

**LETTER OF OFFER**  
(Private & Confidential)

**Sumeet**  
**INDUSTRIES LIMITED**

(The company was originally incorporated as "Sumeet Synthetics Pvt. Ltd." on 1<sup>st</sup> August 1988 under Companies Act, 1956. The name of the company was changed to M/s. Sumeet Synthetics Limited vide fresh Certificate of incorporation consequent on change of name dated 26<sup>th</sup> February 1992. Subsequently the name of the company was changed to Sumeet Industries Limited vide fresh certificate of incorporation dated 1<sup>st</sup> September 1993.)

**Registered Office** : 504, Trividh Chambers, 5<sup>th</sup> Floor, Opp. Fire Brigade Station, Ring Road, Surat-395 002  
**Tel:**(91-261) 2328902; **Fax:**(91-261) 2334189, 2310196  
**Email:** sumeetindus@yahoo.com ; **Website:** www.sumeetindustries.com  
**Contact person:** Mr. Anil Jain, Compliance Officer & Company Secretary

**ISSUE OF 2,01,22,930 EQUITY SHARES OF RS. 10/- EACH AT A PREMIUM OF RS. 5/- PER SHARE (I.E. ISSUE PRICE OF RS. 15/- PER SHARE) AGGREGATING RS. 3018.43 LACS ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF ONE (1) EQUITY SHARE FOR EVERY ONE (1) EQUITY SHARE (I.E.1:1) HELD ON 29/10/2008 (RECORD DATE).**

**THE ISSUE PRICE IS 1.5 TIMES THE FACE VALUE**

**GENERAL RISKS**

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

**The attention of investors is drawn to the statement of Risk Factors beginning on page no. vi of this Letter of Offer.**

**ISSUER'S ABSOLUTE RESPONSIBILITY**

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

**LISTING**

The existing Equity shares of the company are listed on Bombay Stock Exchange Limited (BSE), (the Designated Stock Exchange). The Company has received in-principle approval from BSE vide their letter no. DCS/PREF/JA/IP-RT/723/08-09 dated June 24<sup>th</sup> 2008 for listing of the equity share being issued in terms of this Letter of Offer.

**LEAD MANAGER TO THE ISSUE**

**KEYNOTE**

**CORPORATE SERVICES LTD**

**KEYNOTE CORPORATE SERVICES LIMITED**

4<sup>th</sup> Floor, Balmer Lawrie Building,  
5, J. N. Heredia Marg, Ballard Estate, Mumbai - 400001

**Tel :** +91 022 2267 1321 / 2269 4324

**Fax:** + 91 022 22694323

**E-mail:** mbd@keynoteindia.net

**Website:** www.keynoteindia.net

**SEBI Regn. No.:** INM 000003606

**AMBI Regn No:** AMBI/040

**REGISTRAR TO THE ISSUE**



**BIGSHARE SERVICES PVT. LTD.**

E2/3, Ansa Industrial Estate,

Sakivihar Road, Sakinaka,

Andheri (E), Mumbai - 400 072

**Tel :** +91 - 022- 2847 0632/53

**Fax:** + 91 - 022- 2847 5207

**E-mail :** rightsissue@bigshareonline.com

**Website :** www.bigshareonline.com

**SEBI Regn No.:** INR000001385

**ISSUE PROGRAMME**

<b>ISSUE OPENS ON</b>	<b>LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS</b>	<b>ISSUE CLOSES ON</b>
Monday, December 8, 2008	Monday, December 15, 2008	Monday, December 22, 2008

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## DEFINITIONS/ABBREVIATIONS

### CONVENTIONAL / GENERAL TERMS

Term	Description
Act	The Companies Act, 1956 and subsequent amendments thereto
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
FY/ Financial year or Fiscal Year	The twelve months ended March 31 <sup>st</sup> of a particular year
Security Certificate	Equity Share Certificate
Security(ies)	Equity Share(s)
SE/ Stock Exchange(s)	BSE

### ISSUE RELATED TERMS

Term	Description
Articles	Articles of Association of Sumeet Industries Ltd.
Board	Board of Directors, of Sumeet Industries Ltd.
BSE/Designated Stock Exchange	Bombay Stock Exchange Limited
CAF	Composite Application Form
Directors	Directors on the Board of Sumeet Industries Ltd.
Equity Shareholders	Equity Shareholders of the Company whose name appear as: <ul style="list-style-type: none"> <li>✓ Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in electronic form and</li> <li>✓ On the Register of Members of the Company in respect of the Equity Shares held in Physical form</li> </ul>
Equity Shares	Equity Shares of the Company of Rs.10/- each
Lead Manager/ LM	Lead Manager to the Issue i.e. Keynote Corporate Services Ltd.
Issue/ Rights Issue	The issue of 2,01,22,930 Equity Shares of Rs.10/- each for cash at a premium of Rs.5/-per Equity Share (i.e, issue price of Rs.15/- per share) on rights basis to existing Equity Shareholders of the Company in the ratio of 1 (one) Equity Share for every 1 (one) Equity Shares held on 29/10/2008 (Record Date) aggregating Rs. 3018.43 lacs as per this Letter of Offer.
Issue Price	The price at which the equity shares will be issued by the Company under this Letter of Offer.
Issuer/ Company/ SIL	Sumeet Industries Ltd.
Letter of Offer/ LOO/ Offer Document	This Letter of Offer dated 15/11/2008 circulated to the Equity Shareholders and filed with the Stock Exchanges containing <i>inter alia</i> the Issue price and the number of equity shares to be issued and other incidental information.

### ABBREVIATIONS

Abbreviations	Full Form
AGM	Annual General Meeting
CDSL	Central Depository Services (India) Limited
CLB	Company Law Board
DCA	Department of Company Affairs
DP	Depository Participant
EOGM	Extraordinary General Meeting

Abbreviations	Full Form
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FI	Financial Institution
FII (s)	Foreign Institutional Investors registered with SEBI under applicable laws.
GIR Number	General Index Registry Number
GOI	Government of India
NA	Not Applicable
NAV	Net Asset Value
NPA	Non Performing Assets
NR	Non Resident
NRE Account	Non Resident External Account
NRI(s)	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
MOU	Memorandum of Understanding
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit Before Depreciation and Tax
PBIDT	Profit Before Interest Depreciation and Tax
PBT	Profit Before Tax
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
ROC	Registrar of Companies
ROI	Return on Investment
RBI	The Reserve Bank of India
SCRR	Securities Contracts (Regulations) Rules, 1957 as amended from time to time.
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 read with amendments issued subsequent to that date

#### **COMPANY/INDUSTRY RELATED TERMS**

Term	Description
AIY	All In Yield
CP Plant	Continuous Polymerization Plant
FIPB	Foreign Investment Promotion Board
KW	Kilo Watt
MEG	Mono Ethylene Glycol
MICR	Magnetic Ink Character Reader
NOF	Net Owned Funds
PET	Poly Ethylene Terephthalate

<b>Term</b>	<b>Description</b>
POY	Partially Oriented Yarn
PPMFY	Polypropylene Multifilament Yarn
RTGS	Real Time Gross Settlement
SCMD	Standard Cubic Meter per Day
SICA	Sick Industrial Companies Act
SRTEPC	Synthetic and Rayon Textile Export Promotion Council
TPA	Tons Per Annum
USD	U S Dollar

## **CERTAIN CONVENTIONS; USE OF MARKET DATA**

In this Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million" and the word "One hundred crore" means "Billion". In this Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Letter of Offer, all figures have been expressed in Lacs unless otherwise stated. All references to "India" contained in this Letter of Offer are to the Republic of India.

For additional definitions used in this Letter of Offer, see the section "Definitions and Abbreviations" on page i of this Letter of Offer. Industry data used throughout this Letter of Offer has been obtained from industry publications and other authenticated published data. 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 the Company believes that the industry data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.

## **CURRENCY OF PRESENTATION**

In this Letter of Offer, all references to "Rupees" and "Rs." are to the legal currency of India,

## FORWARD-LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions about the company 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 the expectations include, among others:

- ◆ General economic and business conditions in India;
- ◆ The ability to successfully implement the strategy, growth and expansion plans and technological changes;
- ◆ Changes in the value of Rupee and other currency changes;
- ◆ Changes in the Indian and international interest rates;
- ◆ Allocations of funds by the Government;
- ◆ Changes in laws and regulations that apply to the customers of the Company;
- ◆ Increasing competition in and the conditions of the customers of the Company and
- ◆ Changes in political conditions in India.

For further discussion of factors that could cause actual results to differ, please see the section titled “Risk Factors” beginning on page no. vi of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Lead Manager team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager 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.

## SECTION I - RISK FACTORS

An investment in equity shares involves a high degree of risk. The investors shall carefully consider all of the information in this Letter of Offer, in evaluating the Company and its business, including the risks and uncertainties described below, before making any investment decision. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and the investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified:

### INTERNAL RISK FACTORS AND RISKS RELATING TO COMPANY'S BUSINESS

#### **1. Outstanding Litigations/disputes/cases pending against the Company/ Promoter / Directors and Group companies :**

##### **I. Litigations against the Company**

The Company is involved in certain legal proceedings, incidental to its business and operations, which if determined against the Company, could have an adverse impact on the results of its operations and financial condition. The summary of the litigations is as follows:

(Rs. in lacs)

Sr. No	Particulars	No. of cases/disputes/ notices/ warnings/ communications	Approx. amount involved where quantifiable
1	Central Excise Tax	3	197.33
2	Labour Law	10	Not quantifiable
3	Industrial Law	1	Not quantifiable
4	Securities related	3	75.00

For more information please refer to "Legal and other Information" commencing on page no. 119 of this Letter of Offer.

##### **II. Litigations pending against Group Companies/ Promoters/ Directors:**

The following litigations are pending against the group companies:

(Rs. in lacs)

Sr. No	Name	Particulars	No. of cases/disputes/ notices/ warnings/ communications	Approx. amount involved
1	M/s. Somani Overseas Pvt. Ltd.	i) Central Excise Tax and Customs Act ii) Securities related	1 2	5.69 Not quantifiable
2	Betex India Limited	i) Central Excise Tax and Customs Act ii) Securities related	1 2	34.89 Not quantifiable
3	M/s. Sitaram Prints (P) Ltd.	Securities related	1	Not quantifiable
4	M/s. Ambaji Syntex (P) Ltd.	Securities related	1	Not quantifiable
5	M/s. Sumeet Menthol (P) Ltd. (formerly known as: Mahesh Texturisers (P) Ltd.)	Securities related	1	Not quantifiable
6	Mr. Sushil Kumar Somani and others	Securities related	4	Not quantifiable



For more information please refer to “Legal and other Information” commencing on page no. 119 of this Letter of Offer.

## 2. *Contingent liabilities*

As on 30<sup>th</sup> June 2008 the audited accounts, the company has contingent liabilities not provided for in respect of items detailed below:

(Rs. in lacs)	
Particulars	3 months ended 30/06/2008
Letter of Credit outstanding	2350.00
Estimated amount of contract remaining to be executed on capital account	4500.95
<b>Total</b>	<b>6850.95</b>

In the event such contingent liabilities materialize it may have an adverse effect on the company's financial condition and future financial performance.

## 3. *Securities related litigations:*

### i. *Dispute relating to the issued capital*

The issued, subscribed and paid up capital of the company includes 2,50,000 equity shares of Rs.10 each allotted to M/s. Vishvas Infrastructure Ltd. (Vishvas) on a preferential basis on 13<sup>th</sup> April 2007. These shares are yet to be listed on BSE. The company submitted an application for the listing of 9,17,000 equity shares issued on preferential basis to BSE. 6,67,000 equity shares of Rs.10/- each were allotted to Bennett Coleman & Co. Ltd. and 2,50,000 equity shares of Rs.10/- each to Vishvas. The company received a communication from BSE vide their letter no. DCS/PREF/ST/GEN/1531/07-08 dated 11<sup>th</sup> Sep. 2007 advising the company to take requisite steps to address the discrepancy in the issued and listed capital arising out of the non approval of issue of 2,50,000 equity shares to Vishvas. The company called an Extra Ordinary General Meeting on 20<sup>th</sup> Nov. 2007 for the purpose of passing of Special Resolution for Reduction of share capital and accordingly the members of the company passed the special resolution for cancellation of preferential allotment of 2,50,000 shares to Vishvas.

The company has filed a petition (company petition no. 30 of 2008) on 10<sup>th</sup> Jan. 2008 in the High Court of Gujarat at Ahmadabad under the provisions of section 78, 100 and 101 of the Companies Act, 1956 for cancellation of aforesaid 2,50,000 equity shares of Rs.10 each issued at a premium of Rs.20 per share and confirmation of reduction of share capital consequent to such cancellation.

Vishvas has filed an objection to the proposed Reduction of share capital vide their affidavit dated 12<sup>th</sup> March 2008. The company's petition is pending for hearing by the Hon'ble High Court of Gujarat in this regard till date. Pending disposal of said petition there is uncertainty about the issued equity share capital of the company.

- ii. Show cause notice/ warning letters received from SEBI regarding the warning to the company to strengthen their system to avoid possibilities of insider trading failing which action may be initiated in accordance with provisions of SEBI Act.

**4. Trading in equity shares of Betex India Limited one of the group company is suspended by BSE.**

The equity shares of Betex India Limited one of the group companies are listed on BSE. The shares of the company are included in "Z" category of BSE. The trading in the equity shares of the company have been suspended w.e.f 08/05/2000 on account of non-compliance with the following clauses.

Clause Number	Particulars of Non Compliance
15/16	Intimation of Book Closure /Record Date
31	Submission of Annual Report
35	Submission of Shareholding Pattern
40B	Filing of Declarations under SEBI (SAST) Regulations'97
41	Submission of Quarterly Result
47	Submission of Compliance Certificate

**5. The prospectus of the company in the year 1992 contained certain projections which could not be achieved.**

The Company had made a Public Issue during the year 1992. The projected profitability of the company was estimated as follows by Bank of Baroda for the first full 3 years based on the then prevailing situation. However, the projections relating to capacity utilization, sales in 1995 and profitability in 1996 and 1997 could not be achieved. The detail of the variations in the promises vs. performance is detailed hereinunder:

Particulars	(Rs. In lacs)					
	As on 31.3.1995		As on 31.3.1996		As on 31.3.1997	
	Promises as given in the prospectus	Actual performance	Promises as given in the prospectus	Actual performance	Promises as given in the prospectus	Actual performance
Capacity Utilization	65%	39%	80%	72%	90%	85%
Sales	1812.72	1795.57	2231.04	3721.31	2509.22	3067.71
Operating profits	239.40	583.73	413.56	653.09	539.42	641.54
Cash Accruals	403.90	408.47	511.07	398.88	577.68	434.45
Profit/ Loss after Tax	232.95	301.43	340.12	(62.30)	406.73	164.97
EPS (Rs.)	2.01	2.60	2.93	-	3.51	1.42

**6. The loan agreements entered into with the banks by the company contain certain restrictive covenants which may affect certain corporate decisions of the company.**

There are restrictive covenants in the agreement for borrowings from Banks which among other things require the Company to obtain prior permission from Bank for change in Management, declaring dividend and undertaking of new project which may limit Company's discretion in these matters.

