexinda Yi Long Economic and Trade Co. Ltd., China; APL (India) Private Ltd., Gandhidham; Unique Forwarders, Gandhidham; and Kandla Freight Carriers, Gandhidham	June 06	Already delivered
-New Sorting table	3	1.66	3.00	Anubhuti Hardware & Plywood, Morbi	Nov 06	Jan 07
<b>Modification of Old polishing line No. 2</b>						
Spares parts for polishing line		12.60	10.00	Foshan Xenida Yi Long Economic and Trade Company Limited, China; Unique Forwarders, Gandhidham; and Marine Logistics, Mumbai	May 06	Already delivered
Labour charges for modification and fitting of spare parts				Uttam Hardware, Morbi; and I Industries, Morbi		
Air line & water line laying		1.93	4.00	Kuber Trading Company, Morbi; B. Patel Engineering Company, Morbi; Sai Services, Rajkot; Ghiya Tube Corporation, Rajkot; Mahavir Steel (India), Morbi; P. G. and Brothers, Bhavnagar	Oct 06	Jan 07
Polishing line Hoist 3 ton with foundation and structure		0.54	6.00	Anubhuti Sales Agency, Morbi	Oct 06	Jan 07
Drainage line for water		1.02	1.00	Accurate Hardware and Machine Tools, Morbi; Anubhuti Sales Agency, Morbi; Alka Electric Store, Morbi	June 06	Already delivered
<b>Tile Press</b>						
Modification of Fetlic	2	2.06	2.00	Foshan Xenida Yi Long Economic and Trade Co. Ltd., China; Marine Logistics, Mumbai; Unique Forwarders, Gandhidham; Shail International Private Limited, Mumbai; Fairtech Engineers, Mandvi; Orient Enterprise, Ahmedabad, Gopal Hardware, Morbi ,K. Mukund & Co. Ahmedabad	April 06	Already delivered
Conveyer Line 4.3		3.00	3.00	Conveyer and Transmission, Ahmedabad	May 06	Already

mtrs X 1.5 mtrs (New Line 1), Line 2 - 11.5 mtrs X 1.15 mtrs				Accurate Hardware & Machine Tools, Morbi, Jethalal Maganlal & Sons, Morbi, Gopal Hardware, Morbi		delivered
Punches size 605mm x 605mm lower and upper	15	9.09	7.00	Yang Tze Co. Ltd., China; Unique Forwarders, Gandhidham; Kandla Freight Carriers, Gandhidham; Marine Logistics, Mumbai	April 06	Already delivered
<b>Glaze line Modification</b>						
Changing of pulleys, Belts and gear Boxes of 145 mtrs X 800mm X 1150mm		1.47	4.00	Accurate Hardware and Machine Tools, Morbi; and Shail International, Mumbai	Aug 06	Jan 07
Modification of Printing Machine Nos 4		0.11	3.00	National Industrial Designers, Ahmedabad; and Krishna Enterprise, Morbi	July 06	Jan 07
<b>Other New Machineries</b>						
Filter Press complete with pump & Pipeline & Civil work USD 23910+ Filter element USD 179		17.41	16.00	Foshan Xenida Yi Long Economic and Trading Company Limited, China; Kandla Freight Carriers, Gandhidham ; and Unique Forwarders, Gandhidham	June 06	Already delivered
General Tools, tackles and equipment		8.91	22.00	Anubhuti Sales Agency, Morbi; Vishal Furniture, Morbi; Makhariya Machineries Company, Mumbai; Alka Electric Store, Morbi; Foshan Xenida Yi Long Economic and Trading Company Limited, China; Kandla Freight Carriers, Gandhidham; Unique Forwarders, Gandhidham; Maxtop Worldwide Logistics, China; Unique Logistics Private Limited, Gandhidham, Electric Instrument Pvt. Ltd. Ahmedabad, Electric India Rajkot, Anil Traders Rajkot	April 06	Jan 07
<b>Electrification</b>						
-Expenses for increasing the power connection Line from 1500 KVA to 2400 KVA		0.24	15.00	Pooja Electricals, Rajkot	Nov 06	Jan 07
Changing of Panel Main Boards and New Panel Boards in control room		4.66	25.00	Alka Electric Stores, Morbi; Ambika Electricals, Ahmedabad; Anubhuti Sales Agency, Morbi; Tulsi Switchgears, Surat; Hi-Tech Furnaces, Thangarh, Ashok Electric, Morbi	July 06	Jan 07
Changing of control room cables & accessories		8.52	14.00	Pawanshut Electric, Morbi; Kuna Impex Private Limited, Ahmedabad; Mahavir Agencies, Ahmedabad; Alka Electric Stores, Morbi; Uttam Hardware, Morbi; Sunlight Cable Industries, Mumbai	June 06	Jan 07
<b>Packing /Material handling</b>						
New Packing Machines	3	1.69	5.00	Manisha Trading Company, Mumbai	June 06	Jan 07

-Sorting table complete with inspection arrangements	3	1.52	2.00	Ratan Traders, Morbi; Anuradha Paints Morbi	Nov 06	Jan 07
Pallets size 4' X 3'	10000	3.41	20.00	Patel Vijay Timber Mart, Morbi ; Ambika Timber Mart, Morbi	April 06	Jan 07
Display Cabinets	2000	0.87	4.00	Santosh Timber Mart, Morbi	June 06	Jan 07
<b>Total</b>		<b>439.92</b>	<b>1041.00</b>			

## 2. To set up manufacturing facilities for manufacturing the Aluminum Composite Panels (ACP).

We propose to establish manufacturing facilities for Aluminium Composite Panels at Morbi in Gujarat. It is used widely as exterior covering of commercial buildings and corporate houses. While adding to aesthetic beauty of the structure, it is also resistant to acid, alkali salt spray, pollution and provides good thermal as well as sound insulation. It is also used in the inner surface and walls of the buildings. The product has recently been introduced in the Indian market and has great market potential. The plant and machinery requirement amounts to Rs. 335 lakh as detailed in the table below:

<b>(Rs. In lakh)</b>		
<b>S.N.</b>	<b>Particulars</b>	<b>Amount</b>
1	ACP Mfg. plant-1 USD 350,000 @ Rs, 47=USD + 40% CD,ED, Taxes, Clearing etc.	230.00
2	Indigenous P & M Forklift, EOT Crane, Compressors, Air Pipeline fitting, Electrification. M/c Foundation Erection & Installation etc.	105.00
	<b>TOTAL</b>	<b>335.00</b>

## 3. To set up Wind Turbine Generators (WTG)

We plan to set up Wind Turbine Generators (WTG) to reduce expenditure on electricity. We propose to set up 3 technologically advanced and efficient WTGs (2 of S. 70 – 1.25 MW and 1 S. 88 – 2.10 MW) aggregating 4.6 MW vide Memorandum of Understanding with Suzlon. Suzlon has in its proposal dated October 15, 2006 given to our Company guaranteed generation of 28 lakh units per 1.25 MW WTG in the first year. The aggregate cost of setting up is estimated to be at Rs. 2325 lakh.

Vide Memorandum of Understanding dated October 18, 2006 entered into between Suzlon and our Company (the "MoU") both parties have agreed to the following proposed Schedule of Implementation in terms of setting up and commissioning of the WTG's would be as follows:

- One of the two 1.25 MW WTG shall be commissioned before December 31, 2006.
- The other 1.25 MW WTG shall be commissioned before March 31, 2007.
- The 2.10 MW WTG shall be commissioned by June 30, 2007.

We have paid an advance of Rs. 209.66 lakh to Suzlon for installing one 1.25 MW wind turbine generator.

## 4. Additional Office & Factory Buildings and Godowns

We propose to construct additional office at the factory and Godowns etc. aggregating to Rs. 640 lakh as in the table below:

<b>(Rs. in lakh)</b>	
<b>Particulars</b>	<b>Amount</b>
Additional Factory Building Construction	Cost
-Addl. Building (ACR)	150.00
-New Office	150.00

-Finished Goods Godown	200.00
-Raw Material shed	50.00
-Coal Yard/ PCC work	20.00
-Semi finished goods PCC work	30.00
-New water pipeline	5.00
-Quarters –25	25.00
-Canteen / Lunch Room	10.00
<b>Total</b>	<b>640.00</b>

5. Details of additional Fixed assets required in our company are as follows:-

(Rs. in lakh)

Sr. No	Particulars	Amount
1)	GEB Line Charge / Deposits	40.00
2)	Computer Systems/ Softwares & Equipments & Hardware	32.00
3)	Furniture / Fixtures / Equipments	60.00
4)	Vehicles	45.00
5)	Fire Fighting Equipments	3.00
6)	Lab. Equipments	5.00
7)	Tile Display Showroom	40.00
8)	Misc. Utilities	10.00
	<b>Total</b>	<b>235.00</b>

6. Margin money for Working capital requirements.

(Rs. in lakh)

Sr. No.	Particulars	Periods in Days	Amount	Margin %	Margin amount
1.	Raw material – imported	120	189	25 %	47.00
	Raw material –Indigenous	30	217	25 %	54.00
2.	Stores & Spares	120	106	25 %	26.00
3.	Work in process	17	303	25 %	76.00
4.	Finished goods	30	535	30%	161.00
5.	Sundry Debtors	90	1460	93.85%	13.70
6.	Working Expenses	30	44	75%	33.00
7.	Other Current Assets		303	75%	227.00
8.	<b>Gross Current Assets</b>		<b>3158</b>		<b>1995.00</b>
	<b>Less Current Liabilities :</b>				
	Creditors For Goods	30	217	25%	54.00
	Creditors For Expenses	30	44	100%	44.00
	Other current Liabilities		275	100%	275.00
9.	<b>Total Current liabilities</b>		<b>536</b>		<b>373.00</b>
10.	<b>Net Current Assets (8-9)</b>		<b>2622</b>		<b>1622.00</b>

11.	Existing WC Margins				522.00
12.	<b>Additional Working Capital Requirement</b>				<b>1100.00</b>

#### 7. To meet Issue Expenses:

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, Registrar and depository fees. The estimated Issue expenses are set forth below:

*(Rs. in lakh)*

Activity	Estimated Expense*
Lead Management, underwriting and selling commissions	[•]
Advertising and marketing expenses	[•]
Printing and Stationery expenses	[•]
Others	[•]
<b>Total estimated Issue expenses</b>	<b>350.00</b>

\* Shall be updated at the time of filing of the Prospectus with the RoC

#### MEANS OF FINANCE:

The above fund requirement is proposed to be financed as under:

*(Rs. in lakh)*

Particulars	Amount
Public issue of Equity Shares	4500.00
Term loans	1000.00
Internal accruals	750.00
<b>Total</b>	<b>6250.00</b>

As on September 30, 2006 our internal accruals were Rs. 425 lakh.

In the event any surplus, if left out of the Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used towards general corporate purposes and meeting future growth opportunities.

The shortfall in funds, if any, shall be met from internal accruals and/or raising the debt funds. We have sufficient internal accruals to meet the shortfall of funds, if any.

We hereby confirm that excluding the amount to be raised through the proposed Public Issue, firm arrangement of finance through verifiable means towards 75% of the stated means of finance have been made.

#### APPRAISAL

The projects for which we intend to use our issue proceeds as mentioned in the Objects of the Issue have been appraised by Bank of India (BOI), *vide* their appraisal note dated September 16, 2006 and supplementary to the same dated October 6, 2006 and November 8, 2006. Bank has sanctioned Term Loan of Rs. 1000 lakh for the proposed project. Bank has disbursed an amount of Rs. 293.80 lakh up to October 31, 2006.

Further, Bank of India *vide* its letter dated October 26, 2006 has given its No Objection to incorporate the required details in this Draft Red Herring Prospectus from the Techno-Economic Viability Report prepared for the project.

## SWOT ANALYSIS

The areas of strength and weaknesses as mentioned in the Appraisal report of Bank of India is as follows:

### **Strength:**

The promoters are well experienced as they are in the glazed tiles business from more than 5 years and vitrified tiles business since last 2 years.

Existing large plants were set up in the era when the Custom Duty on the plant and machines were very high. Capital cost of the company vis-à-vis earlier plants is, therefore, lower.

For ACP plant, the product is still in nascent stage and the market is growing. And it is being a construction material the company can use its existing marketing and selling set up.

Setting up wind turbine generators will reduce the power cost substantially. Making the unit more competitive.

### **Weakness:**

The complete project is dependant on the success of IPO. If the IPO does not bring expected results then the company is planning to drop the idea of ACP and Wind Power Generator. Also it will not go for construction of new administration building.

Also the ACP plant would continue to be exposed to risk from changes in building construction technology, new products, competition and other market conditions.

The WTG project would be exposed to regulatory risks from Electricity Board, the risk of continuous Grid availability and also the risks on account of proper and continuous wind availability over a longer period.

### **Opportunity:**

India has abundant qualitative raw material and cheap labour. Its geographical location is highly suitable for international trade.

Internationally, with a 20% annual growth, the vitrified tile is the fastest growing segment in the ceramic tile industry, accounting for nearly 10% of the overall tile production across the world.

In India, this segment is still in its nascent stages of growth with only a few manufacturers. Thus the vitrified tile segment is poised to see a lot of action in the near future.

### **Threat:**

The biggest threat facing this Project is the increased Capacity Expansion in the Vitrified Tiles Market. Many new players are entering the Vitrified Tiles Industry and the existing players are expanding capacities.

The unorganised sector, the Indian ceramic industry contributes Rs 1,00,000 lakh to the exchequer, yet it faces the threat of a slow-down and ultimate closure due to the massive dumping of cheap vitrified tiles by Chinese manufacturers. During 2003-04, Chinese tiles worth Rs 1,00,000 lakh were dumped in the Indian market. This year, it is expected that dumping may well cross the 200 per cent mark to Rs 300,000 lakh. This will undoubtedly put a lot of strain on the local market, and in a long run, may even throw some of the players out of business.

The existing and emergence of so many players will result in intense competition and downward pressure on Prices.

## SCHEDULE OF IMPLEMENTATION

### 1. Vitrified Tiles project

	COMMENCEMENT	COMPLETION	COMMENTS
Acquisition & development of Land	--	--	On Existing Leasehold Land
Civil Work	April 06	February 07	
Supply & Installation of Plant & Machinery	April 06	January 07	
Trial run	January 07	January 07	
Commencement of production	January 07	January 07	

### 2. Aluminum Composite panels Project

	COMMENCEMENT	COMPLETION	COMMENTS
Acquisition & development of Land	--	--	On Existing Leasehold Land
Civil Work	April 07	July 07	
Supply & Installation of Plant & Machinery	June 07	September 07	
Trial run	September 07	September 07	
Commencement of production	September 07	September 07	

### 3. Wind Turbine Generators Project

	COMMENCEMENT	COMPLETION	COMMENTS
Acquisition & development of Land	November 06	April 07	Leasehold land from Govt. of Gujarat
Civil Work	December 06		Plant related Civil work
Supply & Installation of Plant & Machinery	January 07	June 07	
Trial run	January 07	June 07	
Commencement of production	January 07	June 07	

### 4. Additional Office & Factory Buildings and Godowns

	COMMENCEMENT	COMPLETION	COMMENTS
Acquisition & development of Land	November 06	April 07	On existing Leasehold land
Civil Work	February 07	August 07	

## FUNDS DEPLOYED

The details of the sources and deployment of funds as on November 30, 2006 as per the certificate of M/s. S.V. Karia & Associates, Chartered Accountants our Auditors dated December 19, 2006, are as under:

Particulars	Vitrified Tiles	Aluminium Composite Panel	Windmill	Working Capital	Others	Issue Exp.	Total
Building & Civil Works	62.00	-	-	-	-	-	62.00

Imported Plant & Machineries	232.97	-	-	-	-	-	232.97
Indigenous Plant & Machineries	185.08	-	-	-	-	-	185.08
Advances for Capital Expenditure	21.87	-	209.66	-	-	-	231.53
Misc. Fixed Assets / GEB Deposit & Line Charges	-	-	-	-	-	-	-
Preliminary & Preoperative Exp. & IPO Exp.	8.33	-	-	-	-	51.23	59.56
Margin Money For Working Capital	-	-	-	-	-	-	-
<b>Total</b>	<b>510.25</b>	<b>-</b>	<b>209.66</b>	<b>-</b>	<b>-</b>	<b>51.23</b>	<b>771.14</b>

#### SOURCES OF FINANCING OF FUNDS ALREADY DEPLOYED

<i>(Rs. in lakh)</i>	
Particulars	Total
Share Capital / Share Premium	-
Term Loan	593.94
Internal Cash Accruals	126.08
Unpaid Suppliers	51.12
<b>Total</b>	<b>771.14</b>

#### PROPOSED DEPLOYMENT OF FUNDS

<i>(Rs. in lakh)</i>				
Sr. No	Purposes of IPO	Upto FY 2007	Upto FY 2008	Total
1	To expand the capacity of manufacture of vitrified tiles from 6000 sq.meters per day to 12000 sq. meters per day	816.75	0	<b>816.75</b>
2	To establish manufacturing facilities of aluminum composite panels (ACP)	0	335.00	<b>335.00</b>
3	To set up 4.6 MW wind turbine generators (WTG)	415.34	1700.00	<b>2115.34</b>
4	Additional office & factory buildings and godowns	178.00	400.00	<b>578.00</b>
5	Other fixed assets / GEB Deposit & Line charges, extra space etc.	0	235.00	<b>235.00</b>

6	Margin money for Working capital requirements.	500.00	600.00	<b>1100.00</b>
7	To meet the issue expenses	298.77	0	<b>298.77</b>
	<b>Total</b>	<b>2208.86</b>	<b>3270.00</b>	<b>5478.86</b>

### **INTERIM USE OF FUNDS**

Pending any use as described above, the proceeds of the issue shall be invested in high quality, interest / dividend bearing short term / long term liquid instruments including money market mutual fund, deposits with banks for the necessary duration and other investment grade interest bearing securities as may be approved by our Board.

### **Monitoring of Utilisation of Funds**

As the net proceeds of the Issue will be less than Rs. 50,000 lakh, under the SEBI Guidelines it is not required that a monitoring agency be appointed by our Company. Our Board will monitor the utilisation of the Issue proceeds on a regular basis. We will disclose the utilisation of the proceeds raised through this Issue under a separate head in our financial statements for fiscal 2007 and 2008 clearly specifying the purposes for which such proceeds have been utilised. We will also, in our financial statements for fiscal 2007 and 2008 and further financial years, if Issue proceeds are pending utilization thereafter, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Directors, key management employees or companies promoted by our Promoters, save and except in the course of normal business

## **BASIC TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus and other terms and conditions as may be incorporated in the Prospectus, Bid-cum-Application Form, allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchange, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### **Principal Terms and Conditions of the Issue**

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus and Bid-Cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. See the section titled “Main Provisions of the Articles of Association of our Company” beginning on page [●] of this Draft Red Herring Prospectus for a description of the Articles of Association.

### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Draft Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

### **Rights of the Equity Shareholders**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled “Main Provisions of the Articles of Association of our Company” beginning on page [●] of this Draft Red Herring Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. For details of Allocation and Allotment, see “Statutory and Other Information” beginning on page [●] of this Draft Red Herring Prospectus.

## BASIS OF ISSUE PRICE

The Price Band for the Issue Price will be decided by us in consultation with the BRLM and Co-BRLM and specified in the Red Herring Prospectus that will be filed with the Registrar of Companies. The Price Band will also be advertised in [•], an English language newspaper [•] and a Hindi language newspaper with wide circulation and [•], a regional language newspaper. The Issue Price will be determined by our Company in consultation with the BRLM and Co-BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

### QUALITATIVE FACTORS

**Locational advantage:-** Our factory is located at Morbi in Gujarat where availability of raw material suppliers is ample as there are more than 25 suppliers in this area.

**Powerful Network: -** We have a strong selling and distribution network. We have more than 500 channel partners across the country. We have the advantage while launching new products through the same network.

**Goodwill in the Market: -** We sell our product under the brand name of “Granolite”. Our brand has gained respect in the market. Our products are approved by reputed Housing Boards and construction companies like Haryana Housing Board, Chhatisgarh Housing Board, Army Welfare Housing Society, Sahara India, Nagarjuna Construction, Jaipuria Construction, Gujarat State Export Council.

**Quality Policy:-** We are ISO 9001:2000 certified company which reflect our commitment to quality and the environment. The quality control process starts from the purchase of raw material and strict compliance with ISO Standards is maintained at every stage of the process. Any nonconformity is immediately removed without any alteration. Our world-Class Quality has attracted International Markets and today we are exporting to Sri Lanka, Malaysia and African Countries.

**Reducing cost of Fuel and power:-** We set up Coal Gas Plant incorporating Chinese technology, ensuring efficient fuel consumption and substantial savings in the conventional fuel cost. We have taken trials of Petcoke firing system, slated to be cheaper than Coal Gas Technology, which will help in reducing the cost further. To minimize the cost of power, we plan to set up four Wind Turbine Generators of the total capacity of 4.6 MWs.

**Expansion of the Existing Capacities:-** We are in a process of doubling the capacity of vitrified Tiles, which will start its commercial production next month. After the expansion we would be able to cater large orders in industry.

### QUANTITATIVE FACTORS

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

#### 1. Adjusted Basic Earnings Per Share (EPS)

Period	Rupees	Weights
Year ended March 31, 2005	2.22	1
Year ended March 31, 2006	3.61	2
*Six month period ended on September 30, 2006	3.39	
<b>Weighted Average</b>	<b>3.14</b>	

\*not annualized for 6 months

#### Note:

- (i) The Earning Per Share has been computed on the basis of the adjusted profits and losses of the respective years.
- (ii) The denominator considered for the purpose of calculating Earnings Per Share is the weighted average number of Equity Shares outstanding during the year.

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

- Based on the results of FY 2006, adjusted EPS is Rs 3.61 on the Equity Share of Face Value of Rs. 10/- each and the P/E Multiple is [●] times at an issue price of Rs. [●]
- P/E for Ceramic Industry

Highest	22.3
Average	15.0
Lowest	5.8

(Source: Capital Market – Vol XXI/22 January 01-14, 2007, Segment – Ceramic Industry)

**3. Return on Average Net Worth as per restated financials**

Period	%	Weights
Year ended March 31, 2005	14.89	1
Year ended March 31, 2006	18.87	2
*Six month period ended on September 30, 2006	17.24	
<b>Weighted Average</b>	17.54	

\*not annualized for 6 months

**4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS**

The minimum return on increased net worth required to maintain pre Issue EPS of 3.61 is [●].

**5. Net asset Value (NAV) per Equity share:**

Net asset Value (NAV) per Equity share	Rs.
Year ended March 31, 2005	6.85
Year ended March 31, 2006	16.51
Six month period ended on September 30, 2006	19.66

**6. Comparison of Accounting Ratios**

Sr. No.	Name of the Company	BV (Rs)	EPS (Rs)	P/E	RONW (%)
1.	Kajaria Ceramics	18.4	3.5	15.5	22.17
2.	Murudesh Ceramic	123.7	17.3	5.8	12.44
3.	Nitco Tiles	115.8	11.94	20.7	11.69
4.	Orient Ceramics	76.6	13.31	9.4	12.74
5.	SPL	73.2	4.57	14.6	5.37
6.	Decolight Ceramics Ltd	19.66	3.61	[●]	18.87

(Source – Capital Market Vol XXI/22 January 01-14, 2007, Segment – Ceramic Industry)

**The face value of Equity Shares of our Company is Rs. 10/- and the Issue Price is [●] times of the Face Value.**

**Conclusion**

The Equity Shares are being issued at a price of Rs. [●] per share. The issue price is [●] times the face value of the Equity Shares. The pre-issue book value of the Equity Shares as on September 30, 2006 is Rs. 19.66 per share. The average PE multiple of the industry sector is 15. The present issue of Equity Shares is at a PE multiple of [●] times which is lower than

the average PE multiple in the industry. The minimum return on networth required to be earned to maintain the weighted average EPS of Rs. 3.61 is [●] whereas, we have already earned a RONW of 18.87 % for the FY ended March 31, 2006. Taking into account the above qualitative and quantitative factors, the Issue Price of Rs. [●] per share is justified.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors,  
Decolight Ceramic Ltd.  
Old Dhuntu Road,  
Morbi.

Dear Sir,

We hereby confirm that the enclosed statement, prepared by the company, states the possible tax benefits available to Decolight Ceramics Ltd. ('the Company) and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the company or the its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon the fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated 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 hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequence the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

- The Company or its shareholders will continue to obtain these benefits in future: or
- The conditions prescribed for availing the benefits, where applicable have been/ would be met.

### **S. V. KARIA & ASSOCIATES**

Chartered Accountants.

#### **Shilpang V. Karia**

Proprietor

Membership No. 102114

Place: Morbi

Date: 2<sup>nd</sup> October, 2006

**STATEMENT OF POSSIBLE TAX BENEFITS  
AVAILABLE TO DECOLIGHT CERAMICS LTD. AND IT'S SHAREHOLDERS**

**Benefits available to the Company under the Income Tax Act, 1961**

**1. Deduction u/s 80-IA of the Act**

2. The entire profit of the windmill division would be eligible to deduction @ 100% under section 80-IA of the act for the period of ten consecutive assessment years out of fifteen years beginning from the year in which undertaking generates power. The profits of the division for the purposes of section 80-IA of the Act shall be computed on a stand-alone basis. The benefit is available subject to the fulfillment of the conditions prescribed under the section.
3. U/s 10(34) of the Act, dividend income (whether interim or final) in the hands of the company as distributed or paid by any other company on or after April 1, 2004 is completely exempt from tax in hand of company.
4. As per the provision of section 112(1)(b) of the Act, long term capital gains would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), the long term capital gains resulting on transfer of listed securities or units (not covered by section 10(36) and 10(38)), would be subject to tax @ 20% with indexation benefits or 10% without indexation benefits ( plus applicable surcharge and education cess) as per the option of the assessee.
5. Long term capital gain arising from transfer of an 'Eligible Equity Share' in a company purchase on or after the first day of March, 2003 and before the first day of March, 2004 (both days inclusive) and held for a period of 12 months or more is exempt for tax u/s 10(36) of the Act.
6. As per the provision of the section 10(38), long term capital gain arising from the transfer of equity shares in any company through a recognized Stock Exchange or from the sales of units of equity oriented mutual fund shall exempt from income tax if such sale takes place after 1<sup>st</sup> of Oct, 2004 and such sale is subject to security transaction tax.
7. As per the provision of section 111A, short term capital gains arising from the transfer of equity shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered in after the 1<sup>st</sup> day of Oct, 2004 and transaction is subject to security transaction tax.
8. In accordance with and subject to the conditions and to the extent specified in section 54EC of the act, the company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and 10(38)) if such capital gain is invested in any of the long term specified assets in the manner prescribed in said section. Where the long term specified assets is transferred or converted into money at any time with in a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified assets is transferred or converted into money.
9. As per the provision of section 54ED of the Act and subject to the conditions specified therein, capital gains arising from the transfer of capital assets, being a listed securities or units (not covered by section 10(36) & 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

**10. Deduction u/s 32:**

As per the provision of section 32(1)(ia) of the Act, The company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after 31<sup>st</sup> March, 2005 subject to fulfillment of conditions prescribed therein.

### **Benefits available to Resident Shareholders under the Income Tax Act, 1961**

1. U/s 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the company on or after 1<sup>st</sup> April, 2004 is completely exempt from tax in the hands of the shareholders of the company.
2. As per the provision of section 112 of the Act, long term capital gains would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), the long term capital gains resulting on transfer of listed securities or units (not covered by section 10(36) and 10(38)), would be subject to tax @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. As per the provision of the section 10(38), long term capital gain arising from the transfer of equity shares in any company through a recognized Stock Exchange or from the sales of units of equity oriented mutual fund shall exempt from income tax if such sale takes place after 1<sup>st</sup> of Oct, 2004 and such sale is subject to security transaction tax.
4. As per the provision of section 111A, short term capital gains arising from the transfer of equity shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered in after the 1<sup>st</sup> day of Oct, 2004 and transaction is subject to security transaction tax.
5. As per the provision of section 88E, wherever the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of Income Tax equal to the security transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying average rate of income tax on such business income as provided in the said section.
6. In accordance with and subject to the conditions and to the extent specified in section 54EC of the act, the shareholder would be entitled to exemption from tax on gains arising from transfer of their shares in the company (not covered by section 10(36) and 10(38)) if such capital gain is invested in any of the long term specified assets in the manner prescribed in said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified assets is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in section 54ED of the Act, the shareholder would be entitled to exemption from long term capital gain tax on transfer of their assets, being a listed securities or units (not covered by section 10(36) & 10(38)) to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
8. In case of the shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54f of the Act, the shareholder would be entitled to exemption from long term capital gain on the sale of shares in the company (not covered by section 10(36) & 10(38)), upon investments of net consideration in purchase/construction of a residential house if part of net consideration is invested within the prescribed period in residential house, than such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of 3 years from the date of its purchase or construction, the amount of capital gains shall be chargeable to tax as long-term capital gains in the year in which such residential house is transferred.

### **Tax Benefits available to the Non-Resident Indian Shareholders**

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1<sup>st</sup> April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. In the case of shareholder being a non-resident Indian and subscribing to the share in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian Company's shares (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an

appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.

3. In case of a shareholder being a non-resident Indian, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non resident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
4. In accordance with the provisions of Section 115G of the Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
5. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
6. As per the provisions of section 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
7. In accordance with and subject to the conditions and to the extent specified in Section 112 of the Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed without indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
8. As per the provisions of 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction Tax.
9. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered in to after the 1<sup>st</sup> day of October, 2004 and the transaction is subject to Securities Transaction Tax.
10. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
11. In accordance with and subject to the condition and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
12. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in

acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

13. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
14. As per the provisions of Section 90(2) of the Act, the provision of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

#### **BENEFITS AVAILABLE TO OTHER NON-RESIDENTS**

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1<sup>st</sup> April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with and subject to the conditions and to the extent specified in Section 112 of the Act, tax on long term capital gains arising on sale on listed securities or units before 1<sup>st</sup> October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed without indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
3. As per the provisions of 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction Tax.
4. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1<sup>st</sup> day of October, 2004 and the transaction is subject to Securities Transaction Tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
6. In accordance with and subject to the condition and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
8. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

9. As per the provisions of Section 90(2) of the Act, the provision of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

#### **BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FII')**

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1<sup>st</sup> October, 2004 and subject to Securities Transaction Tax shall be taxed @ 10% as per the provision of section 111A. It is to be noted that the benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.
2. As per the provisions of Section 90(2) of the Act, the provision of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.
3. As per the provisions of 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction Tax.
4. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
5. In accordance with and subject to the condition and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the company if such capital gain is invested in any of the long term specified asset in the manner prescribed in the said section. where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

#### **BENEFITS AVAILABLE TO MUTUAL FUNDS**

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

#### **Benefit Available to Venture Capital Companies/Funds**

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

#### **Benefits Available Under The Wealth Tax Act, 1957**

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

### **Benefits Available under the Gift Tax Act, 1958**

Gift Tax is not leviable in respect of any gifts made on or after 1<sup>st</sup> Oct, 1998. Therefore any gift of shares will not attract gift tax.

#### **NOTES:**

- 1.** All the above possible benefits are as per the current tax laws as amended by the Finance Act, 2005.
- 2.** All the above possible benefits are as per the current tax laws and will be available only to the sole / first named holder in case the shares are held by joint holder.
- 3.** In respect of non-residents, tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-residential has fiscal domicile.

In view of the individual nature of tax consequence, each investor is advised to consult his/her /its own tax advisor with respect of specific tax consequence of his / her / its participation in the scheme. The share holder is also advised to consider in his / her / its own case, the tax implication of an investment in equity Shares, particularly in view of the fact that certain recently enacted legislation may not have direct legal precedent or may have a different interpretation on the benefits which investor can avail.

## SECTION IV – ABOUT US

### Industry Overview

The latin word 'tegula' and its french derivative 'tuile' mean quite precisely a roof tile of baked clay. The english 'tile' is less precise, for it can in addition be used of any kind of earthenware slab applied to any surface of a building. The word 'ceramic' comes from the greek word 'keramos' meaning pottery, it is related to an old sanskrit root meaning 'to burn' but was primarily used to mean 'burnt stuff'.

Rumors have it that the first clay tiles were produced seven to eight thousand years ago in the area now known as the Holy Land. Many sources independently verify that the actual known history of Tiles (and the known usage of wall and floor tile coverings) can be traced back as far as the fourth millennium BC (4000 BC) to Egypt. In those days, in Egypt, tiles were used to decorate various houses. Clay bricks were dried beneath the sun or baked, and the first glazes were blue in color and were made from copper, very exquisite!

The usage of ceramic tiles has been found in the oldest pyramids, the ruins of Babylon, and ancient ruins of Greek cities. The usage of tiles evolved in different times. The decorative tilework was invented in East and it was brought to perfection in the Islamic period in Persia. Further, the tile mosaics of Spain and Portugal, the majolica floor tiles of renaissance Italy, the faiences of Antwerp, the development of tile iconography in England and in the Netherlands, and the ceramic tiles of Germany are all prominent landmarks in the history of ceramic tile.

Through the centuries, tile decoration was improved upon, as were methods of tile manufacture. For example, during the Islamic period, all methods of tile decoration were brought to perfection in Persia. Throughout the known world, in various countries and cities, Ceramic tile production and decoration reached great heights. The tile mosaics of Spain and Portugal, the floor tiles of Renaissance Italy, the faiences of Antwerp, the development of tile iconography in the Netherlands, and the Ceramic tiles of Germany are all prominent landmarks in the history of Ceramic tile.

In the early days, the tiles were hand-made, each tile was hand-formed and hand-painted, thus each was a work of art in its own right. Ceramic tile was used almost everywhere on walls, floors, ceilings, fireplaces, in murals, and as an exterior cladding on buildings.

Today Ceramic tile throughout the world is not hand-made or hand-painted for the most part. Automated manufacturing techniques are used and the human hand does not enter into the picture until it is time to install the tile. They are used in an almost infinite number of ways and you dont have to consider yourself wealthy to own them. In commercial buildings, where both beauty and durability are considerations, ceramic tiles will be found, particularly in lobby areas and restrooms.

In fact most modern houses throughout use Ceramic tiles for their bathrooms and kitchens and in every vital area of the premise. Ceramic tiles are also the choice of industry, where walls and floors must resist chemicals. And the Space Shuttle never leaves Earth without its protective jacket of high-tech, heat resistant tiles.(Source: ICCTAS)

### Product Profile

Apart from their decorative looks, Ceramic Tiles are primarily hygiene products and that is fairly evident from its usage ranging from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences and countless other centers dotting our surroundings. A ceramic tile is basically a "utility product" and Popular housing projects are increasingly switching over to Ceramic Tiles from the traditional mosaic and even granite or marble, owing to several factors viz. ease in laying ability, versatility, low price and most importantly hygiene.

The main product segments are the Wall tiles, Floor tiles, Vitrified tiles and Porcelain tile segments. The market shares are 35%, 53% and 12% respectively for Wall, Floor & Vitrified/Porcelain tiles. The tiles are available in a wide variety of designs, textures and surface effects. They cater to tastes as varied from rustics to contemporary marble designs in super glossy mirror finishes.

Both, traditional methods of manufacturing (tunnel –tunnel) and the latest single fast firing methods are deployed in manufacturing. Some of the latest trends in manufacturing methods can be seen in India.

## Industry Profile

Ceramic tiles as a product segment has grown to 3.8 million tons production per annum. The potential seems to be great, particularly in view of the boom in the housing sector, retail sector and IT & BPO sectors. The ceramic tiles sector has been clocking a robust growth of 12-15% consistently over the last few years. Today, India is the 7<sup>th</sup> largest manufacturer of ceramic tiles.

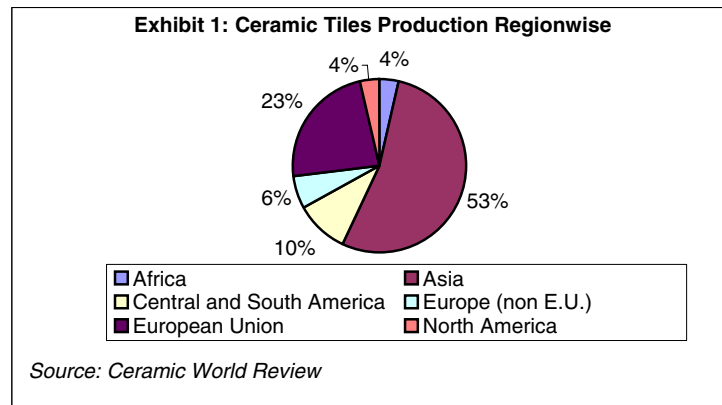
The investments in the ceramic tiles industry, in the last five years is approximately Rs 2000 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills and infrastructure facilities despite being fairly capital intensive. The industry provides employment to 5,50,000 people, 50,000 of whom are directly employed. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0.15 sq. m per person in comparison to over 2 for like countries like China, Brazil and Malaysia. Some key statistics pertaining to the industry are summarised below:

1.	World production:	6400 Million Sq.mtrs.
2.	India's Share:	200 Million Sq.mtrs..
3.	World ranking (in production):	7
4.	Per capita consumption:	0.15 sq. mtrs.
5.	Global Industry Growth Rate:	6%
6.	Growth Rate (India Domestic Market):	12%
7.	Organized industry turnover (India):	INR 22.50 Billion
	Glazed Wall Tile share:	40%
	Glazed Floor Tile share:	46%
	Unglazed Vitrified Tile share:	8%
	Glazed Porcelain Tile Share:	6%
	Unorganized Industry Turnover	
	Glazed Wall Tile share:	57%
	Glazed Floor Tile share:	35%
	Unglazed Vitrified Tile share:	6%
	Glazed Porcelain Tile Share:	2%
8.	Investments in last 5 years:	INR 20 Billion
9.	Organized sector:	
	Share of Production:	56%
	No. of units:	15
	Revenue (excise duty):	INR 2.3 Billion per annum approx.
10.	Unorganized sector:	
	Share of Production:	44%
	No. of units:	200 (approx.) (70% based in Gujarat region)
	Revenue (excise duty):	INR 0.7 Billion per annum or less
11.	Job Potential:	50,000 direct
		500,000 indirect
(a) Source: ICCTAS		

## International Scenario

### Production

- In 2005, the 30 major tile-manufacturing countries cover 95.8% of total world production of ceramic tiles.
- Asia contributes 53% to the total world production of Ceramic Tiles in 2005. The same figure was 54% in 2004 and 50% in 2003. (Exhibit 1)
- China is the largest producer and contributes almost 33% of the world production in 2004. (Table1)
- The Chinese tiles industry was 2.8 times that of the 2<sup>nd</sup> largest producer Spain in 2001 and the figure has increases to almost 3.4 times in 2005.
- Thailand, Poland, South Africa, Russia are growing at almost 20% CAGR between 2001-05 where as countries like Japan, Italy have sown negative growth over the period. The world production has grown by 6% over the period.



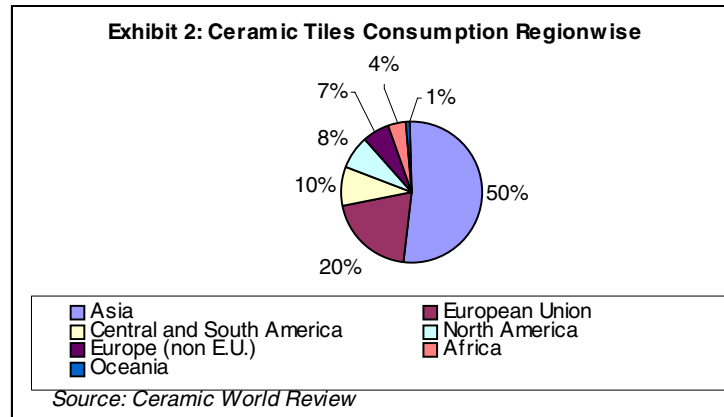
	Country	2001	2002	2003	2004	2005	% of World Production (2005)
1	China	1810	1868	2000	2200	2500	35.9
2	Spain	638	651	627	640	656	9.4
3	Italy	638	606	603	589	570	8.2
4	Brazil	473	508	534	566	568	8.2
5	India	NA	215	240	270	298	4.3
6	Turkey	151	163	189	216	261	3.8
7	Mexico	167	159	171	177	190	2.7
8	Indonesia	106	104	154	163	175	2.5
9	Thailand	63	100	115	135	138	2
10	Iran	78	95	120	123	125	1.8
	World	5500	5770	6150	6580	6955	

*Source: Ceramic World Review*

### Consumption

- Asia tops the Consumption charts as well in 2005 (exhibit 2) followed by EU and South America.
- China dominates the consumption list as well and its consumption is almost four times that of Brazil, the second highest country in the list.

- Germany, France feature in the top 10 list of consuming countries but are not there in the top 10 producing nations. USA, Germany, France and even India consume more than they produce and are meeting their demand through imports (table 2)
- The growth in consumption has fallen in Germany, Japan and Portugal between 2001-05 but has risen in Russia, South Africa, India and Poland.
- The 30 major tile-manufacturing countries are also the biggest consumers and consume 88.2% of total world consumption of ceramic tiles.



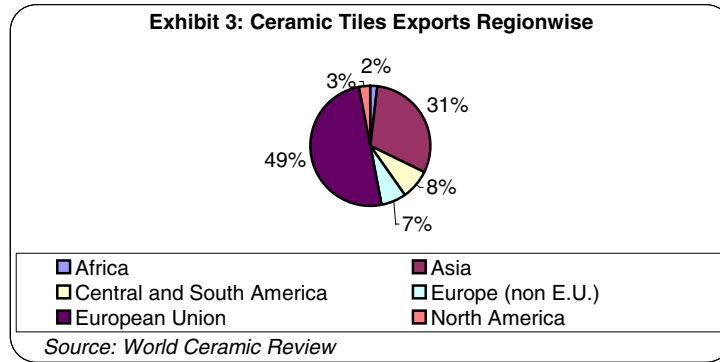
**Table 2: Top 10 Ceramic Tile Consumption Countries (in Million Sq. Mtrs)**

	Country	2001	2002	2003	2004	2005	% of World Consumption	% of Production
1	China	1500	1600	1700	1850	2000	30.5	80.0
2	Brazil	417	456	421	449	442	6.7	77.8
3	Spain	310	327	332	361	383	5.8	58.4
4	USA	211	245	262	293	305	4.7	491.9
5	India	NA	210	235	270	303	4.6	101.7
6	Italy	192	183	187	192	192	2.9	33.7
7	Turkey	94	90	103	123	172	2.6	65.9
8	Mexico	129	141	146	151	156	2.4	82.1
9	Indonesia	84	80	127	136	155	2.4	88.6
10	Russia	60	79	105	120	131	2	131.0
	World	5,142	5,426	5,724	6,150	6,550	100	94.2

*Source: Ceramic World Review*

### Exports & Imports

- EU is the highest exporting region and exports almost 50% of its production to the other regions. Asia consumes most of its production in its own region and has little left to export. This is expected as large part of Asia has emerging economies and there is a lot of construction activity in these regions and hence there is a huge demand for tiles.
- Italy, Spain and China are the leading exporters and USA, Germany and France are the leading importers. China, which was the 3rd largest exporter in 2004, has now become the 2<sup>nd</sup> largest exporter of ceramic tiles.
- Exports of the 15 major exporting countries represent 23.9% World consumption and Exports of Italy and Spain represent 42.6% of World exports and 11.2% of World consumption.
- The consumption in USA is quite high (it is 4th in the consumption list (table 2) and consumes 5% of the total consumption) and on production list it is 17th and just makes 1% of the world production and rest is imported.



<b>Table 3: Top 5 Ceramic Tile Exporting Countries (in Million Sq. Mtrs)</b>							
		2001	2002	2003	2004	2005	% Of World Consumption 2005
1	Italy	441	438	418	413	390	6
2	China	53	125	207	317	380	5.8
3	Spain	339	357	336	341	341	5.2
4	Brazil	60	74	103	126	114	1.7
5	Turkey	57	72	85	94	89	1.4

<b>Table 4: Top 5 Ceramic Tile Importing Countries (in Million Sq. Mtrs)</b>				
	2001	2002	2003	2004
USA	160	189	207	231
Germany	127	113	111	100
France	104	104	104	109
Saudi Arabia	48	61	55	50
UK	54	48	52	61

*Source: Ceramic World Review*

### Demand Drivers

The Ceramic Tiles industry derives its demand from the Real Estate and construction sector. Ceramic tiles find maximum usage in residential and commercial buildings and are also finding acceptance in other construction projects as well like airports, bus terminals etc as they are found to be more suitable at places where there is high human traffic.

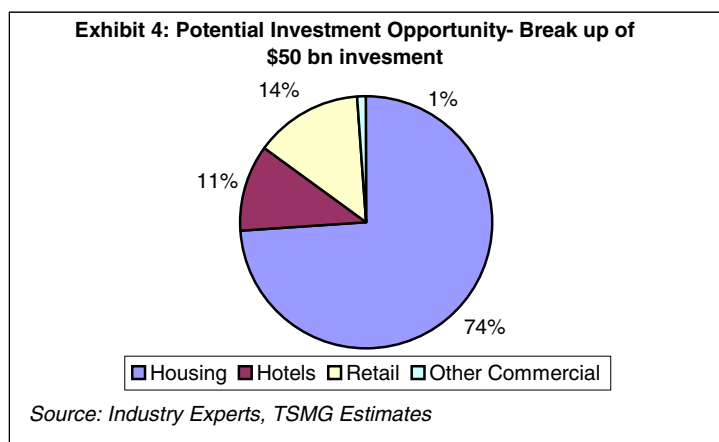
As per Investment Commission, Real Estate and Construction is a \$12 billion (by revenue) industry in India and there has been a rapid growth in the industry in the past few years. Till now, the real estate and construction industry was mostly unorganized and has recently begun to organize itself. A number of players are accessing the capital markets for raising finance for their new plans. This would further create more opportunities for the ceramic tiles industry.

Like developed markets, financial institutions (both foreign and domestic) are beginning to show interest in the sector. Various foreign Real Estate and Finance companies like GE Commercial Finance, Tishman Speyer, Ascendas and Farallon Capital have entered the Indian market

Investment Commission estimates that the Real Estate market is projected to grow to \$50 billion by 2010 at a CAGR of over 30% p.a. A break up of the opportunity is given in exhibit 4. The commission has identified several factors for rapid growth in Real Estate sector:

- Large demand-supply gap in affordable housing
- Increasing demand for commercial and office space especially from the rapidly growing Retail, IT/ ITeS and Hospitality sectors.

- The recently announced Urban Infrastructure Renewal Mission is expected to give a boost to the sector.
- \$11.5 billion earmarked over the next five years for 60 cities
- Housing: About 20 million new units expected to be built in five years
- Office space for IT/ITeS: Five-fold increase in office space requirement over the next 3 years
- Commercial space for organised retailing: 200 million sq. ft. by 2010
- Hotels & Hospitality: Over 50,000 new rooms in the next 5 years
- Investment opportunity of over \$50 billion in the next five years
- Major foreign institutional investors including Morgan Stanley, Merrill Lynch, AIG, Blackstone and Calpers have shown interest in investing in Indian real estate



The Planning Commission in its 10th plan document states, “The construction sector has major linkages with the building material industry since construction material accounts for sizeable share of the construction costs. These include cement, steel, bricks/tiles, sand/aggregates, fixtures/fittings, paints and chemicals, construction equipment, petro-products, timber, mineral products, aluminum, glass and plastics.” Table 5 shows that building materials constitute almost 60% of the total construction costs in buildings and it is mostly in buildings that ceramic and vitrified tiles find application.

<b>Table 5: Break up of Construction Costs (in %)</b>							
	Materials	Construction Equipment	Labour	Finance	Enabling Expenses	Admin. Expenses	Surplus
Building	58-60	4-5	11-13	7-8	5.5-6.5	3.5-4.5	5-6
Roads	42-45	21-23	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Bridges	46-48	16-18	11-13	7-8	5.5-6.5	3.5-4.5	5-6
Dams, etc	42-46	21-23	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Power	41-43	21-24	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Railway	51-53	6-8	16-18	7-8	5.5-6.5	3.5-4.5	5-6
Mineral Plant	41-44	20-22	12-14	7-8	5.5-6.5	3.5-4.5	5-6
Medium Industry	50-52	7-9	16-18	7-8	5.5-6.5	3.5-4.5	5-6

Transmission	49-51	5-7	19-21	7-8	5.5-6.5	3.5-4.5	5-6
Source: Planning Commission							

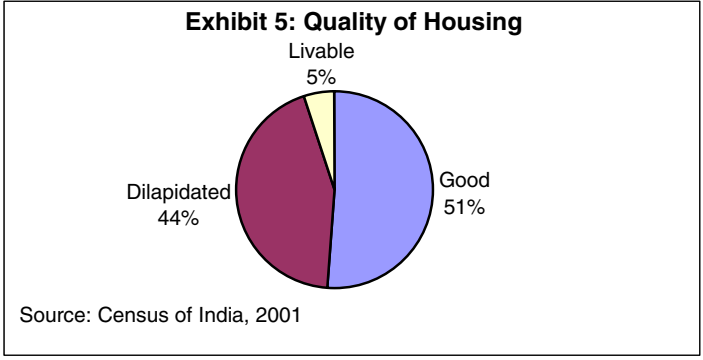
- Population and Income:** The demand for construction sector also depends on the population and increasing incomes. As per table 6, the population is rising at the rate of 2% and so is the rate of increase of number of households and housing stock. The per capita income has increased by 4.2%. The housing stock has increased with increasing population and income.

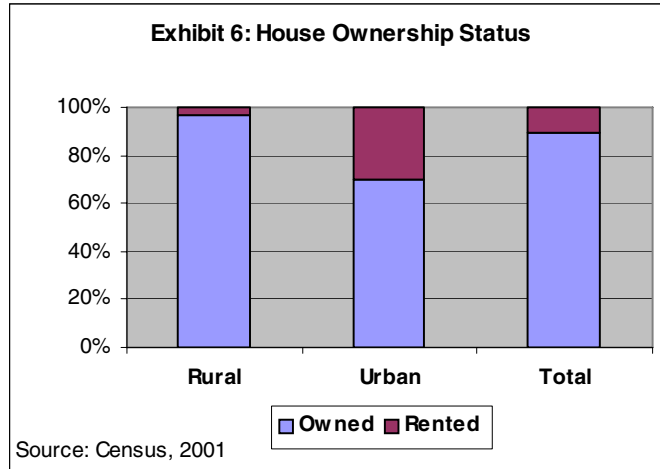
PARTICULARS	1951	1961	1971	1981	1991	2001	CAGR (1991- 01)
Population (million) #	360.9	439.2	547.2	685.2	846.31	1028.61	1.97
No. of Households (million) #	73.4	83.5	97.1	122.6	153.4	191.96	2.27
Residential Housing Stock (million) #	64.4	79.2	90.8	114.4	148.4	187.16	2.35
GDP (in Rs Crore) *	152979	228921	332516	467139	778289	1383705	5.92
Per Capita Income (Rs) *	3929	4759	5355	6144	8074	12128	4.15
Source: # Census							
* RBI (at constant prices)							

- Housing:** Indian economy is poised to grow at 7-8% and with growing incomes and urbanization, demand for houses is slated for growth. The increasing focus on rural areas, by both government and corporates, the demand for housing would also increase in rural areas. The ceramic tiles industry would also benefit from the above developments.

From the view of quality housing, only 50% have access to quality homes (exhibit 5). Exhibit 6 shows the ownership status of households. In urban areas, nearly 30% of the houses are rented in comparison to 4% in the rural areas. With increasing urbanization, the demand for houses would increase in urban areas and initially households would resort to rented accommodations. Rise in income levels of households would result in a shift from rented accommodation to ownership. Thus increase in both rented and owner-occupied houses results from urbanization and better income would also foster demand for quality housing.

As per a research report by Deutsche Bank, “Rapid population growth, rising incomes, decreasing household sizes and a housing shortage of currently 20 million units will call for extensive residential construction. The financing of owner-occupied housing in particular holds out enormous market potential. Each year some 4.7 million housing units would have to be completed up to 2030. This figure is based on additional demand of roughly 2.7 million housing units and annual replacement demand of roughly 2 million dwellings.”





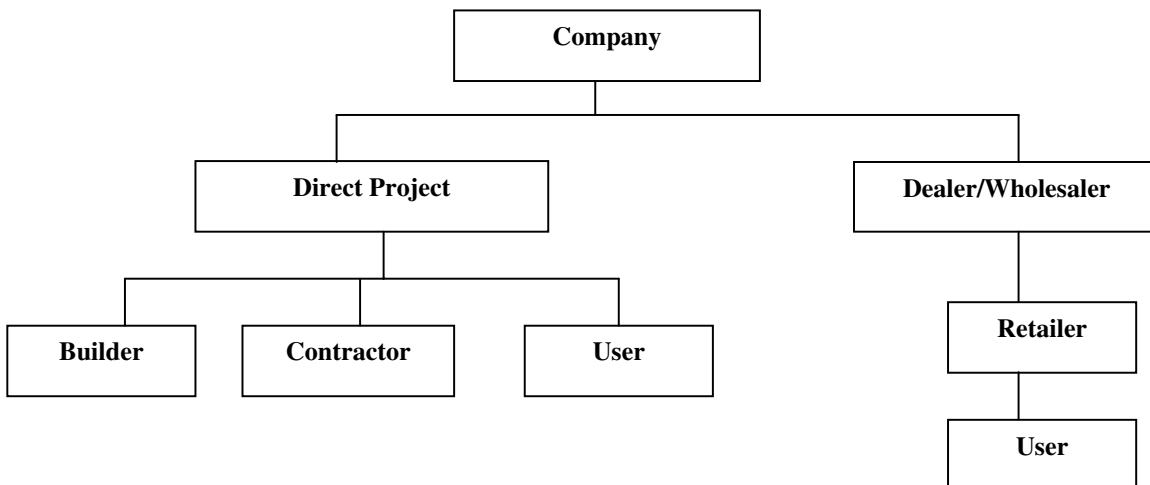
- Commercial and Retail Space:** As per a Deutsche Bank research report, India is the prime destination for IT services outsourcing. In the coming five years, at least 55 million sq. mt. of extra office space must be completed in the premium office segment alone.

Investment Commission Report states that the Retail sales were \$206 billion in 2004 and is expected to grow three-fold in the next 10 years from \$206 billion today to about \$660 billion by 2015. ‘Organised Retail’ was only \$6.4 bn (3% of total retail sales) and is expected to grow rapidly to reach \$100 billion by 2015 (Likely to account for 12-15% of total retail sales by 2015). Further, India is expected to be among the top 5 retail markets in the world in 10 years. The Deutsche Bank report estimates 600 new shopping centres by 2010.

The ceramic tiles particularly the vitrified tiles are finding increasing usage in both these sectors and the sector would benefit from an upsurge in these areas as well.

- Finance:** Increasing Demand is just one part of the story and another part is availability of finance. Availability of loans at low interest rates and tax incentives have enabled the people to buy houses and also develop their own commercial establishments. With increasing competition amongst both Banks and Housing Finance Companies, the people are going to only get better financing options and also more cheaper rates. This would further lead to an increase in demand for tiles.
- Distribution Network:** Another important driver is the distribution network of a ceramic tile manufacturing company. The distribution network is critical to success in this industry. With technological knowhow being similar amongst players, the advantage given by a wide and penetrative distribution network is vital. Exhibit 7 shows the general distribution network in adopted in ceramic tiles industry.

**Exhibit 7: Distribution Chain in Tiles Industry**



## **ALUMINIUM COMPOSITE PANELS:**

**Aluminum Composite Panels (ACP)** used for outer cover of the building and for interior decoration. It has the property of heat and rain resistance which saves electric consumption of the building which is centrally air-conditioned. The product is newly introduced in the Indian Markets and has great market potential. The product is also related to construction and infrastructure sectors.

Aluminum Composite Panel made out of two Aluminium skins, which are precoated and thermally bonded to each side of non-toxic polyethylene core. Adhesion achieved by combination of chemical and mechanical actions, thereby providing exception resistance to delamination.

The low maintenance combination of corrosion-resistant aluminum skins and weather-resistant finishes is precoated with PVDF 70/30 (Polyvinylidene fluoride) coating, which is the most advance coating used in building sector because of its excellent stability over the time in all respect. Whereas the inner alluminum skin is precoated with service coat for protection from either alkali attack from cement or galvanic corrosion from steel.

### **Features**

- **Size**

Aluminum Composite panels are available in various thickness: 1mm to 6mm width 1220mm (Standard) Length

- **Excellent color uniformity**

A very high-end technology is used to coat the Aluminium skin with quality colors and ensures accurate color constancy. Uniform flatness. Aluminium composite panels are absolutely flat and free from any distortion.

- **Light & Rigid**

Aluminium composite panels weigh 3.4 times less than steel and times less than Aluminium and yet compete equally when it comes to rigidity.

- **Maintenance free**

Aluminium composite panels require little or no maintenance during their lifetime. We can clean the outer surface by wiping them with a normal detergent you can keep them in mint condition for years

- **Reduction of construction time in final stages**

Aluminium composite panels enable comprehensive cladding process to be carried out at a faster pace by using various fastening system. Aluminium Composite panels are today much sought after by all the leading architects for their versatile features and amazing appeal. They are even being used to change the appearance of old buildings by their sheer look and long life.

## **BUSINESS OVERVIEW**

Our company, currently engaged in manufacturing of Vitrified Ceramic Tiles, is promoted by by Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri Jayantilal M. Pethapara, Smt. Hansaben G. Pethapara and Shri Hemalkumar G. Pethapara who have been involved in the ceramic tiles industry for over 10 years. Shri. Girishkumar M. Pethapara, is Chairman of Indian Council of Ceramic Tiles and Sanitary wares Association (ICCTAS) and President of Gujarat Ceramic Tiles Manufacturers Association. Our range of products, marketed under the brand name 'Granolite', have an established presence in the market.

We initially started with a production capacity of 3000 sq. meters per day of vitrified tiles. We enhanced our capacity to 6000 sq. meters per day in the year 2005-06. Now company plans to enhance the production capacity of vitrified tiles further from 6000 sq meters/day to 12000 sq meters/day.

Vitrified Ceramic Tiles are widely used as floor tiles in:

- Residential complexes
- Commercial complexes (SEZ's, I.T. Parks, Airports, Hotels, Web Worlds, Call Centres etc.)
- Retail spaces (Shopping Malls, Multiplexes etc.)

The market for vitrified tiles is driven by the construction industry. Vitrified tiles have become extremely popular over the years due to ease in laying, strength, durability, price and most importantly hygiene. Vitrified Tiles are available at one-fourth the cost of Italian Marble. They come in in standard sizes of 605mm X 605mm, 807mm x 807mm and 1000mm x 1000mm with thickness of 10 mm and above. Vitrified tiles leave little space at joints such that the joints are almost barely visible

We plan to engage in the production of Aluminum Composite Panels (ACP), used primarily for outer covering of commercial buildings. It offers better resistance to heat and water. It is also used in the inner surface and walls of any types of Buildings. As this product is newly introduced in the Indian market so there are very few players in the market. We can use our established distribution network to market this product as this is also a construction material.

We plan to setup Wind Turbine Generators to reduce costs incurred on electricity.

## **BRIEF DETAILS OF THE PROJECT**

### **Location**

We acquired land bearing Survey Nos. 650(P), 651(P) & 613 (P), at Village Ghuntu, Taluka Morbi, District Rajkot admeasuring 49288 sq.mtrs. on 24.04.2003 at a total cost of Rs. 3.00 lakh. The land has been duly converted for non-agricultural use. It is located approximately 2.5 km from the Ahmedabad-Kandla National Highway.

Morbi is known for its glass industry. The ceramic tiles industry has mushroomed over the last ten years. Industries in this area are manufacturing units for Ceramic Tiles (Wall tiles and Floor Tiles), Quartz Clocks and Mangalore Tiles for Roof etc. Morbi and Wankaner are very famous for Glass Industries.

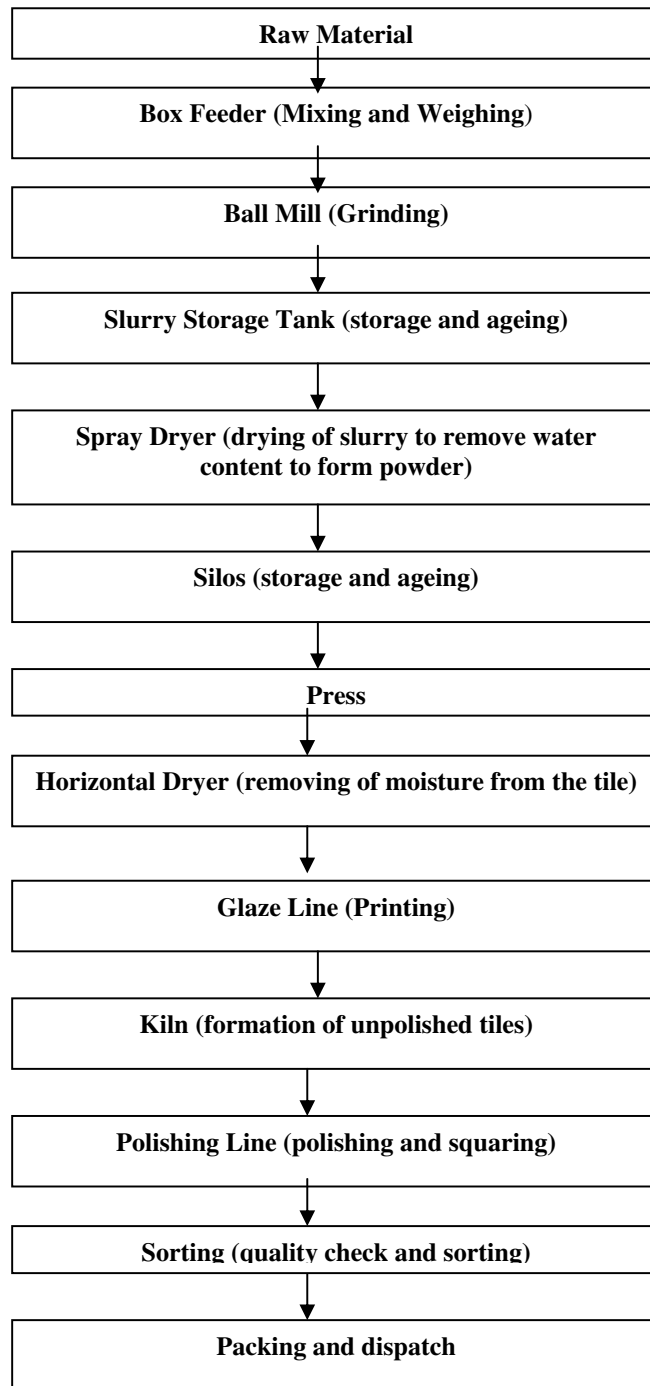
### **Plant & Machinery**

For details about the Plant & Machinery, please refer to the section titled "Plant & Machinery" beginning on page [●] of this Draft Red Herring Prospectus.