**7. The raw materials of the company form major portion of the production and any disruption in the supply or increase in prices of the raw materials would affect the profitability of the company.**

The price of the PTA & MEG, the key raw materials for the Company's operations is susceptible to volatility and forms a major portion (around 70%) of the total cost of production. The company has not entered into any firm arrangements with any party for supply of key raw materials like the MEG and PTA. Any upward fluctuations in their prices or unavailability may affect the Company's financial performance and operations.

**Management proposal:** The Company normally ties up with the suppliers of key raw materials for the whole year which hedges the risk of any shortfall in the supply of the raw materials. Further, the company has been in the industry for two decades and has the ability to anticipate the price movements and hedge itself against any adverse price trends. Also, in order to reduce dependence on outside suppliers and also to insulate the company from any future volatility in prices, the current expansion programme includes setting up of a manufacturing facility for production of PET chips and POY.

8. *Delay in placing orders for Plant & Machinery for expanded manufacturing plant.*

The company is yet to place firm orders for plant and machinery aggregating to Rs. 50 crores being about 40% of the total appraised cost of plant and machinery required for the project. Any delay in placement of orders for the entire requirement of plant and machinery may lead to time and cost over runs in the project.

**Management proposal:** The main Plant & Machineries of the proposed project are being imported from China and the company has executed the contracts and placed firm orders. The company has been sanctioned 20 Million US dollar Loan from their bankers Bank of Baroda & Bank of India on club deal basis. The company has opened L/C on behalf of the supplier. For the balance plant and machinery the company is in the process of finalizing the suppliers and orders will be placed with them in due course of time.

9. *The company proposes to implement continuous polymerization plant and setting up of additional lines of POY spinning units. Any delay in installation may have an adverse effect on the profitability of the company.*

Any delay in implementation of the proposed project due to uncertainties will lead to time and cost overruns thereby impacting the profitability of the company.

**Management proposal:** The Company has so far implemented expansion projects in the past within the scheduled time frame. In view of the experience of the management of the company, the company does not envisage any delays in implementation of the project in the normal course. Besides, the penalty clause for late delivery of supplies and services in most agreements will ensure that there is no significant delay on the part of the suppliers and service providers.

10. *The company has not entered into any tie-ups/ arrangements to sell the products produced from the expanded capacities. The inability to market these products would affect the financial performance of the company.*

The company has embarked upon a project without any firm tie-ups for sale of products from such expanded capacity. Failure to market its additional production may affect the financial position of the Company.

**Management proposal:** The Company has embarked upon the project after a careful assessment of the demand for its products. The demand for its products has been encouraging in the past which has led the Company to go in for the expansion project. The demand- supply scenario is favorable for the company.

11. *Cheap substitutes and imports may affect the business*

The textile industry is highly fragmented with an unorganized sector forming a significant portion which leads to cheaper products entering the market. Also with the reduction in trade barriers there

is an increase in imports of cheaper products which pose a competition to the existing domestic organized players. This may directly impact the Company's operations.

**Management proposal:** Cheaper and substandard products are prevalent in every market segment. These products cater to a different segment of the market and do not impact our market area. With growing preference of the customers for branded/ better quality products, there is an assured market for the products of our Company. Also we are investing in technology which gives an edge over the cheaper substitutes by way of consistent better quality, flexibility and higher productivity.

**12. All of our facilities are geographically located in one area**

All of our manufacturing units (existing and proposed) are based in and around Surat. As a result, any localized social unrest, natural disaster or breakdown of services and utilities in Surat could have material adverse effect on the business, financial position and results of operations of our Company. Further, continuous addition of industries in and around Surat without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure in Surat, which may affect our business. Further, spiraling cost of living in Surat may push our manpower cost in the upward direction, which may reduce our margin and cost competitiveness.

**Management proposal:** - The company's manufacturing facility is situated around Surat City which is the key city of Synthetics/ Polyester Industry in India. More than 90% of the Polyester is consumed in Surat city itself. The city has good infrastructure and is well connected with different parts of the country.

**13. The company faces substantial competition in the textile business, both from Indian and international companies, which may adversely affect our revenues.**

The company faces significant competition from existing players and potential entrants in the Indian textile industry. The Indian textile industry is highly competitive in the POY segment. The company has various competitors in the POY segment mainly from large vertically integrated and diversified companies as well as new companies, particularly in China. Increased competition could result in price reductions, decreased sales, lower profit margins or losses in market share, any of which could have an adverse effect on the business, results of operations and financial condition. We cannot be certain that we will continue to compete successfully against either current or potential competitors in the future.

**Management proposal:** The main concentration of Synthetics Industry has been diverted to India and China and both are cost competitive in POY production in comparison to other countries in the world. We are going to setup POY manufacturing facility which will be produced directly from MEG and PTA which will be most cost competitive and price effective and the company will always be in a position in quoting most competitive price than its peer group.

**14. The company's manufacturing activities are dependent upon availability of skilled and unskilled labour**

Our manufacturing activities are relatively labour intensive and dependent on availability of skilled and unskilled labour in large numbers. Large labour intensive operations call for good monitoring and maintenance of cordial relations. Non-availability of labour and/or any disputes between the labour and the management may affect our business operations

**15. The company may face problems/ difficulties in retaining the existing personnel and attract new skilled personnel.**

The success of any company depends upon its management team and key personnel and the Company's ability to attract and retain such persons. The resignation or loss of key management personnel may have an adverse impact on its business, future financial performance and the price of its Equity Shares.

**16. *The project of the company for which present right issue is made is not appraised by any appraising agency.***

The expansion plans as per the objects of the present issue of the company are not appraised by any appraising agency and are based on the management estimates. Any deviations from the management estimates would delay the expansion plans of the company and affect the financial performance of the company.

**EXTERNAL RISK FACTORS**

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

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could prevent or block our ability to do business, increase our costs and negatively affect our stock price. These geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could prevent or block our ability to do business, increase our costs and negatively affect our stock price.

**2. *Factors affecting Indian economy in general***

The company's financial results are influenced by the macro economic factors determining the growth of the Indian economy in general and continued growth of the textile industry. Any slow down in the Indian economy the growth of textile industry coupled with inflationary pressures or any changes in government policy could adversely impact its future financial performance.

**3. *Material changes in the regulation***

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could have a significant effect on private sector entities, including us, and on market conditions. Any significant change in the government's policies or any regulations would have an impact on the company.

**4. *Competition particularly from the textile sector***

The company operates in a globally competitive business environment and faces significant competition from countries such as China, which also have cheap labour and significant production capacities. The company may also face competition from other established companies and future entrants into the industry. The growing competition may force the company to reduce prices of its products, which may reduce its revenues and margins and/or decrease its market share, either of which could adversely affect its business, financial condition and results of operations

**5. *The growth of the Company will depend on its continued ability to access funds at competitive rates.***

With the growth of its business the Company is increasingly reliant on funding from the debt, capital markets and commercial borrowings. The market for such funds are competitive, hence the ability of the company to obtain funds at competitive rates will depend on various factors including its ability to maintain its credit rating. Borrowing costs have been competitive in the past due to its ability to structure innovative debt products, credit rating and the quality of its asset portfolios. If the Company is unable to access funds at an effective cost that is comparable to or lower than its

competitors, the Company may not be able to offer competitive interest rates for its loans. This may adversely impact the company's business, its future financial performance and the price of its Equity shares.

**6. Operational risks associated with the industry**

The industry is exposed to many types of operational risk, including the risk of fraud or misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty system.

**7. If the company fails to comply with environmental laws and regulations or face environmental litigation, the company's results of operations may be adversely affected.**

Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. If, as a result of non-compliance with any environmental regulations, any of the units or the operations of such units are shut down, the company will continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at the existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, the overall operating expenses will increase and the profits will decrease, adversely affecting the business and results of operations

**NOTES TO RISK FACTORS**

1. The networth of the company as on 31<sup>st</sup> March 2008 is Rs. 3662.94 lacs and as on 30<sup>th</sup> June 2008 is Rs. 3792.72 lacs.
2. The average cost of acquisition of Equity shares of the promoters is Rs. 6.06 per equity share.
3. The Book value per share as on 30<sup>th</sup> June 2008 is Rs. 18.85 per equity share.
4. Rights Issue of 2,01,22,930 Equity shares of Rs.10/- each for cash at a price of Rs. 15/- per equity share, aggregating to Rs. 3018.43 lacs on rights basis to the existing equity shareholder of the company in the ratio of 1 equity share for every 1 equity share held as on the record date.
5. There is no interest of promoters/directors/foreign collaborators/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
6. For details on Related party disclosures refer page no.102 of this Letter of Offer
7. For details on loans and advances made by the Company refer page no. 100 of this Letter of Offer
8. Investors are free to contact the Lead Manager for any complaints/ information/ clarification pertaining to this Issue. For contact details of the Lead Manager, please refer to the cover page of this Offer Document.
9. All information shall be made available by the LM and the Company 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.
10. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 27 of this Offer Document before making an investment in this Issue.
11. The Lead Manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading of shares being issued in terms of this letter of offer commences.

## PART I

### SECTION II - INTRODUCTION

*The Industry information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials and has not been prepared or independently verified by the Issuer or the Lead Manager.*

#### INDUSTRY SUMMARY

##### **Man made textile industry:**

Indian textile industry can essentially be categorized into two segments:-

- Organized textile industry and
- Unorganized textile industry.

The organized sector has immense importance on capital intensive production processes. This sector is characterized by sophisticated mills where technologically advanced machineries are utilized for mass production of textile products.

Unorganized sector is the dominant part in this industry which mainly utilizes the traditional practices (woven or spun) in cloth production and hence is labour intensive in nature. This industry is characterized by the production of clothes either through weaving or spinning with the help of hands.

The decentralized nature is considered as another important feature of the unorganized textile industry in India.

##### **Sub-sectoral categorization of Indian textile industry**

- Textile industry based on fiber produced through man made means of natural cotton.
- Yarn industry utilizing fiber or filament of the man made type
- Textile industry involved in the production of wool, its derivatives and final woollen products
- Production, processing of jute and the textile industry based on it
- Textile industry involved in the mass production of natural silk along with derivative and final products from silk
- Handloom industry
- Handicrafts industry which is in unorganized nature

##### **Spun yarn industry can be divided into two sub-sectors:**

- Cotton yarn producing industry and
- Yarn industry utilizing fiber or filament of the man made type. This sector can further be divided into:
  - a) Industry type involved in the production of cellulose fibers or filaments
  - b) Industry type involved in the production of non-cellulose fibers or filaments.

##### **Investment in Indian textile industry**

The scenario of investment in the Indian textile industry started to change after the inception of the special “Textile Package” during the year 2003-04 budget. The recommendations made in the budget included the reforms that are required to be made in the fiscal policy of the Indian textile industry for attracting investment in this industry. A fund was setup in accordance with the recommendations of

the aforesaid budget with an initial principal amount of Rs. 3000 crores. This fund was meant for restructuring of the textile sector.

Growth along with the investment of an industry depends heavily on the economic health of the country. Indian economy grew rapidly during the fiscal year 2006-07 posting a growth rate of 9.4% p.a.

Textile industry is one of the major contributors to the total output of the fast growing Indian industrial sector which is at present revolving around 14%. Textile sector's contribution to GDP of India is also significant which currently amounts to 4%. It has been found that Indian textile industry is one of the major sources of foreign exchange earnings for India and contributes around 16-17% of the total export earnings.

*(Extracts from: [www.economywatch.com/business-and-economy/textile-industry.html](http://www.economywatch.com/business-and-economy/textile-industry.html))*

### **Menthol industry**

Mentha is an aromatic plant having pleasant odor which is also well known as Japanese Pudina. Mentha oil is derived from Mentha Avernis leaves by steam distillation. Mentha oil and its constituents are widely used in food, pharmaceutical and cosmetics industries. Menthol is used as a raw material in toothpaste, toothpowder, chewing tobacco and pain balm. Presently, India is the largest producer of menthe oil in world contributing about 85% of total production, and the re contributed by China followed by Brazil and US.

In India mentha is cultivated in semi-temperate regions in the foothills of Himalayas, mostly in Punjab, Himachal Pradesh, Uttar Pradesh and Bihar. The ideal climate for growing mint requires dry hot summers, long days of sunshine, temperature around 80 degree, 125-150 cm rainfall in growing period. Is generally sown in the month of December and harvested in March.

*(Extracts from: karvy special report- seasonal outlook)*

### **COMPANY SUMMARY**

The Company was incorporated on 1<sup>st</sup> August 1988 as a Private Limited Company with Registrar of Companies, Gujarat and converted to Public Limited Company in February, 1992. Mr. Shankar Lal Somani and his family promoted the Company and recognized the name and brand of the Company as quality product supplier among its competitors. The Company has mainly been engaged in the business of manufacturing of Polypropylene Multifilament Yarn (PPMFY), Polyester Filament Yarn (POY) and weaving fabrics. The Company has established its brand "Sumilon "with excellent Customer base nationally and internationally.

The Company made its maiden public Issue in the year 1992 of 56,00,000 Equity Shares of Rs. 10/- at par aggregating to Rs. 560 lacs. Equity Shares of the Company were listed on Bombay Stock Exchange and Vadodara Stock Exchange. The equity shares were delisted from VSE w.e.f. 9<sup>th</sup> January 2007. The Company in 1993-94 set up a plant to manufacture Polypropylene Multifilament Yarn (PPMFY) with installed capacity of 1,500 tons per annum with total project cost of Rs. 1995 Lacs.

The company has 60 water jet looms commissioned which have a capacity of 35 lacs mts. per annum. The company has also installed a menthol distilling plant which caters to the menthol needs of the renowned consumer goods manufacturers. The menthol plant of the company is ISO 9001:2000 certified.



## **Products of the company**

The following is the brief of the products of the company:

### **P.P. MULTI FILAMENT YARN (PPMFY):-**

The Company started its Polypropylene operation way back in 1993. This yarn can be tailored to many fabrications, methods and applications. The basic advantages of this yarn include excellent chemical resistance, lower tenacity, high melting point and moderate cost. The company has well equipped lab of international standards to maintain even quality of material. The company today is among the best quality manufacturer in India, for producing dope dyed polypropylene yarn in which accuracy and uniformity of colour is guaranteed. Our company's product is marketed under brand name "SUMILON" and has an approximate share of 20% in India.

### **POLYESTER FILAMENT YARN (POY) :-**

Company commenced its Polyester operations in 2004. The company imports the PET chips and buys locally from suppliers of international repute. The spin finish oil is imported from Tako Moto, Japan.

### **POLYESTER FABRICS:-**

The company started its weaving operations in 2005. We have installed 60 waterjet looms plain as well as dobby to manufacture woven fabric. The machines are of Tsudakoma, Japan. Tsudakoma is a pioneer in the world for waterjet looms.

### **MENTHOL:-**

The company has an installed capacity to produce 900 M. Tonnes of Peppermint Oil & 300 M. Tonnes Menthol Crystal (with/without terpenes) per annum. The company has installed a state of art lab with all major equipments needed as per international standards.

## **Business strengths**

- **Proximity to raw material sources and end product**

The main raw materials used in production processes comprise, amongst others, POY/ PET Chips. These are available in large quantities in Gujarat. The Company's unit is based in Village Karnaj, Taluka Mandvi, Gujarat, which is easily accessible by road. These raw materials are dispatched from the suppliers on a regular basis. The unit is also close to the Surat, the textile major city.

- **Innovation and product excellence**

The Company has R&D team comprising of 4 persons headed by Mr. Sanjeev Kumar who focus on producing new quality yarns of different denier and filaments.

- **Modern and efficient manufacturing facilities**

The company has set up its plant with the technical assistance of NEUMAG, Germany and continues to enjoy the technical support from its foreign suppliers who are the largest and most experienced companies in the field. The company also uses the latest equipment and technology, constantly monitoring the product and productivity.

- **Efficiency in production processes**

The Company uses the latest equipment and technology, constantly monitors the product and productivity and has adopted a policy of constant improvement. In addition, the Company uses Management Information Systems (MIS) tools for operating at optimal efficiency. The trained and experienced manpower has also helped in streamlining the production process and increasing the output by focusing on areas of logistics and materials outsourcing.

- **Experienced Management Team**

The Company has an experienced management team comprising of Promoter Directors and key managerial personnel. The main Promoter of our Company Mr. Shankarlal Somani, has an experience of 30 years in this industry. Our business is conducted under the supervision of our Promoters who take an active interest in our day-to-day operations with the help of experienced professionals in their respective areas of specialization. In addition to the Promoters, the Company also has a core management team which assists the top level management in identifying new opportunities and in the implementation of the business strategies of our Company.

### **Business strategy**

The Company's vision is to prove its existence in the national market as one of the major player in the man-made fibre industry specialized in PPMFY by offering various innovative products and designs to cater the need of the industry.

- a) Enhancing Customer Base*

The Company intends to grow business continuously by adding new customers both in existing as well as in the new countries. The Company aims to do this by effective leveraging of its marketing skills & relationships and enhancing customer satisfaction.

- b) Quality Products*

The Company intends to produce the best quality yarns and yarn products, which are readily acceptable. For that, it shall be deploying better technologies in production as well as in R&D Departments. R&D Department will find out better avenues to enhance the quality of its products while at the same time reducing the cost of production.

- c) Maintain Operational Efficiencies and Cost Competitiveness*

The Company intends to maintain operational efficiencies to levels comparable with its peers in the industry. Further, the Company intend to reduce its operational costs to maintain competitiveness and offer the quality products at reasonable prices.

- d) Expansion of the Existing Capacities*

The proposed project is a part of business strategy to expand overall production capacity by expanding its capacity to produce POY chips and to meet the increasing and newer demands from customers. The Company also aim to widen the existing products range, which will enable to meet the growing demands of the existing market segments.

### **Issue Details**

Issue of 2,01,22,930 Equity Shares of Rs. 10/- each at a premium of Rs. 5/- per share (i.e Issue Price of Rs. 15/-) aggregating Rs. 3018.43 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of One (1) Equity Share for every One (1) Equity Shares held on 29/10/2008 (Record Date). The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 1.5 times the face value.

## SUMMARY OF FINANCIAL DATA

Please read the following data in conjunction with the detailed Auditors' Report commencing on page no. 81 under the heading 'FINANCIAL INFORMATION'

### **SUMMARY STATEMENT OF ASSETS AND LIABILITIES (STANDALONE)**

The assets and liabilities of the company as at the end of each five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008 are set out below. This summary statement of assets and liabilities, read with significant accounting policies and notes annexed hereto have been arrived at after making such regrouping as are, in our opinion, appropriate.

( Rs. in Lacs )

	Particulars		01.04.08 to 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
<b>A.</b>	<b>Fixed Assets :</b>							
	Gross Block		8703.02	8665.06	8087.77	7650.92	6374.48	4235.51
	Less : Depreciation		4128.92	4040.82	3657.20	3299.85	2965.97	2734.43
	<b>Net Block</b>		<b>4574.10</b>	<b>4624.24</b>	<b>4430.57</b>	<b>4351.07</b>	<b>3408.51</b>	<b>1501.08</b>
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	<b>Net Block after adjustment for Revaluation Reserve</b>		4574.10	4624.24	4430.57	4351.07	3408.51	1501.08
	<b>Capital Work In Progress</b>		354.19	127.56	14.80	267.65	926.63	756.74
	<b>Total ( i )</b>		<b>4928.29</b>	<b>4751.80</b>	<b>4445.37</b>	<b>4618.72</b>	<b>4335.14</b>	<b>2257.82</b>
<b>B.</b>	<b>Current Assets, Loans and Advances :</b>							
	Inventories		2921.09	2748.81	2298.84	1405.34	969.09	754.93
	Sundry Debtors		800.13	880.70	577.55	514.29	444.41	346.63
	Cash & Bank Balances		520.30	161.23	25.61	46.10	101.93	58.89
	Loans and Advances		786.61	1061.12	838.71	467.72	564.70	346.22
	<b>Total ( ii )</b>		<b>5028.13</b>	<b>4851.86</b>	<b>3740.71</b>	<b>2433.45</b>	<b>2080.13</b>	<b>1506.67</b>
<b>C.</b>	<b>Investments</b>	<b>( iii )</b>	103.78	155.81	126.1	103.49	105.31	180.23
<b>D.</b>	<b>Liabilities &amp; Provisions :</b>							
	Secured Loans		4201.68	4280.29	3944.12	3525.93	3146.70	1154.15
	Unsecured Loans		255.12	527.03	505.31	405.93	357.29	311.52
	Current Liabilities & Provision.		1346.42	824.95	620.60	289.22	202.39	295.18
	Deferred Tax Liability		464.26	464.26	388.28	257.56	221.97	180.58
	<b>Total ( iv )</b>		<b>6267.48</b>	<b>6096.53</b>	<b>5458.31</b>	<b>4478.64</b>	<b>3928.35</b>	<b>1941.43</b>
<b>E.</b>	<b>Net Worth ( i + ii + iii - iv )</b>	<b>( v )</b>	<b>3792.72</b>	<b>3662.94</b>	<b>2853.87</b>	<b>2677.02</b>	<b>2592.23</b>	<b>2003.29</b>
<b>F.</b>	<b>Represented by</b>							
	1. Equity Share Capital		2012.29	2012.29	1739.93	1739.93	1160.00	1160.00
	2. Preference Share Capital		500.00	500.00	500.00	500.00	500.00	0.00
	3. Share Application Money		297.00	257.00	75.00	0.00	0.00	0.00
	4. Reserve & Surplus		1005.05	911.71	538.94	437.09	932.23	843.29
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	Reserve ( Net of Reval. Res.)		1005.05	911.71	538.94	437.09	932.23	843.29
	Less : Pre.Exp.not written off		21.62	18.06	0.00	0.00	0.00	0.00
	<b>Net Worth</b>	<b>( v )</b>	<b>3792.72</b>	<b>3662.94</b>	<b>2853.87</b>	<b>2677.02</b>	<b>2592.23</b>	<b>2003.29</b>

## RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS (STANDALONE)

The Profit & Loss of the company as at the end of each five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004, and three months ended on 30.06.2008 are set out below. The summary statement of Profit & Loss Account, as restated read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working & management including depreciation and after making such adjustments and regrouping as are, in our opinion , appropriate.

( Rs. In Lacs )

Particulars		01.04.08 to 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Income</b>							
Sales							
a. Of products manufactured by the company		3325.04	12850.83	11249.13	7781.69	3246.89	3343.18
b. Of products traded in by the company		0.00	0.00	0.00	437.02	243.06	81.07
<b>Total</b>		<b>3325.04</b>	<b>12850.83</b>	<b>11249.13</b>	<b>8218.71</b>	<b>3489.95</b>	<b>3424.25</b>
Other Income		7.34	(15.09)	137.00	62.89	22.40	70.31
Export Incentive		13.49	82.07	0.00	0.00	50.48	66.87
Increase ( Decrease ) in Inventories		(14.85)	33.41	653.96	356.35	10.91	(74.79)
<b>Total</b>	<b>A</b>	<b>3331.02</b>	<b>12951.22</b>	<b>12040.09</b>	<b>8637.95</b>	<b>3573.74</b>	<b>3486.64</b>
<b>Expenditure</b>							
Purchase of Finished Goods		0.00	0.00	25.75	289.60	321.75	386.13
Raw Material Consumed		2550.88	9843.14	9165.38	6341.78	1990.92	1836.02
Staff Costs		22.66	101.56	74.41	55.85	68.38	68.82
Other Manufacturing Expenses		245.26	981.53	860.55	907.07	525.79	620.22
Administrative Expenses		152.39	626.13	587.75	325.76	193.04	117.08
Selling & Distribution Expenses		27.99	79.28	97.58	20.16	29.56	32.04
Interest		110.09	408.99	360.63	218.12	65.60	70.59
Depreciation		88.10	387.06	360.82	346.67	236.05	241.23
<b>Total</b>	<b>B</b>	<b>3197.37</b>	<b>12427.69</b>	<b>11532.87</b>	<b>8505.01</b>	<b>3431.09</b>	<b>3372.13</b>
<b>Net Profit before tax and Extra Ordinary Items ( A-B)</b>	<b>C</b>	<b>133.65</b>	<b>523.53</b>	<b>507.22</b>	<b>132.94</b>	<b>142.65</b>	<b>114.51</b>
Taxation	<b>D</b>	40.31	156.41	156.98	47.71	52.59	32.09
<b>Net Profit after Tax but before Extra Ordinary items ( C - D )</b>	<b>E</b>	<b>93.34</b>	<b>367.12</b>	<b>350.24</b>	<b>85.23</b>	<b>90.06</b>	<b>82.42</b>
Extra Ordinary Items	<b>F</b>	0.00	0.00	13.77	0.00	0.00	0.00
Prior Period Expenses	<b>G</b>	0.00	0.00	0.00	0.06	0.00	0.86
<b>Net Profit after Extraordinary items &amp; Prior period Expenses ( E - F - G )</b>	<b>I</b>	<b>93.34</b>	<b>367.12</b>	<b>336.47</b>	<b>85.17</b>	<b>90.06</b>	<b>81.56</b>
Less : Taxation of earlier year		0.00	1.94	1.12	0.37	1.12	(0.03)
<b>Adjusted Profit</b>		<b>93.34</b>	<b>365.18</b>	<b>335.35</b>	<b>84.80</b>	<b>88.94</b>	<b>81.59</b>
<b>Add : Balance Brought Forward</b>		<b>641.23</b>	<b>451.86</b>	<b>350.01</b>	<b>265.22</b>	<b>776.28</b>	<b>694.69</b>
<b>Total</b>		<b>734.57</b>	<b>817.04</b>	<b>685.36</b>	<b>350.02</b>	<b>865.22</b>	<b>776.28</b>
<b>Appropriation</b>							
Dividend & Distribution Tax on Equity Shares		0.00	0.00	198.40	0.00	0.00	0.00
6% Dividend & Dist. Tax on Pref. Share		0.00	0.00	35.10	0.00	0.00	0.00
Excess Prov. of Taxation of earlier Year written back		0.00	4.85	0.00	0.00	0.00	0.00
Transfer for capitalisation for issue of Bonus Shares		0.00	180.66	0.00	0.00	0.00	0.00
Transfer to General Reserve		0.00	0.00	0.00	0.00	600.00	0.00
<b>Bal. Carried Forward to Balance Sheet</b>		<b>734.57</b>	<b>641.23</b>	<b>451.86</b>	<b>350.02</b>	<b>265.22</b>	<b>776.28</b>

**Notes:**

- **Increase in loans and advances:**

During the year 2005-06 to 2006-07 the company enhanced capacity utilization of POY and PPMFY by about 20% and also commenced new capacities in the form of polyester fabric and menthol crystals. As a result there has been an increase in advances, TDS and advance tax as well as sundry deposits. The increase is commensurate to the level of operation of the company.

- **Change in accounting policies:**

There has been a change in the accounting policies w.e.f. 1<sup>st</sup> April 2002 as a management decision. The difference of Rs.17.56 lacs is on the account of the total amount of depreciation charged on addition to plant and machinery and vehicles due to change in depreciation method from written down value to straight line method. As a result the profit was overstated during the financial year 2002-03. The note to that effect has been mentioned by the Auditor while restating the figures.

- **Excise duty liability:**

The excise duty is provided on goods manufactured but not cleared as on 31<sup>st</sup> March of that year. As per the guidelines of accounting standard set out by ICAI on provision of excise duty on goods manufactured but not cleared, the value of closing stock of finished goods increase by the amount of excise duty charged and the expenses on account of excise duty are also increased by the said amount. As a result the impact on Profit & Loss a/c for that year remained nil. It is clarified that the provisions in respect of excise duty has been made and is also in compliance of guidance note on excise duty published by ICAI.

- **Income from sale of products/ products traded by the company:**

The company was trading in grey fabrics till the year 2005-06. In the year 2005, the company installed 60 water jet looms to manufacture grey woven fabrics with an installed capacity of 35 lac meters per annum. As the water jet looms were operational during the year 2006-07, the company discontinued to purchase grey fabrics. Hence the income from the products traded by the company is "nil" for the period after 2006-07.

## THE ISSUE

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Rights Issue	Equity Shares	2,01,22,930	10/-	15/-	Cash

### ISSUE BREAK-UP

Particulars	No. of Equity Shares
<b>Equity Shares offered (Issue Size)</b>	2,01,22,930 Equity Shares of Rs.10/- each
<b>Entitlement Ratio</b>	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of One (1) Equity Share for every One (1) Equity Shares held as on the Record Date.
<b>Market Lot</b>	The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").
<b>Equity shares outstanding prior to the Issue</b>	2,01,22,930 Equity Shares
<b>Equity shares outstanding after the Issue</b>	4,02,45,860 Equity Shares

#### Use of proceeds:

Please see section titled "Objects of the Issue" on page 21 of this Offer Document

### BOOK CLOSURE & OTHER DETAILS

PARTICULARS	DATE(S)
Book Closure	29/10/2008
Purpose	Rights entitlement (1: 1)
No Delivery Period on BSE	22/10/2008 to 28/10/2008
Ex-right	22/10/2008

### ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Monday, December 8, 2008	Monday, December 15, 2008	Monday, December 22, 2008

## GENERAL INFORMATION

**Dear shareholder(s),**

The Board of Directors at their meeting held on 21<sup>st</sup> January, 2008 had decided to make the offer to the existing shareholders of the Company on Rights basis. Accordingly a special resolution in respect of this rights issue was passed by the shareholders of the Company at the Extra Ordinary General Meeting of the Company held on 3<sup>rd</sup> March, 2008 and authorized the Board of Directors to decide on terms of the issue and also to take steps to give effect to the said resolution. The Board of Directors at their meeting held on 15<sup>th</sup> May, 2008 has decided to make the offer to the existing shareholders of the company. The Board of Directors in their meeting held on 8<sup>th</sup> October, 2008 have finalized the rights issue offer as follows:

Issue of 2,01,22,930 Equity Shares of Rs. 10/- each at a premium of Rs. 5/- per share (i.e Issue Price of Rs. 15/- per share) aggregating Rs. 3018.43 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of One (1) Equity Share for every One (1) Equity Shares held on 29/10/2008 (Record Date). The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 1.5 times the face value.