### **Technology**

The Project uses Chinese technology for manufacturing vitrified tiles. The Manufacturing process adopted by us for manufacturing vitrified tiles is described as under.

**Process / Material Flow Diagram**



## **Mixing Section**

The manufacturing process starts with mixing of different types of Clays and white cement in Box Feeder. The Installed capacity of the Box Feeder is 30T per batch. The feeding rate of the mixed raw material is depends upon the production requirement. Normally it takes 1.5 hour to 2 hours per batch. The Mixed raw material is conveyed to Ball Mill with the help of belt conveyor. In Ball Mill required amount of water is added for proper mixing of raw material. The Output of the Ball mill is homogenous slurry of raw material. The Capacity of the Ball mill is 30 T per Batch. The Grinding time for one batch ranges from 9 to 10 hours. The Raw Material slurry is stored in the Stock Tank. There are eight stock tanks. Each tank has 40 T capacities.

## **Spray Drying Section**

The Spray dryer follows the Ball Mill. This section consists of Feeding System, Air Heater and Storage silos. The slurry is fed into spray dryer with the help of feeding system where the high temperature of spray dryer solidifies the slurry. The output of spray dryer is the raw material in an amorphous powder form. This powder form of raw material is stored in the RCC Silos. There are fourteen silos and capacity of each silo is 60 Tons.

## **Pressing for Tile**

The powdered raw material from the silos is conveyed to Hydraulic press with the help of belt conveyor and fed to the press with the help of feeder machine. In this Press – Tile Biscuit is formed by the application of high pressure of around 15 mpa. The thickness of the tile biscuit is 9.2 mm to 9.5 mm.

## **Horizontal Drying Section**

The Tile Biscuits are conveyed on a MS roller conveyor that passes through the Horizontal Dryer. This Biscuits contain moisture; this moisture is removed in horizontal dryer. The temperature of the horizontal dryer varies in the range of the 180°C to 200°C. After horizontal dryer, biscuits are cooled to a temperature of 56°C to 60°C with the help of air blower.

## **Glaze line / Printing Section**

After horizontal drying section, Tile Biscuits are conveyed on a roller conveyor, which passes through Printing & Texturing machines, where printing and texturing on the Biscuit is carried out. In glaze line, the printing and texturing agents penetrate into the tile biscuit upto a depth of about 3 mm with the help of water spray booth and double disc water booth. The temperature of the tile biscuit is around 50°C to 60°C in this section.

## **Kiln Section**

The kiln section is divided into two stages. One is Pre-heating Zone and second is Firing Zone. In Pre-Heating Zone the temperature of the printed biscuit is raised from around 30°C to 65°C to remove the moisture. The Pre Heating Zone is followed by Firing Zone. A compensator is also provided between these two zones for continuous feeding. The printed biscuit passes through this zone with the help of roller conveyor. The Firing zone is divided into 70 modules and each module has different temperature. The printed biscuits temperature is increased stage by stage up to 1200°C. After that temperature of the firing zone is suddenly decreased to 900°C with the help of Air Blower. Than the tile temperature is gradually decreased up to 500°C at the exit end of the firing zone. The temperature of the kiln is controlled with the help of Micro Processor Control Room.

## **Polishing Line**

The Tiles are finally finished in this polishing line. Tiles are put on this line manually. They are fed into the Polishing machine with the help of conveyor. The polishing line involves multi-stage grinding and polishing. Finally, the finished tiles are sorted out manually according to their quality, colour and shade. We manufacture tiles in four qualitates, namely:

- Premium;
- Standard;
- Commercial; and
- Economic.

## **Laboratory Section**

The Laboratory is equipped to carry out Physical and Chemicals Tests. The composition of different types of clay is tested in the chemical lab by employing tests such as Loss on ignition test, SiO<sub>2</sub> percentage test, Aluminum percentage test, Fe<sub>2</sub>O<sub>3</sub> percentage test, TiO<sub>2</sub> percentage test, CaO percentage test, MgO percentage test, Na<sub>2</sub>O percentage test, K<sub>2</sub>O percentage test. Colour and strength of the tiles are tested in Physical lab. Experts check colour shade of the tiles visually. The strength of the tile is checked on Universal Testing Machine by a random sample test.

## **Packing and Despatch**

The finished tiles are packed and stored till despatch.

## **Manufacturing Process of Aluminum Composite Panels (ACP):**

The manufacturing process for ACP involves combination of plastic extrusion and Lamination of 3 layers of plastics and aluminum films of different width. ACP has layers in the following order: Bottom Aluminum Coil –Adhesive film - plastic material- Adhesive film - Aluminum upper coil - protective film. Both Aluminum Coils have coating of color but bottom sheet has same gray colour and upper sheets are available as per demand. Adhesive film gives bond between aluminum and plastic. The protective film gives shields from scratches and enables use of the panels for advertising. The protective film should be removed before the ACP is put to use. The manufacturing process is as under:

### **a. Extrusion:**

The raw material in the form of plastic granules (viz HDPE) is converted into sheet of required dimensions by extrusion, where the plastic granules are heated to semi liquid form and the thickness of the sheets is adjusted by adjusting the gap between the two extrusion rolls.

### **b. Lamination:**

There after plastic special gummed film is applied on both the side of the plastic sheets on top and bottom. From the other unwinding stations of the online lamination machine Aluminium films are also fed to the lamination machine. These Aluminium films are laminated on both the sides of the gummed film and the entire sandwich layer.

Then the entire laminated layer is passed through the hot roller and pressed by which the sheet will be laminated in one single layer sheet. Thus the ACP is prepared.

Thereafter the interactive protective film is applied on the top surface to protect the film from the scratches during the construction and fitting of ACP. The protective film is removed once the ACP is fixed on the surface of the building.

After fixing the ACP the sides and corners are cut by a cutter to remove the extra widths of the ACP on the fitted surface. Then the final table is used to cut the required length.

## **UTILITIES**

### **Raw Material**

The main raw materials required are Ukraine clay, soluble salt, abrasives that are imported raw materials and supplies for 4-6 months should be stocked to ensure uninterrupted supply. The Ukraine clay is imported from Ukraine. The mines of the Ukraine remain closed for 6 months due to severe cold and the sufficient quantity of clay must be requiring substantial working funds. The indigenous raw materials required are Bikaner clay, China clay, feldspar, potash, quartz, STPP, body binder, calcium alumina, talc powder etc., which are available conveniently.

The main raw materials required in ACP is aluminium coils, polyvinylidene fluoride, adhesive etc.

## **Power**

Our company is having existing power connections of 2400 KVA from GEB. Apart from GEB supply, unit has also purchased 1000 KVA 3 Nos. D. G. Set, for uninterrupted supply of power for continuous production. Our Company also plans to set up 4.6 MW Wind Turbine Generators in reduce expenditure on electricity.

## **Water**

Water is available from company's own borewell.

## **Water filtration system**

We have installed water recycling system for water consumed in the Polishing lines 2 nos. The polishing line consumes 8000 ltrs per minutes of water and the said water after used in the polishing process contains solid particles in insoluble form. The said water with solid waste is transferred by the transfer pumps to the settling tanks. There are 33 settling tanks and total 5 filter presses of which one filter recently installed is imported from China.

The waste water when stored in the settling tanks, all the solid waste is settled down and then and in the last settling tank all pure water is collected which can be directly recycled and used and the rest of the water with solid waste in other tanks are collected and charged to filter presses wherein the solid waste and clear water is separated and the clear water after collecting in a water tank is reused in the polishing line.

## **Fuel Efficient Gasifier System**

We have installed a fuel efficient, imported GASIFIER based on the Chinese technology, which is the first of its kind in the country, to fire the raw tiles. The generated coal Gas fuel used is cheaper by more than 50% to furnace oil/LDO and even LPG or CNG, that are conventionally used by the organized sector manufacturers. This system operates on the imported coal or lignite and converts the same into Gas. This coal Gas plant reduces the production cost of our Company substantially. The portion of the shell for the Gasifier has been imported and the Balance systems like conveyer system, Pipelines and other system has been fabricated indigenously.

## **Manpower**

Our manufacturing process requires a mix of skilled, semi-skilled and Un-skilled manpower as on October 31, 2006, there are 113 permanent employees in our company of which 47 are unskilled and 66 are skilled. Further, an additional 190 employees would be required after the proposed increase in manufacturing capacity, divided into 150 unskilled workers 40 consisting of managerial, technicians, supervisors and skilled workers. The ACP plant would require approximately 25 employees. Plenty of manpower, both skilled and unskilled, with experience in the ceramic industry are available in the area due the presence of a large number of ceramic tiles manufacturing units.

## **Products of Our Company**

Our company is engaged in the production of Vitrified Ceramic Tiles of all types, shapes and sizes. The tiles are produced mainly in sizes 605 mm x 605 mm and 807 mm x 807 mm. We also have the facility to make tiles based on the requirement of customers. Our Vitrified Ceramic Tiles are available in many variants like Mono Colours; Special Colours, Marble Prints, Matt finish, Granite (Salt and Pepper), Full Body (Multicharge), etc, which cater primarily to the demand raised by the construction and real estate industry.

## **Market Prospects for our Company and Marketing Arrangement**

From the above analysis it may be inferred that the products of our company have good prospects in a medium to long-term time frame. The major manufactures have been achieving value-addition and quality upgradation in their product mix by modernizing/expanding their production capacities. Although the smaller units aim at the lower end of the market segment due to limitation in terms of volumes, product design, quality and market reach, the organized sector manufacturers have been catering to the upper crust of the market where the customers look for innovation and quality in products.

As regarding market prospects for the vitrified tiles, it is observed that, at global level, the vitrified tiles market segment has grown at the rate of 20% over the last 3 years and it accounts for around 10% of the total tile production in India, vitrified tiles are estimated to account for around 10% of the overall market of ceramic tiles. This being a high-end segment of the ceramic tile market (thereby needing special efforts for market development) is expected to expand at a growth rate in the range of 8% to 10% in the coming years. The developmental activities in the housing and construction areas in India have built-up a strong market for our products.

The promoters of our company have been in the industry for over 10 years via their associate concerns i.e. Deco Ceramic Industries, Decogold Glazed Tiles Ltd. We have a well established marketing arrangement through a network of dealers and distributors.

### **Competition**

There are both organized and unorganized players in the ceramic industry. A few of these players, other than our company, are H & R Johnson, Murudeshwar Ceramics, Kajaria Ceramics, Bell Ceramics, Nitco Tiles and SPL Limited, Varmora Ceramics Ltd., Antique Ceramics Ltd., Sogo Ceramics Ltd., Euro Ceramics Ltd., Ajanta Ceramics Ltd.,

Both the number of players and the capacity of existing players in the market are increasing, which will result in increased competition and lowering of prices.

Globally, we face competition from countries like China, Italy, Spain, Brazil, etc.

### **Export**

The world-class quality of our products has received the assent of the international market. We currently export to Srilanka & certain African countries. We foresee an increase in the international market for our products in the forthcoming years.

## **OUR STRENGTH**

### **Experience**

Deco Group is known as pioneer of Ceramics in the region Our promoters have been extremely dedicated to the cause of the industry, and our company is capable both in terms of experience and technological capabilities to meet the competition.

### **Supplies**

The factory is located just 10 km from the Ceramic City 'Morbi' which is fulfilling 70% needs of the Ceramic Industry in India. The availability of raw material suppliers is ample as there are more than 25 suppliers in this area.

### **Powerful Network**

The group has more than 500 channel partners across the country. The business partners are well versed with our policies due to a long association enabling us to concentrate more on the product. Our Company is at an advantage while launching new products through the same network.

### **Goodwill in the Market**

We sell our product under the brand name of "Granolite". Our brand has gained respect in the market.

### **Corporate Identity**

Our products are approved by reputed Housing Boards and construction companies like Haryana Housing Board, Chhatisgarh Housing Board, Army Welfare Housing Society, Sahara India, Nagarjuna Construction, Jaipuria Construction, Gujarat State Export Council.

## **Quality Policy**

The ISO 9001:2000 & ISO 14001 certifications reflect our commitment to quality and the environment. The quality control process starts from the purchase of raw material and strict compliance with ISO Standards is maintained at every stage of the process. Any nonconformity is immediately removed without any alteration. Our world-Class Quality has attracted International Markets and today we are exporting to Sri Lanka, Malaysia and African Countries.

## **Fuel Efficient Technology**

We set up Coal Gas Plant incorporating Chinese technology, ensuring effectient fuel consumption and substantial savings in the conventional fuel cost.

Our Company has also taken trials of Petcoke firing system, slated to be cheaper that Coal Gas Technology, which willt help in reducing costs further.

## **BUSINESS STRATEGY**

### **Expansion of the Existing Capacities**

In view of the growing demand of our products in the market and the strong prospects of the industry as a whole, we plan to increase our existing production capacity from 6000 sq. mtrs. to 12000 sq. mtrs. per day during the year 2006-07.

### **Cost efficiency**

We are working towards cost effectiveness, backward integration and effective use of working capital, which are drivers in the our growth in coming years. To check the increasing energy cost of GEB and minimizing cost of power, our Company plans to set up four Wind Turbine Generators of the total capacity of 4.6 MWs.

### **Enhance product portfolio**

Our Company intends to increase the existing range in vitrified tiles. We propose to establish manufacturing facilities of Aluminium Composite Panels (ACP) used extensively as outer covering of commercial buildings. We plan to start manufacturing ACP with a capacity of 12,00,000 sq. mtrs. per annum,.

### **Research and Development**

Our company is making efforts to minimize the cost of production in order to sustain the competitiveness of our products in the market. Ukraine clay, which is an important raw material used in the manufacturing of vitrified tiles is imported from Ukraine and forms a substantial part of our raw material expenses. Also, due to the erratic weather conditions in Ukraine, we have to store large quantities of Ukraine clay, which causes operational difficulties. To reduce this expenditure and operational difficulties research on creating a substitute for Ukraine Clay is being carried on by the Central Glass and Ceramic Research Institute (CGCRI) on the instance of the Commissionerate of Industries, Gandhinagar in association with the Gujarat Ceramic Floor Tile Association.

### **Setting up of Retail Outlets**

Our Company intends to set up our own retail outlets. This will enhance our profit margins and market base. It will enable better access to the ultimate consumer, and help us design our products as per consumer requirements and liking.

### **Expand marketing and distribution networking**

We have an established network of dealers and distributors. We intend to strengthen and widen our dealer-distributors network and to adopt dynamic marketing approaches and strategies to improve our market presence.

### **Licensed and Installed Capacity**

Our current and proposed capacity and capacity utilisation is as under:

## 1. Vitrified Ceramic Tiles

Year	Installed Capacity in Sq.mtrs	Capacity Utilization in Sq.mtrs	% Capacity utilisation
<b>PRESENT</b>			
2004-2005	990,000	742,500	75
2005-2006	1,980,000	1,485,000	75
<b>PROPOSED</b>			
2006-2007	3,960,000	2574000	65
2007-2008	3,960,000	2970000	75
2008-2009	3,960,000	3366000	85

## 2. Aluminium Component Panel

Year	Installed Capacity in Sq.mtrs	Capacity Utilization in Sq.mtrs	% Capacity utilisation
<b>PROPOSED</b>			
2007-2008	1,200,000	420,000	35
2008-2009	1,200,000	600,000	50
2009-2010	1,200,000	840,000	70

## Insurance

Sr. No.	Policy No.	Policy Type	Description	Period	Sum Insured (In lakh)	Premium (for the period of Policy)
1.	300404/11/06/3300000378	Standard Fire and Special Perils and Earthquake (Fire & shock) as add-on	On factory Building, Plant & Machinery, Stocks & Supplies.	December 27, 2006 to January 26, 2007	For Building – Rs. 280.00 For stock/Contents – Rs. 1500.00	Rs. 50947
2.	300404/11/06/33000006.33	Standard Fire and Special Perils and Earthquake (Fire & shock) as add-on	Plant & Machinery	December 27, 2006 to January 26, 2007	Rs. 1800.00	Rs. 51519
3.	300404/11/05/3100000751	Standard Fire and Special Perils and Earthquake (Fire & shock) as add-on	Factory Building	February 7, 2006 to February 6, 2007	Rs. 500.00	Rs. 93,670.00
4.	300404/11/06/3100000631	Standard Fire and Special Perils and Earthquake (Fire & shock) as add-on	Factory Building	December 26, 2006 to January 27, 2007	Rs. 500.00	Rs.14,302
5.	297/2007	Workmen's Compensation (General)	Employees with wages less than Rs. 4000/-	June 20, 2006 to June 19, 2007	58 Employees whose total wages amount to Rs.20.24	Rs. 68,186.00

## Property

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term
1.	Land admeasuring 52,204 square metres in village Ghuntu, Taluka Morbi, District Rajkot.	Lease deed dated August 8, 2004 between Girishkumar M. Pethapara and Decolite Ceramic Limited.	Registered Office and Factory	99 years from May 1, 2003.
2.	First floor of premises at Plot No.10, Sardar Patel Road, Secunderabad – 500 003.	Lease Agreement dated October 14, 2006.	Marketing	11 months from the date of the Agreement.
3.	Shop No. 32, First Floor in Dhiraj Heritage, S. V. Road, Santa Cruz (West), Mumbai – 400 050.	Leave and Licence agreement dated September 1, 2005 between Ram Tej Bahadur Singh and Decolite Ceramics Limited.	Marketing	September 1, 2006 to July 31, 2007.
4.	Second Floor, J-34, South Extension, Part – I, New Delhi.	Lease deed dated June 3, 2004 between Brigadier Rajendra Kumar and Decolight Ceramics Ltd.	Marketing	June 1, 2004 to May 31, 2007.

**Purchase of Property:**

There is no property which our Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for wholly, or in part, from the net proceeds of this Issue.

## **REGULATIONS AND POLICIES**

The tiles manufacturing industry is an unregulated industry and there is no specific legislation governing this industry. Laws relating to excise, customs, sales tax, pollution control, factory and labour-related matters etc. are applicable to our Company, as they are applicable to other manufacturing establishments.

## HISTORY AND OTHER CORPORATE MATTERS

### HISTORY AND BACKGROUND OF OUR COMPANY:

Our company was incorporated under the name of “Decolight Ceramics Limited” pursuant to a Certificate of Incorporation no. 04-37494 of 1999-2000 dated March 7, 2000 having its Registered Office situated Behind Romer Ceramics, Ghuntu Road, Morbi - 363 642, Gujarat with the main object of manufacture and sale of ceramic tiles. The main objects clause was subsequently changed to include the manufacture and sale of vitrified tiles.

We started commercial production in June 2004 with an installed capacity of 3000 sq mtrs per day. In the year 2005, we enhanced our capacity to 6000 sq mtrs per day under the leadership and guidance of our Chairman and Managing Director Shri. Girishkumar M. Pethapara. Shri. Girishkumar Pethapara is assisted by Shri. Kantibhai M. Pethapara, Jt. Managing Director and Shri. Jayantilal M. Pethapara, Whole-time Director who are also the Promoters of our Company.

### HISTORY AND MAJOR EVENTS

Year	Event
2000	Incorporation of our Company
2004	Commencement of commercial production with an installed capacity of 3000 sq. mts. per day
	Receipt of ISO 9001- 2000 Certification No. 01602-2005-AQ-BOM-UKAS valid upto June 21, 2007 for our factory for the manufacture and supply of ceramic tiles issued by Benchmark Certification, JAS-ANZ.
2005	Enhancement of capacity from 3000 sq. mts. per day to 6000 sq. mts. per day

### Changes in Registered Office of our Company

There has been no change in the Registered Office of our Company since incorporation.

The requisite Form 18 intimating RoC of the Registered Office was duly filed with the Registrar of Companies on incorporation.

### MAIN OBJECTS OF OUR COMPANY

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

1. To carry on the business of manufactures, manufactures' representatives, dealers, traders, suppliers, stockiest, exporters, importers, factors, agents, consignors and consignees of all classes kinds, types and nature of :-
  - [i] Ceramic parts used in machineries including tower packing items,
  - [ii] Sanitary wares, wash basing, traps, tub, bath tub and all types of sanitary wares,
  - [iii] Ceramic tiles, glazed tiles, wall tiles, floor tiles, decorative tiles, vitrified tiles, tiles manufactured from clays and its derivatives and tiles and ceramic products of all types, styles and natures,
  - [iv] Ceramic, china and porcelain wares such as insulator, bricks, trays, chalk, crockery, glass, toys and machinery parts,
  - [v] Earthen wares, stone wares, pottery wares, glass wares, crockery wares, ceramic stains and ceramic decorative,
  - [vi] Procealin wares, stealite, china wares and all types of ceramic glazed items and pottery wares.

The Objects Clause of our Memorandum of Association enables us to undertake the business activities of our Company and also the activities for which funds are being raised in this Issue.

## CHANGES IN MEMORANDUM OF ASSOCIATION

<b>Date of Shareholders' Approval</b>	<b>Changes in the Memorandum of Association</b>
March 31, 2003	Increase in Authorised Share Capital of our Company from Rs. 150,00,000/- to 700,00,000/-
July 1, 2004	Increased Authorised Share Capital of our Company from Rs. 7,00,00,000/- to Rs. 9,00,00,000/-
December 31, 2004	Increased from Authorised Share Capital of our Company from Rs. 9,00,00,000/- to Rs. 13,00,00,000 divided into 1,00,00,000 Equity Shares of Rs. 10/- each and 30,00,000/- Preference Shares of Rs. 10/- each
October 24, 2005	Conversion of Preference Share Capital to Equity Share Capital.
September 30, 2006	Increase in Authorised Share Capital of our Company from Rs. 13,00,00,000/- to Rs. 20,00,00,000/- Change in main objects clause to include the manufacture and sale of vitrified tiles.
October 28, 2006	Increase in Authorised Share Capital of our Company from Rs. 20,00,00,000/- to Rs. 25,00,00,000/-

### **Raising of Equity**

For details in relation to the raising of equity, please refer to chapter titled "Capital Structure" beginning on page [●] of this Draft Red Herring Prospectus.

### **Subsidiaries**

We do not have any subsidiaries as on date of filing of this Draft Red Herring Prospectus.

### **Shareholders Agreement**

As on date of filing this Draft Red Herring Prospectus with SEBI there are no Shareholders agreements entered into between the members of our Company.

### **Joint Venture Agreements**

As on date of filing this Draft Red Herring Prospectus with SEBI we have not entered into any joint venture agreements with any other company or entity.

### **Other Agreements / Arrangements**

There are no other agreements entered into by our Company other than those entered into during the course of business.

### **Strategic Partners**

As on date of filing this Draft Red Herring Prospectus with SEBI there are no strategic partner agreements entered into by our Company.

### **Financial Partners**

As on date of filing this Draft Red Herring Prospectus with SEBI there are no financial partnership agreements entered into by our Company.

## OUR MANAGEMENT

### BOARD OF DIRECTORS

S.N.	Name, Designation, Father's Name, Address and Occupation	Nationality	Age (in years)	Details of other Directorships
1	Shri. Girishkumar M. Pethapara Chairman-cum-Managing Director  S/o. Shri. Maganlal Pethapara  "Gurukripa", Vidyutnagar, Ravapar Road, Morbi, District Rajkot Gujarat  Business	Indian	50	<b>Directorships:</b>  1. Deco Gold Glazed Tiles Limited 2. Deco Gold Electronics Limited  <b>Partnership Concerns:</b>  1. Deco Ceramic Industries
2	Shri. Kantibhai M. Pethapara Whole-time Director  S/o. Shri. Maganlal Pethapara  "Gurukripa", Vidyutnagar, Ravapar Road, Morbi, District Rajkot Gujarat  Business	Indian	48	<b>Directorships:</b>  1. Deco Gold Glazed Tiles Limited 2. Deco Gold Electronics Limited  <b>Partnership Concerns:</b>  1. Deco Ceramic Industries
3	Shri. Jayantilal M. Pethapara Whole-time Director  S/o. Shri. Maganlal Pethapara  "Gurukripa", Vidyutnagar, Ravapar Road, Morbi, District Rajkot Gujarat  Business	Indian	42	<b>Directorships:</b>  1. Deco Gold Glazed Tiles Limited 2. Deco Gold Electronics Limited  <b>Partnership Concerns:</b>  1. Deco Ceramic Industries
4	Dr. K.N. Maiti Additional Director Independent Director  S/o. Bhajahari Maiti  A-351, Ghanshyamnagar, Nr. Kotarpur Water works, P.O. Kubernagar, Ahmedabad-382340	Indian	60	NIL
5	Shri. Gaurang M. Thoriya Independent Director  S/o. Maganbhai Thoriya  Gayatrinagar, Ravapar Road, Morbi, District Rajkot,	Indian	25	NIL

S.N.	Name, Designation, Father's Name, Address and Occupation	Nationality	Age (in years)	Details of other Directorships
	Gujarat Business			
6	Shri. Jaysukhbhai K. Gami Independent Director  S/o. Karamshibhai Gami  Raghuvеer Socеity, Ravapar Road, Morbi, District Rajkot Gujarat  Business	Indian	26	NIL
7	Shri. Rajendrabbhai G. Dhamasana Additional Director Independent Director  S/o. Gangarambhai Dhamasana  140, Chitrakut Ghat, Sanala Road, Morbi, District Rajkot Gujarat  Business	Indian	33	<b>Directorships:</b>  1. Face Ceramics Private Limited 2. Soriso Ceramics Private Limited 3. Face Impex Private Limited
8	Shri. Maganbhai G. Sanaria Additional Director Independent Director  S/o. Gangarambhai Sanaria  Sanman, Gayatrinagar – 1 Ravapar Road, Morbi, District Rajkot Gujarat  Business	Indian	49	<b>Partnerships:</b>  1. M/s. Cera Colour 2. Iris Corporation 3. Sajawat Ceramics 4. Iris Colours and Ceramics

## BRIEF BIOGRAPHY OF OUR DIRECTORS

A brief profile of board members other than our Promoters is given below:

### 1. DR. K. N. MAITI, NON-EXECUTIVE DIRECTOR AGE: 60 YEARS

Dr. K. N. Maiti is an Additional Director in our Company. Dr. K. N. Maiti completed his Bachelor's degree in Science in 1967 with Honours in Chemistry. He further completed his Bachelors in Chemical Engineering and Chemical Technology in 1969 and Masters in 1970. He completed his Doctorate in Chemical Technology in 1991. Dr. K. N. Maiti has experience of more than 35 years in the ceramics industry. He has served as Scientist-in-charge at Central Glass and Ceramic Research Institute (CGCRI), Khurja, Uttar Pradesh as Director Grade Scientist and Scientist-in-charge at CGCRI, Naroda, Ahmedabad. Dr. K. N. Maiti has authored two books, holds four patents and is a fellow of various associations including the Indian Institute of Ceramics, The Indian Ceramic Society, Kolkata and Institute of Mines, Metals & Minerals, U.K. Dr. Maiti has been the recipient of the "Ganpule Award" from the Indian Ceramic Society thrice in 1992, 1994 & 2000, "Distinguished Scientist Award" from Italian Ceramic Society, Italy in 1996 among various others.

Dr. K. N. Maiti joined the Board of Directors of our Company on November 1, 2006.

**2. SHRI. GAURANG M. THORIYA**  
**AGE: 25 YEARS**

Shri. Gaurang M. Thoriya is an independent Director in our Company. Shri. Thoriya is a Mechanical Engineer from Jawaharlal Garde Institute of Engineering and Technology, Amravati University, Gujarat. Shri. Thoriya has had 4 years of experience in the marketing of glazed floor and wall tiles.

Shri. Thoriya joined the Board of Directors of our Company on January 1, 2005

**3. SHRI. JAYSUKHBHAI K. GAMI**  
**AGE : 27 YEARS**

Shri. Jaysukhbhai K.Gami is an independent Director in our Company. Shri. Gami holds a Bachelors degree in Business Administration from Saurashtra University, Gujarat and has 4 years experience in the manufacture and marketing of glazed floor and wall tiles.

Shri. Gami joined the Board of Directors of our Company on January 1, 2005.

**4. SHRI. RAJENDRABHAI G. DHAMASANA.**  
**AGE: 33 YEARS**

Shri. Rajendra G. Dhamasana is an Additional Director in our Company. Shri. Dhamasana is an Engineer from M.S University, Gujarat, and has more than 5 years experience in the manufacturing and marketing of glazed floor and wall tiles.

Shri. Dhamasana joined the Board of Directors of our Company on September 9, 2006.

**5. SHRI. MAGANBHAI G. SANARIA**  
**AGE: 49 YEARS**

Shri. Maganbhai G. Sanaria is an Additional Director in our Company. Shri. Sanaria has a Bachelors Degree in Arts from Saurashtra University, Gujarat. Shri. Sanaria runs a business dealing in ceramic colours and ceramic raw materials. Shri. Sanaria joined the Board of Directors of our Company on October 1, 2006.

**BORROWING POWERS OF DIRECTORS**

The Articles of Association of our Company authorises the board to borrow, the extract of which is as follows:

**Borrowing Powers**

Subject to the provisions of Sections 58A, 292 and 293 of the Act, the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposit from members either in advance of calls or otherwise and generally raise or borrow or secure the repayment of any sum or sums of money for the purposes of our Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from our Company's bankers in the ordinary course of the business) exceed the aggregate of the paid up capital of our Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting. Subject to the provisions of the Act and of the Articles, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, receive deposits from its members, directors or their relatives and receive loans from its members, either in advance of call or otherwise, and generally raise or borrow money either in India or abroad by way of loans, overdrafts, cash credit or by issue of bonds denominated in various currencies, debentures or debenture stock with or without any option attached to it (perpetual or otherwise), commercial paper or in any other manner, from any bank, financial institution, company, Government or any authority or any other body for the purpose of the Company and may secure the payment of any sums of money so received, raised or borrowed.

Subject to the provisions of Article 75, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue

of debentures or debenture-stock of our Company, charged upon all or any part of the property of our Company (both present and future), including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable free from any equities between our Company and the person to whom the same may be issued.

Further, pursuant to an ordinary resolution passed at the EGM held on September 30, 2006 of our Company, our Directors were authorised to borrow money(s) in excess of the aggregate amount of paid up share capital and free reserves of our Company from time to time subject to an amount not exceeding Rs. 20,000 lakh pursuant to Section 293(1)(d) of the Companies Act.

**Details of appointment and compensation of our Executive Directors**

**1. Shri. Girishkumar M. Pethapara, Chairman and Managing Director.**

Shri. Girishkumar M. Pethapara was re-appointed as the Chairman and Managing Director of our Company pursuant to the provisions of the Companies Act for a period of three (3) years with effect from October 1, 2006 upto September 30, 2009 by a resolution of our shareholders at the EGM held on September 30, 2006.