<b>Name of the Company</b>	:	Sumeet Industries Limited
<b>Registered Office</b>	:	504, Trividh Chambers, 5 <sup>th</sup> Floor, Opp. Fire Bridge Station, Ring Road, Surat-395 002 <b>Tel :</b> (91-261) 2328902; <b>Fax :</b> (91-261) 2334189 <b>Website :</b> www.sumeetindustries.com <b>Email:</b> sumeetindus@yahoo.com
<b>Branch Office</b>	:	<b>Address:</b> 901, Vishwadeep Building, District Centre, Janakpuri, New Delhi- 110 058 <b>Tel :</b> (011) 25554808; <b>Fax :</b> (011) 25554773
<b>Factory Address</b>	:	Block No. 292, Village - Karanj, Taluka - Mandvi, Surat
<b>Registration No.</b>	:	04-11049 of 1988-89
<b>ISIN</b>	:	INE235C01010
<b>Contact person:</b>	:	Mr. Anil Jain, Compliance Officer & Company Secretary
<b>Registrar of Companies</b>	:	ROC Bhavan Opp. Rupal Park Society, Behind Ankur Bus Stand, Naranpur, Ahmadabad - 380013

## IMPORTANT

1. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on 29/10/2008 (Record Date)
2. Your attention is drawn to the section on risk factors starting from page no. vi of this Letter of Offer.
3. Please ensure that you have received the CAF with this Letter of Offer.
4. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.

5. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/DP and Client ID number and the CAF numbers as mentioned in the CAFs.
6. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
7. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

#### **CHANGE IN REGISTERED OFFICE:**

The registered office of the company was changed from H-2045, Surat Textile Market, Ring Road, Surat 395 002 to 504, Trividh Chambers, Opp. Fire Station, ring Road, Surat- 395 002 with effect from 20<sup>th</sup> July, 1992.

#### **BOARD OF DIRECTORS**

The Board of Directors of the Company comprises of:

<b>Name of the Director</b>	<b>Designation</b>	<b>Status</b>
Mr. Shankarlal Somani	Chairman	Non-Independent, Executive
Mr. Raj Kumar Somani	Managing Director	Non-Independent, Executive
Mr. Sumeet Kumar Somani	Director	Non-Independent, Executive
Mr. Dinesh Sharan Khare	Director	Independent, Executive
Mr. B. C. Chordia	Director	Independent, Non- Executive
Mr. Vinod Kumar Ladia	Director	Independent, Non- Executive
Mr. Mangilal Lahoti	Director	Independent, Non- Executive
Mr. Devi Prasad Saboo	Director	Independent, Non- Executive

For further details of the Board of Directors of the company, please refer to the chapter titled "Management" on page. 59 of this Letter of Offer.

#### **ISSUE MANAGEMENT TEAM**

##### **Compliance Officer & Company Secretary**

**Mr. Anil Jain**  
 504, Trividh Chambers, 5<sup>th</sup> Floor,  
 Opp. Fire Brigade Station,  
 Ring Road, Surat-395 002  
**Tel no:** 0261- 2328902  
**Fax no:** 0261 – 2334189, 2310196  
**Website:** www.sumeetindustries.com  
**Email:** sumeetindus@yahoo.com

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

**Navin K. Pahwa**  
 71, New York Tower "A" 7<sup>th</sup> Floor,  
 Opp. Muktidham Derasar,  
 Below Holel Signor,  
 Thaltej Char Rasta,  
 Ahmedabad – 380 054  
**Tel :** (079) 26855101, 26855103  
**Fax :** (079) 26855105



Lead Manager to the Issue

**KEYNOTE**

CORPORATE SERVICES LTD

**KEYNOTE CORPORATE SERVICES LIMITED**

4th Floor, Balmer Lawrie Building,  
5, J. N. Heredia Marg, Ballard Estate,  
Mumbai – 400 001

**SEBI Regn No:** INM 000003606

**Tel :** +91 022 2267 1321 / 2269 4324

**Fax:** + 91 022 22694323

**Website:** www.keynoteindia.net

**E-mail:** mbd@keynoteindia.net

**Contact Person:** Ms. Swati Sinha

Registrar to the Issue



**BIG SHARE SERVICES PVT. LTD.**

E2/3, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka,  
Andheri (E), Mumbai-400 072

**Tel:** 022-284 0632/53

**Fax:** 022- 28525207

**Website:** www.bigshareonline.com

**Email:** ashok@bigshareonline.com

**SEBI Regn. No.:** INR000001385

**Contact Person:** Mr. Ashok Shetty

Bankers to the Company

**Bank of Baroda**

Udhna Industrial Estate Branch,  
Udhna, Surat

**Tel:** 0261-2278499, 2277467;

**Fax:** 0261-2678713

**Email:** udhnu@bankofbaroda.com

**Contact Person:** Mr. P.K. Bakshi

Auditors to the Company

**PRADEEP SINGHI & ASSOCIATES**

A-501, President Plaza, Near R.T.O. Office,  
Ring Road, Surat.

**Tel :** (0261) 2474714, 2474954

**Fax :** (0261) 2471428

**Email:** pradeepsinghica@yahoo.co.in

**Contact person:** Mr. Pradeep K. Singhi

Bankers to the Issue

**Bank of Baroda**

Udhna Industrial Estate Branch,  
Udhna, Surat

**Tel:** 0261-2278499, 2277467;

**Fax:** 0261-2678713

**Email:** udhnu@bankofbaroda.com

**Contact Person:** Mr. P.K. Bakshi

**INTER SE ALLOCATION OF RESPONSIBILITIES**

Not Applicable

**CREDIT RATING/DEBENTURE TRUSTEE**

This being Rights Issue of equity shares, no Credit Rating or appointment of Debenture Trustee is required.

**MONITORING AGENCY**

Not Applicable

## **APPRAISING ENTITY**

Not Applicable

## **MINIMUM SUBSCRIPTION**

- i. If the Company does not receive minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within Fifteen days from the date of closure of the issue.
- ii. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e., Fifteen days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

## **IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

## **UNDERWRITING/ STANDBY SUPPORT**

This issue of equity shares is not being underwritten and/or no standby support is being sought for the said issue.

## CAPITAL STRUCTURE OF THE COMPANY

Details as on the date of Letter of Offer	Aggregate Nominal Value (Rs. in Lacs)
<b>A. Authorized Capital</b>	
4,50,00,000 Equity Shares of Rs. 10/- each	4,500.00
50,00,000 6% Non Convertible Preference shares of Rs. 10/- each	500.00
<b>B. Issued, Subscribed &amp; Paid-up Capital* (ref. Note 1 below)</b>	
2,01,22,930 Equity Shares of Rs. 10/- each, fully paid – up	2,012.29
50,00,000 6% Non Convertible Preference shares of Rs. 10/- each	500.00
<b>C. Present Rights Issue of equity shares * (ref. Note 1 below)</b>	
2,01,22,930 Equity shares of Rs. 10/- each for cash at price of Rs. 15/- per share [ in the ratio of one equity share for every one equity share held (1:1)]	2,012.29
<b>D. Post Issue Capital * (ref. Note 1 below)</b>	
4,02,45,860 Equity shares of Rs. 10/- each	4,024.59
50,00,000 6% Non Convertible Preference shares of Rs. 10/- each	500.00
<b>E. Share Premium Account</b>	
Before the offer	183.40
After the offer	1006.14

**\* Note 1:**

*The issued, subscribed and paid up capital of the company includes 2,50,000 equity shares of Rs.10 each allotted to M/s. Vishvas Infrastructure Ltd. (Vishvas) on a preferential basis on 13<sup>th</sup> April 2007. These shares are yet to be listed on BSE.*

*The company submitted an application for listing of 9,17,000 (6,67,000 equity shares were allotted to M/s.Bennett Coleman & Co. Ltd.) equity shares issued on preferential basis to BSE. The company received a communication from BSE vide their letter no. DCS/PREF/ST/GEN/1531/07-08 dated 11<sup>th</sup> Sep. 2007 advising the company to take requisite steps to address the discrepancy in the issued and listed capital arising out of the non approval of issue of 2,50,000 equity shares to Vishvas.*

*The company has convened an Extra Ordinary General Meeting on 20<sup>th</sup> Nov. 2007 for the purpose of passing of Special Resolution for Reduction of share capital and accordingly the members of the company passed the special resolution for cancellation of preferential allotment of 2,50,000 shares to Vishvas.*

*The company has filed a petition (company petition no. 30 of 2008) on 10<sup>th</sup> Jan. 2008 in the Hon'ble High Court of Gujarat at Ahmadabad under the provisions of section 78, 100 and 101 of the Companies Act, 1956 for cancellation of aforesaid 2,50,000 equity shares of Rs.10 each issued at a premium of Rs.20 per share and confirmation of reduction of share capital consequent to such cancellation.*

*The company's petition is pending for hearing by the Hon'ble High Court of Gujarat at Ahmadabad in this regard till date. In view of the above the aforesaid equity shares are yet to be listed.*

*The company had allotted bonus shares in the ratio of 1 share for every 10 shares (1:10) on 21<sup>st</sup> Jan. 2008 in continuation of the shareholder's consent for the bonus shares vide resolution dated 31<sup>th</sup> Mar. 2007 to the shareholders of the company as on the record date of 27<sup>th</sup> Apr. 2007 except to Vishvas and the bonus shares pertaining to Vishvas are kept in abeyance.*

*In case, the Hon'ble High Court of Ahmedabad at Gujarat approves the Reduction of capital; the capital of the company will stand reduced by 2,50,000 shares and consequently the bonus shares kept in abeyance will also be not issued to Vishvas. The action by the company in this regard depends on the order of the Hon'ble High Court.*

*In case of non-cancellation of 2,50,000 equity shares to Vishvas the company shall issue bonus shares to them and Vishvas will also be entitled to the present rights shares to the extent of their holding as on the Record date of the Rights issue.*

*In case of non-receipt of any order/ direction from the Hon'ble High Court in this regard, the rights entitlement of Vishvas will also be kept in abeyance and the company will proceed with the rights issue.*

#### **Other notes to Capital Structure:**

##### **1. Changes in the Authorized Capital of the Company:**

<b>Date of Resolution</b>	<b>Increased / changed From</b>	<b>Increased/ changed To</b>
Subscription to Memorandum	-	Rs. 1.00 lacs consisting 10,000 equity shares of Rs. 10 each
20/08/1990	Rs. 1.00 lacs consisting 10,000 equity shares of Rs. 10 each	Rs. 50.00 lacs consisting 5,00,000 equity shares of Rs. 10 each
01/02/1992	Rs. 50.00 lacs consisting 5,00,000 equity shares of Rs. 10 each	Rs. 1,500.00 lacs consisting 1,50,00,000 equity shares of Rs. 10 each
27/12/1993	Rs. 1,500.00 lacs consisting 1,50,00,000 equity shares of Rs. 10 each	Rs. 2,000.00 lacs consisting 2,00,00,000 equity shares of Rs. 10 each
14/07/1995	Rs. 2,000.00 lacs consisting 2,00,00,000 equity shares of Rs. 10 each	Rs. 2,500.00 lacs consisting 2,50,00,000 equity shares of Rs. 10 each
23/02/2005	Rs. 2,500.00 lacs consisting 2,50,00,000 equity shares of Rs. 10 each	Converted into Rs. 2,000.00 lacs consisting of 2,00,00,000 equity shares of Rs. 10 per share and Rs. 500.00 lacs consisting of 50,00,000 6% convertible preference shares of Rs. 10 each
31/03/2007	Rs. 2500.00 lacs consisting of Rs. 2,000.00 lacs consisting of 2,00,00,000 equity shares of Rs. 10 each and Rs. 500.00 lacs consisting of 50,00,000 6% convertible preference shares of Rs. 10 each	Rs. 5,000.00 lacs consisting of 4,50,00,000 equity shares of Rs. 10 each and Rs. 500.00 lacs consisting of 50,00,000 6% non-convertible preference shares of Rs. 10 each

## 2. Details of paid-up Equity Share capital:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative No. of shares	Nature of allotment	Consideration	% to Post Issue Capital (%)
25/07/1988	10	10	20	20	Subscription to Memorandum	Cash	0.00
12/12/1991	10	10	1,99,980	2,00,000	Further Allotment	Cash	0.50
13/05/1992	10	10	7,95,000	9,95,000	Further Allotment	Cash	1.98
07/07/1992	10	10	10,55,000	20,50,000	Further Allotment	Cash	2.62
20/07/1992	10	10	9,50,000	30,00,000	Further Allotment	Cash	2.36
08/08/1992	10	10	10,03,600	40,03,600	Further Allotment	Cash	2.49
12/08/1992	10	10	15,96,400	56,00,000	Further Allotment	Cash	3.97
24/10/1992	10	10	4,00,000	60,00,000	Further Allotment	Cash	0.99
12/01/1993	10	10	56,00,000	1,16,00,000	Public Issue made on 16/11/1992	Cash	13.91
01/04/2005	10	-	57,99,300*	1,73,99,300	Bonus issued in the ratio of 1:2	--	14.41
13/04/2007	10	20	**9,17,000	1,83,16,300	Preferential Allotment	Cash	2.28
21/01/2008	10	10	18,06,630	2,01,22,930	Bonus issued in the ratio of 1:10 (except to Vishvas)	--	4.49
<b>TOTAL</b>			<b>2,01,22,930</b>				<b>50.00</b>

### Notes:

\* 700 equity shares to be issued as Bonus to various shareholders are kept in abeyance on account of enquiries from various investigating authorities.

\*\* Ref. "Note. 1" on page no. 13

## 3. Promoters' Contribution and Lock-in

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable.

## 4. Present Rights Issue:

Type of Instrument	Ratio	Face Value (Rs.)	No. of shares	Issue Price (Rs.)	Consideration
Equity Shares	1:1 (One equity share for every one equity share held.)	10/-	2,01,22,930	15/-	Cash

5. Pre & Post issue shareholding pattern of the Company assuming full subscription in the rights issue is given below (the pre and post issue shareholding may undergo a change. Please refer to Note 1 appearing on page 13):-

	Category of Shareholder	Pre-issue		Post-issue	
		Number of Shares	%	Number of Shares	%
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
<b>1</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	5452880	27.10	10905760	27.10
(b)	Central Government/ State Government(s)/Government company	--	--	--	--
(c)	Bodies Corporate	338745	1.68	677490	1.68
(d)	Financial Institutions/ banks/ others	--	--	--	--
	<b>Sub- Total (A)(1)</b>	<b>5791625</b>	<b>28.78</b>	<b>11583250</b>	<b>28.78</b>
<b>2</b>	<b>Foreign</b>				
(a)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	--	--	--	--
(b)	Bodies Corporate/ institutions	--	--	--	--
(d)	Any other (specify)	--	--	--	--
	<b>Sub-Total (A)(2)</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>5791625</b>	<b>28.78</b>	<b>11583250</b>	<b>28.78</b>
<b>(B)</b>	<b>Public shareholding</b>				
<b>1</b>	<b>Institutions</b>				
(a)	Mutual Funds/ UTI	--	--	--	--
(b)	Financial Institutions/ Banks	495	0.00	990	0.00
(c)	Central Government/ State Government(s)	--	--	--	--
(d)	Venture Capital Funds/ insurance companies	--	--	--	--
(e)	Foreign Institutional Investors/	--	--	--	--
(f)	Foreign Venture Capital Investors	--	--	--	--
(g)	Any Other (specify)	--	--	--	--
	<b>Sub-Total (B)(1)</b>	<b>495</b>	<b>0.00</b>	<b>990</b>	<b>0.00</b>
<b>2</b>	<b>Non-institutions</b>				
(a)	Bodies Corporate	2493135	12.39	4986270	12.39
(b)	Individuals-				
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	8800042	43.73	17600084	43.73
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	2780118	13.82	5560236	13.82
(c)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	92675	0.46	185350	0.46
(d)	Clearing Members	164840	0.82	329680	0.82
	<b>Sub-Total (B)(2)</b>	<b>14330810</b>	<b>71.22</b>	<b>28661620</b>	<b>71.22</b>
	<b>Total public shareholding (B)= (B)(1)+(B)(2)</b>	<b>14331305</b>	<b>71.22</b>	<b>28662610</b>	<b>71.22</b>
	<b>TOTAL (A)+(B)</b>	<b>20122930</b>	<b>100.00</b>	<b>40245860</b>	<b>100.00</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	--	--	--	--
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>20122930</b>	<b>100.00</b>	<b>40245860</b>	<b>100.00</b>

6. The shareholding pattern of the promoter group is as detailed below as on date

Particulars	Present		Post Rights	
	No. of equity shares of Rs. 10/- each	% of present capital	No. of equity shares of Rs. 10/- each	% of post issue capital
(a) <b>Promoters</b>				
Mr. Shankarlal Sitaram Somani	919698	4.57	1839396	4.57
Mr. Rajkumar Sitaram Somani	353575	1.76	707150	1.76
Mr. Sumeet Shankarlal Somani	821398	4.08	1642796	4.08
<b>SUB - TOTAL</b>	<b>2094671</b>	<b>10.41</b>	<b>4189342</b>	<b>10.41</b>
(b) <b>Immediate relatives of promoters (Spouse, Parent, Child, Brother, Sister):</b>				
Ms. Shardadevi Somani	825000	4.10	1650000	4.10
Ms. Gangadevi Shankarlal Somani	750000	3.73	1500000	3.73
Ms. Suman Devi Somani	550000	2.73	1100000	2.73
Ms. Urmila Devi Somani	550000	2.73	1100000	2.73
Mr. Sushil Shankarlal Somani	666544	3.31	1333088	3.31
M/s. Betex India Ltd	264000	1.31	528000	1.31
M/s. Somani Overseas Ltd	74745	0.37	149490	0.37
Mr. Mangi Lal Lahoti	16500	0.08	33000	0.08
Mr. Vinod Kumar Ladia	165	0.00	330	0.00
<b>SUB - TOTAL</b>	<b>3696954</b>	<b>18.37</b>	<b>7393908</b>	<b>18.37</b>
c) <b>Company in which 10% or more of the share capital is held by the promoter/his immediate relative, firm or HUF in which the promoter or his immediate relative is a member.</b>	--	--	--	--
d) <b>Company in which the Company mentioned in © above holds 10% or more of the share capital</b>	--	--	--	--
e) <b>HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total.</b>	N.A.	N.A.	N.A.	N.A.
<b>GRAND TOTAL</b>	<b>5791625</b>	<b>28.78</b>	<b>11583250</b>	<b>28.78</b>

The promoters/ promoter group collectively intend to subscribe to their rights entitlement as well as the entire undersubscribed portion from public shareholders, if any, in this rights issue in full. The promoters/ promoter group have already brought in an amount of Rs. 1849.20 lacs till date towards share application money which will be adjusted towards their entitlement and subscription to un-subscribed portion if any by the public shareholders. The details of share application money received by the company as on date are as follows:

Sr. No.	Name	Amount (Rs. In lacs)
1	Ms. Gangadevi Somani	61.05
2	Ms. Sharda Devi Somani	59.30
3	Mr. Manish Somani	40.00
4	Ms. Urmila Devi Somani	24.70
5	Ms. Manisha Somani	59.00
6	Ms. Neelam Somani	69.80
7	Ms. Rashmi Somani	30.00
8	Mr. Shankarlal Somani	46.05
9	Mr. Sushil kumar Somani	59.00
10	M/s. Sitaram Prints (P) Ltd.	280.80

Sr. No.	Name	Amount (Rs. In lacs)
11	M/s. Somani Overseas (P) Ltd.	811.10
12	M/s. Sumeet Menthol (P) Ltd.	302.40
13	M/s. Ambaji Syntex (P) Ltd.	6.00
	<b>TOTAL</b>	<b>1849.20</b>

Presuming no subscription is received from other shareholders and the promoters/promoter group subscribing to the entire unsubscribed portion, their shareholding shall increase to 63.58% of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/promoter group may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding. This subscription and acquisition of additional equity shares by the Promoter/promoter group, if any, will not result in change of control of the management of the Company and shall be exempt from applicability of Takeover Regulations in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The issuer company is complying with clause 40A of the Listing Agreement and the minimum public shareholding required to be maintained for continuous listing is 25% of the total paid up capital.

7. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company.
8. Equity shares of the Company are being traded in compulsory dematerialized mode. The market lot of the equity shares is 1 (one).
9. There are no transactions in the securities of the Company during preceding 6 months which were financed/undertaken directly or indirectly by the promoters, by directors, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons except as follows:

Name of the Person	Date	No. of shares		Rate per shares (Rs.)	
		Purchase	Sale	Avg. Pur. price	Avg. Sale price
<b>Mr. Shankarlal Somani</b>					
	05.05.08	3,083	2,505	13.02	13.13
	06.05.08	10,000	-	13.00	-
	13.05.08	2,000	2,000	12.86	12.56
	20.05.08	-	3,250	-	14.40
	21.05.08	3,000	3,000	14.15	14.35
	10.06.08	3,000	-	10.84	-
	19.06.08	72	8,200	10.55	10.42
	23.06.08	5,000	-	9.50	-
	24.06.08	1,000	-	9.60	-
	25.06.08	1,800	-	9.39	-
	06.08.08	5,000	-	10.48	-
	14.10.08	3,25,000	-	6.21	-
	31.10.08	12,227	-	5.04	-
	05.05.08	3,083	2,505	13.02	13.13
	06.05.08	10,000	-	13.00	-
<b>Mr. Sumeet Kumar Somani</b>	01.10.08	28,383	-	7.34	-
	14.10.08	5,00,000	-	6.21	-



9. a) The ten largest shareholders two years prior to the date of filing of this Letter of Offer with Stock Exchanges are as follows:

Serial No.	Name of the Shareholders	No. of Equity Shares	% of Capital
1	Mr. Rajkumar Somani	7,50,000	4.31
2	Mr. Maheshkumar Somani	7,50,000	4.31
3	Mr. Bajranglal Somani	7,50,000	4.31
4	Ms. Sharda Devi Somani	7,50,000	4.31
5	Ms. Gangadevi Somani	7,50,000	4.31
6	Ms. Urmila Devi Somani	7,50,000	4.31
7	Ms. Suman Devi Somani	7,50,000	4.31
8	Mr. Shankarlal Somani	6,01,667	3.46
9	Mahesh Texturisers Pvt. Ltd.	6,00,000	3.45
10	Mr. Sushil Kumar Somani	3,00,000	1.72

- b) The ten largest shareholders 10 days prior to the date of filing of the Letter of Offer with Stock Exchanges are as follows:

Serial No.	Name of the Shareholders	No. of Equity Shares	% of Capital
1	Ms. Sharda Devi Somani	8,25,000	4.10
2	Mr. Shankarlal Somani	9,07,471	4.51
3	Mr. Sumeet Kumar Somani	8,21,398	4.08
4	M/s. Bennett Coleman & Co. Ltd.	7,33,700	3.65
5	Ms. Gangadevi Somani	7,50,000	3.73
6	Mr. Sushil Kumar Somani	6,66,544	3.31
7	Ms. Suman Devi Somani	5,50,000	2.73
8	Ms. Urmila Devi Somani	5,50,000	2.73
9	Mr. Rajkumar Somani	3,53,575	1.76
10	Ms. Krishna Devi Lahoti	3,18,678	1.58

- c) The ten largest shareholders as on the date of filing of the Letter of Offer with Stock Exchanges are as follows:

Serial No.	Name of the Shareholders	No. of Equity Shares	% of Capital
1	Ms. Sharda Devi Somani	8,25,000	4.10
2	Mr. Shankarlal Somani	9,19,698	4.57
3	Mr. Sumeet Kumar Somani	8,21,398	4.08
4	M/s. Bennett Coleman & Co. Ltd.	7,33,700	3.65
5	Ms. Gangadevi Somani	7,50,000	3.73
6	Mr. Sushil Kumar Somani	6,66,544	3.31
7	Ms. Suman Devi Somani	5,50,000	2.73
8	Ms. Urmila Devi Somani	5,50,000	2.73
9	Mr. Rajkumar Somani	3,53,575	1.76
10	Ms. Krishna Devi Lahoti	3,18,678	1.58

10. The Company/Promoters/Directors/Lead Manager have not entered into buy back and stand by or similar arrangements for purchase of securities issued by the Company.
11. As on the date of filing of the Letter of offer there are no partly paid up shares in the company. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.
12. The equity shares of the Company are of face value of Rs.10/- and marketable lot is 1 (one). At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.
13. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Letter of Offer to SEBI for the Rights Issue till the securities referred in the Letter of Offer have been listed or application money if any is refunded.
14. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this LOO or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.
15. The company has not raised any bridge loan against the proceeds of the issue.
16. The total numbers of shareholders in the company as on date is 29,839.

## OBJECTS OF THE ISSUE

The object of the issue is to augment the capital base to meet the requirement of funds by way of equity, arising out of growth of operations of the company and for meeting the expenses of the issue. The objects of the issue are:

- i) To part finance the cost of installation of continuous polymerisation plant (CPP) with capacity of 1,00,000 tonnes per annum.
- ii) Setting up of additional 10 lines of POY spinning unit
- iii) To augment margin money requirements for the working capital
- iv) To meet pre-operative expenses

The main object clause of the Memorandum and Articles of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

### The main objects of the Projects are as follows:

The company intends to raise funds for the installation which will be in the nature of expansion cum backward integration of Continuous Polycondensation Plant (CPP) with capacity of 1,00,000 tons per annum. The plant will produce Partially Oriented Yarn (POY) with annual installed capacity of 48,300 Tons after setting up 10 lines of POY spinning plant. This CP plant will also enable to produce 51,700 PET chips which are used as raw material in the production of POY. The company intends to use these PET chips for internal purposes and excess for selling to the desired customers. With the installation of the CP plant the company's POY spinning capacity will rise from 12,000 tons per annum to 60,300 tons per annum.

### Cost of project

The estimated cost of the envisaged project along with margin for working capital requirement is Rs. 12,520 lacs which is proposed to be financed by term loan of Rs. 8,000 lacs, equity share capital Rs. 2012.29 lacs, equity share premium of Rs. 1006.14 lacs and internal cash accruals of Rs. 1501.57 lacs.

Details of the cost of the project are as follows:

(Rs. In Lacs)	
Particulars	Amount
Land & Site Development	20.00
Building & related Civil work	734.00
Plant & Machinery	10,158.00
Miscellaneous Fixed Assets	50.00
Margin money for working capital	878.00
Provision for contingencies	530.00
Pre- Operative Expenses	150.00
<b>Total</b>	<b>12,520.00</b>

### Means of Finance

(Rs. In Lacs)	
Particulars	Amount
Proceeds of the Rights Issue	3,018.43
Term loan	8,000.00
Internal Accruals and unsecured Loans from promoters and relatives	1,501.57
<b>Total</b>	<b>12,520.00</b>

The company has received sanctions for Foreign Currency Term Loan to the extent of USD 20 million amounting approximately to Rs. 8,000 lacs from Bank of Baroda and Bank of India at All in Yield (AIY) @6M+350 bps for a door to door tenor of 7.5 years to part finance the expansion cum backward integration project.

**Terms of the said sanction are as follows:**

Facility	Foreign Currency Term Loan ("ECB")
Financing arrangement	Club deal basis with Bank of Baroda Bank of Baroda: USD 10 mn Bank of India : USD 10mn
Tenor of the loan	Door to Door Maturity of 7.5 years from the date of first drawal of the facility including: a) Availability till 31.12.2008 b) Moratorium 30 months from the date of first drawal c) Repayment 20 quarterly installment
Management fees (Payable in Indian Rupees to Bank of India, International division, Head Office, Mumbai)	First year: 1% + Service Tax on the sanctioned amount on or before first disbursement.  Second year onwards: 1% + Service tax on the outstanding balance annually at beginning of the year.
Schedule of disbursement	Each draw down shall be in minimum amount of USD 4.00 mn and final date of draw down shall not exceed 31.12.2008. at least "7" business days prior notice is required for the draw down. (Banks reserve the right to make necessary amendments/ changes in draw down schedule to maintain average life of the loan above 5 years)
Principal repayment	The company will repay the loan in pre-determined 20 quarterly installments.
Security Stipulation	<ul style="list-style-type: none"> <li>• Exclusive 1<sup>st</sup> charge on fixed asset of the company (present and future)</li> <li>• Personal guarantee of <ul style="list-style-type: none"> <li>a) Mr. Shankarlal Somani</li> <li>b) Mr. Rajkumar Somani</li> <li>c) Mr. Maheshkumar Somani</li> <li>d) Mr. Bajranglal Somani</li> <li>e) Mr. Sumeet Kumar Somani</li> <li>f) Ms. Gangadevi Somani</li> </ul> </li> </ul>

**Land & Site Development:**

The project will be located at the existing factory at Village Karanj, Taluka Mandavi, District Surat. So there is no need of purchasing additional land. The company is in the process of development of this land by laying 6 meters wide roads of about 500 running meter within the plot at the rate of Rs. 2,100 per running meter. The total cost of laying roads is around Rs. 11.50 lacs based on the managements' estimates. Besides this Rs. 8.50 lacs are required towards storm water drains, compound wall, gates and fencing work. The total cost of site development is estimated at Rs. 20 lacs.