The significant terms of employment are as follows:

<b>Particulars</b>	<b>Tenure of Appointment</b>
	3 (Three) years with effect from October 1, 2006 to September 30, 2009.
	<b>Remuneration</b>
<b>Basic Salary:</b>	Rs. 1,10,000/- (Rupees One Lakh Ten Thousand only) per month.
<b>Commission:</b>	1% (one percent) of the net profit of our Company in a financial year computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a ceiling of 50% of the annual salary as defined in para (1) above
<b>Perquisites/Allowances</b>	<ul style="list-style-type: none"> <li>▪ <b>Housing:</b> Free furnished residential accommodation or in case no accommodation is provided by the Company, reimbursement of actual expenditure incurred by the Managing Director on hiring accommodation shall be made by our Company subject to the ceiling of 60% of the salary as defined above.</li> <li>▪ In addition, the expenditure incurred for utilities such as gas, fuel, electricity, water, furnishings, repairs/upkeep and maintenance of accommodation and servants salaries shall be reimbursed on actual basis.</li> <li>▪ <b>Medical Benefits:</b> Payment or reimbursement of expenses incurred for self and family (including mediclaim/medical insurance premium) or medical allowance in accordance with the rules of the Company.</li> <li>▪ <b>Leave Travel Allowance:</b> As per rules of the Company.</li> <li>▪ <b>Club Fees:</b> Payment of club fees for not more than two clubs in India, excluding admission and life membership fees.</li> <li>▪ <b>Personal Accident Insurance:</b> As per rules of the Company.</li> <li>▪ <b>Contribution to Provident, Pension/Superannuation or Annuity Funds:</b> As per rules of the Company.</li> <li>▪ <b>Gratuity:</b> As per rules of our Company and applicable statutory provisions from time to time.</li> <li>▪ <b>Leave Encashment:</b> Leave with full pay and allowances as per rules of the Company.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ <b>Car/Communication facilities:</b> The following shall not be included in the computation of perquisites. <ol style="list-style-type: none"> <li>1. Provision of Company's car(s) with driver for official use.</li> <li>2. Provisions of free telephone(s) or any other communication facilities or reimbursement of telephone/communication expenses at residence including payment of local calls and long distance official calls. However, the total value of perquisites shall not exceed Rs. 1,10,000/- per month or Rs. 13,20,000/- per annum</li> </ol> </li> </ul>
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## 2. Shri. Kantibhai M. Pethapara, Jt. Managing Director

Shri. Kantibhai M. Pethapara has been appointed as Jt. Managing Director of our Company pursuant to the provisions of the Companies Act for a period of three (3) years with effect from October 1, 2006 upto September 30, 2009 by a resolution of our shareholders at the EGM held on September 30, 2006.

The significant employment terms are as follows:

Particulars	Tenure of Appointment
	3 (Three) years with effect from October 1, 2006 to September 30, 2009 .
	<b>Remuneration</b>
<b>Basic Salary:</b>	Rs. 1,10,000/- (Rupees One Lakh Ten Thousand only) per month.
<b>Commission:</b>	1% (one percent) of the net profit of our Company in a financial year computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a ceiling of 50% of the annual salary as defined above.
<b>Perquisites/Allowances</b>	<ul style="list-style-type: none"> <li>▪ <b>Housing:</b> Free furnished residential accommodation or in case no accommodation is provided by the Company, reimbursement of actual expenditure incurred by the Managing Director on hiring accommodation shall be made by our Company subject to the ceiling of 60% of the salary as defined above.</li> <li>▪ In addition, the expenditure incurred for utilities such as gas, fuel, electricity, water, furnishings, repairs/upkeep and maintenance of accommodation and servants salaries shall be reimbursed on actual basis.</li> <li>▪ <b>Medical Benefits:</b> Payment or reimbursement of expenses incurred for self and family (including mediclaim/medical insurance premium) or medical allowance in accordance with the rules of the Company.</li> <li>▪ <b>Leave Travel Allowance:</b> As per rules of the Company.</li> <li>▪ <b>Club Fees:</b> Payment of club fees for not more than two clubs in India, excluding admission and life membership fees.</li> <li>▪ <b>Personal Accident Insurance:</b> As per rules of the Company.</li> <li>▪ <b>Contribution to Provident, Pension/Superannuation or Annuity Funds:</b> As per rules of the Company.</li> <li>▪ <b>Gratuity:</b> As per rules of our Company and applicable statutory provisions from time to time.</li> <li>▪ <b>Leave Encashment:</b> Leave with full pay and allowances as per rules of the</li> </ul>

	<p>Company.</p> <ul style="list-style-type: none"> <li>▪ <b>Car/Communication facilities :</b> The following shall not be included in the computation of perquisites. <ol style="list-style-type: none"> <li>1. Provision of Company's car(s) with driver for official use.</li> <li>2. Provisions of free telephone(s) or any other communication facilities or reimbursement of telephone/communication expenses at residence including payment of local calls and long distance official calls. However, the total value of perquisites shall not exceed Rs. 1,10,000/- per month or Rs. 13,20,000/- per annum</li> </ol> </li> </ul>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### 3. Shri. Jayantilal M. Pethapara, Whole-time Director

Shri. Jayanti M. Pethapara was re-appointed as a Whole-Time Director of our Company pursuant to the provisions of the Companies Act for a period of three (3) years with effect from October 1, 2006 upto September 30, 2009 by a resolution of our shareholders at the EGM held on September 30, 2006.

The significant employment terms are as follows:

Particulars	Tenure of Appointment
	3 (Three) years with effect from October 1, 2006 to September 30, 2009.
	<b>Remuneration</b>
<b>Basic Salary:</b>	Rs. 1,10,000/- (Rupees One Lakh Ten Thousand only) per month.
<b>Commission:</b>	1% (one percent) of the net profit of our Company in a financial year computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a ceiling of 50% of the annual salary as defined above.
<b>Perquisites/Allowances</b>	<ul style="list-style-type: none"> <li>▪ <b>Housing:</b> Free furnished residential accommodation or in case no accommodation is provided by the Company, reimbursement of actual expenditure incurred by the Managing Director on hiring accommodation shall be made by our Company subject to the ceiling of 60% of the salary as defined above.</li> <li>▪ In addition, the expenditure incurred for utilities such as gas, fuel, electricity, water, furnishings, repairs/upkeep and maintenance of accommodation and servants salaries shall be reimbursed on actual basis.</li> <li>▪ <b>Medical Benefits:</b> Payment or reimbursement of expenses incurred for self and family (including mediclaim/medical insurance premium) or medical allowance in accordance with the rules of the Company.</li> <li>▪ <b>Leave Travel Allowance:</b> As per rules of the Company.</li> <li>▪ <b>Club Fees:</b> Payment of club fees for not more than two clubs in India, excluding admission and life membership fees.</li> <li>▪ <b>Personal Accident Insurance:</b> As per rules of the Company.</li> <li>▪ <b>Contribution to Provident, Pension/Superannuation or Annuity Funds:</b> As per rules of the Company.</li> <li>▪ <b>Gratuity:</b> As per rules of our Company and applicable statutory provisions from time to time.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ <b>Leave Encashment:</b> Leave with full pay and allowances as per rules of the Company.</li> <li>▪ <b>Car/Communication facilities:</b> The following shall not be included in the computation of perquisites. <ol style="list-style-type: none"> <li>1. Provision of Company's car(s) with driver for official use.</li> <li>2. Provisions of free telephone(s) or any other communication facilities or reimbursement of telephone/communication expenses at residence including payment of local calls and long distance official calls. However, the total value of perquisites shall not exceed Rs. 1,10,000/- per month or Rs. 13,20,000/- per annum</li> </ol> </li> </ul>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**DETAILS OF APPOINTMENT AND COMPENSATION OF DIRECTORS OTHER THAN EXECUTIVE DIRECTORS**

Sr No	Name of Director	Contract/ Appointment Letter/ Resolution	Details of Remuneration
1.	Dr. K.N. Maiti	Appointed as Independent Director with effect from November 1, 2006 vide Resolution of Board of Directors dated November 1, 2006.	No remuneration except Sitting Fees of Rs. 5,000/- per meeting
2.	Shri. Gaurang M. Thoriya	Appointed as Independent Director with effect from January 1, 2005 vide Resolution of Board of Directors dated January 1, 2005 and Shareholder's Resolution dated September 30, 2005.	No remuneration except Sitting Fees of Rs. 5,000/- per meeting
3.	Shri. Jaysukhbhai K. Gami	Appointed as Independent Director with effect from January 1, 2005 vide Resolution of Board of Directors dated January 1, 2005 and Shareholder's Resolution dated September 30, 2005.	No remuneration except Sitting Fees of Rs. 5,000/- per meeting
4.	Shri. Rajendrabhai G. Dhamasana	Appointed as Independent Director with effect from September 5, 2006 by Resolution of the Board on September 5, 2006.	No remuneration except Sitting Fees of Rs. 5,000/- per meeting
5.	Shri. Maganbhai G. Sanaria	Appointed as Independent Director with effect from October 1, 2006 vide Resolution of Board of Directors dated October 1, 2006.	No remuneration except Sitting Fees of Rs. 5,000/- per meeting

## **CORPORATE GOVERNANCE**

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing. Our Company undertakes to comply with such provisions, including with respect to the appointment of independent directors to its Board and the constitution of the Audit Committee, the Remuneration/Compensation Committee and the Shareholders /Investors Grievance Committee. However, at present the following committees have been formed:

### **Audit Committee**

We have an Audit Committee, which has been constituted pursuant to provisions of the Companies Act. The Audit Committee was approved and constituted and formed by a meeting of the Board of Directors held on October 1, 2006. The Audit Committee comprises of the following Directors:

- (i) Shri. Rajendrabhai G. Dhamasana – Chairman, Independent Director
- (ii) Shri. Jaysukhbhai K. Gami – Member, Independent Director
- (iii) Shri. Maganlal G. Sanaria – Member, Independent Director

The terms of reference of the Audit Committee are as follows:

1. to oversee the Company's financial reporting process and to ensure that the financial statements are correct, sufficient and credible;
2. to recommend appointment or removal of statutory auditor and to recommend remuneration payable to the auditors;
3. to review with management the financial statements before the board in the context of change in accounting policies, qualifications in the audit report, compliance of accounting standards, significant adjustments, arising out of audit and any related party transactions that may have potential conflict with the interest of the Company;
4. to review the adequacy of internal audit function including structure, staffing reporting structure, coverage and frequency of internal audit, discussion with the internal auditor for any significant findings and follow up thereof;
5. to review findings of any internal investigations by the internal auditors where there is suspected fraud or irregularity or failure of internal control system of material nature which require reporting to the board; and
6. to look into any other matters as may be required by the Companies Act, 1956 or by rules framed thereunder.

### **Shareholders /Investors Grievance Committee**

The Share Transfer and Investor Grievance Redressal Committee was approved and constituted by a meeting of the Board of Directors held on October 1, 2006. The Share Transfer and Investor Grievance Redressal Committee was redesignated as "Shareholders / Investors Grievance Committee" by a meeting of the Board of Directors held on December 30, 2006 and presently comprises the following Directors:

- (i) Shri. Rajendrabhai G. Dhamasana – Chairman, Independent Director
- (ii) Shri. Jaysukhbhai K. Gami – Member, Independent Director
- (iii) Shri. Maganlal G. Sanaria – Member, Independent Director

The following are the duties of the Committee:

- 1) attend to share transfer formalities at least once in a fortnight
- 2) report to the Board about decisions taken at the meeting periodically and noted by the Board of Directors,
- 3) refer the rejection of transfer (on grounds other than non-compliance of technical requirements) to the board of directors for decision
- 4) attend to the investors complaints, solve and report to the Boad as per requirements,

5) attend the assignments delegated by the Board of Directors relating to the Investors/Shareholders matters.”

#### **Remuneration/Compensation Committee**

The Remuneration/Compensation Committee was approved and constituted by a meeting of the Board of Directors held on October 1, 2006 and presently comprises the following Directors:

- (ii) Shri. Rajendrabhai. G. Dhamasana - Chairman, Independent Director
- (ii) Shri. Jaysukhbhai. K. Gami - Member, Independent Director
- (iii) Shri. Maganlal. G. Sanaria – Member, Independent Director

The broad terms of reference of the Remuneration/Compensation Committee are as follows:

- (i) “to recommend to the Board, the remuneration packages of the Company’s Managing/Joint Managing/Deputy Managing/Whole time/ Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
- (ii) to be authorized at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company’s policy on specific remuneration packages for Company’s Managing/Joint Managing/Deputy Managing/Whole time/ Executive Directors, including pension rights and any compensation payment;

#### **Public Issue Management Committee /IPO Committee**

The Public Issue Management Committee/ IPO Committee was approved and constituted by a meeting of the Board of Directors held on October 1, 2006 and presently comprises the following Directors:

- (i) Shri. Girishkumar Pethapara- Chairman,
- (ii) Shri. Kantibhai Pethapara-Member,
- (iii) Mr.Jayantilal Pethapara-Member

The terms of reference of the / Public Issue Management Committee/IPO Committee are as follows:

- a) to decide on the actual size of the public offer, including any offer for sale by promoters/ shareholders, exercise of any green shoe (over-allotment) option and/or reservation on a firm or competitive basis, timing, pricing and all the terms and conditions of the issue of the shares, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- b) to appoint and enter into agreements with the lead manager to the issue, brokers to the issue, collection bankers to the issue, registrars, legal advisors and any other agencies or persons;
- (c) to finalise and settle and to execute and deliver or arrange the delivery of the Draft Red Herring Prospectus, Final Prospectus and all other documents, deeds, agreements and instruments as may be required or desirable in connection with the issue of shares by the Company;
- (d) to open separate current account (s) for the proposed IPO with the Escrow Collection Banks.
- (e) scheduled bank to receive Bid along with Bid monies in respect of the issue of the shares of the Company;
- (f) to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, allocation and allotment of the shares as permissible in law, issue of share certificates in accordance with the relevant rules;
- (g) to make any applications to the FIPB, RBI and such other authorities as may be required, for the purpose of issue of shares by our Company for non-resident investors such as NRIs and FIIs;

- (h) to make applications for listing of the equity shares of our Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
- (i) for finalizing the basis of allocation and to allot the shares to the successful allottees; and
- (j) to settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion seem fit.

#### SHAREHOLDING OF OUR DIRECTORS

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of this Draft Red Herring Prospectus.

Sr. No.	Names of our Directors	No. of Equity Shares	%age of Pre-Issue Capital
1.	Girishkumar M. Pethapara	14,28,240	14.28
2.	Kantibhai M. Pethapara	12,52,290	12.52
3.	Jayantilal M. Pethapara	11,61,100	11.61

#### INTEREST OF PROMOTERS, DIRECTORS AND SIGNIFICANT SHAREHOLDERS

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The whole time Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of equity shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

Our directors may also be regarded as interested in the equity shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

#### **Further:**

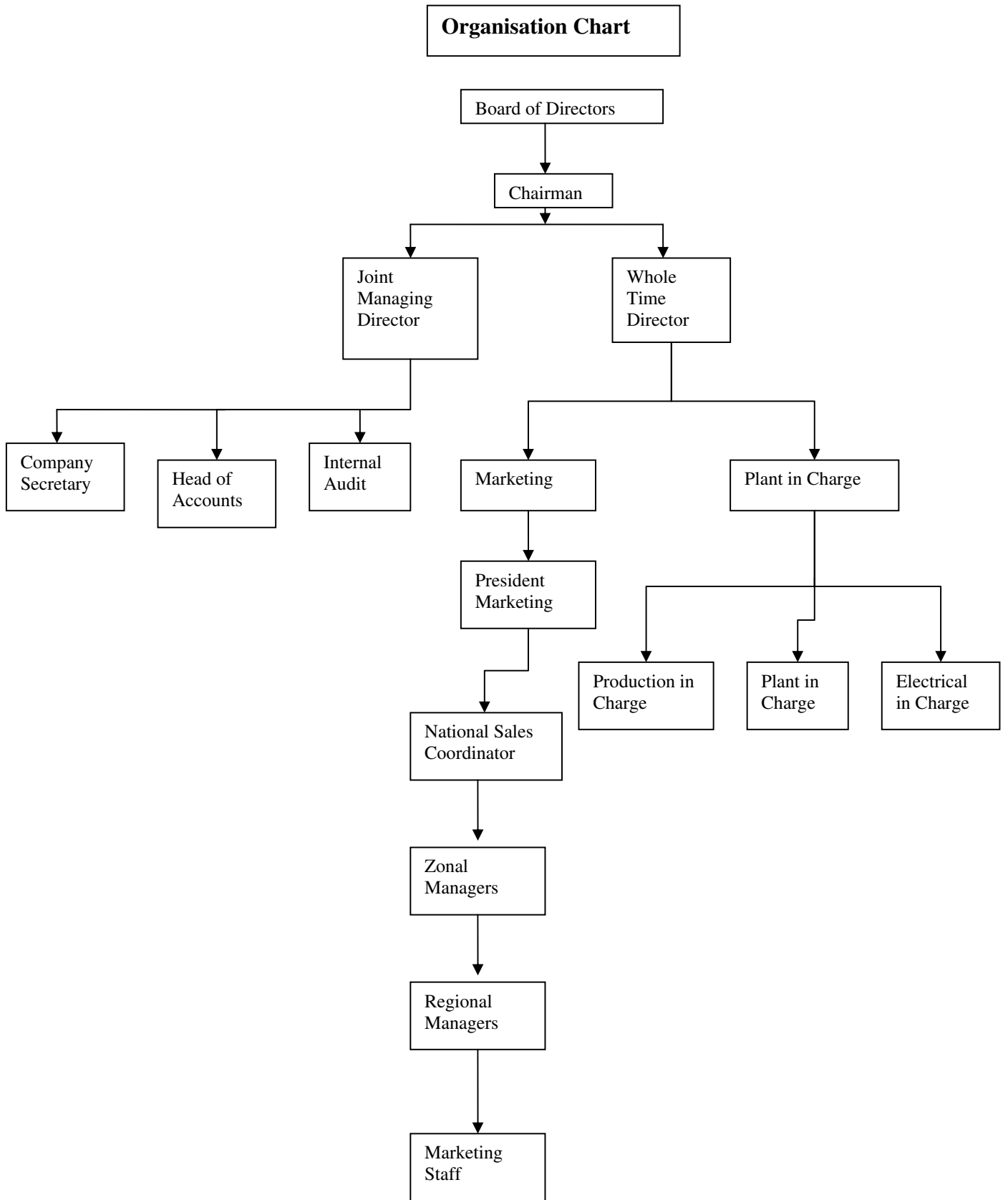
Our Promoter, Shri. Girishkumar M. Pethapara is interested to the extent of lease rent of Rs. 13,812/- payable annually to him as per the lease agreement dated August 8, 2004 entered into between him and our Company for the land on which our Registered Office and factory are located.

Except as stated herein under and in section titled "History and other Corporate Matters" beginning on page [●] of this Draft Red Herring Prospectus, our Company has not entered into any contracts, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus, in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

#### CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Sr. No.	Name of the Director	Date of Change	Reason
1.	Shri. Gaurangbhai Thoriya	January 1, 2005	Appointed as Additional Director
2.	Shri. Gaurangbhai Mehta	January 1, 2005	Appointed as Additional Director
3.	Shri. Jaysukhbhai Gami	January 1, 2005	Appointed as Additional Director
4.	Shri. Hemalkumar Pethapara	July 1, 2006	Resignation

5.	Shri. Mayurkumar Pethapara	July 1, 2006	Resignation
6.	Shri. Gaurangbhai Mehta	July 1, 2006	Resignation
7.	Shri. Rajendrabhai G. Dhamasana	September 9, 2006	Appointed as Additional Director
8.	Shri. Maganlal Marvania	October 1, 2006	Resignation
9.	Shri. Maganbhai G. Sanaria	October 1, 2006	Appointed as Additional Director
10.	Dr. K.N. Maiti	November 1, 2006	Appointed as Additional Director



## OUR KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel of our Company other than our Whole-time Directors are as follows:

1. **SHRI. MAYURBHAI K. PETHAPARA**, 24 years, is the “President-Marketing” of our Company. He holds a Bachelor’s Degree in Mechanical Engineering, from Saurashtra University. Shri. Mayurbhai Pethapara has been with our Company since the last 3 years and is responsible for the overall marketing of our products as Director - Marketing. For the fiscal 2006, the remuneration paid by us to Shri. Mayurbhai Pethapara was Rs. 2,34,000/-.
2. **SHRI. RAMESH BADHEKA**, 55 years, is the National Sales Coordinator of our Company. He holds a Bachelors Degree in Commerce from Bombay University. He has had more than 30 years experience in Sales. Prior to joining us, Shri. Badheka has worked with Marico Industries Limited for 23 years and Pepsi India Limited as sales consultant cum trainer for 7 years. Shri. Badheka is responsible for coordination of sales of all zones and regions. Shri. Badheka joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,44,000/-.
3. **SHRI. T.V.V. ASHOKKUMAR**, 41 years, is the “Zonal Manager-Hyderabad” of our Company. He holds an M.B.A Degree from Shivaji University, Kolhapur. Prior to joining us, Shri. Ashokkumar has worked with Regency Ceramic, Andhra Pradesh for over 6 years. Shri. Ashokkumar is responsible for the operations of the Andhra Pradesh Region. Shri. Ashokkumar joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 3,00,000/-.
4. **SHRI. JITENDRA SINGH**, 37 years, is the “Zonal Manager-Delhi” of our Company. He holds an MBA from Lucknow University. Prior to joining us Shri. Jitendrasingh has worked with Nasseti Asia Group, Hongkong and has more than 7 years of experience in the technology sector. Shri. Jitendrasingh is responsible for operations of the northern region. Shri. Jitendrasingh joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 2,40,000/-
5. **SHRI. JAGDISH B.M.**, 31 years, is “Regional Manager - Bangalore” of our Company. He holds an MBA from Karnatak University, Dharwad. Prior to joining us Shri. Jagdish has worked with Murudeshwar Ceramics Limited for 4 years and Graffidi (India) Private Limited, Ahmedabad, for 3 years. Shri. Jagdish is responsible for operations of the southern region. Shri. Jagdish joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,44,000/-
6. **SHRI. NARESH BHUTANI**, 36 years is “Regional Manager- Bombay” in our Company. He holds a Diploma in Mechanical Engineering from Bombay University. Prior to joining us Shri. Bhutani has worked with Gujarat Goldcoil Ceramics Ltd., and has more than 13 years of experience in the ceramic industry. Shri. Bhutani is responsible for marketing of Western Region. Shri. Bhutani joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,68,000/-.
7. **SHRI. PRADEEPKUMAR.**, 36 years is “Regional Manager - Cochin” in our Company. He holds a Degree in Commerce from Kerala University. Prior to joining us he has worked with Hindustan Sanitaryware & Industries Limited, Delhi, and has more than 5 years of experience in the ceramic industry. Shri. Pradeepkumar is responsible for marketing in the Kerala Region. Shri. Pradeepkumar joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 3,00,000/-
8. **SHRI. MANHARBHAI VARMORA**, 40 years is our Factory Plant in Charge. He holds a Diploma in Electrical Engineering from Saurashtra University. Prior to joining us Shri. Varmora has worked with Reliance Petroleum Ltd. Jamnagar, and has over 18 years of experience in areas such as general management. Shri. Varmora joined our Company with effect from April 1, 2005. For the fiscal 2006, the remuneration paid by us to Shri. Varmora was Rs. 1,80,000/-.
9. **SHRI. LALITBHAI P. SANGHANI**, 36 years is Production Incharge of our Company. He holds a Degree in Engineering from Saurashtra University. Prior to joining us Shri. Sanghani has worked with Gokul Ceramic, Morbi as Project Engineer, and has over 8 years of experience in the ceramic industry and management. Shri. Sanghani joined our Company with effect from July 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,08,000/-.

10. **SHRI. ARVIND VERMA**, 31 years is “Maintenance- Incharge” of our Company. He holds a Diploma in Mechanical Engineering from Board of Technical Education, Uttar Pradesh. Shri. Verma joined our Company with effect from April 1, 2005. Prior to joining us Shri. Verma has worked with SPL Ltd. for four years as an Assistant Manager, and has over 11 years of experience in the area of general management in the ceramic industry. For the fiscal 2006, the remuneration paid by us to Shri. Verma was Rs. 1,92,000/-.
11. **SHRI. PUSPAK AACHARYA**, 27 years is the “Electrical Incharge” of our Company. He holds a Diploma in Electrical Engineering from Saurashtra University and a Dipoma in Mechanical Engineering from Saurashtra University. Shri. Acharya joined our Company with effect from April 1, 2005. Prior to joining us Shri. Acharya has worked with Shri. Amasinhji Mill Limited as Electrical Supervisor, Wankaner and has over 4 years of experience in the area of electrical maintenance. For the fiscal 2006, the remuneration paid by us to Shri. Acharya was Rs. 1,21,000/-.
12. **SHRI. DILIP KOTHARI**, 56 years is “Head of Accounts” in our Company. He holds a Bachelors Degree in Science from Saurashtra University and a Degree in Law from Saurashtra University. Shri. Kothari joined our Company with effect from July 1, 2006. Prior to joining us Shri. Kothari has worked with Ashok Group of Industries as Chief Accountant for 5 years and Rajkot Engineering Association as Chief Accountant for 11 years, and has over 16 years of experience in finance. The remuneration payable to him for fiscal 2007 is Rs. 90,000/-.
13. **SHRI. ASHISH JOSHI**, 26 years is our Company’s Internal Auditor. He holds a Bachelors Degree in Commerce from Saurashtra University. He has over 2 years of experience in finance and accounts. Prior to joining us Shri. Joshi has worked with Veeba Sons Porrugating Private Limited, Rajkot as Chief Accountant for one year and Lalji Mulji Transport Company as Zonal Accountant for one year. Shri. Joshi joined our Company with effect from March 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,20,000/-.
14. **SHRI. NARESH RATHOD**, 35 years is “Senior Accountant” of our Company. He holds a Bachelors Degree in Commerce from Saurashtra University. Shri. Rathod has over 12 years of experience in accounts and finance. Prior to joining us Shri. Rathod has worked with B Patel & Company, Ahmedabad as a junior accountant for one year and Del pd Pumps & Gears Private Limited, Wadhvan as Assistant Officer, Sales & Accounts for 11 years. Shri. Joshi joined our Company with effect from April 1, 2006 and the remuneration payable to him for fiscal 2007 is Rs. 1,20,000/-.
15. **SHRI SURESH S. DAVE**, 72 years is the “Company Secretary” of our Company. He holds a Bachelors Degree in Arts, Bachelors Degree in law and is a qualified Company Secretary from the Institute of Company Secretaries of India. Shri Dave has over 15 years of experience in the banking industry, 18 years experience as Company Secretary of GIIC Limited and GSPCL. He is the Chairman of the Western India Regional Council of the Institute of Company Secretaries of India. He has also been a member of various sub-committees of the Ahmedabad Stock Exchange for seven years. The remuneration payable to him for fiscal 2007 is Rs. 48,000/-.

The key managerial personnel whose names appear above are permanent employees and are on the rolls of our Company. None of the above mentioned key managerial personnel are related to each other except Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri. Jayantilal M. Pethapara and Shri. Mayurkumar K. Pethapara. Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara and Shri. Jayantilal M. Pethapara are brothers and Shri. Mayurkumar K. Pethapara is the son of Shri. Kantibhai M. Pethapara. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

#### **SHAREHOLDING OF OUR KEY MANAGERIAL PERSONNEL**

None of the above mentioned Key Managerial Personnel hold any shares in our Company except Shri. Mayurkumar K. Pethapara who holds 6,60,100 Equity Shares of our Company.

#### **BONUS OR PROFIT SHARING PLAN AND INTEREST OF KEY MANAGERIAL PERSONNEL**

Our Company does not have any bonus or profit-sharing plan for Key Managerial Personnel. No amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.

## CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE LAST ONE YEAR

Sr. No.	Name	Date of Change	Designation	Reason
1.	Shri. Suresh S. Dave	January 6, 2007	Company Secretary	Appointment
2.	Shri. Harish Motwani	October 9, 2006	Company Secretary	Appointment
3.	Shri. Mayurkumar K. Pethapara	July 1, 2006	President – Marketing	Appointment
4.	Shri. Ramesh Badheka	April 1, 2006	National Sales Coordinator – Marketing	Appointment
5.	Shri. T.V.V. Ashokkumar	April 1, 2006	Zonal Manager – Marketing	Appointment
6.	Shri. Jitendrasing	April 1, 2006	Zonal Manager – Marketing	Appointment
7.	Shri. Jagdish B.M.	April 1, 2006	Regional Manager – Marketing	Appointment
8.	Shri. Naresh Bhutani	April 1, 2006	Regional Manager – Marketing	Appointment
9.	Shri. Pradeepkumar	April 1, 2006	Regional Manager – Marketing	Appointment
10.	Shri. Lalitbhai Sanghani	April 1, 2006	Production In-charge	Appointment
11.	Shri. Dilip Kothari	April 1, 2006	Accounts Head	Appointment
12.	Shri. Naresh Rathod	April 1, 2006	Senior Accountant	Appointment
13.	Shri Ahmedi Merchant	April 1, 2006	Accounts Head	Appointment
14.	Shri. Ashish Joshi	March 1, 2006	Internal Auditor	Appointment
15.	Shri Ahmedi Merchant	June 15, 2006	Accounts Head	Resignation
16.	Shri. Harish Motwani	January 5, 2007	Company Secretary	Resignation

### Manpower

We have 113 permanent employees working as on October 31, 2006. The details of manpower employed by us are as follows:

Sr. No.	Cadre	Total Manpower
1.	President	1
2.	General Managers	4
3.	Senior Manager / Engineers	8
4.	Manager / Executives	24
5.	Supervisors	29
6.	Workers / labour	47
	<b>Total</b>	<b>113</b>

### Disclosures regarding the Employee stock option scheme


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

### Payment or benefit to officers of our Company

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

## OUR PROMOTERS AND THEIR BACKGROUND

	<p><b>Shri. Girishkumar M. Pethapara, Chairman-cum-Managing Director</b></p> <p>Shri. Girishkumar M. Pethapara, 50 years, a resident Indian national, is a Promoter of our Company. He is an Electrical Engineer from Saurashtra University. He is the President of the Gujarat Ceramic Floor Tiles Manufacturers Association and Chairman of the India Council of Ceramic Tiles and Sanitary Ware Association (ICCTAS), Delhi. Shri. Girishkumar M. Pethapara has been involved with our Company since inception and is our Chairman-cum-Managing Director. He started his career in 1982 with the Gujarat Electricity Board for ten years before forming a partnership firm, Deco Ceramic Industries in the year 1995 with the object to manufacture ceramic floor and wall tiles. In the year 1998 he incorporated Decogold Glazed Tiles Limited for the manufacturing of ceramic floor tiles. Subsequently in the year 2000, he incorporated our Company for the manufacture of vitrified tiles and has since been Chairman-cum-Managing Director. He has 11 years of experience in the Ceramic industry.</p> <p>Passport Number: B2167376 Voter Id No.: KJF3038361</p>
	<p><b>Shri. Kantibhai M. Pethapara, Jt. Managing Director</b></p> <p>Shri. Kantibhai M. Pethapara, 48 years, a resident Indian national, is a Promoter of our Company. He is a Science Bachelor in Agriculture from Gujarat Agricultural University. He has ten years experience in the Ceramic Industry. He started his career in the year 1981 as an Assistant Seed Certification Officer with Gujarat State Seed Certification Agency for a period of 16 years. He has been associated with our Company since incorporation and is presently the Joint Managing Director.</p> <p>Passport Number: A8932127 Driving License No.: Raj/189652/87 Voter Id No.: GJ/16/108/357463</p>
	<p><b>Shri. Jayantilal M. Pethapara, Whole-time Director</b></p> <p>Shri. Jayantilal M. Pethapara, 42 years, a resident Indian national, is a Promoter of our Company. He is a Civil Engineer from Saurashtra University. He started his career in the year 1986 with Jamnagar Municipal Corporation Limited where he worked for 13 years. He has been involved with the operations of our Company since incorporation and has 7 years experience in the ceramic industry.</p> <p>Passport Number: E0704744 Driving License No.: 55620/JAM Voter Id No.: CSD-5494794</p>
	<p><b>Smt. Hansaben G. Pethapara</b></p> <p>Smt. Hansaben G. Pethapara, 42 years resident Indian national, is the wife of Shri. Girishkumar M. Pethapara. She holds a Bachelors degree in Arts from Saurashtra University and is a partner in M/s. Sweta Ceramics and M/s. Vishnu Stone Crushers.</p> <p>Passport Number: B 2168037 Voter Id No.: KJF3038379</p>

	<p><b>Shri. Hemalkumar G. Pethapara</b></p> <p>Shri. Hemalkumar G. Pethapara, 22 years is one of our Promoters. He holds a Bachelors degree in Mechanical Engineering from Saurashtra University. He is the son of Shri. Girishkumar M. Pethapara.</p> <p>Passport Number: A9922927 Driving License No.: GJ/-03/348058/02/02</p>
-----------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**We confirm that the Permanent Account Number and Bank Account Numbers have been submitted to the Stock Exchanges at the time of filing of this Draft Red Herring Prospectus. Further, our Promoters have not been identified as a willful defaulter by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by our Promoters in the past or any such proceedings are pending against our Promoters.**

**In addition to our Promoters, the following persons / entities constitute the Promoter Group:**

1. Maganlal M. Pethapara – Promoter’s father
2. Revaben M. Pethapara – Promoter’ mother
3. Jayantilal M. Pethapara (HUF)
4. Artiben J. Pethapara – Wife of Shri. Jayantilal M. Pethapara
5. Mansukhlal M. Pethapara – Promoter’s brother
6. Ramaben M. Pethapara – Wife of Shri. Mansukhlal M. Pethapara
7. Lataben K. Pethapara – Wife of Shri. Kantibhai M. Pethapara
8. Mayurkumar K. Pethapara – Son of Shri. Kantibhai M. Pethapara
9. Samirkumar K. Pethapara – Son of Shri. Kantibhai M. Pethapara
10. Hiralben G. Pethapara – Daughter of Shri. Girishkumar M. Pethapara
11. Poonamben M. Pethapara – Daughter of Shri. Mansukhlal M. Pethapara
12. Sadhanaben B. Kadiwar – Promoter’s sister
13. Vasantaben R. Rajkotia – Promoter’s sister
14. Anandkumar R. Rajkotia – Promoter’s nephew
15. Deco Gold Glazed Tiles – Promoter Group Company
16. Deco Gold Electronics Limited – Company promoted by our Promoters  
The natural persons in control of this company are Shri. Girishkumar M. Pethapara, Shri. Kantibhai M. Pethapara, Shri. Jayantilal M. Pethapara, Shri. Mayurkumar K. Pethapara, Shri. Samirkumar K. Pethapara, Smt. Swetaben M. Pethapara and Shri. Hemalkumar G. Pethapara
17. Deco Ceramic Industries – Partnership firm formed by our Promoters  
The natural persons in control of this firm are Shri. Girishkumar M. Pethapara, Shri Kantibhai M. Pethapara and Smt. Ramaben M. Pethapara
18. Sweta Ceramics – Partnership firm formed by our Promoters  
The natural persons in control of this firm are Smt. Hansaben G. Pethapara, Smt. Artiben J. Pethapara, Shri. Samirkumar K. Pethapara, Smt. Swetaben M. Pethapara and Shri. Anandkumar R. Rajkotia
19. Bahuchar Medical Stores – partnership firm formed by our Promoters  
The natural persons in control of this firm are Smt. Ramaben M. Pethapara, Smt. Artiben J. Pethapara Smt. Nandlal M. Pangparia, Shri. Balubhai L. Patel and Smt. Revaben M. Pethapara
20. Vishnu Stone Crushers - partnership firm formed by our Promoters  
The natural persons in control of this firm are Smt. Hansaben G. Pethapara, Shri. Mahadevbhai T. Patel, Smt. Champaben J. Patel, Shri. Anilkumar M. Patel and Shri. Ramesh J. Patel
21. Yatri Enterprise - partnership firm formed by wife of our Promoter  
The natural persons in control of this firm are Smt. Artiben J. Pethapara, Smt. Nehaben P. Patel, Smt. Chandrikaben M. Ribdiya, Smt. Nutanben B. Kamdar, Shri Maganlal B. Patel and Shri. Hirabhai N. Patel

**Common Pursuits**

We have 3 Promoter Group Companies / Partnership Firms viz. Deco Gold Glazed Tiles Limited, Sweta Ceramics and Deco Ceramic Industries having main objects and business similar to our Company. Interests of these companies may

conflict with each other. For more details on the same, please refer to section titled “Financial Information of Group Companies” beginning on page [●] of this Draft Red Herring Prospectus

### **Interest of the Promoters**

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

Further:

- Our Promoter, Shri. Girishkumar M. Pethapara is interested to the extent of lease rent of Rs, 13,812 payable annually to him as per the lease agreement dated August 8, 2004 entered into between him and our Company for the land on which our Registered Office and factory are located.

### **Payment or benefit to Promoters of our Company**

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

### **Currency of Presentation**

Throughout this Draft Red Herring Prospectus unless the context otherwise requires all references to “Rupees” / “Rs.” is the legal currency of the Republic of India.

## OUR PROMOTER GROUP COMPANY

### Deco Gold Glazed Tiles Limited

Deco Gold Glazed Tiles Limited was incorporated vide Certificate of Incorporation No. 04 – 35906 of 1999 – 2000 on May 3, 1999 and is engaged in manufacturing, exporting, importing etc. of ceramic wall and floor tiles and other related items. The registered office is situated at Ghuntu Road, Morbi 363 641, Gujarat.

**The Shareholding Pattern of Deco Gold Glazed Tiles Limited as on September 30, 2006 is set out below:**

Name of Shareholder	No. of shares	% of Shareholding
Jayanitlal Maganlal Pethapara	243100	5.34
Kantibhai Maganlal Pethapara	304600	6.69
Girishkumar Maganlal Pethapara	432100	9.49
Hansaben Girishkumar Pethapara	94600	2.08
Aartiben Jayantilal Pethapara	76000	1.67
Ramaben Mansukhlal Pethapara	63000	1.38
Vasantaben Rasiklal	5000	0.11
Lataben Kantibhai Pethapara	4000	0.09
Mansukhbhai Maganlal Pethapara	40100	0.88
Maganlal Mavjibhai Pethapara	1100	0.02
Revaben Maganlal Pethapara	27500	0.60
Sadhanaben B. Kadivar	83400	1.83
Bharatkumar T. Kadivar	100000	0.22
Samirkumar K. Pethapara	70500	1.55
Mayurkumar K. Pethapara	33000	0.72
<b>Others</b>	3065950	67.33
<b>Total</b>	<b>4553950</b>	<b>100.00</b>

The shares of Deco Gold Glazed Tiles Limited are not listed on any Stock Exchange.

### Board of Directors:

The board of directors of Deco Gold Glazed Tiles Limited comprises of the following:

- 1) Shri. Shri. Girishkumar M. Pethapara
- 2) Shri. Kantibhai M. Pethapara
- 3) Shri. Jayantilal M. Pethapara
- 4) Shri. Mansukhlal M. Pethapara

### Financial Performance:

*(Rs. in lakh, except per share data)*

Particulars	March 31, 2006	March 31, 2005	March 31, 2004
Equity Share capital	455.4	455.4	455.4
Reserves and surplus	162.5	58.9	270.0
Total Income	837.5	465.09	922.13
Profit after tax	103.6	(61.6)	3.51
Earnings per share (face value Rs. 10/-) (Rs.)	2.28	(1.35)	0.08

### Companies of the Promoter/Promoter Group referred to BIFR/ under winding up/having negative net worth

None of the Group Companies have been referred to BIFR, are under winding up process or have negative net worth.

**Common Pursuits**

We have 3 Group Companies / Partnership Firms viz. Deco Gold Glazed Tiles Limited, Sweta Ceramics and Deco Ceramic Industries having main objects and business similar to our Company. Interests of these companies may conflict with each other. For more details on the same, please refer to sections titled “Our Promoter Group Company” hereinabove and “Financial Information of Group Companies” beginning on page [●] of this Draft Red Herring Prospectus.

**Related Business transactions within the Group**

Except as mentioned in the section titled “Financial Statements” beginning on page [●] of this Draft Red Herring Prospectus there are no related business transactions within the group.

**Sales or Purchases between Companies in the Group**

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled “Financial Statements” on page [●] of this Draft Red Herring Prospectus.

**Dividend Policy**

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

We have declared and paid dividend @ 8 % p. a. on the paid-up value of Preference Shares, be paid on pro-rata basis to the Preference Shareholder whose name appears on the Register of Preference Shareholders.

## SECTION V – FINANCIAL STATEMENTS

### S.V.KARIA & ASSOCIATES

#### CHARTERED ACCOUNTANTS

102, Angel Complex, Behind Blue Star Complex,  
Nr. Income Tax Underbridge, Off: Ashram Road,  
Ahmedabad - 380 014 (Gujarat – India)  
Telefax: +91- 79 - 265 60 332  
E-mail: shilpangkaria@yahoo.co.in

---

---

### AUDITORS' REPORT

Date: 2<sup>nd</sup> November, 2006

#### **The Board of Directors, Decolight Ceramics Ltd.**

Ghuntu Road,  
Morbi.  
Dist: Rajkot

Dear Sirs,

- A. a) At your request, we S. V. KARIA & ASSOCIATES, auditors of 'DECOLIGHT CERAMICS LTD. ("the Company")' have examined the annexed financial information for the year ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and Six months period on 30<sup>th</sup> September, 2006 being the last date to which accounts of the Company have been made up and audited by us. The financial statements for the period ended 30<sup>th</sup> September, 2006 are approved by the Board of Directors of the company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Public Issue of Equity Shares of the Company (referred to as 'the Issue').
- b) In accordance with the requirements of
- (i) Paragraph B (1) of part II of Schedule II to the Companies Act, 1956 ('the Act');
  - (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments;
  - (iii) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document of the Company in connection with its proposed Initial Public Offer ('IPO') and

#### **Financial information as per audited statements.**

We have examined the attached restated summary statement of assets and liabilities of the Company as at 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and Six months period on 30<sup>th</sup> September, 2006 and the attached restated summary statement of profit and losses for the years / period ended on those dates as set out in Annexure 1 and 2 to this report as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments, restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure 3 and Notes to the Statements appearing in Annexure 4 to this report. The summary statements for the years ended on 31st March 2002, 31st March 2003, 31st March 2004 and 31st March 2005 are based on the financial statements of those years, which have been audited by auditors of the respective years.

#### **Other Financial Information**

We have examined the following information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

- i. Statement of Cash Flow as appearing in Annexure 5 to this report;
- ii. Statement of Operational Income as appearing in Annexure 6 to this report;
- iii. Statement of Other Income as appearing in Annexure 7 to this report;

- iv. Capitalisation statement as at 30<sup>th</sup> September, 2006 as appearing in Annexure 8 to this report;
  - v. Statement of Reserves & Surplus as appearing in Annexure 9 to this report;
  - vi. Statement of Secured Loans as appearing as Annexure 10 to this report;
  - vii. Statement of Unsecured Loans as appearing as Annexure 11 to this report;
  - viii. Statement of Debtors as appearing in Annexure 12 to this report;
  - ix. Details of Loans and advances as appearing in Annexure 13 to this report;
  - x. Details of Contingent Liabilities as appearing in Annexure 14 to this report;
  - xi. Statement of Related Parties transactions as appearing in Annexure 15 to this report;
  - xii. Statement of Tax Shelters as appearing in Annexure 16 to this report;
  - xiii. Statement of Dividends paid for the last five years as appearing in Annexure 17 to this report;
  - xiv. Statement of Accounting Ratios for the last five years as appearing in Annexure 18 to this report;
- B. a) In our opinion the financial information of the Company as stated in Para A above read with Significant Accounting Policies enclosed in Annexure 3 and Notes to Statements enclosed in Annexure 4 to this report, after making adjustments /restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to Statements, has been prepared in accordance with part II of schedule II of the Act and the SEBI Guidelines.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**S. V. KARIA & ASSOCIATES**

Chartered Accountants.

**Shilpang V. Karia**

Proprietor

Membership No. 102114

Place: Morbi

Date: 2<sup>nd</sup> November, 2006

## Annexure-1

### Statement of Assets & Libalities (As Restated)

As at	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
						(Rs.in Lakh)
<b>Fixed Assets</b>						
Gross Block	2,667.64	2,657.50	1,727.51	-	-	-
Less: Depreciation	228.27	165.62	55.54	-	-	-
Net Block	2,439.38	2,491.88	1,671.97	-	-	-
Add: Capial Work in Progress	677.49	480.84	599.85	1,225.84		
	<b>3,116.87</b>	<b>2,972.72</b>	<b>2,271.82</b>	<b>1,225.84</b>	-	-
<b>Investments</b>	NIL	NIL	NIL	NIL	NIL	NIL
<b>Current Assets, Loans and Advances</b>						
Inventories	1,067.17	956.71	572.92	90.92	-	-
Sundry Debtors	938.62	740.43	496.53	-	-	-
Cash and Bank Balances	117.35	100.33	179.55	9.15	11.62	0.05
Loans and Advances	334.13	211.22	147.11	266.37	-	-
	<b>2,457.28</b>	<b>2,008.69</b>	<b>1,396.11</b>	<b>366.44</b>	<b>11.62</b>	<b>0.05</b>
<b>Liabilities and Provisions</b>						
Secured Loans	2,572.16	2,433.25	1,803.04	871.10	-	-
Unsecured Loans	-	17.81	37.73	26.23	1.05	0.90
Deferred Tax Liability	246.58	222.73	60.52	-	-	-
Current Liabilities	594.19	490.24	546.43	36.62	0.03	0.06
Provisions	194.74	166.53	86.81	-	-	-
	<b>3,607.67</b>	<b>3,330.56</b>	<b>2,534.53</b>	<b>933.95</b>	<b>1.08</b>	<b>0.96</b>
<b>Net Worth (A+B+C-D)</b>	<b>1,966.48</b>	<b>1,650.84</b>	<b>1,133.40</b>	<b>658.33</b>	<b>10.53</b>	<b>(0.91)</b>
<b>Represented By</b>						
Share Capital						
- Equity Share Capital	1,000.03	1,000.03	599.81	400.00	5.07	0.07
- Preference Share Capital			300.00	300.00		
Share Application Money	-	-	148.48	-	6.50	-
Reserves & Surplus	1,002.40	663.45	101.96	-	-	-
Less: Miscellaneous Expenses not Written off	35.95	12.64	16.85	41.67	1.04	0.98
	<b>1,966.48</b>	<b>1,650.84</b>	<b>1,133.40</b>	<b>658.33</b>	<b>10.53</b>	<b>(0.91)</b>

Note: The accompanying significant accounting policies (Annexure 3) and notes (Annexure 4) are integral part of this statements

Annexure- 2

Statement of Profit & Losses (As Restated)

Year / Period Ended	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>Income</b>						
<b>Sales:</b>						
Of Products manufactured by the company	1,913.06	3,240.20	1,699.44	-	-	-
Of Products not manufactured by the company	464.30	772.63	-	-	-	-
Total	2,377.36	4,012.83	1,699.44			
Other Income	1.53	9.63	3.90	-	-	-
Increase/(decrease) in stocks	51.54	101.90	318.40			
<b>Total</b>	<b>2,430.43</b>	<b>4,124.36</b>	<b>2,021.74</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditure</b>						
Material Cost	937.79	1,593.38	442.06	-	-	-
Manufacturing & Operating Cost	728.57	1,457.07	1,138.80	-	-	-
Employment Cost	72.02	71.67	14.31	-	-	-
Sales & Distribution Expenses	38.85	84.42	73.78			
Administration & General Expenses	30.57	37.08	9.40	-	-	-
Interest & Financial Charges	148.10	229.07	107.34	-	-	-
Depreciation	62.64	110.08	55.54	-	-	-
Misc/Deffered Expenses				-	-	-
Preliminary Expenses W/off	2.11	4.21	4.21	-	-	-
<b>Total</b>	<b>2,020.66</b>	<b>3,586.98</b>	<b>1,845.44</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net profit Before tax and Extra Ordinary Items</b>	<b>409.77</b>	<b>537.38</b>	<b>176.30</b>	<b>-</b>	<b>-</b>	<b>-</b>
Taxation	45.98	45.03	13.82	-	-	-
Deferred tax Provision	23.85	162.21	60.52	-	-	-
Fringe Benefit Tax	1.00	3.19	-	-	-	-
<b>Net profit Before Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>	<b>-</b>	<b>-</b>	<b>-</b>

Extra Ordinary Items( net of tax)	-	-	-	-	-	-
<b>Net Profit After Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>	-	-	-

Note: The accompanying significant accounting policies (Annexure 3) and notes (Annexure 4) are integral part of this statements.

### Annexure -3

#### Significant Accounting Policies

(i) Basis of preparation

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

(ii) Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

(iii) Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

*Sale of Goods:*

Sales are recognised when significant risks and rewards of ownership of goods have passed to the buyer.

*Interest:*

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(iv) Inventories:

Inventories of Raw Materials, Packing Materials, Goods-in-Process, Finished Goods, and Merchanting Goods are stated at cost or net realisable value, whichever is lower. Stores and Spare Parts are stated 'at or below cost'. Goods-in-transit are stated 'at cost'. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The excise duty in respect of closing inventory of finished goods is included as part of finished goods. Cost formula used is 'Average cost'. Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the Company.

(v) Fixed Assets :

Fixed Assets are stated at cost net of modvat / cenvat and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. All costs, including specific financing cost till commencement of commercial production, net charges on foreign exchange contracts and adjustment arising from foreign exchange rare variations attributable to the fixed assets are capitalised.

(vi) Depreciation

Gross fixed assets are stated at cost of acquisition including incidental expenses relating to acquisition and installation. Depreciation on additions/ disposals during the year has been provided on pro-rata basis with reference to the month of addition or disposal.

(vii) Borrowing Cost.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is to be one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

(viii) Foreign Currency Transactions:

In respect of export transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transactions. Any income or expenses on account of exchange difference either on settlement or on transactions recognised in the profit and loss account.

In respect of import transactions, any income or expenses on account of exchange difference either on settlement or on transactions recognised in the profit and loss account along with the respective transactions except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

(ix) Taxation

Income-tax expenses comprise current tax and deferred tax charges or credit. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses, unabsorbed depreciation and MAT credit under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

(x) Operating Lease :

Operating leases: Assets acquired as leases where a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals being income or expense are booked to the profit and loss account as incurred.

Initial direct cost in respect of the lease acquired are expenses off in the year in which such costs are incurred.

(xi) Retirement Benefits and other employee benefits :

Defined contribution to provident fund and family pension fund are charged to the profit and loss account on accrual basis.

(xii) Provisions, contingent liabilities and contingent assets :

A provision is recognised when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent liabilities are disclosed by way of notes to the accounts.

(xiii) Preliminary & Pre-operative Expenditure :

Preliminary Expenditure has been amortised over a period of five years.

Initial Public Offer (IPO) related expenses being incurred are grouped under this head. Same are not written off or capitalized till the IPO process is over.

## Annexure -4

### Notes to the Statements

1. The company commenced the commercial production with effect from 1<sup>st</sup> June, 2004, hence no profit and loss statements were prepared in audited accounts before that date.
2. Adjustments relating to Previous Years:  
In the financial year 2004-2005, stock valuation was carried out without inclusion of (a) depreciation value of factory building and plant & machineries & (b) excise duty provision on finished goods. As this was being done from the financial year 2005-2006, the accounts of the financial year 2004-2005 restated accordingly. The effect of restatement resulted into increase in inventory value by Rs. 28.34/- lakh. More specific details and effects there from are given in reconciliation statements between audited accounts and restated accounts forming part of these notes to statements.
3. Adjustments relating to Previous Years:  
Due to misconception of Deferred Tax Assets (DTA) at the respective time, the provision for deferred tax assets needs to be restated for subject previous years. Accounts are restated accordingly. More specific details and effects there from are given in reconciliation statements between audited accounts and restated accounts forming part of these notes to statements.

**As per Accounting Standard 22 on taxes on income issued by the ICAI, the company has a deferred tax liability as per details given below:**

<b>Deferred Tax Liabilities</b>	<b>As at 31.03.06</b>	<b>Current Period</b>	<b>As at 30.09.06</b>
Difference between carrying amount of fixed assets in the Books and the Income tax return	681.14	70.86	752.00
Deferred Tax Liability	229.27	23.85	253.12
Deferred Tax Asset	6.54	-	6.54
Net Deferred Tax Liability	222.73	23.85	246.58

4. Change in Accounting Policy:  
In the financial year 2004-2005, the company was following written down value (WDV) method of depreciation on fixed assets at the rates specified in schedule XIV to the Companies Act, 1956. In the financial year 2005-2006, the company has changed (with retrospective effect) its method of providing depreciation on fixed assets, from Written Down Value (WDV) at the rates specified in Schedule XIV to the Companies Act, 1956 to Straight Line Method (SLM) at Schedule XIV rates. The surplus of Rs.107.43 lakh arising out of retrospective recomputation has been credited to the profit and loss account of the financial year 2005-2006. As this was being done from the financial year 2005-2006, the accounts of the financial year 2004-2005 restated accordingly. The effect of restatement resulted into increase in profit by Rs. 107.43/- lakh in financial year 2004-2005 and decrease in profit by same amount in financial year 2005. More specific details and effects there from are given in reconciliation statements between audited accounts and restated accounts forming part of these notes to statements.
5. Current Tax\_Impact of Adjustments:  
The company was subject to current tax in the financial year 2004-2005 & 2005-2006 at the minimum alternate tax (MAT) u/s. 115JB. The provision for current tax as per MAT was restated accordingly along with the restated accounts. The company has made provision for current income tax for the half year ended 30th September, 2006 at the minimum alternate tax u/s. 115JB, as in the opinion of the company due to ongoing new and expansion projects during the year, the company at the year end will be covered under minimum alternate tax u/s. 115JB, henceforth half yearly provision for tax also made at the minimum alternate tax prescribed u/s. 115JB.
6. The company operates only in one business segment viz. "Manufacturing & Trading of Tiles and Other Building Materials".
7. In opinion of the Board of Directors of the company Net Current Assets are approximately of the same value as stated, in the normal course of business, and adequate provision has been made for all know liabilities.

8. Wherever confirmation of the parties for the amounts due to them / amounts due from them as per books of accounts are not received, necessary adjustments, if any, will be made when the accounts are reconciled / settled.
9. Figures have been rounded off to nearest rupee and have been regrouped, rearranged and reclassified wherever necessary.

**Reconciliation of Profit & Losses Statements Between Audited Accounts & Restated Accounts**

*(Forming Part of Annexure 4 - Notes to Statements)*

(Rs.in lacs)

	<b>Year / Period Ended</b>	<b>30.09.2006</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>	<b>31.03.2002</b>
<b>A</b>	<b>Net Profit After Tax As per Audited Accounts</b>	290.30	511.34	(33.79)	-	-	-
	<b>Increase/(decrease) in stocks</b>						
<b>(i)</b>	- Due to Inclusion of Factory Building & Machineries Depreciation in Stock Valuation	-	-	10.10	-	-	-
	- Due to Impact of Change in Stock Valuation Method of Previous Year	-	(10.10)	-	-	-	-
	- Due to Inclusion of Excise Provision of Finished Goods in Stock Valuation	-	-	18.24	-	-	-
		-	(10.10)	28.34	-	-	-
	<b>Expenditure</b>						
	- Due to Inclusion of Excise Provision as Expenditure in Mfrg. & Operating Cost	-	-	(18.24)	-	-	-
<b>(ii)</b>	- Due to Change in Depreciation Method from WDV to SLM, Depreciation Reduced	-	-	107.44	-	-	-
	- Due to Impact of Extraordinary Item of Previous Year Depreciation Now Included therein	-	(107.44)	-	-	-	-
	- Due to MAT Tax of Previous Year Included in its Provision, Instead of Current Year Exp.	-	4.61	-	-	-	-
		-	(102.83)	89.20	-	-	-
	<b>Provision for Taxation</b>						
	- Due to Inclusion / Change in provision for taxation (MAT)	-	9.21	(13.82)	-	-	-
<b>(iii)</b>	- Due to Impact of Wrong Interpretation of DTA Eligibility, Deferred Tax Provision Changed	48.65	(80.68)	32.03	-	-	-
		48.65	(71.47)	18.21	-	-	-
<b>B</b>	<b>Net Impact in Restated Profit &amp; Loss Account (i+ii+iii)</b>	48.65	(184.39)	135.75	-	-	-
<b>C</b>	<b>Net Profit After Tax As per Restated Profit &amp; Loss Account (A+B)</b>	338.95	326.95	101.96	-	-	-

<b>Reconciliation of Assets &amp; Liabilities Statements Between Audited Accounts &amp; Restated Accounts</b>							
<i>(Forming Part of Annexure 4 - Notes to Statements)</i>							
(Rs.in lacs)							
	<b>Year / Period Ended</b>	<b>30.09.2006</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>	<b>31.03.2002</b>
<b>A</b>	<b>Net Worth As per Audited Accounts</b>	1,966.48	1,699.49	997.64	658.33	10.53	(0.91)
	<b>Inventories</b>						
	- Due to Inclusion of Factory Building & Machineries Depreciation in Stock Valuation	-	-	10.10	-	-	-
	- Due to Inclusion of Excise Provision of Finished Goods in Stock Valuation	-	-	18.24	-	-	-
<b>I</b>		-	-	<b>28.34</b>	-	-	-
	<b>Liabilities &amp; Provisions</b>						
	- Due to Impact of Wrong Interpretation of DTA Eligibility, Deffered Tax Provision Changed	-	48.65	(32.04)	-	-	-
	- Due to Inclusion of Excise Provision of Finished Goods in Stock Valuation	-	-	18.24	-	-	-
	- Due to Inclusion of MAT in Provision for Taxation	-	-	13.82	-	-	-
<b>Ii</b>		-	<b>48.65</b>	<b>0.03</b>	-	-	-
	<b>Reserves &amp; Surplus</b>						
	- Due to Change in Depreciation Method from WDV to SLM, Depreciation Reduced			(107.44)			
<b>Iii</b>				(107.44)			
<b>B</b>	<b>Net Impact in Restated Statement of Assets &amp; Liabilities (i-ii-iii)</b>	-	(48.65)	135.76	-	-	-
<b>C</b>	<b>Net Profit Worth As per Restated Assets &amp; Liabilities Statements (A+B)</b>	1,966.48	1,650.84	1,133.40	658.33	10.53	(0.91)

## Annexure-5

## Statements of Cash Flow from the Restated Financial Statements

(Rs. in lac)

Year / Period Ended	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>A Cash Flow from Operating Activity</b>						
<i>Profit before taxation and extra ordinary item</i>	409.77	537.38	176.30	-	-	-
Add: Non Cash and Operating Expenses						
Depreciation	62.64	110.08	55.54	-	-	-
Interest Expenses	148.10	229.07	107.34	-	-	-
Preliminary Expenses Written Off	2.11	4.21	4.21	-	-	-
<b>Operating profit before working capital changes</b>	622.62	880.75	343.39	-	-	-
Adjustment for:						
(Increase) / Decrease in Inventory	(110.46)	(383.79)	(482.00)	(90.92)	-	-
(Increase) / Decrease in Debtors	(198.19)	(243.60)	(496.53)	-	-	-
(Increase) / Decrease in Loans and Advances	(63.01)	(42.59)	(45.94)	(100.39)	-	-
Increase / (Decrease) in Current Liabilities and Provisions	100.63	(36.48)	582.80	36.59	(0.03)	0.03
<b>Cash Generated from Operation</b>	351.59	174.30	(98.29)	(154.72)	(0.03)	0.03
Taxes	(59.90)	(25.50)	(0.77)	-	-	-
<b>Net Cash Flow from Operating Activity</b>	<b>291.69</b>	<b>148.80</b>	<b>(99.06)</b>	<b>(154.72)</b>	<b>(0.03)</b>	<b>0.03</b>
<b>B Cash Flow from Investing Activity</b>						
(Increase) / Decrease in Fixed Assets (net)	(206.80)	(810.98)	(1,080.92)	(1,225.84)	-	-
(Increase) / Decrease in Preliminary Expenditure	-	-	-	(40.63)	(0.06)	(0.03)
<b>Net Cash Flow from Investing Activities</b>	<b>(206.80)</b>	<b>(810.98)</b>	<b>(1,080.92)</b>	<b>(1,266.47)</b>	<b>(0.06)</b>	<b>(0.03)</b>
<b>C Cash Flow from Financing Activity</b>						
Proceeds from Issue of Share Capital		201.74	348.29	688.43	11.50	-
Increase / (Decrease) in Secured Loans	138.90	630.22	931.94	871.10	-	-
Increase / (Decrease) in Unsecured Loans	(17.81)	(19.93)	11.51	25.18	0.15	-
Interest Expenses	(148.10)	(229.07)	(107.34)	-	-	-
IPO Related Expenses	(25.42)					
Payment of Preference Share Dividend and Taxes Thereon	(15.44)					
<b>Net Cash Flow from Financing Activities</b>	<b>(67.87)</b>	<b>582.95</b>	<b>1,184.39</b>	<b>1,584.71</b>	<b>11.65</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>17.02</b>	<b>(79.22)</b>	<b>4.42</b>	<b>163.52</b>	<b>11.56</b>	<b>-</b>
<b>Opening Balacne of Cash and Cash Equivalents</b>	<b>100.33</b>	<b>179.55</b>	<b>175.13</b>	<b>11.62</b>	<b>0.05</b>	<b>0.05</b>

<b>Closing Balance of Cash and Cash Equivalents</b>	<b>117.35</b>	<b>100.33</b>	<b>179.55</b>	<b>175.13</b>	<b>11.62</b>	<b>0.05</b>
-----------------------------------------------------	---------------	---------------	---------------	---------------	--------------	-------------

**Notes:**

The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in the Accounting Standard – 3 on “Cash Flow Statement” issued by ICAI.

**ANNEXURE –6**

**DETAILS OF OPERATING INCOME/TURNOVER**

**(Rs in Lakh)**

Particulars	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Sale of Manufactured Goods	1913.06	3240.20	1699.44	-	-	-
Sale of Merchanting Goods	464.30	772.63	-	-	-	-
<b>Total</b>	<b>2377.36</b>	<b>4012.83</b>	<b>1699.44</b>	-	-	-

**ANNEXURE -7**

**DETAILS OF OTHER INCOME**

**(Rs in lakh)**

Particulars	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02	Nature of Income
Interest	1.03	9.55	3.79	-	-	-	Recurring
Other Misc. Income	0.50	0.08	0.11	-	-	-	Non Recuring
<b>Total</b>	<b>1.53</b>	<b>9.63</b>	<b>3.90</b>	-	-	-	-

Note : Classification of income into recurring and non recurring income is based on Management’s experience of the present business.