**Building and related civil works:**

Total building and related civil works cost is estimated at Rs. 734 lacs for 19,222 square meters and includes construction of plant rooms, control rooms, MCC, laboratory and administrative office, maintenance room, utilities, inverter room, mechanical stores, raw material and finished goods storage areas., DG shed, pump houses for water pumps, water reservoir, storage tank, effluent collection tank, gate cabin and internal fencing for MEG storage.

**Plant and Machinery:**

The company plans to import the required plant and machinery from Hong Kong Huitong Chemical Industry Co. Ltd. having its office at 21/F, New World Tower, 18 Queen's Road Central, Hong Kong. The MOU has already been entered with the company. The value of imported plant and machinery is estimated to Rs. 7,307 lacs. Besides this Rs. 749 lacs are accounted for import duty and other expenses. The company also intends to purchase machinery indigenously worth Rs. 2,102 lacs.

The list of required plant and machinery is as follows:

**Imported Machineries**

Name of the supplier with address	Name of the Machineries / Equipments	Date of Quotation	Qty	Cost (Rs.in Lacs )
Hong Kong Huitong Chemicals Industry Co. Ltd 21/F, New World Tower , 18 Queen 's Road Central, Hongkong	Continuous Polymerization Plant ( C.P. Plant )	12.09.2007	1	3749.31
Barmag, Zweigniederlassung der Saurer GmbH & Co. KG Postfach 11 02 40 42862 Remscheid , Deutschland	POY Spinning Machines ( 320 Position )	25.05.2007	2	1996.06
Sanghai Jewell Chemical Fibre Co. Limited, China	POY Spinning Machines (160 Position )	26.01.2007	8	1589.88
Green Power International (P) Ltd A-701,Hindon Apartment, 25, Vasundhara Enclave, Delhi- 110096	D.G. Sets	20.03.2007	4	633.12
Transparent Energy Systems (P) Ltd.	HTM Boiler PTA Conveying	14.04.2008	1	87.63
<b>Total cost of Imported Machineries</b>				<b>8056.00</b>

### Indigenous Machineries

Name of the supplier with address	Name of the Machineries / Equipments	Date of Quotation	Qty	Cost (Rs. in Lacs)
Fortune HVAC 114, Orion House , Behind Resham Bhavan , Lal Darwaja Surat - 395003	Complete Air Conditioning System work ( Voltas Make )	24.09.2007	1	570.00
Atlas Copco (I) Limited	Air Cooled Elektronikon Rotary Screw Air Compressor	26.09.2007	4	70.00
Atlas Copco (I) Limited	Water Cooled Oil free Rotary Screw Air Compressor	26.09.2007	2	69.70
Atlas Copco (I) Limited	Air Dryer Refrigerator	26.09.2007	2	30.30
Fabrication work**				1362.00
<b>Total Cost of Indigenous Machinery</b>				<b>2102.00</b>
<b>Total</b>				<b>10158.00</b>

\*\* Quotations received from various parties for the fabrication and instrumentation work and based on past experiences of the management.

### **Pre- operative Expenses:**

The company has made provisions of Rs. 150 lacs towards pre- operative expenses i.e. various legal and overhead expenses such as traveling expenses, insurance, rent and taxes, office expenses, issue expenses etc.

### **Contingencies:**

The company has made provisions for contingencies worth Rs. 530 lacs for site development, civil works, plant and machinery and miscellaneous fixed assets and foreign exchange component of the cost of plant and machinery.

### **Margin Money for working capital:**

The working capital requirements for the C.P. Plant are estimated at Rs.2828 lacs. The detailed calculation of the working capital requirement which is partly to be funded through the proceeds of the present rights issue is as under:

(Rs. in Lacs)	
Particulars	Estimates
<b>(A) Current Assets</b>	
1. Inventories	2712.77
2. Debtors	1239.88
3. Advances	471.61
4. Other current assets	
<b>Total Current Assets (A)</b>	<b>4424.26</b>

Particulars	Estimates
<b>(B) Current Liabilities &amp; provisions</b>	
1. Creditors for suppliers and others	1220.99
2. Provisions	375.27
<b>Total Current Liabilities (B)</b>	<b>1596.26</b>
<b>Working Capital Gap (A) - (B)</b>	<b>2828.00</b>
<b>Financed by:</b>	
Rights Issue	878.00
Bank Borrowings*	1950.00
<b>TOTAL</b>	<b>2828.00</b>

\* At present the company is availing cash credit facility of Rs.22.00 crores sanctioned by Bank of Baroda. The company has made an application for enhancement of working capital limit facility vide their letter dated 26/03/2008 from Rs.22.00 crores to Rs.48.00 crores based on the requirements for CP Project.

Basis of estimation of working capital requirement

Particulars	No. of Days
Inventory	65
Debtors	15
Cash & Bank	55
Other Items in Current Assets	5
Creditors	7

#### SCHEDULE OF IMPLEMENTATION

Particulars	Commencement	Completion
Land & Site development	November 2007	Completed in April 2008
Ordering of imported plant and machinery	October 2007	Completed in July 2008
Factory Building	December 2007	November 2008
Ordering of domestic plant & machinery	July 2008	November 2008
M/C erection & commissioning	October 2008	February 2009
Trial Run	March 2009	March 2009
Commercial Production	March 2009	March 2009

#### SOURCES AND DEPLOYMENT OF FUNDS

As per certificate given by M/s. Pradeep Singhi and Associates, Chartered Accountants dated 06/11/2008; an amount of Rs. 2039.19 lacs has been spent on the backward cum expansion project as on. The details for which are as follows:

##### Sources of funds

(Rs. in Lacs)

Particulars	Amount
Share application money	1849.20
Internal Accruals	189.99
<b>TOTAL</b>	<b>2039.19</b>

### Application of funds

(Rs. in Lacs)	
Particulars	Amount
Plant and machinery purchased including advances to suppliers against capital assets	952.55
Building and construction expenses	568.01
Margin against letter of credit	357.25
Pre-operative expenses	145.63
Rights issue expenses	15.75
<b>Total</b>	<b>2039.19</b>

The promoters and promoter group have brought in Rs.1,849.20 lacs which is spent towards implementation of the project. They have undertaken to convert the application money and/ or unsecured loan towards their rights entitlement of the said issue.

### INTERIM USE OF FUNDS

Pending deployment the funds raised through the rights issue would be deployed by the company judiciously in the fixed deposits of the Banks and other short term investment opportunities.

### BASIC TERMS OF THE ISSUE

The Equity shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Letter of offer and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected 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, GOI, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable.



## BASIS FOR ISSUE PRICE

### Qualitative Factors:

a) **Diversified Product Range**

Within a few years of our presence in the Industry, our company has developed a diversified product range of man made yarns and polyester yarns. Each of these categories of yarns is available in different shades, denier and strength suiting to the requirements of various categories of customers. The company manufactures yarns and economies of scale achieved by the company give more options to their customers to choose and finalize their selection according to their specific requirements and budget.

b) **Timely Delivery**

Meeting customer deadlines on a regular basis is crucial for success of the company's business. The company has its own fleet of trucks which ensure timely and safe delivery of the goods at the final destination.

c) **Capabilities to manage multiple and large orders**

The company's customers include clients who typically place large and multiple orders. Such large and multiple orders require capabilities to manage complex sourcing, production planning, large workforce and ability to ensure timely delivery to the customers. The company has developed skills to manage multiple and large orders, and today the company is serving to the clients nationally and internationally. The managements' ability to manage multiple and large orders has helped the company in getting repeat orders for its products.

d) **Marketing strategy**

The company follows direct marketing through the sales force and dealer networks. The sales personnel approach directly to the large end users. The company creates the long-term relations with the direct end users, which enhances the brand value. The wholesale market of the products comprises of dealers and distributors who stock our products for distribution to ultimate consumers.

e) **Technology**

The existing plant located at Karanj Village comprises of imported machines from Germany and China. These imported machines give better production efficiencies. The company intends to continue the same trend even for our proposed manufacturing facility expansion.

### QUANTITATIVE FACTORS

(a) **Earnings Per Share (EPS)**

Year Ended	EPS (Rs)	Weights
31/03/2006	0.49	1
31/03/2007	1.93	2
31/03/2008	1.82	3
<b>Weighted Average EPS</b>		<b>1.64</b>

EPS of the company as on 30/06/2008 (3-months period) is Rs. 0.46

**(b) Price Earning Ratio (PE) in relation to issue price**

PE based on Weighted average EPS	9.15
PE based on 31 <sup>st</sup> March, 2008 EPS	8.24

The PE of the company based on EPS as on 30/06/2008 (3-months period) is Rs. 32.61

**(c) Return on Networth (RONW)**

Year Ended	RONW (%)	Weights
31/03/2006	3.18	1
31/03/2007	11.79	2
31/03/2008	10.02	3
<b>Weighted Average RONW</b>		<b>9.47</b>

RONW of the company is 2.46% as on 30/06/2008 (3-months period)

Minimum Return on Networth required to maintain pre issue Weighted average EPS = 9.88%

**(e) Net Asset Value (NAV) per share**

Pre issue as on 31 <sup>st</sup> March, 2008 (Rs.)	18.20
Post Issue (Rs.)	16.60

**Note:** Net Asset Value Per Share = (Equity Share Capital *plus* Reserves & Surplus *less* Miscellaneous Expenditure to the extent not written off) / No. of Equity Shares

**(f) Industry P/E Ratio**

Highest (Nirlon Ltd.)	17.60
Lowest (Filatex India Ltd.)	2.18
<b>Average</b>	<b>9.89</b>
<b>Source:</b> Capital Market Issue Nov 03-16, 2008; Segment- Textile- Manmade	

**Comparison of key ratios with the companies in the same industry group**

Company Name	Face Value (Rs.)	Equity (Rs. in Cr.)	Sales as on 31/03/2008 (Rs. in Cr.)	Income for the year ended 31/03/2008 (Rs in Cr.)	EPS (Rs.)	Price as on 11/11/2008	P/E Ratio at the market price as on 11/11/2008
Aditya Birla Nuvo Ltd.	10.00	95.00	3886.70	246.60	25.00	616.40	24.66
Filatex India Ltd.	10.00	17.14	345.50	10.50	6.00	13.10	2.18
Futura Polyester Ltd.	10.00	52.42	413.60	7.30	1.40	5.55	3.96
Indo Rama Synthetics Ltd.	10.00	151.83	2542.80	12.30	0.60	14.00	23.33
Nirlon Ltd.	10.00	58.22	11.30	1.70	0.30	24.80	82.66
Paras Petrofils Ltd.	1.00	33.42	90.30	-2.10	-	0.81	-
Pasupati Acrylon Ltd.	10.00	71.13	329.60	-4.20	-	2.35	-
SRF Ltd	10.00	67.89	1615.30	154.00	21.80	74.45	3.42
Zenith Fibres Ltd.	10.00	5.75	33.50	1.80	2.90	16.00	5.51
Sumeet Industries Ltd.	10.00	20.12	128.50	3.67	1.82	4.94	2.71
<b>Source:</b> Capital Market Issue Nov 03-16, 2008; Segment-Textiles-Manmade							

The Companies in the above list have been selected on the basis that they are listed Companies engaged in similar line of business. Their size of operations may not match with the company's capacities. However, their performance may not be directly comparable with that of our business as they cater to different segments of the market and therefore their business portfolio will vary.

The Issue Price of Rs. 15/- per share is the same as the Face Value of Rs.10/- per share of the Equity Shares being issued. The market price of the shares of the Company as on 3<sup>rd</sup> March, 2008 (EGM date) is Rs. 14.49 at BSE.

Considering the above qualitative and quantitative factors, the issue price of Rs. 15/- per equity share is justified.

## STATEMENT OF TAX BENEFITS

To

**The Board of Directors**

Sumeet Industries Limited  
504, Trividh Chamber  
Opp. Fire Brigade  
Ring Road , Surat.

## SUB: STATEMENT OF TAX BENEFITS

**Dear Sirs,**

We hereby report that the enclosed annexure states the tax benefits available to M/s. Sumeet Industries Limited (the "Company") and to the Shareholders for the Company under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in future, The Company may or may not choose to fulfill.

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

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

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

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

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

**FOR, PRADEEP SINGHI & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**SD/-**  
**PRADEEP KUMAR SINGHI**  
**PROPRIETOR**  
**M.No. 200/24612**

**PLACE: Surat**  
**DATED: 15/02/2008**

The Auditors of the Company, M/s. Pradeep Singhi & Associates, Chartered Accountants have advised the Company vide their letter dated 15/02/2008 that under the current Direct Tax Law, the following tax benefits *interalia* will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implication of an investment in the shares. The Statement of tax benefits certificate from the Auditors of the Company is reproduced below:

## **SPECIAL TAX BENEFIT AVAILABLE TO THE SUMEET INDUSTRIES LIMITED AND ITS SHAREHOLDERS**

The Company does not enjoy any "Special Tax Benefits ". All the benefits as mentioned in the statement are as per the current tax laws amended by the Finance Act, 2007 and will be available only to the sole / first named holder in case the shares are held by joint holders.

### **BENEFITS UNDER THE INCOME TAX ACT, 1961**

#### **I.: TO THE COMPANY**

As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is except from tax.

As per section 10(35) of the Act, the following income shall be exempt in the hands of the company.

Income received in respect of the units of Mutual Fund specified under clause (23D) of section 10; or

Income received in respect of units from the Administrator of the specified undertaking; or

Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

For this purpose (i) Administrator means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) Specified Company means a company as referred to in section 2(h) of the said Act.

As per Section 10(38) of the Act, long term capital gains arising to the company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the company.

For this purpose: Equity Oriented Fund: means a fund –

- i) Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund; and
- ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act

Additionally, in terms of section 88E of the Income-Tax Act, 1961, the securities transaction tax paid in respect of taxable securities transaction entered into in the course of business would be eligible for a rebate from the amount of income-tax on the income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transaction. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, for the amounts paid on account of securities transaction tax.

As per the section 115JB, the company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating "book profits" under the provisions of section 115JB of the Act and will be required to pay Minimum Alternate Tax @10% (plus applicable surcharge and education cess on the overall tax) of the book profits determined.

As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits at the option of the company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government will be computed after indexing the cost of acquisition/improvement.

The company is eligible to claim depreciation under section 32 of the Income Tax Act, 1961, on tangible and intangible assets as explained in the said section and the relevant Income Tax Rules there under.

In accordance with the subject to the conditions specified in Section 32(1)(ia) of the Income-tax Act, 1961, the company is entitled to an additional depreciation allowance of 20% of the cost of new machineries acquired and put to use during an year.

As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long-term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006.