**ANNEXURE -8**

**CAPITALISATION STATEMENT**

**(Rs. in lakhs)**

Particulars	Pre-issue (as on 30.09.06)	Post issue *
<b>Debt :</b>		
Short Term Debt	1086.43	--
Long Term Debt	1485.73	--
<b>Total</b>	<b>2572.16</b>	
<b>Share holders funds</b>		
Equity Share Capital	1000.03	
Reserves	1002.40	
<b>Total Shareholders Funds</b>	<b>2002.43</b>	
<b>Long Term Debt /Equity</b>	<b>0.74:1</b>	

Notes : 1.The short term Debts are working capital finance and instalment of Long Term debts falling due within the next one year from the date of the above statement.

- \* 2. Information pertaining to share capital and reserves post issue can be ascertained only after completion of book building process.

## ANNEXURE -9

### STATEMENT OF RESERVES & SURPLUS

(Rs. in Lakh)

Particulars	30-9-06	31-3-06	31-3-05	31-3-04	31-3-02
Share Premium Account	250.00	250.00	-	-	-
Surplus as per Profit & Loss Account	752.40	413.45	101.96	-	-
<b>Total</b>	<b>1002.40</b>	<b>663.45</b>	<b>101.96</b>	-	-

## ANNEXURE -10

### DETAILS OF SECURED LOANS

Decolight Ceramics Ltd. has availed Various Fund Based Credit Facilities from Various Banks, the principal terms and conditions of the same are as follows;

PARTICULAR	CASH CREDIT LIMIT	TERM LOAN	TERM LOAN	VEHICLE LOAN	VEHICLE LOAN
	Bank of India, Vasant Baug, Jail Road, Morbi, Dist. Rajkot, Gujarat	Bank of India, Vasant Baug, Jail Road, Morbi, Dist. Rajkot, Gujarat	Bank of India, Vasant Baug, Jail Road, Morbi, Dist. Rajkot, Gujarat	HDFC Bank Ltd.	ICICI Bank Ltd.
<b>Date of Sanction</b>	24-11-2004, 8-4-2006 & 28-09-2006	24-11-2004, 8-4-2006 & 28-09-2006	28-09-2006	09-12-2004	05-06-2006
<b>Sanction Letter no.</b>	MRV/ADB/HCG/40/05, MRV/ADV/41/DECO/42/5 & MRV/ADV/42/111	MRV/ADB/HCG/40/05, MRV/ADV/41/DECO/42/5 & MRV/ADV/42/111	MRV/ADV/42/111	-	-
<b>Sanctioned Amount</b>	Rs. 700 Lakh (stock) Rs. 300 Lakh (Book-Debts) Rs.1000 Total Amount	Rs. 735 Lakh TL-1 Rs. 882 Lakh TL-2 Rs.1617 Lakh Total Amt.	Rs.1000 Lakh	Rs.10,00,000/-	Rs.7,00,000/-
<b>Outstanding as on 30.09.2006</b>	Rs.10,86,43,066/-	Rs.14,76,34,446/-	Nil	Rs.3,33,335/-	6,04,884/-
<b>Purpose</b>	Working Capital against stock & Book-debts	To acquire Fixed assets	To part finance the ongoing Expansion Projects.	Elentra Car	Ford Fiesta Car
<b>Rate of Interest</b>	1.250% below BPLR, Minimum 10.25% P.A. with monthly rests.	1.250% below BPLR, Minimum 10.25% P.A. with monthly rests.	1.250% below BPLR, Minimum 10.25% P.A. with monthly rests.	-	10.14 %
<b>Margin</b>	25% On stocks & 50% on Book-debts	25%	-	2 EMI of Rs.	2 EMI of Rs.22,260/-

				27,778/-	
<b>Securities Primary Collateral</b>	<p>PRIMARY -Hypothecation of stocks, Book-debts &amp; Plant &amp; Machinery</p> <p>-EM of Factory Land &amp; Building situated at S. No. 650-651(paiki), area Hectre 5.22.04 of Vill. Ghuntu, Tal. Morbi, Dist. Rajkot</p> <p>COLLATERAL -Hypothecation of Plant &amp; Machineries of M/s. Deco Ceramic Industries (Associate Concern)</p> <p>-EM of Factory Land &amp; Building of M/s. Deco Ceramic Industries (Associate Concern)</p> <p>- EM of Hospital Land &amp; Building of Dr. Mansukhbhai M. Pethapara</p>	<p>PRIMARY -Hypothecation of stocks, Book-debts &amp; Plant &amp; Machinery</p> <p>-EM of Factory Land &amp; Building situated at S. No. 650-651(paiki), area Hectre 5.22.04 of Vill. Ghuntu, Tal. Morbi, Dist. Rajkot</p> <p>COLLATERAL -Hypothecation of Plant &amp; Machineries of M/s. Deco Ceramic Industries (Associate Concern)</p> <p>-EM of Factory Land &amp; Building of M/s. Deco Ceramic Industries (Associate Concern)</p> <p>- EM of Hospital Land &amp; Building of Dr. Mansukhbhai M. Pethapara</p>	<p>PRIMARY -Hypothecation of all types of stocks, raw materials &amp; Book-debts</p> <p>-Hypothecation of Plant and Machinery(Existing and Proposed)</p> <p>-Extension of EQM of Factory Land and Building sitate at Old Ghuntu Road,Morbi Dist : Rajkot already charged to bank.</p> <p>COLLATERAL -Extension of EQM of Factory Land and Building and hypothecation of Plant &amp; Machineries of M/s. Deco Ceramic Industries (Associate Concern) already charged to bank.</p> <p>- Extension of EQM of Hospital in the name of Dr. Mansukhbhai M. Pethapara already charged to Bank.</p>	Elentra Car	Ford Fiesta Car
<b>Repayment Peirod</b>	On Demand	<p>-84 Monthly Instalments of Rs. 10.71 Lakh from Dec.-04 plus Interest for T/L of Rs. 735 Lakh</p> <p>-84 Monthly Instalments of Rs. 11.31 Lakh from Aug-05 plus interest for T/L of Rs.882 Lakh</p>	12 quarterly instalments of Rs.83.34 Lakh each commencing from 3 months after first disbursement.	2 EMI advance on 09-12-2004 of Rs. 27,778/- 34 EMI of Rs. 27,778/- starting from 07-01-2005	2 EMI advance on 05-06-06 of Rs. 22,260/- 34 EMI of Rs. 22,260/- starting from 05-07-2006

**ANNEXURE – 11****STATEMENT OF UNSECURED LOANS****(Rs in Lakh)**

Particulars	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
From Directors & Shareholder	-	17.81	26.73	26.23	1.05	0.90
Intercorporate Deposits	-	-	-	-	-	-
From Others	-	-	11.00	-	-	-
<b>Total</b>	-	<b>17.81</b>	<b>37.73</b>	<b>26.23</b>	<b>1.05</b>	<b>0.90</b>

**ANNEXURE -12****AGE-WISE ANALYSIS OF SUNDRY DEBTORS****(Rs in Lakh)**

Age wise Breakup	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Outstanding for Less than six Months	742.18	624.43	468.39	-	-	-
Outstanding for More than six months	196.44	115.70	28.14	-	-	-
Less : Provisions for doubtful debts	-	-	-	-	-	-
<b>Total</b>	<b>938.62</b>	<b>740.13</b>	<b>496.53</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ANNEXURE -13****DETAILS OF LOANS AND ADVANCES (unsecured considered good)****(Rs in Lakh)**

	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Advances recoverable in cash or kind for value to be received	105.24	32.08	41.57	40.55	-	-
Deposits & Prepaid Expenses	228.89	179.14	105.54	225.82	-	-
<b>Total</b>	<b>334.13</b>	<b>211.22</b>	<b>147.11</b>	<b>266.37</b>	<b>-</b>	<b>-</b>

**ANNEXURE-14****STATEMENT OF CONTINGENT LIABILITIES****( Rs. In lakh )**

Year\Period ended	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
<b>Particulars</b>						
Contingent Liability for Guarantee Given for loans taken by other Group Firms.	50	50	-	-	-	-
Contingent Liability for Non Fund Limits Utilized (Letter of Credit) from Bank	122.30	-	244.46	-	-	-

**ANNEXURE -15**

**RELATED PARTY TRANSACTIONS**

Name	Relationship	Nature of Transaction	Up to	For The Year Ended on 31-3-				
			30 <sup>th</sup> Sept 2006	2006	2005	2004	2003	2002
Deco Ceramic Industries	Associate	-Loan Accepted	-	-	2.00	4.00	-	-
		-Loan Repaid	-	-	2.00	4.00	-	-
		-Outstanding Balance	-	-	-	-	-	-
Deco Gold Glazed Tiles Ltd.	Associate	Pur. of goods	93.92	27.40	47.13	-	-	-
		-Loan Accepted	-	-	22.90	213.61	-	-
		-Loan Repaid	-	-	22.90	213.61	-	-
Girishkumar M Pethapara	Director	-Land Rent Pmt	0.07	0.14	-	-	-	-
		-Sale of Goods	-	0.76	-	-	-	-
		-Loan Accepted	-	14.79	130.80	26.98	-	-
		-Loan Repaid	0.19	33.88	111.52	27.13	-	-
		-Outstanding Balance	-	0.19	19.28	-	-	-
		-Remu./Salary	3.00	3.60	0.50	-	-	-
Jayantibhai M Pethapara	Director	-Loan Accepted	-	12.90	31.25	78.10	-	-
		-Loan Repaid	10.90	3.00	42.35	66.15	-	-
		-Outstanding Balance	-	10.90	1.00	12.10	-	-
		-Remu./Salary	3.00	2.40	0.40	-	-	-
Kantibhai M Pethapara	Director	-Loan Accepted	-	17.32	29.80	26.35	-	-
		-Loan Repaid	5.32	12.00	29.80	26.35	-	-
		-Outstanding Balance	-	5.32	-	-	-	-
		-Remu./Salary	3.00	2.40	0.40	-	-	-
Mayur K Pethapara	Relative of Director	-Loan Accepted	-	3.56	5.90	21.50	-	-
		-Loan Repaid	0.45	3.11	5.90	21.50	-	-
		-Outstanding Balance	-	0.45	-	-	-	-
		-Remu./Salary	2.07	3.60	0.30	-	-	-
Hemal G Pethapara	Relative of Director	-Loan Accepted	-	6.42	10.60	28.80	-	-
		-Loan Repaid	0.95	7.67	8.70	28.50	-	-
		-Outstanding Balance	-	0.95	2.20	0.30	-	-
		-Remu./Salary	-	3.60	0.30	-	-	-
Mansukhbhai Maganlal	Relative of Director	-Loan Accepted	-	0.48	3.00	1.98	-	-
		-Loan Repaid	-	0.48	3.00	1.98	-	-
Hansaben G Pethapara	Relative of director	-Loan Accepted	-	5.65	21.18	9.43	-	-
		-Loan Repaid	-	7.81	24.45	4.00	-	-
		-Outstanding Balance	-	-	2.16	5.43	-	-
Revaben M Pethapara	Relative of Director	-Loan Accepted	-	2.33	-	1.50	-	-
		-Loan Repaid	-	3.83	-	-	-	-
		-Outstanding Balance	-	-	1.50	1.50	-	-
		-Remu./Salary	-	-	-	-	-	-
Sadhanaben Bharatkumar	Relative of Director	-Loan Accepted	-	5.21	3.00	1.00	-	-
		-Loan Repaid	-	5.21	4.00	0.15	-	-
		-Outstanding Balance	-	-	-	1.00	-	-

Samir K Pethapara	Relative of Director	-Loan Accepted -Loan Repaid	- -	2.78 2.78	4.00 4.00	1.00 1.00	- -	- -
Vasantaben Rasiklal	Relative of Director	-Loan Accepted -Loan Repaid	- -	1.35 1.35	3.50 3.50	- -	- -	- -
Anandkumar Rasiklal	Relative of Director	-Loan Accepted -Loan Repaid -Outstanding Balance	- - -	3.06 3.06 -	6.30 6.70 -	0.40 - 0.40	- - -	- - -
Artiben J Pethapara	Relative of Director	-Loan Accepted -Loan Repaid	- -	8.02 8.02	4.50 4.50	- -	- -	- -
Lattaben K Pethapara	Relative of Director	-Loan Accepted -Loan Repaid -Outstanding Balance	- - -	1.34 1.94 -	- 3.40 0.60	4.00 - 4.00	- - -	- - -
Ramaben Mansukhlal	Relative of Director	-Loan Accepted -Loan Repaid -Outstanding Balance	- - -	0.80 0.80 -	12.25 13.00 -	0.75 - 0.75	- - -	- - -
Hiralben G Pethapara	Relative of Director	-/Salary	0.90	1.80	-	-	-	-
Swetaben M Pethapara	Relative of Director	-Salary	-	1.80	-	-	-	-
Poonamben Mansukhlal	Relative of Director	-Salary	0.90	1.80	-	-	-	-
Maganlal Mavjibhai	Relative of Director	-Loan Accepted -Loan Repaid -Outstanding Balance	- - -	- - -	9.40 10.14 -	5.75 5.00 0.75	- - -	- - -
G.M.Prthapara (HUF)	Relative of Director	-Loan Accepted -Loan Repaid	- -	- -	- -	1.50 1.50	- -	- -
M. M. Pethapara (HUF)	Relative of Director	-Loan Accepted -Loan Repaid	- -	- -	- -	0.95 0.95	- -	- -

## ANNEXURE-16

### STATEMENT OF TAXSHELTER

(Rs. in lakhs)

YEAR ENDED MARCH 31		30.09.06	2005-06	2004-05	2003-04	2002-03	2001-02
Profit before Tax As per Audited Accounts	(A)		651.25	58.76	-	-	-
Tax rate			33.66	33.66	-	-	-
Tax on actual rate on profits			219.21	19.78	-	-	-
Permanent Differences					-	-	-
Interest on Late payment of TDS			0.04	0.03	-	-	-
<b>Total Permanent Differences</b>	(B)		0.04	0.04	-	-	-
Timing Differences					-	-	-
Depreciation			(306.23)	(62.25)	-	-	-
Disallowance of expenses due to non payment of TDS on specified date u/s 40(a).			5.12	3.45	-	-	-
Expenses disallowed in previous year u/s 40(a) now allowed in this year.			(3.45)	-	-	-	-

Total Timing Differences	(C)		(304.56)	(58.80)	-	-	-
Net Adjustments	(B+C)		(194.25)	(58.76)	-	-	-
Tax Savings thereon			(65.39)	(19.77)	-	-	-
Profit/(Loss) as per Income Tax	D=(A+B+C)		346.73	Nil	-	-	-
Brought Forward Losses adjusted			-	-	-	-	-
Brought Forward Unabsorbed Depreciation Adjusted			(202.19)	-	-	-	-
Taxable Income/(Loss)			144.54	Nil	-	-	-
Book Profit as per MAT			655.85	58.76	-	-	-
Tax as per Income Tax as returned			55.19	4.61	-	-	-
Interest u/s 234			3.63	0.46	-	-	-
Total Taxation as per Income Tax Return			58.82	5.07	-	-	-
Carry forward losses & Unabsorbed Depreciation			-	202.19	-	-	-

**Notes :** (1) The information pertaining to the years ended 31<sup>st</sup> march 2006, 31<sup>st</sup> march 2005, 31<sup>st</sup> march 2004, 31<sup>st</sup> march 2003 and 31<sup>st</sup> march 2002 are made as per income tax return filed by the company. The effect of assessment orders, if any have to be considered when orders are received.

(2) As the return for the period ended on 30<sup>th</sup> September 2006 is not required to be filed, details regarding Tax Shelter for that period has not been provided above.

#### ANNEXURE-17

##### STATEMENT OF DIVIDEND PAID

Year/Period ended	30.9.06	2006	2005	2004	2003	2002
Equity %	Nil	Nil	Nil	Nil	Nil	Nil
Preference %	Nil	8%	Nil	Nil	Nil	Nil

#### ANNEXURE -18

##### ACCOUNTING RATIOS

(Rs in Lakh)

Particulars	30.09.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Earning Per Share (EPS)	6.78	3.61	2.22	-	-	-
Return on Networth (%)	17.24%	18.87%	14.89%	-	-	-
Net Asset value per share ( Rs )	19.66	16.51	6.85	8.96	20.78	(129.92)

##### Ratio Analysis

Particulars	30.9.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
-------------	-----------	------------	------------	------------	------------	------------

Weighted Average Number of Equity Shares							
A) Number of shares at beginning of the year/ Period	10000270	100000270	4000000	50700	700	700	
B) Number of shares at the end of the Year/Period	10000270	100000270	10000270	4000000	50700	700	
C) Weighted Average of Number of Equity Shares outstanding during the year/period	5000135	8639792	4596684	2214700	19878	700	
<b>Net Profit after Tax as per Restated Statement of Profit &amp; Losses (Rs. In Lakhs)</b>				-	-	-	
Preference Dividend & Tax on IT (Rs. In Lakhs)	338.95	326.05	101.96				
<b>Net Profit after tax available for Equity Shareholders (Rs. In Lakhs)</b>	-	15.44	-	-	-	-	
<b>Basic and Diluted Earnings Per Share Annualised (Rs.)</b>	338.95	311.51	101.96	-	-	-	
	6.78	3.61	2.22				
<b>on Networth %</b>	17.24%	18.87%	14.89%	0.00	0.00	0.00	
<b>Net Assets value per share (Rs.)</b>	19.66	16.51	6.85	8.96	20.78	(129.92)	

Formula:

- Earning per share =  $\frac{\text{Net Profit after Tax available to equity shareholders}}{\text{Weighted avg. number of equity shares outstanding during the year}}$
- Return on Net Worth =  $\frac{\text{Net Profit after Tax available to equity shareholders}}{\text{Total Net Worth less preference share capital \& share application money}}$
- Net Asset Value per Share =  $\frac{\text{Total Net Worth less preference share capital \& share application money}}{\text{Number of equity shares outstanding at the end of the year}}$

## FINANCIAL INFORMATION OF GROUP COMPANY / OTHER VENTURES PROMOTED BY OUR PROMOTERS

### Companies under the same management

Except as stated in this section of this Draft Red Herring Prospectus, there are no companies under the same management within the meaning of section 370(1) (B) of the Companies Act, 1956.

The following are the details of our Group Companies and other ventures of our Promoters:

#### A. Deco Gold Electronics Limited

Deco Gold Electronics Limited was incorporated on December 26, 2005 and is engaged in manufacturing of electronic items having its registered office at Old Ghuntu Road, Morbi 363 642.

#### Shareholding Pattern as on September 30, 2006:

Name of Shareholder	No. of shares	% of Shareholding
Jayantilal M. Pethapara	7000	14
Kantibhai M. Pethapara	7000	14
Mayurkumar K. Pethapara	7000	14
Samirkumar K. Pethapara	7000	14
Swetaben M. Pethapara	7000	14
Girishkumar M. Pethapara	8000	16
Hemalkumar G. Pethapara	7000	14
<b>Total</b>	<b>50,000</b>	<b>100.00</b>

#### Board of Directors:

The Board of Directors of Deco Gold Electronics Limited comprises the following:

1. Shri. Girishkumar M. Pethapara
2. Shri. Kantibhai M. Pethapara
3. Shri. Jayantilal M. Pethapara
4. Shri. Hemalkumar G. Pethapara
5. Shri. Samirkumar K. Pethapara

#### Financial Performance:

The financial performance of Deco Gold Electronics Limited is unavailable as the company was incorporated on December 26, 2005 and has started commercial production on September 10, 2006.

#### Other Ventures of our Promoters

##### A. Deco Ceramic Industries

Deco Ceramic Industries is a registered Partnership firm formed *vide* Deed of Partnership dated September 25, 1995. The office of the firm is at Morbi, Gujarat. The main object of the firm is manufacture of ceramic wall and floor tiles.

The Partners in the reconstituted Trust and their profit (loss) sharing ratio are as under:

Sr. No.	Name of the Partner	Profit / Loss Sharing Ratio
1.	Shri. Girishkumar M. Pethapara	34%
2.	Shri. Kantibhai M. Pethapara	27%
3.	Shri. Jayantilal M. Pethapara	8%

4.	Shri. Kamsinghbhai D. Meraja	1%
5.	Shri. Vijay B. Patel	4%
6.	Smt.Ramaben M. Pethapara	22%
7.	Smt.Bhavna H. Vidja	2%
8.	Smt.Vasanta R. Patel	1%
9.	Smt.Sadhana B. Kadiwar	1%
<b>Total</b>		<b>100%</b>

Brief details of financial performance of Deco Ceramic Industries are given below:

(Rs. in lakh)

Particulars	March 31,		
	2006	2005	2004
Partners' Capital	93.71	73.16	104.99
Total Income	392.39	308.90	336.62
Profit / (Loss) After Tax	71.18	0.65	5.47

### B. Sweta Ceramics

Sweta Ceramic is a registered Partnership firm formed *vide* Deed of Partnership dated June 22, 2005. The office of the firm is at Savsar Plot, Main Road, Morbi. The main object of the firm is manufacture of ceramic wall and floor tiles.

The profit (loss) sharing ratio are as under:

Sr. No.	Name of the Partner	Profit / Loss Sharing Ratio
1.	Shri. Anandkumar Rasiklal Rajkotia	20%
2.	Smt.Artiben Jayantilal Pethapara	20%
3.	Smt.Hansaben Girishlal Pethapara	20%
4.	Shri. Samirkumar Kantibhai Pethapara	20%
5.	Smt.Swetaben Mayurkumar Pethapara	20%
<b>Total</b>		<b>100%</b>

Brief details of financial performance of Sweta Ceramics are given below:

(Rs. in lakh)

Particulars	March 31, 2006
Partners' Capital	0.75
Total Income	20.87
Profit / (Loss) After Tax	0.02

### C. Bahuchar Medical Stores, Morbi

Bahuchar Medical Stores is a registered Partnership firm formed *vide* Deed of Partnership dated April 22, 1994. The office of the firm is at Savsar Plot, Main Road, Morbi. The main object of the firm is sale of medicines.

The profit (loss) sharing ratios are as under:

Sr. No.	Name of the Partner	Profit / Loss Sharing Ratio
1.	Ramaben M. Pethapara	20%
2.	Artiben J. Pethapara	20%
3.	Nandlal M. Pangparia	20%
4.	Balubhai L. Patel	20%
5.	Revaben M. Pethapara	20%
<b>Total</b>		<b>100%</b>

Brief details of financial performance of Bahuchar Medical Stores are given below:

*(Rs. in lakh)*

Particulars	March 31,		
	2006	2005	2004
Partners' Capital	10.21	9.79	9.41
Total Income	31.81	24.65	30.04
Profit / (Loss) After Tax	(0.01)	(0.02)	0.07

#### D. Vishnu Stone Crushers

Vishnu Stone Crushers is a registered Partnership firm formed *vide* Deed of Partnership dated February 7, 2006. The office of the firm is at No. 137, 2<sup>nd</sup> Block, 3<sup>rd</sup> Stage, Basaveshwaranagar, Bangalore – 560 079. The main object of the firm is manufacture of trading in all kinds of stones, bricks and manufacturing and trading in hollow bricks.

The profit (loss) sharing ratio are as under:

Sr. No.	Name of the Partner	Profit / Loss Sharing Ratio
1.	Hansaben G. Pethapara	40
2.	Mahadevbhai T. Patel	20
3.	Champaben J. Patel	15
4.	Anilkumar M. Patel	15
5.	Ramesh J. Patel	10
<b>Total</b>		<b>100%</b>

#### Financial Performance:

The financial performance of Vishnu Stone Crushers is unavailable as the firm was formed on February 7, 2006 and is yet to commence business.

#### E. Yatri Enterprise

Yatri Enterprise is a registered Partnership firm formed *vide* Deed of Partnership dated April 11, 1998. The office of the firm is at Sundaram Colony – 14, Next to Airforce, Jamnagar. The main object of the firm is the purchase and sale of property more particularly land.

The profit (loss) sharing ratios are as under:

Sr. No.	Name of the Partner	Profit / Loss Sharing Ratio
1.	Hirabhai N. Patel	10
2.	Jitendrabhai H. Patel	6
3.	Dudhiben K. Vasoya	7
4.	Maganlal B. Patel	20
5.	Manharlal G. Patel	5
6.	Nutanben B. Kamdar	11
7.	Chandrikaben M. Ribdiya	11
8.	Prabhulal B. Bhadra	6
9.	Nehaben P. Patel	14
10.	Artiben J. Pethapara	10
<b>Total</b>		<b>100%</b>

Brief details of financial performance of Yatri Enterprise are given below:

*(Rs. in lakh)*

Particulars	March 31,		
	2006	2005	2004
Partners' Capital	12.49	12.49	12.49
Total Income	-	-	-
Profit / (Loss) After Tax	-	-	-

#### **Company with which our Promoters have disassociated themselves in the last three years**

Sr. no.	Name of Entity	Date of incorporation	Date of divestment	Status of the Entity
1.	Deco Bond Aluminium Limited	December 26, 2005	September 30, 2006	Stake divested

Deco Bond Aluminium was incorporated in December 2005. The company was incorporated with an objective of manufacturing ACP and other related aluminium products. Our promoters have not carried out any business activity in this company. They disposed off their stake in this company as on September 30, 2006. Currently our Promoter and Promoter Group are not holding any shares and control in this company.

The Equity Shares of all the above Group Companies are not listed on any stock exchange.

The above Group Companies have not made any public or rights issue in the preceding three years.

None of our Promoters or Group Companies have been restrained or prohibited by SEBI or any other regulatory authority from accessing the capital markets for any reason.

Except as stated herein above in this section titled "Financial Information of Group Companies" beginning on page [●] of this Draft Red Herring Prospectus, no other company promoted by our Promoters have been struck off from the records of the Registrar of Companies in the last three years.

#### **Companies of the Promoter/Promoter Group referred to BIFR/ under winding up/having negative net worth**

None of the Group Companies have been referred to BIFR, are under winding up process or have negative net worth.

#### **Common Pursuits**

We have 3 Group Companies / Partnership Firms viz. Deco Gold Glazed Tiles Limited, Sweta Ceramics and Deco Ceramic Industries having main objects and business similar to our Company. Interests of these companies may conflict with each other. For more details on the same, please refer to section titled "Financial Information of Group Companies" hereinabove and "Our Promoter Group Company" beginning on page [●] of this Draft Red Herring Prospectus

#### **Related Business transactions within the Group**

Except as mentioned in the section titled "Financial Statements" beginning on page [●] of this Draft Red Herring Prospectus there are no related business transactions within the group.

#### **Sales or Purchases between Companies in the Group**

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled "Financial Statements" on page [●] of this Draft Red Herring Prospectus.

#### **Changes in Accounting Policies in the last three years**

There have been no changes in accounting policies in the last three years except as stated in section titled "Financial Statements" beginning on page [●] of this Draft Red Herring Prospectus.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page [●] of this Draft Red Herring Prospectus, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and, unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI guidelines. Our Financial year ends on March 31 of each year.

### OVERVIEW

Our company is promoted by Pethapara family, having experience in manufacturing ceramic tiles of over 10 years. Our Company is currently engaged in manufacturing of Vitrified Ceramic Tiles, which we are selling under the brand name '*Granolite*'. Our manufacturing facilities are located at Morbi, District Rajkot, Gujarat. At present, our total installed capacity is 6000 sq. mtrs per day. Apart from vitrified tiles, the group companies also manufacture floor tiles, wall tiles, CFL lamps etc. We are an ISO 9001:2000 & ISO 14001 Certified Company

We started commercial production of vitrified tiles June 2004 with initial production capacity of 3000 sq mtrs per day, which was then enhanced up to 6,000 sq mtrs per day during the year 2005 - 2006. Looking into constant increasing demand of the vitrified tiles we are planning to increase the production capacity from 6,000 sq mtrs to 12,000 sq mtrs per day by the year 2006 - 2007. We are also planning to establish manufacturing facilities of Aluminum Composite Panels (ACP), which is also a product widely, used in construction now a days. We also propose to install Wind Turbine Generators (WTG) having power generation capacity of 4.6 Mega Watts for the captive consumption, resulting in substantial saving in energy costs.

### Vitrified Ceramic Tiles

Vitrified Tiles are widely used as floor tiles in housing and commercial complexes, apart from in heavy traffic zones like shopping malls, multiplexes, hotels, hospitals, airports, commercial complexes and railway platforms etc. These tiles offer strength as compared to Marble & Granite. It is different and superior to glazed ceramic tiles. Vitrified tiles are ceramic tiles with high percentage of vitrification and low water absorption rate. The term 'Vitrification' refers to development of glass / Phase inside the body of the tile during the firing process. Vitrification takes place within the tile due to melting of some constituents of the body of the tile. The product is available in the standard sizes of 605mm X 605mm and 807mm x 807mm and 1000mm x 1000mm size with thickness of 10 mm and above. The size is ideal leaving very less joints and fits on the floor and the edges are so sharp that the joints also do not become legible.

### Factors Affecting our Results of Operations

Our results of operations could potentially be affected by the following factors:

#### *Revenues*

Our revenue arises primarily from the sales of Vitrified tiles.

#### *Sales*

We sell our products through two modes. One is to direct projects (builders, contractors etc) and the second is to the end user (households etc) through dealers and distributors. Our Company's products and quality are getting wide acceptance in the market and more and more new clients are being added to the company's customer portfolio in spite of the several players in the market who have entered in the market in the last two years in the vitrified line. Our Company has been able to utilize during the year under review, the capacity utilization of the expanded capacity to the tune of 76%. Our Company has remarkable presence in the south region of the country followed in the northern and western region. We are marketing our product through the distribution network. The marketing strategy of our Company includes locations & area wise marketing techniques. The marketing team of our Company contains 46 marketing professionals and entire marketing

activity is carried-out & managed by these professionals. We are also widening our marketing team to strengthen our presence all over the country.

**Export**

Currently, we are exporting to Sri Lanka & African Countries. In future we are planning to export to various other countries.

**Expenditure:**

**Raw Material**

The raw material consumed is mainly Feldspar powder, Other clays, quartz and Ukraine clay. Raw materials constitute one of the major portion of our total expenses. Our factory is located just 10 km from the Ceramic City 'Morbi' which is fulfilling more than 70% needs of the Ceramic Industry in India. Therefore, there is ample availability of raw materials. We are consuming both imported and indigenous raw materials. The value of imported raw material is approximately 40 % of the total raw material consumed during the year and remaining 60 % is the indigenous raw material. Raw material consists of approximately 24% of the total expenditure during the year.

**Other Manufacturing Expenses**

Manufacturing expenses include Consumption of Stores, Spares, Packing Materials, Consumption of Electricity, Power and Fuel, Manufacturing and Other Expenses aggregating to approximately 41 % of the total expenditure during the fiscal 2006.

**Fuel Efficient Technology**

We set up Coal Gas Plant with Chinese technology with effective fuel efficiency and substantial saving in the conventional fuel cost.

We have also taken trials of Pet coke firing system positively which is a fuel efficient technology and is more cost efficient than Coal Gas. The trials are going on for the same.

- a) Our Company saved considerable cost of fuel during the year under review as compared to previous year.

Year	Production (tons)	Total Fuel cost Incurred	Fuel cost per ton	% saving
2004-05 PY	15915.24	7,61,86,348	4787.08	--
2005-06 CY	33466.22	8,64,31,162	2582.66	46.05%

Thus the use of Chinese technology has enabled our company to achieve substantial saving in fuel cost. . The coal gas plant was put to operation from 1<sup>st</sup> April, 2005.

- b) Our Company also undertook, during the year energy audit from the Government approved qualified energy auditors Ms, Dev Engineers, Ahmedabad. Our Company also implemented the various suggestions given the energy auditors and as a result during the year under review, our Company economized power cost as under:

Year	Production (tons)	Total Power cost Incurred	Power cost per ton	% saving
2004-05 PY	15915.24	2,50,55,781	1574.35	--
2005-06 CY	33466.22	4,18,15,895	1249.50	20.63%

- c) Our Company also reduced the firing cost of tile driers by using the waste heat of Roller Kilns.
- d) Our Company also uses energy saving technique by using the waste steam converting into vapors and then using the same in cooling and filtering the Coal Gas.

- e) Our Company has extensively used CFL lamps for lighting in the factory thereby saving consumption of power by 80% as compared to general lighting arrangements.

### **Interest and Finance charges**

Our company has taken Term loan and enjoys working capital facilities from Bank of India, Bank and finance charges includes the Interest on term loan, working capital facilities, LC Interest and Other Financial Charges which are substantial expenses.

### **Salaries, Wages and Benefits**

These include salaries and wages, allowances, benefits, contribution to Provident Funds etc. The terms of employment and the remuneration payable to most of our employees are decided by the management whereas, the remuneration of Managing Director and Executive Directors are decided by our Remuneration Committee. Our expenses towards Salaries, Wages and Benefits are approximately 2 % of our total expenditures in fiscal 2006

### **General Administration**

General Administration expenses include Rent, Conveyance, Tour and Traveling Expenses Legal and Professional Expenses and other General Administration Expenses. These are approximately 1 % of our total expenditure in fiscal 2006.

### **Selling Expenses**

Selling Expenses include Sampling and Advertisement Expenses Discount and Commission Transportation Expenses Sales Tax and Service Tax. These are approximately 2 % of our total expenditure in fiscal 2006.

### **Other factors**

**General economic and business conditions in India:** We derive a substantial portion of our revenues from the Indian market. We shall therefore be affected by general economic and business conditions in the country, particularly that in the Construction sector. India's GDP growth and its industrial growth and development will be important factors, which determine our operating results and future growth.

**Government Policy including taxes and duties:** A part of our operations are dependent on import of certain raw materials, and any changes in taxes and duties pertaining to these products will impact their respective supply and/or demand, and subsequent cost of or revenues from these products. But as the Indian government is poised for the overall growth of the GDP and economy no adverse policies are anticipated in the time to come.

**Demand:** The demand for our products is derived mainly from the construction sector (malls, hospitals, BPO, call centers, ATM centers, housing sector, commercial complex etc). The growth of construction and infrastructure sectors in the coming decade will encourage the demand for the tiles industry.

**Competition:** Our margins might be affected if competition increases in the industry. As capacity of domestic players increases and foreign players come in the competitive pressures are bound to increase and this might further affect our business.

**Raw Materials Prices:** Raw materials constitute one of the major portion of our total expenses. Any adverse variation in the prices or availability of raw materials, which is dependent upon the market conditions, may affect us. With the use of effective raw material procurement and storage policy, we should be able to mitigate price fluctuations and availability of raw materials.

**Our ability to achieve operational efficiency and low cost of production:** Our cost of production is dependent on the efficiency of the operations of our various production departments independently as well as jointly, which can improve specific consumption of energy, raw materials and manpower, each of which is a significant factor influencing the cost of production, and thereby affecting our operational and financial performance.

**Changes in consumer preferences:** The industry segment we cater to is highly sensitive in terms of design and overall appearance. Changes in trends and taste of the consumers may adversely affect our operations. However, we are committed to update and upgrade our products in line with the latest trends.

**Fluctuations in exchange rate and interest rates:** Since a part of our sales revenues and costs of imported raw materials and capital equipment shall be in foreign currency, the fluctuation in exchange rate of foreign currency such as the US Dollar and the Euro will affect our operating results to the extent that these costs are not passed on to our customer or supplier by commensurate adjustment in our prices.

## OUR RESULTS OF OPERATIONS

The table below sets forth various items from our restated financial statements for 2004-05 and 2005-06:

<b>Year / Period Ended</b>	<b>30-09-06</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
<b>Income</b>			
<b>Sales:</b>			
Of Products manufactured by the company	1,913.06	3,240.20	1,699.44
Of Products not manufactured by the company	464.30	772.63	-
<b>Total</b>	<b>2,377.36</b>	<b>4,012.83</b>	<b>1,699.44</b>
Other Income	1.53	9.63	3.9
Increase/(decrease) in stocks	51.54	101.9	318.4
<b>Total</b>	<b>2,430.43</b>	<b>4,124.36</b>	<b>2,021.74</b>
<b>Expenditure</b>			
Material Cost of manufactured goods	486.14	841.51	442.06
Material Cost of non manufactured goods	451.65	751.87	-
Manufacturing & Operating Cost	728.57	1,457.07	1,138.80
Employment Cost	72.02	71.67	14.31
Sales & Distribution Expenses	38.85	84.42	73.78
Administration & General Expenses	30.57	37.08	9.4
Interest & Financial Charges	148.1	229.07	107.34
Depreciation	62.64	110.08	55.54
Misc / Deferred Expenses			
Preliminary Expenses W/off	2.11	4.21	4.21
<b>Total</b>	<b>2,020.66</b>	<b>3,586.98</b>	<b>1,845.44</b>
<b>Net profit Before tax and Extra Ordinary Items</b>	<b>409.77</b>	<b>537.38</b>	<b>176.3</b>
Taxation	45.98	45.03	13.82
Deferred tax Provision	23.85	162.21	60.52
Fringe Benefit Tax	1.00	3.19	-
<b>Net profit Before Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>
Extra Ordinary Items( net of tax)	-	-	-
<b>Net Profit After Extra Ordinary Items</b>	<b>338.95</b>	<b>326.95</b>	<b>101.96</b>

## **Comparison of FY 05 to FY 06**

We started the commercial production of vitrified tiles in June, 2004 with initial production capacity of 3000 sq mtrs per day. Results for the first year of production i.e. 2004-05 are for 10 months. Further we enhanced the production capacity up to 6,000 sq mtrs per day during the year 2005 – 2006

### **Income**

Our income has risen from Rs. 1699.44 lakhs in FY 2005 to Rs. 4,012.83 lakhs in FY 2006 indicating growth of 236%. Increase in the sales is on account of increased production capacity.

### **Material Cost**

The cost of raw material consumption has increased from Rs. 442.06 lakhs. in FY 2005 to Rs. 841.44 lakhs in FY 2006, showing an increase of 90.3 % on account of increase in volume growth in production and sales.

### **Manufacturing & Operating Expenses**

Manufacturing and operating expenses have increased from Rs. 1138.80 lakhs. in FY 2005 to Rs. 1457.07 lakhs. in FY 2006 showing a increase of nearly 28%. This increase is on account of increase in production and sales in FY 2006.

### **Power & Fuel cost:**

The Power & Fuel cost is Rs. 1282.47 in the FY 2005-06 and Rs. 1012.42 in the FY 2004-05 which is 35.75 % and 54.86% respectively when compared with the total expenditure of the respective year. There is considerable saving in the fuel cost due to commissioning of the Coal Gas plant installed based on the Chinese technology.

### **Employment Cost**

The employment costs have risen from Rs. 14.3 lakhs to Rs. 71.7 lakhs in FY 2006, which amounts to increase of 398.74% Reason being the appointments of senior managerial personnel and other employees in our company in the year 2005-06.

### **Sales and Distribution Expenses**

Sales and distribution expenses have increased from Rs.73.78 lakhs in the FY 2005 to Rs. 84.42 lakhs in FY 2006. This increase of 14% was on account of a rise in advertisement and sales promotion expenses with increase in the sales in FY 2006.

### **Administration Expenses**

These expenses have increased from Rs. 9.40 lacs in FY 2005 to Rs. 37.08 lacs in FY 2006. So there in increase of 294.5 % increase in administration expenses in the FY 2006, which is due to increase in staff and also opening of the Regional Marketing offices in the various state viz: Maharashtra, Andhra Pradesh, Delhi, during the year 2005-06.

### **Interest and Financial Charges**

Interest and financial charges comprise of interest payments to banks, LC interest and other Financial Charges. During FY 2006, the interest expenses have gone up from Rs.107.34 lacs to Rs.229.07 lacs which amount to increase of 113.41%.As there was increase in the term loan and working capital loan from the bank in FY 2006.

## SECTION VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our Directors, our Promoters and our Group Companies or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Directors and our Promoters, except the following:

#### i. Outstanding litigation and contingent liabilities of our Company

Contingent liabilities as on September 30, 2006

<b>(Rs. in lakh)</b>	
<b>Year\Period ended</b>	<b>September 30, 2006</b>
<b>Particulars</b>	
Contingent Liability for Guarantee Given for loans taken by other Group Firms.	50.00*
Contingent Liability for Non Fund Limits Utilized (Letter of Credit) from Bank	122.30
<b>Total</b>	<b>172.30</b>

\* This guarantee has been released by Indian Overseas Bank on November 14, 2006.

- Litigation involving Criminal Offences: NIL
- Litigation / Disputes involving Securities related offences, including penalties imposed by SEBI or any other securities market regulator in India or abroad: NIL
- Litigation involving Statutory and other offences, including penalties imposed by any regulatory authority in India or abroad (Present or past): NIL
- Litigation involving Civil and Economic Offences: NIL
- Litigation in relation to labour laws, and employee related cases: NIL
- Litigation involving customers / suppliers / agents: NIL
- Litigation in the nature of winding up petitions / liquidation / bankruptcy / closure filed by / against our Company: NIL
- Non payment of statutory dues or dues to Banks / Institutions: NIL
- Overdue interest / principal as on current date: NIL
- There have been no defaults and there are no overdues in respect of bonds, debentures and fixed deposits (placed through public or private placement) and arrears in respect of cumulative preference shares or any other liabilities as on date of filing this Draft Red Herring Prospectus with SEBI.
- Further, there are no litigations / disputes / penalties or any proceedings known to be contemplated by government authorities.
- There are no litigations against any other company whose outcome could have materially adverse effect on the position of our Company.

## **Outstanding Litigation against and by our Company**

*Litigation by our Company: NIL*

*Civil Cases filed against our Company*

Litigation involving revenue authorities (Customs / Excise / Sales tax/ Income tax / Service tax):

*Excise Cases filed against our Company:*

1. Our Company and the Executive Directors have received a summons F.No:IV/6-16/PI/05-06/4633 dated January 24, 2006 issued under Section 14 of the Central Excise Act by the Office of the Assistant Commissioner of Central Excise Division-II, Rajkot. The said summons has been issued in connection with the enquiry being conducted by the Superintendent (Preventive) Central Excise Division-II, Rajkot in connection with the alleged evasion of payment of central excise duties/ service tax on commissioning and installation of imported plant and machinery, and required our representatives to be present on February 2, 2006. Our Company has filed its reply and is awaiting further proceedings if any, in this regard.
2. Our Company has been served with Show Cause Notice No. IV/3-29/D/2006-07/5805 dated August 28, 2006 by the Office of the Assistant Commissioner of Central Excise Division-II, Rajkot under Section 11A of the Central Excise Act, 1944. Under the notice our Company is required to show cause as to why payment under protest of central excise duty, education cess and interest aggregating to Rs.433,591/- and additional penalty should not be confirmed and appropriated by the central excise authorities. The matter is still pending.

### **Litigation against our Directors:**

Our Executive Directors have received a summons F. No. IV/6-16/PI/05-06/4633 dated January 24, 2006 issued under Section 14 of the Central Excise Act by the Office of the Assistant Commissioner of Central Excise Division – II, Rajkot. The said summons has been issued in connection with the enquiry being conducted by the Superintendent (Preventive) Central Excise Division – II, Rajkot in connection with the alleged evasion of payment of central excise duties / service tax on commissioning and installation of imported plant and machinery, and required our representatives to be present on February 2, 2006. Our Company has filed a reply on behalf of the Directors and Company and we are awaiting further proceedings, if any, in this regard.

**Litigation by our Directors: NIL**

### **Litigation with respect to our Promoter / Promoter Group Company / Group Companies and Other Venture of our Promoters**

Outstanding Litigation by our Promoters: NIL

Outstanding Litigation against our Promoters: NIL

### **Past penalties levied against our Promoters:**

The past cases in which penalties have been imposed on our Promoter Shri. Girishkumar Pethapara in the last five years are as follows:

<b>S. No.</b>	<b>Amount of penalty imposed (Rs.)</b>	<b>Brief particulars regarding penalty and reasons therefore</b>	<b>Remarks (paid/payable)</b>
2.	12,200/-	Penalty under Section 271(1)(C) of the Income Tax Act, 1961 for assessment year 2003-2004	Paid
3.	30,700/-	Penalty under Section 271(1)(C) of the Income Tax Act, 1961 for assessment year 2003-2004	Paid

**Litigation against our Promoter Group Companies or other ventures promoted by our Promoters**

There is no litigation by or against our Promoter Group Company or other ventures promoted by our Promoters

**Other than what is mentioned herein above, there are no other cases/ suits / disputes/ penalties levied against our Promoters / our Company/ our Directors/ our Group Companies for violation of any statutory or regulatory law.**

**MATERIAL DEVELOPMENTS**

Except as stated under the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" on page [●] of this Draft Red Herring Prospectus and our financial statements included herein, no material developments have taken place after September 30, 2006, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company. In accordance with SEBI requirements, our Company, BRLM and Co-BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## **GOVERNMENT / STATUTORY AND BUSINESS APPROVALS**

Except for pending approvals mentioned under this heading, our Company has received the necessary consents, licenses, permissions, and approvals from the Government/RBI and various Government agencies required for our present business. Further, except for pending approvals as detailed herein, our Company can undertake all our present activities and activities as proposed in the Objects of the Issue, in view of the present approvals and no further material approvals from any statutory body are required by our Company to undertake the present/proposed activities as stated hereinabove.

### **Corporate/ Labour / Industrial / Land:**

- Certificate of Incorporation No. 04-37494 of 1999 – 2000 dated March 7, 2000.
- Certificate of Importer – Exporter Code (“IEC”) No. 2403000671 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Rajkot, dated May 13, 2003.
- Registration Cum Membership Certificate issued by CAPEXIL valid upto March 31, 2007.
- ISO 9001- 2000 Certification No. 01602-2005-AQ-BOM-UKAS dated June 21, 2004 valid upto June 21, 2007 for our Ghuntu Factory Unit for the manufacture and supply of ceramic tiles issued by Benchmark Certification, JAS-ANZ.
- Industrial Entrepreneurs Memorandum acknowledgements issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals Entrepreneurial Assistance Unit for certain products details whereof are provided below:
  - (1) Item Code 3206 : Vitrified tiles thickness less than 10 mm of manufacture, manufacture of wall tiles, ceramic mosaic cubes and the like other than by hand  
No. 994/SIA/IMO/2003, dated April 17, 2003;  
Proposed Capacity: 4583000 Nos

### **Electricity:**

- Letter dated March 25, 2004 bearing Ref. No. COM:F:R329: 1047 from Gujarat Electricity Board granting consent for release of 1500 KVA Power in respect of Company’s factory unit at Ghuntu
- Certificate No. A/Rajkot/EX.GS./31-6-04 dated July 27, 2004 certifying Decolight as an Industrial undertaking entitled to exemption from payment of electricity duty under clause (vii)(a) of sub Section (2) of Section 3 of the Bombay Electricity Duty Act, 1958 with effect from June 21, 2004 to June 20, 2009.
- Certificate No. Rajkot/EX./ 46-5-2004/24712 dated September 13, 2004 certifying Decolight as an Industrial undertaking entitled to exemption from payment of electricity duty under clause (vii)(a) of sub Section (2) of Section 3 of the Bombay Electricity Duty Act, 1958 with effect from June 10, 2004 to June 9, 2009.
- 1x 1000 KV Generating Set Registrations issued by the Collector of Electricity Duty, Gandhinagar in respect of factory at Ghuntu:
  - (1) Registration No. Rajkot/ 389 dated November 11, 2004
  - (2) Registration No. Rajkot/ 389-A dated November 11, 2004
  - (3) Registration No. Rajkot/ 389-B dated November 11, 2004
- Registration and License to work the factory bearing registration no. 25733-253-A dated August 18, 2004 to work a factory with not more than 50 workers on any one day and using motive power not exceeding 2000 HP under the Factories Act, 1948 for the year 2006 – 2007.

### **Tax:**

- Central Excise Certificate of Registration No. RJT/GTA-417/S.TAX/2004-05 dated January 31, 2005 under section 69 of the Finance Act, 1994 read with Service Tax Rules, 1994 for payment of service tax, issued in respect of registered office by Office of the Deputy/ Assistant Commissioner of Service Tax, Rajkot valid until cancellation.
- Our Company’s Permanent Account Number is AABCD687Q

### **Excise :**

Central Excise Registration Certificate No. AABCD0687QXM001 dated September 10, 2003 issued by the Deputy Commissioner, Central Excise Division-II, Rajkot, valid upto cancellation.

### **Environment:**

- Approval under SMPV(U) (Amendment Rules) 1981, issued by the Joint Chief Controller of Explosives, Department of Explosives vide Letter No. PV(WC)S-969 GJ A/S/HO/GJ/03/737 dated December 24, 2003 for 72 M3 Propane Storage installation at Ghuntu factory.
- Licenses issued by Department of Explosives, pursuant to Petroleum Rules, 1976:
  - License No.P/HQ/GJ/15/4564(P99744) renewed up to December 31, 2007 issued by Joint Chief Controller of Explosives, West Circle, Mumbai for import and storage of 29 K.L petroleum .
- Approval vide Letter No. A/P/WC/GJ/15/2705(P120033) dated June 17, 2004 issued by Controller of Explosives, Department of Explosives, for use and storage of 30 KL of Petroleum class 'C' (Furnace Oil/LDO) at the Ghuntu factory
- License No S/HO/GJ/03/663(S7113) dated April 13, 2004 issued by Department of Explosives, Office of the Deputy Chief Controller of Explosives Baroda for storage of compressed gas in pressure vessel for factory at Ghuntu valid upto March 31, 2007.
- Consolidated Consent and Authorisation dated September 27, 2004 issued by the Gujarat Pollution Control Board under section 25 of the Water (Prevention and Control of Pollution) Act 1974, section 21 of the Water Prevention And Control of Pollution) 981 and Authorisation under Rule 3(c) and 5(5) of the Hazardous Waste (Management And Handling) Rules 1989, valid upto July 22, 2009.

### **Trademark:**

- Application dated June 14, 2006 made to the Registrar of Trademarks, Ahmedabad for the registration of the mark "Granolite" under Class 19 bearing T.M. No. 1289960.

### **Licenses obtained in respect of the Objects of the Issue**

1. Approval *vide* IEM No. 6020/SIA/IMO/2006 dated December 7, 2006 of the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion for change in the existing IEM No. 994/SIA/IMO/2003 dated April 17, 2003 with respect to changes in the capacity of the existing product (vitrified tiles) from 5500 Sq. mts. per day to 12000 sq. mtr. per day.
2. Approval *vide* IEM No. 6020/SIA/IMO/2006 dated December 7, 2006 of the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion for addition of new product namely "Aluminium Composite Panel" having annual capacity of 1,500,000 sq. ft.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for This Issue

The Board of Directors have, pursuant to a resolution passed at its meeting held on September 5, 2006, authorised this Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted under to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on September 30, 2006.

We have also obtained all necessary contractual approvals required for this Issue. For further details, please refer section titled “Government/Statutory and Business Approvals” beginning on page [●] of this Draft Red Herring Prospectus.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, other companies promoted by our Promoters and companies with which our Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Further, our Promoters or their relatives have confirmed that they have not been detained as willful defaulters by the RBI or any other government authority and there are no violations of securities laws committed by them in the past or are pending against them. Entities of our Promoter Group do not appear on the RBI defaulter list, nor are there any violations of securities laws committed by them in the past or pending against them.

### ELIGIBILITY FOR THIS ISSUE

We are offering Equity Shares in accordance with clause 2.2.2 (a) (ii) and 2.2.2 (b) (i) of the SEBI (DIP) Guidelines, wherein:

a). The “project” has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Net Issue shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

b). The minimum post-issue face value capital of our Company shall be Rs. 1000 lakh. Our project has been appraised by Bank of India and the project is having about 16% participation from the appraiser i.e. Bank of India by way of term loan.

Further, our post-issue capital shall be Rs. [●] lakh.

We are eligible for this Issue as we satisfy (b)(i) of Clause 2.2.2 of the SEBI Guidelines and as per clause (a)(ii) the Project has more than 15% participation from scheduled commercial banks, of which the Appraiser (Bank of India) have undertaken to participate for more than 10% and our Company shall ensure more than 10% allotment in this Issue to QIBs failing which, the entire subscription monies shall be refunded.

Our Company undertakes that the number of allottees in the proposed Issue shall be atleast 1,000, otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the Bid Amount at the rate of 15% per annum for the period of delay.

### DISCLAIMER CLAUSE OF SEBI

**AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES**

MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 15, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(1) “WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM that:

- a) this Draft Red Herring Prospectus forwarded to SEBI is in conformity with the documents, materials and papers relevant to the Public Issue;
- b) all the legal requirements connected with the said Issue as also the guidelines, instructions, etc. issued by SEBI, the Government, and any other competent authority in this behalf have been duly complied with; and
- c) the disclosures made in this Draft Red Herring Prospectus are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed Public Issue.
- d) We confirm that besides ourselves, all the intermediaries named in this Draft Red Herring Prospectus are registered with SEBI and that till date such registration is valid.

We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters’ contribution subject to Lock-in and the securities proposed to form part of promoters’ contribution subject to lock-in, will not be disposed / sold/ transferred by the promoters during the period starting from the date of filing this Draft Red Herring Prospectus with the Board till the date of commencement of Lock-in period as stated in this Draft Red Herring Prospectus.

All legal requirements pertaining to this issue will be complied with at the time of filing of the Prospectus with the Registrar of Companies, Gujarat at Ahmedabad, in terms of Section 56, Section 60 and section 60(B) of the Companies Act.

The filing of this Draft Red Herring Prospectus does not, however, absolve our Company from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed offer. SEBI further reserves the right to take up at any point of time, with the BRLM and Co-BRLM, any irregularities or lapses in this Draft Red Herring Prospectus. Disclaimer Statement from the Company and the BRLM and Co-BRLM.

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company and the Book Running Lead Manager and Co-Book Running Lead Manager and their respective directors, officers, agents,

affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the Book Running Lead Manager and Co-Book Running Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Our Company, the Director and the BRLM and Co-BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, including our website, [www.decocovering.com](http://www.decocovering.com) would be doing so at his or her own risk.

The BRLM and Co-BRLM accepts no responsibility, save to the limited extent as provided in the the Memorandum of Understanding between the BRLM, Co-BRLM and the Company.

Our Company, the BRLM and Co-BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither our Company nor the Book Running Lead Manager and Co-Book Running Lead Manager is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

#### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs) , companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares). This Draft Red Herring Prospectus does not, however, constitute invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Prospectus has been filed with Registrar of Companies, Gujarat as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **Disclaimer Clause of Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter no. [●] dated [●] given permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Disclaimer Clause of NSE**

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter dated [●], permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

**Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.**

### **Filing of Prospectus with SEBI and the Registrar of Companies**

A copy of the Red Herring Prospectus required to be filed under Section 60 and Section 60B of the Companies Act would be delivered for registration with Registrar of Companies, Gujarat. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC, Gujarat atleast 3 (three) days before the issue opening date. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the ROC at the respective aforesaid addresses upon closure of the issue and on finalization of the issue price.

### **Listing**

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Limited (NSE). In-principle approval for listing of the equity shares of the Company from BSE and NSE have been received *vide* their letters dated [●] and [●] respectively.

If the permission to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest all money received from the Bidders in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it. (i.e. from the date of refusal or within 70 days from the bid/issue closing date, whichever is earlier), then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on the Bid Amount, as prescribed under Section 73 of Companies Act .

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue.

### **Impersonation**

**Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

“Any person who:

(a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

#### Consents

Consents in writing of: the Directors; our Company Secretary; Compliance Officer; the Auditors; Bankers to our Company; Escrow Collection Banks; BRLM; Co-BRLM; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Gujarat at Ahmedabad as required under Sections 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of filing of this Draft Red Herring Prospectus with SEBI.

M/s. S.V. Karia & Associates, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with SEBI.

M/s. S.V. Karia & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with SEBI.

#### Expert Opinion

We have not obtained any expert opinions.

#### Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. 350.00 lakh. The estimated Issue expenses are as follows:

<i>(Rs. in lakh)</i>		
Activity	Expenses	% of Issue Expenses
Lead management, underwriting and selling commission *	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]
Printing, stationery including transportation of the same	[●]	[●]
Other (Registrar's fees, legal fees, listing fees, etc.)*	[●]	[●]
Total Estimated Issue Expenses	<b>350.00</b>	100%

\* Will be incorporated at the time of filing Prospectus with the RoC.

#### Details of Fees Payable

##### Fees Payable to the Book Running Lead Manager and Co-Book Running Lead Manager

The total fees payable to the Book Running Lead Manager and Co-Book Running Lead Manager will be as per the Engagement Letters dated June 24, 2006 and January 12, 2007 and as stated in the Memorandum of Understandings executed between our Company and BRLM and Co-BRLM dated January 15, 2007, copy of which is available for inspection at our Registered Office.

##### Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the memorandum of understanding dated January 15, 2007, a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### **Underwriting Commission, Brokerage and Selling Commission**

The Underwriting Commission and Selling Commission for this Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM and Syndicate Members. The Underwriting Commission shall be paid as set out in the Underwriting Agreement based on the Issue Price and amount underwritten in the manner mentioned in this Draft Red Herring Prospectus.

Brokerage for the Issue will be paid not more than 1.5% of the Issue Price of the Equity Shares by our Company on the basis of the allotments made against the Bids bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Escrow Collection Banks in respect of the allotments made against Bids procured by them provided the respective forms of Bid bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the Bid-cum-Application Form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter. We, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by us.

### **Previous Rights and Public Issues during the Last Five Years**

We have not made any previous rights or public issues during the last five years.

### **Previous Issues of Shares otherwise than for Cash**

Except as stated in the section titled "Capital Structure" beginning on page [•] of this Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

### **Commission and Brokerage on Previous Issues**

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since inception.

### **Particulars in regard to our Company and other listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, which made any capital issue during the last three years.**

There are no listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, which has made any capital issue during the last three years.

### **Promise versus Performance – Previous Issues of Group Companies.**

Our Company has not made any public issue of Equity Shares since its incorporation. None of the Group Companies have made any public issues in the past.

### **Outstanding Debentures, Bond Issues and Preference Shares**

As on the date of the filing of the Draft Red Herring Prospectus, there are no outstanding debentures, bonds or preference shares of our Company.

### **Stock Market Data for our Equity Shares of our Company**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

## **Other Disclosures**

Our Promoters, Group Companies, or the directors of our Group Companies or our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI, except as disclosed in section titled “Notes to Capital Structure” beginning on page [●] of this Draft Red Herring Prospectus.

## **Mechanism for redressal of investor grievance**

The Memorandum of Understanding between the Registrar to this Issue and our Company will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, number of Equity Shares applied for, amount paid on Bid and the bank branch or collection centre where the Bid was submitted.

## **Disposal of Investor Grievances by our Company**

The average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has redesignated a Shareholders / Investor Grievance Committee on December 30, 2006 chaired by Shri. Rajendrabhai G. Dhamasana and Shri. Jaysukhbhai K. Gami and Shri Maganlal G. Sanaria as members.

Our Company has appointed Shri. Suresh S. Dave, Company Secretary as the Compliance Officer and he may be contacted at Decolight Ceramics Limited, Behind Romer Ceramic, Ghuntu Road, Morbi – 363642, Gujarat, Telephone no.: +91 2822 241 988 / +91 2822 241 156; Fax: + 912822 241 225. Email: investor@decocovering.com. Investors may contact him in case of any pre-Issue or post-Issue problems.

## **Changes in Auditors during the last three financial years and reasons therefore**

The following are changes in the Auditors of our Company in the last three financial years:

<b>Sr. No.</b>	<b>Name of the Auditor</b>	<b>Date of Change</b>	<b>Reason for Change</b>
1.	V.N. Sitapara & Associates	January 16, 2006	Resignation
2.	S.V. Karia & Associates	January 16, 2006	Appointment

## **Capitalisation of Reserves or Profits**

Except as stated in the section titled “Capital Structure” our Company has not capitalised its reserves or profits at any time since inception. For details on Capitalisation of Reserves and Profits please refer to section titled “Capital Structure” beginning on page [●] of this Draft Red Herring Prospectus.

## **Revaluation of Assets**

Our Company has not revalued its assets since incorporation.

## ISSUE STRUCTURE

Issue of [●] Equity Shares of face value Rs. 10/- each at a price of Rs. [●] for cash aggregating Rs. 4,500 lakh (hereinafter referred to as the this “Issue”), including Promoters Contribution of Rs. 90 lakh, and a Net Issue of [●] Equity Shares at a price of Rs. [●] for cash aggregating Rs. 4410 lakh. The Net Issue would constitute [●]% of the post Issue paid-up capital of the our Company.

The Issue is being made through the 100% Book Building Process:

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Upto [●] Equity Shares shall be available for allocation to QIBs aggregating Rs. 2205 lakh.	Atleast [●] Shares shall be available for allocation aggregating Rs. 661.5 lakh.	Atleast [●] Equity Shares shall be available for allocation aggregating Rs. 1543.5 lakh.
Percentage of Issue Size available for allocation	Upto 50% of the Net Issue with a mandatory allotment of 10% of the Issue (of which 5% shall be reserved for Mutual Funds)*  Mutual Funds participating in the 5% reservation in the QIB Portion (i.e. [●] Equity Shares aggregating Rs. 110.25 lakh) will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Atleast 15% of the Net Issue.*	Atleast 35% of the Net Issue.*
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs. 1,00,000/-
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Who can Apply **	Public Financial Institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, Foreign Institutional Investor registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakh and pension funds with minimum corpus of Rs. 2500 lakh in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000/- in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-Institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of the our Company, the BRLM and Co-BRLM and subject to applicable provisions of the SEBI Guidelines.

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

**If the aggregate demand by Mutual Funds is less than [●] Equity Shares aggregating Rs. 110.25 lakh, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.**

**Bidding Period / Issue Period**

<b>BID / ISSUE OPENS ON</b>	[●]
<b>BID / ISSUE CLOSES ON</b>	[●]

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

**The Price Band will be decided by our Company in consultation with the BRLM and Co-BRLM.**

The Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

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

## SECTION VII – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

#### Principal Terms and Conditions of the Issue

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

#### Ranking of Equity Shares

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of our Company, rank pari passu in all respects with the other existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of allotment. See the section titled “Main Provisions of the Articles of Association of the Company” beginning on page [●] of this Draft Red Herring Prospectus for a description of the Articles of Association.