- i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the official Gazette for the purposes of this section; or
- ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in

India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess)

## **II. Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:**

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempt from tax in the hands of the shareholders.
2. Section 48 of the Act, which prescribed the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital assets, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitted substitution of cost of acquisition/ improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.
3. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company or a unit of an equity oriented fund, where such transaction is chargeable to securities transactions tax would not be liable to tax in the hands of the shareholder.
4. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on amount of securities transaction tax.
5. As per section 112 of the Act, if the shares of the company are listed on a recognized stock exchange, taxable long term capital gains, if any, on sale of the shares of the company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus allocable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.
6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. If only of the capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purposes of this section; or
  - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
7. According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (HUF). Gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
  8. As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the company or a unit of equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
  9. Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. However, the amount of deduction shall not exceed securities transaction tax paid by investor.

### **III. Non-Resident Indians/Non Resident Shareholders (other than FIIs and Foreign venture capital investors)**

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.
3. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits & Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profit and gains of Business or Profession" for such amount paid on account of securities transaction tax.



4. As per section 54EC of the Act and subject to the conditions and to extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act ) arising on the transfer of a long term capital asset will be exempt from capital from capital gains tax if the capital gains are invested in a “long term specified assets” within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after 1<sup>st</sup> day of April, 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section, or
- (ii) by the Rural Electrification Corporation Ltd. a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purposes of this section.

5. As per section 54F of the Act. Long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of long term capital assets, not being a residential house will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before to two years, after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

6. Under section 115-C(e) of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. “Special Provisions Relating to Certain Incomes of Non- Residents which are as follows:

- (i) According to the provisions of section 115D read with section 115E of the Act, where shares in the company are acquired or subscribed to in convertible foreign exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(38) of the Act) to concessional tax at the flat rate of 10% (plus applicable surcharge and education cess) (without indexation benefit but with protection against foreign exchange fluctuation)
- (ii) As per section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
- (iii) As per 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 specified 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.

- (iv) As per section 115H of the Act, where the Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income, for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XII- A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
  - (v) 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 assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
7. The short-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transactions Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
  8. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

#### IV. FOREIGN INSTITUTIONAL INVESTORS (FIIs)

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on after 1 April 2003) received on the shares of the company is exempt from tax.
2. As per section 10(8) of the Income Tax Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the company or a unit of equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.
3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at following rates:

Nature of Income	Rate of Tax (%)
Long term Capital Gains	10
Short term Capital Gains (other than referred to section 111A)	30

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act) the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

4. As per section 54EC of the Act and subject to the conditions and the extent specified therein, long term capital gains (in case not covered under section 10(38) of the Act) arising on the transfer of a long term capital assets will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfer or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after 1<sup>st</sup> day of April 2006:

- (i) by the national Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purposes of this section; or
  - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section.
5. Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s. 10 (38), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issued of equity shares issued by an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of acquisition. In addition the shares should be held for at least one year.
6. Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.
7. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

## **V. Venture Capital Companies/Funds**

As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions are eligible for exemption from income tax on all other income, including income from sale of shares of the company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

## **VI. Mutual Funds**

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under. Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may be notification in the Official Gazette specify in this behalf.

## **VII. Benefits to shareholders of the Company under the Wealth Tax, Act, 1967**

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

## **VIII Benefits to shareholders of the Company under the Gift Tax Act.**

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

### **Notes:**

In respect of non residents, taxability of capital gains 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-residents has fiscal domicile.

In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor, with respect to specific tax consequences of his / her anticipation in the issue.

The above Statement of Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

This statement is only intended to provide general information to the investor and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult their own consultant with respect to the specific tax implications arising out due to their participation in the issue.

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;
- The conditions prescribed for availing the benefits have been / or would be met with.

**FOR, PRADEEP SINGHI & ASSOCIATES  
CHARTERED ACCOUNTANTS**

**Sd/-  
PRADEEP KUMAR SINGHI  
PROPRIETOR  
M.No. 200/24612**

**PLACE: Surat  
DATED: 15/02/2008**

### SECTION III - ABOUT COMPANY

*The Industry information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Company, the Lead Manager or any of their respective affiliates or advisors or the sources referred to herein.*

*In this Section, we have relied on and referred to information regarding the industry and competitors from market research reports, and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information.*

#### INDUSTRY OVERVIEW

##### Industry brief

Even, since inception of Civilization, human beings have inspired to look attractive and this has necessitated to use fabrics and garments. The changing life styles all over the world and preference for ready to wear have given a boost to India Textile Industry. They are appeal, comfort & durability, the colour, design, texture luster etc.

The Textile Industry, single largest industry in the country and second largest in world with its prime position in the Indian Economy, one of the inherent strengths of the industry is the strong fiber and production base in the country. The textile industry occupies a unique place and plays an important role in the national economic of the country, by virtue of its contribution to the industrial output, employment generation and foreign exchange earnings over 35 per cent of India's total export earnings. It provides direct employment to about 38 million people and indirect employment to many millions. India's textile industry is thus both important and complex. 20 per cent of the value addition in the manufacturing sector is contributed by the textile industry. Its contribution to GDP is about 6 to 7 per cent. As the import content is relatively quite low, textile exports are one of the highest net foreign exchange earners for the country since past more than two decades. It is significant to note that while yarn production takes place almost entirely in the organized mill sector, about 90% of the total production takes place in the decentralized power loom, hand loom and hosiery sectors. The organized mill sector's contribution in cloth production, is hardly about 10% of the total cloth production. The important factors tilting the balance in the favour of the industry are the cheap labour and abundant availability of quality of all major raw materials.

Broadly, the Textile Industry is divided into two categories: Man made Fibres (Synthetics & Celluloses) and Natural Fibres (Cotton, Wool & Jute). Predominantly in India, Cotton Textile has been the major varieties of fabrics for a long time, but over a period of time & with the development of petrochemicals with easy availability of man made fibres/yarns, the production of blended and 100% man made variety of fabrics have been on larger scale in the country, and their shares in total fabrics have been increased substantially. The working of textile industry has been characterized by the fact of the brighter side on account of adequate availability of raw materials, particularly Polyester Staple Fibre at a relatively stable prices, improved performance in regard to yarn and fabrics comparably low labour cost and availability of experienced technicians.

From growing its own raw material (natural fibres); cotton, jute, silk & wool in providing high value added products to the consumers – Fabrics & Garments – the textile industry covers a wide range of economic activities and has, thus, a significant role in the economy of the country. At present, it contributes about 13 – 14% to industrial production 7% of the GDP and about 37% to the country's export earnings. After agriculture, it is the largest employer, providing largely to weaker sections of SCs / STs, women & minorities in rural & urban areas.

In addition to the nature fibres, the industry also uses wide range of synthetic and man-made fibres, such as; Polyester, Nylon, Polypropylene, Acrylic & Viscose.

The textile industry has witnessed a phenomenal growth during the past two decades and shown remarkable resilience to various categories in terms of installed capacity, production of yarn, fabric & garments and it's per capital availability and also exports.

Cotton / Man-made Fibre Textile Industry, is the single largest organized industry in the country. Beside this, there are a large number of ancillary industries dependent on this sector. They are, manufacturing of various machineries, accessories, stores, ancillary & chemicals.

Basic information connected with the manufacture of final output of the processed / finished fabric for human consumption and also towards its industrial use, in brief, can be divided in various aspects:-

- (i) Fibre - A fibre is the basic entity, either natural or manufactured, which is twisted into yarn and then used in the production of a fabric.

They are of two categories:

- Natural Fibres
- Man-Made Fibres (Chemical Fibres)

- (ii) Yarn - Yarn is an assemblage of fibres or filaments either natural or man-made twisted together to form a continuous strand which can be used for weaving, knitting, braiding or the manufacture of lace or any textile material.

Thus all fibres are assembled to form yarn and all yarns converted to fabric.

- (iii) Fabrics - To convert yarns to fabrics, the yarns are woven by interlacing of threads or yarns into a bound system. Woven fabrics are usually composed of lengthwise threads (Warp) and shorter widthwise threads (Weft) two are interwoven on looms.

Yarns to fabrics processes are broadly categorized as;

1. Weaving
2. Knitting
3. Lace making
4. Net making
5. Braiding
6. Felting

### **Raw Materials for the Industry**

No single fibre has all the properties desired by the end-users i.e. luster or sheen, touch or feel, water (perspiration), absorption, gain or loss of strength when wet, abrasion resistance, crease recovery and cleaning convenience (dust release). Cotton is soft in touch and high absorbent but crumples easily. Polyester on the other hand has excellent crease recovery and it is very high abrasion resistance and as such is much more durable & lasts many more washing cycles. The manufacturers select one fibre group or blend fabrics to develop an optimum property mix in the products.

The Indian Industry is largely self-sufficient in all above basic raw materials being as they are cotton and synthetics fibres.

The raw materials for the industry are

Raw Material		Source
Cotton	:	Natural fiber
Viscose staple fiber	:	A regenerated cellulose fiber
Polyester filament yarn	:	Synthetic fibers/ filaments
Acrylic fiber	:	Produced from polymers of chemical elements compound/ petroleum products
Nylon filament yarn	:	Produced from polymers of chemical elements compound
Polypropylene Multifilament yarn	:	Produced from polymers of chemical elements compound
Polypropylene fibre	:	Produced from polymers of chemical elements compound

The man made fibres known as synthetic fibers are manufactured from petroleum products and they are having main advantages of durability, wrinkle-resistance, excellent crease recovery, very high abrasion resistance & lasts for many more washing cycles.

### **Polyester:**

Polyester is the most economical and quality fibre among fibres used in textiles. In 2006, global capacity stood at 36.41 15.16 million tons of polyester staple fiber 21.25 million tons of polyester filament yarn, as per the report published by “Polyester Chain 2007”.

Between 1998 and 2006 polyester capacity was seen almost doubling of which a major portion came up in Asia. Today, almost 85% of staple fiber capacity and 89.5% of the PFY capacity is in Asia. China, the largest manufacturer of polyester produced approximately accounts for almost 55% of global polyester capacity. India, Indonesia, South Korea and Taiwan are the other major producers of polyester in Asia. Outside Asia USA and Turkey are the only dominant producers. (Source: “Polyester Chain 2007”)

### **Competition**

The company faces competition from the industry leaders such as Reliance Industries Ltd., Aditya Birla Nuvo Ltd., Filatex India Ltd., Futura Polyester Ltd. and Indo Rama Synthetics Ltd. and from producers of filament years in China in international markets. The company also faces competition from potential entrants in the Indian textile industry. The Indian textile industry is highly competitive both in the Pet Chips segment and in the POY segment. Domestic production is dominated by few organized players who have integrated facilities and technology and large economies of scale and organized sector is virtually absent.

## BUSINESS OVERVIEW

### Overview

M/s Sumeet Industries Ltd. is a public limited company promoted by Mr. Shankarlal Somani and his family. The company was originally promoted as Sumeet Synthetics Pvt, Ltd. on 1<sup>st</sup> August, 1988 in Ahmadabad which was later converted into Public limited company on 1<sup>st</sup> February, 1992. Further the name of the company was subsequently changed to Sumeet Industries Limited from 1<sup>st</sup> March, 1996. In the year 1993 the company set up the plant to manufacture Polypropylene Multifilament Yarn (PPMFY) with the installed capacity of 1,500 per tons per annum. In the year 1997-98 the company expended its installed capacities to 3,900 tons per annum in order to meet the growing demand for its products.

In the year 2004-05 the company undertook backward integration program and set up a plant with installed capacity of 12,000 tones per annum in order to manufacture Polyester Filament Yarn (POY) at the existing location. The said state of the art automatic craft winder plant & machinery was imported from Barmag, Germany which is a leading producer of that kind of technology in the world.

Barmag: was founded in 1922 as Barmag AG and today is the world market leader in the area of spinning lines for manmade fibers such as polyester, nylon and polypropylene and texturing machines. In addition to spinning and texturing systems, the core competencies include the manufacture of components such as gear and metering pumps and winders. Barmag's product range includes: poly-condensation systems, components for the plastic processing industry and extrusion lines for the manufacturing of monofilaments and tapes. (source: [www.barmag.oerlikontextile.com](http://www.barmag.oerlikontextile.com))

In the year 2005 under its forward integration expansion program the company installed 60 Waterjet Looms plain as well as dobby to manufacture woven fabrics with the installed capacity of 35 lacs meters per annum. The technology was imported from Tsudakoma, Japan.

Tsudakoma Corporation: The group's principal activities are to manufacture textile machines and high precision machines. The operations are carried out through the following divisions: textile machinery, machine tool attachments and others. The textile machineries include jet looms, air and water jet looms, rapier and flying shuttle looms. The machine tool attachments include preparatory machines, automatic pellet changers, rotary tables and precision machines devices. The other business division deals with electronic equipment and casting.

(source: [www.wrightreports.ecnext.com](http://www.wrightreports.ecnext.com))

In the year 2006, the company took another expansion project under its vertical and installed Menthol Distilling & Crystallizing plant with a installed capacity to produce 900 metric tons pf peppermint oil and 300 metric tons Menthol Crystals (with/without terpenes) per annum. The company is already in the process of installing huge capacities of Menthol Flakes & Menthol Crystals and CLS 3 Hexanol. This menthol division is ISO 9001: 2000 certified.

Presently POY, PPMFY and Polyester fabric plants are running at more than 100% capacity. The menthol crystal manufacturing facility was established during 2006-07 and hence the same was utilized for a part of the year during this period. In the year 2007-08 the manufacturing facilities are streamlined and capacity to the extent of 35% was utilized. The company is an ISO 9001: 2000 certified company. It has also been recognized as Star Export House by the Government of India during the year 2004-05. The company handles various processes in house such as power generation, packing material and transportation. In 2004 the company installed Coal based power plant of 2.5 MW for their captive consumption. Due to higher pollution and higher coal cost the company has shifted from



coal to gas based captive power plant. The company has tied up with Gujarat Gas Co. to supply gas at the factory site through pipe line.

Looking at the future demand and availability of the various infrastructure facilities, the promoters proposed for the expansion cum backward integration project. The company plans to install C.P. plant with installed capacity of 1,00,000 tons per annum and another 10 lines of POY spinning plant with annual installed capacity of 48,300 tons and 51,700 Tons for PET chips which are used as raw material for manufacture of POY.

### Location of the Project

The CP plant and Polyester Filament Yarn expansion project of the company is proposed to be located at the existing site at village Karanj, Taluka Mandavi, District Surat which is fully developed in various infrastructural facilities.

Water and power facilities are available at all the project sites. The factory is well connected by roads and is close to National Highway and State Highway. Since the factory is located at industrial area, the skilled and semi- skilled labour force is readily available. All the infrastructural facilities and utilities are already available.