#### Mode of Payment of Dividend

The declaration and payment of dividend will be as per the provisions of the Companies Act and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

#### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each will be offered in terms of the Red Herring Prospectus to be filed with RoC, Gujarat at a price of Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The issue price is [●] the face value of the equity shares.

#### Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Main Provisions of the Articles of Association of the Company” beginning on page [●] of this Draft Red Herring Prospectus.

#### Market Lot And Trading Lot.

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum allotment of [●] Equity Shares. For details of allocation and allotment, see the section titled “Basis of Allotment” on page [●] of this Draft Red Herring Prospectus.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the Bidder would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.**

### **Minimum Subscription**

"If our Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of Underwriters within 60 days from the Bid / Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

### **Withdrawal of the Issue**

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

### **Arrangements for Disposal of Odd Lots**

Our Company's Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

### **Restriction on Transfer And Transmission Of Shares**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading “Main Provisions of the Articles of Association” of our company appearing on page no. page [●] of thisDraft Red Herring Prospectus.

There is no reservation for Non –Residents, NRIs, FIIs and Fotreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venure Capital Fund Bidders will be treated on the same basis as other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended 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 U.S. Securities Act, 1933), 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 only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

## ISSUE PROCEDURE

### BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein upto 50% (subject to mandatory allotment of minimum 10% of the Issue size to QIBs) of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs (of which 5% shall be allocated for Mutual Funds). Further, not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non- Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. However, the Bids by QIB shall be submitted only to the BRLM and Co-BRLM. In case of QIB Bidders, our Company in consultation with the BRLM and Co-BRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case, Non Institutional Buyers and Retail Individual Buyers. Our Company in consultation with the BRLM and Co-BRLM would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment shall be traded only in the dematerialized segment of the Stock Exchange(s).

### BID-CUM-APPLICATION FORM

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, (“CAN”), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue

### WHO CAN BID

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);

6. Venture Capital Funds registered with SEBI;
7. FIIs registered with SEBI.
8. Foreign Venture Capital Funds registered with SEBI;
9. State Industrial Development Corporations;
10. Multilateral and bilateral development financial institutions;
11. Insurance companies registered with the Insurance Regulatory and Development Authority;
12. Provident funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
13. Pension funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
14. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
15. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
16. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

**Note: The BRLM, Co-BRLM and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the Book Runners and Syndicate Members are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.**

#### MAXIMUM AND MINIMUM BID SIZE

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid amount payable by the Bidder does not exceed Rs. 1,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid amount is more than Rs. 1,00,000 due to revision of the Bid, or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs. 1,00,000/- or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.**

#### INFORMATION FOR BIDDERS

- (a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Gujarat at least 3 (three) working days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Draft Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our Registered Office or from any of the BRLM/ Co-BRLM/ Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM, Co-BRLM or Syndicate Member or their authorised agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

## **METHOD AND PROCESS OF BIDDING**

- a) Our Company, the BRLM and Co-BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Gujarat and also publish the same in three widely circulated newspapers ( one English national newspaper, one Hindi national newspaper and one regional language newspaper). This advertisement shall contain the disclosures as prescribed in Schedule XX-A of the SEBI Guidelines, as amended from time to time. The BRLM, Co-BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM and Co-BRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below on page [●] of this Draft Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d) The Bidder cannot Bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page [●] of this Draft Red Herring Prospectus.
- e) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page [●] of this Draft Red Herring Prospectus.
- g) The Members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the Members of the Syndicate.

## **BIDS AT DIFFERENT PRICE LEVELS**

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10/- each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1/-(one).
- (b) Our Company in consultation with the BRLM and Co-BRLM reserves the right to revise the Price Band by informing the Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. Our Company in consultation with BRLM and Co-BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders. During the Bidding period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down upto 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
- (c) Our Company in consultation with the BRLM and the Co-BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval, or intimidation, to the Bidder.
- (d) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at "Cut-off" where the value of the Bid is less than Rs. 1,00,000/-. However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (e) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Refund Account.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000/-, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.

**.Option To Subscribe**

Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

**HOW TO APPLY – AVAILABILITY OF FORMS, RED HERRING PROSPECTUS AND MODE OF PAYMENT**

**BIDS BY MUTUAL FUNDS**

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, Bidders may bid as per the limits prescribed above.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

#### **BIDS BY NRIs**

Bid-cum-Application Forms will be made available for NRIs at our Registered Office., members of the Syndicate and the Registrar to the Issue.

NRI Bidders may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

#### **BIDS BY FIIs**

*As per current regulations, the following restrictions are applicable for investment by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company (i.e. 10% of [●] Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-accounts is a foreign corporate or in individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

#### **BIDS BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS**

*As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and foreign venture capital investors.*

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in our Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus. Please note that this restriction is not applicable to a foreign venture capital investor may invest more than 33.33% of their respective investible funds in various prescribed instruments, included in Initial Public Offers of venture capital understanding.

**The above information is given for the benefit of the Bidders. Our Company, the BRLM and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the**

**date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

## **ESCROW MECHANISM**

### **Escrow Account**

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with one of the Escrow Collection Bank as per the terms of the Escrow Agreement with our Company. Payments of refunds to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar, BRLM, Co-BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the Refund Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

## **TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNT**

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page[•] of this Draft Red Herring Prospectus and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with one of the Escrow Collection Banks. . The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account maintained by the Refund Bank, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Refund Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow Collection Bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

**Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.**

## **ELECTRONIC REGISTRATION OF BIDS**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where Bids are accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the member of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) Aggregate demand and price for bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centers and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
  - Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Margin Amount; and
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page [●] in this Draft Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, BRLM and Co-BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company

- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on BSE and NSE.

#### **BUILD UP OF THE BOOK AND REVISION OF BIDS**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM and Co-BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) Only Bids are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM and Co-BRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

#### **PRICE DISCOVERY AND ALLOCATION**

- (a) After the Bid/Issue Closing Date, the BRLM and Co-BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company, BRLM and Co-BRLM shall finalise the "Issue Price" and the number of Equity Shares to be allotted.
- (c) The allocation for QIBs, upto 50% of the Issue, of which 5% shall be reserved for Mutual Funds would be proportionate. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

- (d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company, the BRLM and Co-BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- (e) The BRLM and Co-BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.

#### **SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING**

- (a) Our Company, the BRLM, the Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS**

We will issue a statutory advertisement after the filing of the Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)**

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, Co-BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM, Co-BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (d) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- (e) The issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as mentioned below.

## Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

## DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

## GENERAL INSTRUCTIONS

### Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;

- i) Ensure that you mention your Permanent Account Number (PAN) allotted under the IT Act, where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000/-. The copy of the PAN Card or the PAN allotment letter should be submitted with the application form;
- j) If you have mentioned “applied for” or “not applicable” in the Bid-cum-Application Form in the section dealing with PAN number ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof; and
- k) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

**Don'ts:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f) Do not Bid at Cut-Off price (for QIBs and non-institutional bidders);
- g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- h) Do not submit Bid accompanied with Stock invest;
- i) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground; and
- j) Do not submit the Bid without the QIB Margin Amount incase of a Bid by a QIB.

**INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM**

Bidders can obtain Bid-cum-Application Forms and /or Revision Forms from the BRLM, Co-BRLM or Syndicate Members.

**Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis.)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 1,00,000/-.

- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds or equal to Rs. 1,00,000/-. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- (g) Thumb impressions and signatures other than in the languages specified in the eighth schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **BIDDER'S DEPOSITORY ACCOUNT DETAILS AND BANK ACCOUNT DETAILS**

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf.

Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar, the Escrow Collection Bank (s), Bankers to the Issue, the BRLM nor the Co-BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation Advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to

ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank, the BRLM nor the Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder 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 parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

#### **BIDS UNDER POWER OF ATTORNEY**

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

**We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that BRLM and Co-BRLM may deem fit.**

## **BIDS BY ELIGIBLE NRIs AND FIIs ON A REPATRIATION BASIS**

### **Bids and revision to Bids must be made:**

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “Issue Procedure - Maximum and Minimum Bid Size” on page [●] of this Draft Red Herring Prospectus.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size”.
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB’s.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

### **PAYMENT INSTRUCTIONS**

We, the BRLM, the Co-BRLM and the Syndicate Members shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### **PAYMENT INTO ESCROW ACCOUNT:**

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLM.
- (c) All cheques / bank drafts accompanying the Bid should be crossed “A/c Payee Only” and made payable to the Escrow Collection Banks and marked:

<b>Category of Bid</b>	<b>Cheques / Bank Drafts favouring</b>
Net Issue to the Public including NRIs / FIIs on non-repatriation basis	"Escrow A/c. Decolight – Public Issue – R"
NRIs/ FIIs on repatriation basis	"Escrow A/c. Decolight – Public Issue – NR"

- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with one of the Escrow Collection Banks and the surplus amount shall be transferred into the Refund Account maintained with the Refund Bank.
- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

#### **PAYMENT BY STOCK INVEST**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

#### **SUBMISSION OF BID-CUM-APPLICATION FORM**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

## OTHER INSTRUCTIONS

### Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

### Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

### PERMANENT ACCOUNT NUMBER (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

### UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1,00,000 to Rs. 5,00,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 5,00,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

## **OUR RIGHT TO REJECT BIDS**

In case of QIB Bidders, our Company, in consultation with the BRLM and Co-BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of, Non-Institutional Bidders, Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

## **GROUNDINGS FOR TECHNICAL REJECTIONS**

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- 1) Amount paid doesn't tally with the amount payable for the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) PAN photocopy /PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- 5) UIN Number not given for Body Corporates;
- 6) Bids for lower number of Equity Shares than specified for that category of investors;
- 7) Bids at a price less than lower end of the Price Band;
- 8) Bids at a price more than the higher end of the Price Band;
- 9) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 10) Bids for number of Equity Shares which are not in multiples of [●];
- 11) Category not ticked;
- 12) Multiple bids as defined in this Draft Red Herring Prospectus;
- 13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 14) Bids accompanied by Stock invest/ money order/postal order/cash;
- 15) Signature of sole and / or joint bidders missing;
- 16) Bid-cum-Application Form does not have the stamp of the BRLM, the Co-BRLM or Syndicate Members;
- 17) Bid-cum-Application Form does not have Bidder's depository account details;
- 18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;

- 20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page [●] of this Draft Red Herring Prospectus;
- 21) Bids by OCBs;
- 22) Bid by U.S. residents or U.S. persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the U.S. Securities Act of 1933;
- 23) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- 24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations; and
- 25) If GIR number is mentioned instead of PAN Number

### **EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL**

**As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).**

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated [●] with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated [●] with CDSL, us and Registrar to the Issue

**All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.**

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of our Company would be in dematerialized form only for all investors.

## COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

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

### **Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders**

Our Company agrees that as far as possible allotment of securities offered to the public shall be made within 15 days of the closure of the public issue. Our Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

Refund orders shall be payable at par at all centers where Bidding terminals were set-up to receive Bids from Bidders.

## IMPERSONATION

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

“Any person who:

- i. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- ii. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

### **Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders**

The Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertake that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

- the Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by GoI, Ministry of Finance pursuant to their letter no. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

## **BASIS OF ALLOTMENT**

### **A. For Retail Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

### **B. For Non Institutional Bidders**

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment refer below.

### **C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;

- (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
  - (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
  - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIBs shall be determined as follows:
- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
  - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
  - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- (c) The aggregate allocation to QIB Bidders shall be upto [●] Equity Shares.

Except for any shares allocated to QIB Bidders due to undersubscription in the Real Portion and/ or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

Under-subscription, if any, in any category except minimum 10% mandatory QIB portion would be allowed to be met with spill over from any other category at the sole discretion of our Company, the BRLM and Co-BRLM.

#### **PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT OF EQUITY SHARES AND DEMAT CREDIT OF EQUITY**

The Issue will be conducted through a “100% Book Building Process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●] and expire on [●]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM and Co-BRLM, will determine the Issue Price, and, in consultation with the BRLM and Co-BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on [●] and the Registrar of Companies on [●] and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

#### **METHOD OF PROPORTIONATE BASIS OF ALLOTMENT**

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by our Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and Co-BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under “Issue Structure”.

- a) Bidders will be categorized according to the number of Equity Shares applied for.

- b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of [●] Equity Shares. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.
- e) In all bids where the proportionate allotment is less than [●] per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- f) If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- g) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient (except the mandatory 10% QIB Portion) for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

#### **LETTERS OF ALLOTMENT OR REFUND ORDERS**

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Bidders having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where Bidder is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other Bidders, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Bidders to whom refunds are made through Electronic transfer of funds will be send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Our Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole of First Bidder’s sole risk within 15 days of the Bid Closing Date / Issue Closing Date, and adequate funds for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

- a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

- c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

Our Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### **Payment of Refund**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the Co-BRLM, the Refund Bank, our Company nor the Registrar shall have any responsibility and undertake any liability for the same.

### **Mode of Making Refunds**

The payment of refund, if any, would be done through various modes in the following order of preference

- (a) **ECS** - Payment of refund would be done through ECS for Bidders having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for Bidders having a bank account at any of the 15 centres named herein above, except where Bidder is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS.
- (b) **Direct Credit** – Investors having their Bank Account with the Escrow Bankers, i.e. [●], shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.
- (c) **RTGS** – Bidders having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All Bidders eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Applicatio form, the refund shall be made through the ECS or Direct Credit, if eligibilty is disclosed.

**Please note that only Bidders having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other Bidders, including Bidders who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched “Under Certificate of Posting” for refund orders of value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.**

For all the other Bidders excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

## INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the Bidders within 15 days from the Bid/Issue Closing Date or if in a case where refund or position thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid / Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

## ISSUE PROGRAMME

BID/ISSUE OPENS ON:	[•], 2007
BID/ISSUE CLOSES ON:	[•], 2007

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

**In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and Co-BRLM and at the terminals of the Syndicate.**

## UNDERTAKING BY OUR COMPANY

Our Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful Bidders as per the mode(s) disclosed under the heading “Disposal of Application and Application Money” on page [•] of this Draft Red Herring Prospectus, shall be made available to the Registrar to the issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Bidder within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

**We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.**

## UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be credited/ transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this 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.
- (d) The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of our Company indicating then form in which such unutilized monies have been invested.

#### **Rectification of Register of Members**

Our Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

#### **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI (“FDI Policy”) and by the Reserve Bank of India (“RBI”) as per the provisions of the Foreign Exchange Management Act, 1999 (“FEMA”) and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person’s resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board (“FIPB”).

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

In the ceramic sector, FDI upto 100% is allowed on the automatic route with no entry-level condition.

The above information is given for the benefit of the bidders and neither our Company, the BRLM nor the Co-BRLM are liable for any modifications that may happen after the date of this Draft Red Herring Prospectus.

## **SECTION VIII – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

### **MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision hereinbelow is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company

### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

#### **Share Capital**

3. The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.

#### **Increase of capital by the Company how carried into effect**

4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act

#### **Non Voting Shares**

5. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

#### **Redeemable Preference Shares**

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

#### **Provisions to apply on issue of Redeemable Preference Shares**

7. On the issue of redeemable preference shares under the provisions of Article 6 hereof, the following provisions shall take effect.

- (a) No such Shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption.
- (b) No such Shares shall be redeemed unless they are fully paid.
- (c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account, before the Shares are redeemed.

(d) Where any such Shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called “the Capital Redemption Reserve Account”, a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.

(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.

### **Reduction of capital**

8. The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce

(a) the share capital;

(b) any capital redemption reserve account; or

(c) any share premium account in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

### **Purchase of own Shares**

8A. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.

### **Sub-division consolidation and cancellation of Shares**

9. Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

## **MODIFICATION OF RIGHTS**

### **Modification of rights**

10. Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall mutatis mutandis apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted. The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking *pari passu* therewith.

### **Power also Shares under control of Directors**

13. Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot

Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

#### **Power also to Company in General Meeting to issue Shares**

15. In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

#### **Shares at a discount**

16. The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

- (a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;
- (b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and
- (c) The Share to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

#### **Deposit and call etc., to be debt payable**

20. The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

#### **Liability of Members**

21. Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

#### **Dematerialisation of securities**

21. (B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

#### **Options to receive security certificates or hold securities with depository**

21. (C) Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository. Where a person opts to hold a Security with a depository, the Company

shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

#### **Securities in depositories to be in fungible form**

21. (D) All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

#### **Rights of depositories and beneficial owners**

21. (E) (1) Notwithstanding anything to the contrary contained in the Articles, Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;

(2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;

(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.

#### **Depository To Furnish Information**

21. (F) Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

#### **Option to Opt out in respect of any security**

24. (G) If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

#### **Sections 83 and 108 of the Act not to apply**

21. (H) Notwithstanding anything to the contrary contained in the Articles, (1) Section 83 of the Act shall not apply to the Shares held with a Depository; (2) Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

#### **Share certificate**

22. (a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.

(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.

#### **The first name joint holder deemed sole holder**

25. If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.

#### **Company not bound to recognize any interest in Shares other than of registered holder**

26. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

## **INTEREST OUT OF CAPITAL**

### **Interest out of capital**

33. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

## **CALLS**

### **Directors may make calls**

35. (a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.

(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

### **When interest on call or installment payable**

40. If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

### **Evidence in action by Company against share holder**

41. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

### **Payment in anticipation of calls may carry interest**

42. The Board of Directors may, if it thinks fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, all or any part of the amount due upon the Shares held by him beyond the sums actually called for and upon the money so paid up in advance or so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and in respect of its Shares on account of which such

advances are made, the Board of Directors may pay or allow interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, fifteen per cent per annum as the Member paying the sum in advance and the Board of Directors agree upon. The Board of Directors may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to such Member three months' notice in writing. Money so paid in advance of the amount of calls shall not confer a right to dividend or to participate in profits. No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment presently payable. The provisions of this Article shall mutatis mutandis apply to the calls on Debentures of the Company.

## **LIEN**

### **Partial payment not to preclude forfeiture**

43. Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

### **Company to have lien on Shares/ Debentures**

44. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member whether solely or jointly with others and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interests in any Share/ Debenture shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures;

PROVIDED THAT the Board of Directors may, at any time, declare any Share/ Debenture to be wholly or in part exempt from the provisions of this Article. Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares.

### **Application of proceeds of sale**

46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and

(b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

## **FORFEITURE OF SHARES**

### **If money payable on Shares not paid notice to be given**

47. If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

### **Sum payable on allotment to be deemed a call**

48. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

### **Form of notice**

49. The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

### **In default of payment Shares to be forfeited**

50. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

### **Notice of forfeiture to a Member**

51. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

### **Forfeited Shares to be the property of the Company and may be sold etc.**

52. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

### **Member still liable for money owing at the time of forfeiture and interest**

53. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

### **Effects of forfeiture**

54. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.

### **Power to annul forfeiture**

55. The Board of Directors may at any time before any Share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

### **Cancellation of shares certificates in respect of forfeited Shares**

58. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.

### **Evidence of forfeiture**

59. The declaration as mentioned in Article 56(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

### **Validity of sale**

60. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be

entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

## **TRANSFER AND TRANSMISSION OF SHARES**

### **No transfers to minors etc.**

62. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

### **Form of transfer**

63. The instrument of transfer of any Share shall be in the prescribed form under the Companies (Central Governments) General Rules and Forms, 1956 and in accordance with the requirements of Section 108 of the Act.

### **Application for transfer**

64. (a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

### **Execution of transfer**

65. The instrument of transfer of any Share shall be duly witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

### **Transfer by legal representatives**

66. A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

### **Register of Members etc when closed**

67. The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

### **Directors may refuse to register transfer**

68. Subject to the provisions of Section 111 of the Act, Section 22A of the Securities Contract (Regulation) Act, 1956 and all other laws, rules, regulations and statutory agreements, if any, applicable to the Company or any statutory modification thereof for the time being in force, the Directors may at any time in their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of any Share and in particular may so decline in any case in which the Company has a lien upon the Shares desired to be transferred or any call or installment regarding any of them remain unpaid or if the transferee is not approved by the Directors and such refusal shall not be affected by the fact that the

proposed transferee is already a Member; in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer. The registration of transfer shall be conclusive evidence of the approval of the Directors of the transferee. Registration of a transfer shall not be refused on the grounds of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except in lien on Shares. Transfer of Shares/Debentures in whatever lot shall not be refused.

#### **Death of one or more joint holders of Shares**

69. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.

#### **Registration of persons entitled to Shares otherwise than by transfer (Transmission clause)**

72. Subject to the provisions of the Act and Article 69 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".

#### **Refusal to register nominee**

73. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration

#### **Company not liable for disregard of a notice prohibiting registration of transfer**

77. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

### **SHARE WARRANTS**

#### **Power to issue share warrants**

78. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

## **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

### **Share may be converted into stock**

82. The Company may, by Ordinary Resolution: Convert any fully paid up Share into stock, and reconvert any stock into fully paid-up Shares.

### **Transfer of stock**

83. The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under 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 stock arose.

### **Right of stock holders**

84. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them 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 those privileges or advantages.

### **Regulation applicable to stock and share warrant**

85. Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

## **BORROWING POWERS**

### **Power to borrow**

86. Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

### **The payment or repayment of moneys borrowed**

87. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon : such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

### **Terms of issue of Debentures**

88. Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meeting, appointment of

Directors and otherwise; however, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.

98. (1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.

(2) Subject to the provisions of the Act notice of every General Meeting shall be given;

(a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) Section 53 of the Act;

(b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and to the Auditor or Auditors for the time being of the Company in any manner authorized by Section 53 of the Act in the case of Members of the Company

PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighborhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

(3) Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.

#### **Chairman's casting vote**

112. In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

#### **Votes of Members of unsound mind**

119. A Member of unsound mind, or in respect of whom 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.

#### **Votes of joint Members**

120. If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.

#### **Representation of body corporate**

121. (a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above

certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat.

(b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.

### **Voting in person or by proxy**

123. Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorized in accordance with Section 187 of the Act.

### **Rights of Members to use votes differently**

124. On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses **Proxies** 125. Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.

### **Proxy either for specified meeting or for a period**

126. An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

### **No proxy to vote on a show of hands**

127. No proxy shall be entitled to vote by a show of hands.

### **Instrument of proxy when to be deposited**

128. The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.

### **Form of Proxy**

129. Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

### **Validity of votes given by proxy notwithstanding revocation of authority**

130. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.

### **Time for objection to vote**

131. No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.

### **Chairman of any Meeting to be the judge of Validity of any value**

132. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

## **DIRECTORS**

### **Number of Directors**

134. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.

### **Nominee Director or Corporation Director**

137. (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to Industrial Finance Corporation of India (IFCI), ICICI Ltd. (ICICI), The Industrial Development Bank of India (IDBI) or any other financing company or body out of any loans granted or to be granted by them to the Company or so long as IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body (each of which IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body is hereinafter in this Article referred to as "The Corporation") continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places. (b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.

(c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall ipso facto vacate such office immediately on the moneys owing by the Company to the Corporation being paid off.

(d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

(e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation.

(f) Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

### **Alternate Director**

139. The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called “the Original Director”) to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

### **Additional Directors**

141. The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board (“Additional Director”) so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.

### **Qualification shares**

142. A Director need not hold any qualification shares.

### **Directors’ sitting fees**

143. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.

### **Extra remuneration to Directors for special work**

144. Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided. Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either:

- i) by way of monthly, quarterly or annual payment with the approval of the Central Government;
- or
- ii) by way of commission if the Company by a Special Resolution authorized such payment.

### **Traveling expenses incurred by Directors on Company’s business**

145. The Board of Directors may subject to the limitations provided by the Act allow and pay to any Director who attends a meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company at a place other than his usual place of residence, for the purpose of attending a Meeting such sum as the Board may consider fair compensation for traveling, hotel, and other incidental expenses properly incurred by him in addition to his fees for attending such Meeting as above specified.

### **Director may act notwithstanding vacancy**

146. The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number, of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

148. When the Company:-

- (a) enters into a contract for the appointment of a Managing Director or Wholetime Director in which contract any Director of the Company is whether directly or indirectly, concerned or interested; or
- (b) varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

### **Directors and Managing Director may contract with Company**

150. Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.

### **Disqualification of the Director Vacation of office by Directors**

151. (1) A person shall not be capable of being appointed Director of the Company if:-

- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
  - (b) he is an undischarged insolvent;
  - (c) he has applied to be adjudged an insolvent and his application is pending;
  - (d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence;
  - (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
  - (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.
- (2) The office of Director shall become vacant if:-
- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
  - (b) he applies to be adjudged an insolvent; or
  - (c) he is adjudged an insolvent; or
  - (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or
  - (e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or
  - (f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
  - (g) he (whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or (h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or
  - (i) he becomes disqualified by an order of the Court under Section 203 of the Act; or
  - (j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or

- (k) if by notice in writing to the Company, he resigns his office, or
- (l) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.
- (3) Notwithstanding anything contained in sub-clauses (c), (d) and (i) of sub clause (2) hereof, the disqualification referred to in these clauses shall not take effect:
  - (a) for thirty days from the date of the adjudication, sentence or order;
  - (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
  - (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

### **Remuneration of Managing Director**

167. Subject to the provisions of Sections 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receives such remuneration as may from time to time be approved by the company.

### **POWERS OF THE BOARD**

#### **General powers of management vested in the Board of Directors**

184. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting:-

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (b) remit, or give time for the repayment of, any debt due by a Director,
- (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;
- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;
  - (i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)
  - (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean

loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

#### **Certain powers to be exercised by the Board only at Meetings**

185. (1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;

- (a) the power to make calls, on shareholders in respect of money unpaid on their Shares,
- (b) the power to issue Debentures,
- (c) the power to borrow moneys otherwise than on Debentures,
- (d) the power to invest the funds of the Company, and
- (e) the power to make loans

Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.

(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.

(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

#### **Certain powers of the Board**

186. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:

(1) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.

(2) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.

(3) Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.

(4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paidup thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

(5) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

(6) To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.

(7) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.

(8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon.

(9) To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.

(10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.

(11) Subject to the provisions of Sections 291, 292, 295, 370, 372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

(12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

(13) To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.

(14) To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.

(15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.

(16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute

discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

(17) To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.

(17A) To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.

(18) From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.

(19) Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.

(20) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.

(21) Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.

(22) From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.

(23) To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.

(24) To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.

(25) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.

(26) To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.

(27) To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.

(28) From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.

(29) To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.

(30) To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.

(31) To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.

(32) Generally subject to the provisions of the Act and these Articles, to delegate the powers/ authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.

## **MINUTES**

### **Minutes to be made**

187. (1) The Company shall cause minutes of all proceedings of General Meeting and of all proceedings of every meeting of the Board of Directors or every Committee thereof within thirty days of the conclusion of every such meeting concerned by making entries thereof in books kept for that purpose with their pages consecutively numbered.

(2) Each page of every such books shall be initialed or signed and the last page of the record of proceedings of each Meeting in such books shall be dated and signed: (a) in the case of minutes of proceedings of a meeting of Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting. (b) in the case of minutes of proceeding of the General Meeting, by the Chairman of the said meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorized by the Board for the purpose.

### **The Company at General Meeting may declare dividend**

193. The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section

207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

#### **Dividends out of profits only**

194. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

#### **Interim dividend**

195. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

#### **Capital paid-up in advance as interest not to earn dividend**

197. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

#### **Dividends in proportion to amounts paid-up**

198. 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 provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

#### **No Member to receive dividend while indebted to the Company and the Company's right in respect thereof**

199. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

#### **Dividend to joint holders**

201. Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

#### **Notice of dividend**

203. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.

#### **Unclaimed dividend**

206. No unclaimed dividend shall be forfeited by the Board and the Directors shall comply with the provisions of the Act and the Rules thereunder as regards unclaimed dividends.

### **DOCUMENTS AND NOTICES**

#### **To whom documents must be served or given**

219. Document or notice of every Meeting shall be served or given on or to (a) every Member (b) every person entitled to a Share in consequence of the death or insolvency of a Member and (c) the Auditor or Auditors for the time being of the Company, PROVIDED that when the notice of the Meeting is given by advertising the same in newspaper circulating in the neighborhood of the office of the Company under Article 99, a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

## **REGISTERS AND DOCUMENTS**

### **Registers and documents to be maintained by the Company**

223. The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:

- (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act
- (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
- (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.
- (d) Foreign register, if so thought fit, as required by Section 157 of the Act
- (e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act.
- (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act.
- (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.
- (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
- (i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.
- (j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.

## SECTION IX – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus have been delivered to the Registrar of Companies, Gujarat for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at Behind Romer Ceramics, Ghuntu Road, Morbi – 363 642, Gujarat from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Draft Red Herring Prospectus until the Bid / Issue Closing Date of this Issue.

#### Material Contracts for Inspection

1. Memorandum of Understanding dated January 15, 2007 between our Company and IDBI Capital Market Services Limited as BRLM to this Issue
2. Memorandum of Understanding dated January 15, 2007 between our Company and Chartered Capital and Investment Limited as Co-BRLM to this Issue.
3. Memorandum of Understanding dated January 15, 2007 between our Company and Bigshare Services Private Limited as Registrar.

#### Material Documents for Inspection

1. Certified true copies of the Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of our Company dated March 7, 2000.
3. Extraordinary General Meeting resolution dated September 30, 2006 and the resolution of the Board dated September 5, 2006 authorizing this Issue.
4. Copies of the Annual Reports of our Company for the years ended March 31, 2002; March 31, 2003; March 31, 2004; March 31, 2005; and March 31, 2006.
5. Copy of the Statement of Tax Benefits report dated October 2, 2006 issued by M/s. S.V. Karia & Associates, Chartered Accountants.
6. Copy of the Auditors' Report dated November 2, 2006 containing the restated accounts for the past 5 years.
7. Financial Appraisal Report for our Project by Bank of India dated September 16, 2006 and supplementary to the same dated October 6, 2006 and November 8, 2006.
8. Consents of Auditors, Bankers to the Company, BRLM, Co-BRLM, legal advisors to this Issue, Directors, Company Secretary, Registrar to this Issue, Escrow Collection Banks, Compliance Officer as referred to, in their respective capacities.
9. Listing applications dated [•] and [•] filed with the BSE and NSE.
10. In-principle listing approvals dated [•] and [•] from BSE and NSE.
11. Tripartite agreement between the NSDL, our Company and the Registrar dated [•].
12. Tripartite agreement between the CDSL, our Company and the Registrar dated [•].
13. Due diligence Certificate dated January 15, 2007 to SEBI from IDBI Capital Market Services Limited.

14. SEBI observation letter no. [•] dated [•].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India 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 this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Draft Red Herring Prospectus are true and correct.

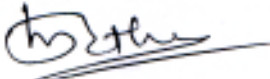
Signed by all the Directors



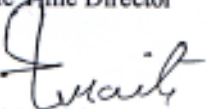
Shri Girishkumar M. Pethapara  
Chairman - Cum - Managing Director



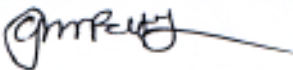
Shri Kantibhai M. Pethapara  
Jt. Managing Director



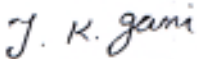
Shri Jayantilal M. Pethapara  
Whole Time Director



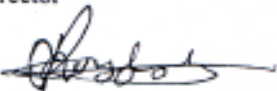
Dr. K.N. Maiti  
Director



Shri Gaurang M. Thoriya  
Director



Shri Jaysukhbhai K. Gami  
Director



Shri Rajendra G. Dhamasana  
Director



Shri Maganbhai G. Sanaria  
Director

Place : Morbi

Date : January 16, 2007

**THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**