### Capacity and Capacity Utilisation

#### POY and PPMFY

Particulars	2005-06	2006-07	2007-08
Installed Capacity (TPA)	12,900	12,900	12,900
Production(TPA) (Kgs.)	1,16,48,372	1,44,86,069	1,45,55,603
Capacity Utilization (%)	90.29	112.29	112.83

#### Polyester Fabric

Particulars	2005-06	2006-07	2007-08
Installed Capacity(TPA)	NIL	35,00,000	35,00,000
Production(TPA)	NIL	21,61,867	41,22,261
Capacity Utilization (%)	NIL	61.77	117.78

#### Menthol Crystals

Particulars	2005-06	2006-07	2007-08
Installed Capacity	NIL	720	720
Production	NIL	17,488	25,53,44
Capacity Utilization (%)	NIL	2.43*	35.46

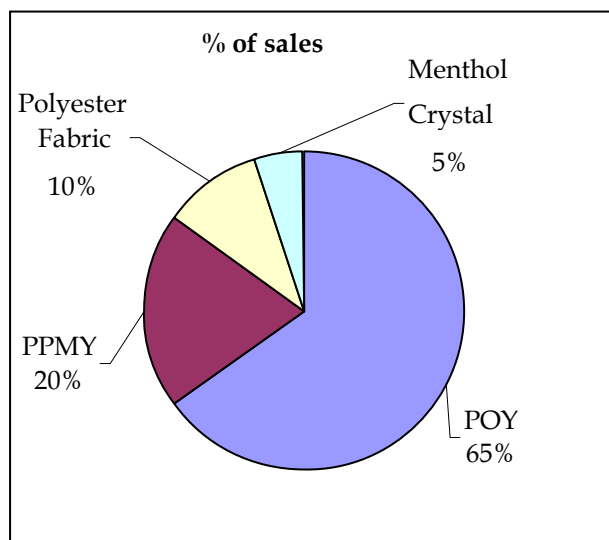
\* one month figure

### PRODUCTS

The present line of business activities of the company is as follows:

Product	Annual Capacity
PPMFY	3,900 Tonnes
POY	12,000 Tonnes
Polyester Fabric	3.5 Million meters
Menthol Crystals	300 Tonnes
Peppermint Oil	900 Tonnes

Company has following sales composition from its products.



### 1. Polypropylene Multifilament Yarn (PPMFY):

The Company started its Polypropylene operation way back in 1993. The technology required for Polypropylene was imported from Neumag (Germany) who is the pioneer in Polypropylene plant in the world. The most important feature of polypropylene is its versatility. It can be tailored to many fabrications, methods & applications. Excellent chemical resistance, lower tenacity, high melting point & moderate cost are some advantages which makes polypropylene more attractive.

The company's products are marketed under the brand name "SUMILON" and has approximate share of 20% in India.

Products	<ul style="list-style-type: none"> <li>• Polypropylene Partially Oriented Yarn</li> <li>• Polypropylene High Elongation Yarn.</li> <li>• Polypropylene Textured / Crimp Yarn</li> <li>• Polypropylene Twisted Yarn</li> </ul>
Denier	Ranging from 65 denier to 340 denier.
Application	Socks, Home Furnishing, Knitted Fabrics, Sports Wear, elastic Tapes, Laces, Ribbons, Filter Fabrics, Luggage Fabrics, Car Upholstery etc.
Exports	South Africa, Nepal, Bangladesh, Srilanka, Spain. etc.

### 2. Polyester Filament Yarn (POY):

The company started its Polyester operations in 2004. The Company installed new state of art automatic craft winder plant imported from Barmag (Germany), which is one of the latest & cost efficient technology in the world. The plant was fully utilized in 2006-07. PET chips required for the production of POY are currently purchased domestically. As per the proposed project company is

planning to set up a plant to manufacture 51,700 TPA of PET chips in order to gain economies of scale and to reduce dependence on suppliers and also to ensure regular supply of PET chips for the production of POY. Whereas the other raw material i.e. the spin finish oil is imported from Tako Moto, Japan.

Products	Company is producing Polyester Semi Dull Intermingled Partially Oriented Yarn.
Denier	Ranging from 50 denier to 250 denier
Application	Used on Texturising & Draw Twisting machines with final application in weaving & knitting.
Exports	Egypt, Syria, Saudi Arabia, South Africa, Nepal, Bangladesh etc.

### 3. Polyester Fabrics:

The company started its weaving operations in 2005. It has 60 waterjet looms plain as well dobby to manufacture woven fabric The Company has locational advantage in procuring raw material and selling of woven fabric. The machines are of Tsudakoma, Japan. The production capacity of this division is 3.5 million meters per annum. The company has locational advantage of raw material procurement as well as sales of fabrics.

Product	Woven Fabric
Width	Upto 190cms
Application	Garments, Home Furnishing, Upholstery, Wall Covering etc.
Exports	-

### 4. Menthol Division

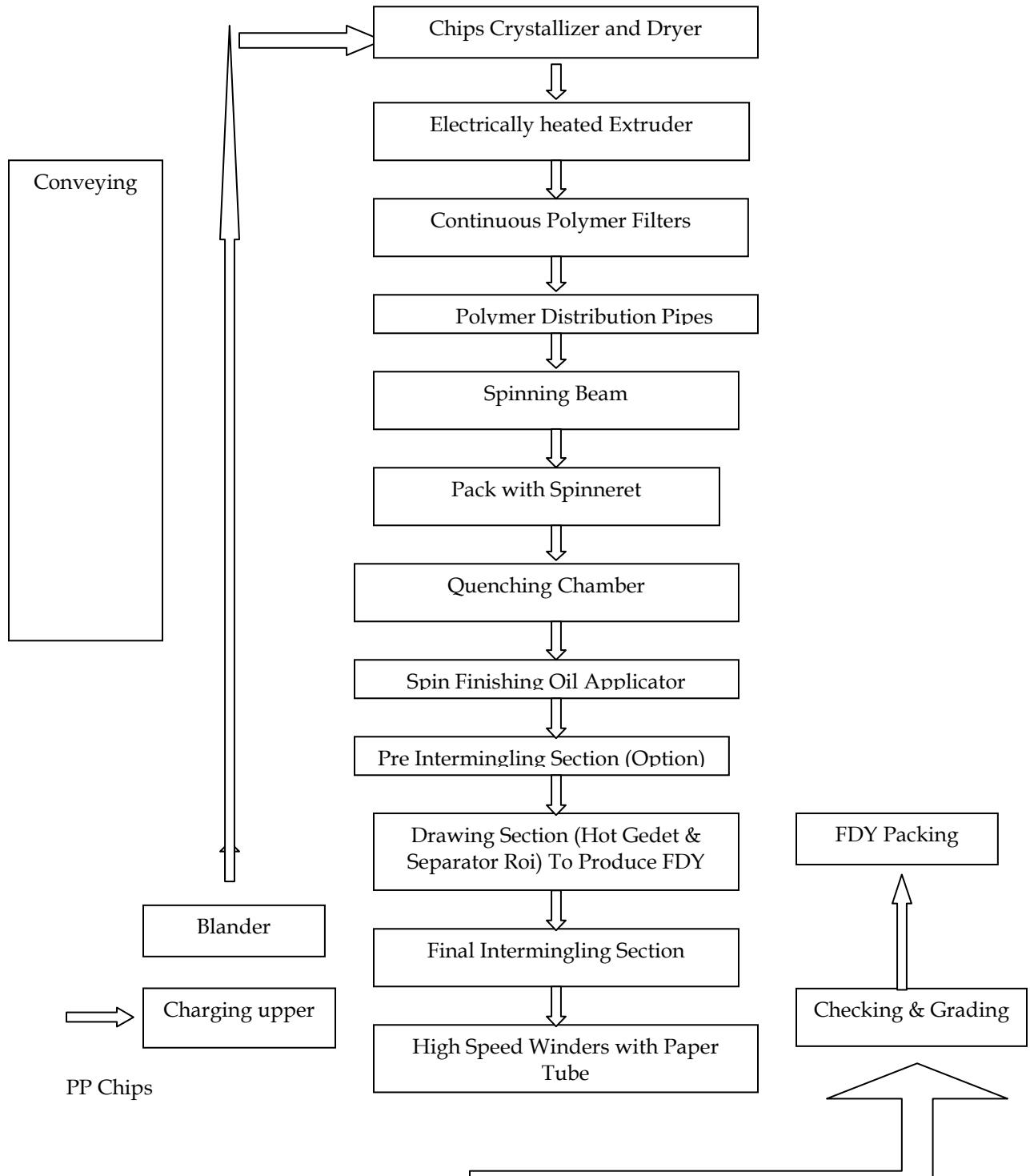
The Menthol division was started in the year 2006-07. Our company has installed a capacity to produce 900 M. Tonnes of Peppermint Oil & 300 M. Tonnes Menthol Crystal (with/without terpens) per annum. The company has installed a state of art laboratory with all major equipments needed as per international standards for the production of menthol.

Product	Peppermint Oil, Menthone, Menthol Flakes, Menthol Crystals, CLS 3 Hexanol
Application	As a raw material, in preparation of Medicines, Pharmaceutical Formulas, Confectionery Products, Herbal Products, Candy and Chewing Gums, Cosmetics, Pain Balms, Tooth Paste & Oral Products etc It is also used for the purpose of preservation, getting flavor, freshness and cool sensation.
Exports	China, Europe, United Kingdom

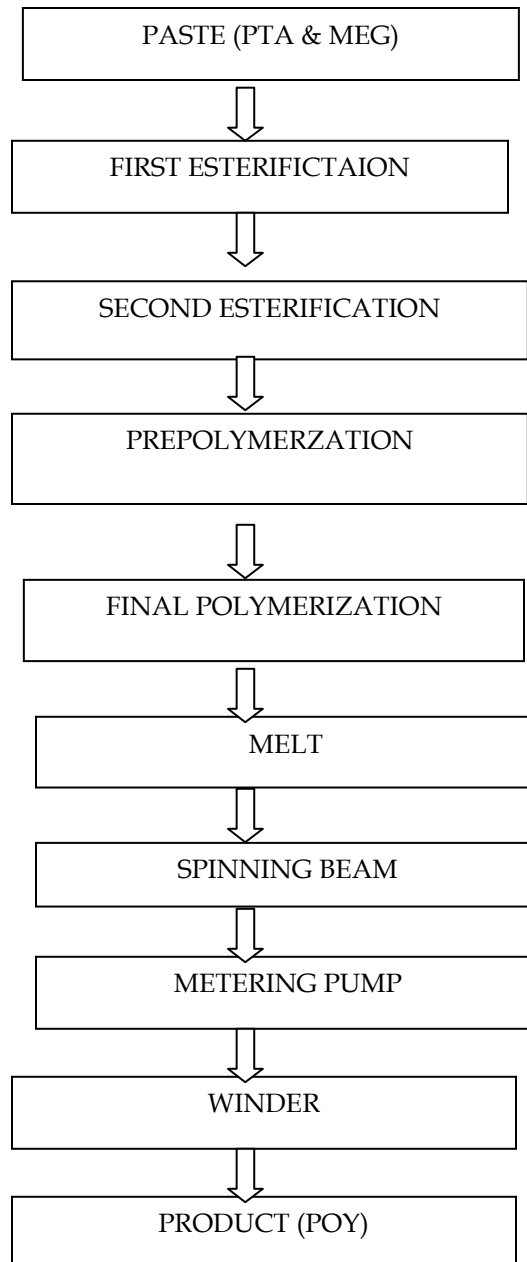
## OPERATIONS

The production of various products is explained below:

**FLOW CHART OF SPINNING PROCESS**



**PROCESS FLOW CHART OF CONTINUOUS POLY CONDENSATION PLANT**



**Infrastructure:**

**In House Services**

The company handles all the processes in house in order to save outsourcing cost.

**Power:**

The company runs its own plant on captive power generation since last 8 years. The company has own coal based power plant for captive use. Gas being a eco friendly and low cost fuel, the company has already placed for the captive use. Some of the group companies have already installed wind mills for power generation at Kutch to make the power cost economical which are installed under the supervision of Suzlon. Company also has 5 generators of 500 kVA each as standby arrangement.

The power consumption is approximately 65 Kwh/T & 600 Kwh/T for CP plant and POY plant respectively. The company already has natural gas based CPP of 2.38 MW capacity to meet the existing power demand.

The additional power requirement for expansion would be 4.23 MW. The company plans to set up 4 natural gas based gen set of 1,364 KW each to meet the power requirement of the proposed project. The company has tied up with Gujarat Gas Co. Ltd. to supply gas at the factory site through pipe line. It is supplying natural gas of 11,000 SCMD for CPP. The company will apply to Gujarat Gas Co. Ltd. for additional gas requirement of 30,000 SCMD to run the proposed 4 CPPs.

**Packing material:**

The company has in-house plant to manufacture packaging material required for yarn unit. The company has its own corrugated box manufacturing unit for reliability of quality in packaging material and continues supply which is equipped with latest machinery to produce best quality boxes. It has also installed paper tubes manufacturing plant to meet the demand of paper tubes of yarn division. There is a state of the art lab to check the quality of all packaging material online to assure best quality.

**Transport**

To fulfill the contacts successfully and timely, the company has its own fleet of transport vehicles, which delivers the material more speedily & safely to any corner of the country. The system ensures fast delivery & proper tracing of the goods in transit.

**Water:**

Water is used in the process of chilling the air conditioned plant through cooling towers and also for general needs of the employees. The company requires approximately 83,000 liters/day. The requirement of water is met through bore wells in the factory premises.

**Manpower**

The existing manpower and the proposed manpower requirements are as follows:

**Existing**

Particulars	No. of Employees
Managerial, Technical , and Supervisory Staff	33
Skilled	42
Semi Skilled & Unskilled	12
<b>Total</b>	<b>87</b>

At the registered Office (Surat) & Branch Office (Delhi):

Particulars	No. of Employees
Managerial and Supervisory Staff	10
Office Staff	4
Peon	3
<b>Total</b>	<b>17</b>

The company also has semi skilled and unskilled contract labours which are hired as per the requirements of the company. At present total number of contract labour is 30 in total.

Additional Manpower requirement of the Company for the Proposed Project of POY:

Particulars	No. of Employees
Managerial, Technical , and Supervisory Staff	16
Skilled & Semi Skilled	44
<b>Total</b>	<b>60</b>

### Human Resource

Sumeet Industries Limited currently has total manpower of 104 persons. HR department is strengthened with qualified HR Professional and the department consists of 4 members.

Apart from this, HR department takes care of establishment functions such as, statutory welfare functions, wages and salary and administrative functions.

The company has a performance based appraisal and remuneration system to compensate and reward the employees. Regular performance feedback is given to employees on their performance based on a half-yearly/ yearly appraisal process. The company has taken necessary steps to assist the employees of the Company in planning the employee's individual growth within the Company. The Company provides good opportunities for employees who have a track record of high performance and potential to progress within the company.

### Insurance

SIL maintains an insurance coverage on all its assets located at its head office and branch premises against fire, earthquake and related perils. The Company also maintains insurance against burglaries at SIL's head office and its branch offices. Further the Company maintains insurance against loss by virtue of riots, strikes or terrorist activities, any money that is in transit and money that is in safes.

Asset insured	Insurer	Valid upto	Sum Insured (Rs. lakh)
FY. Building, Plant & Machinery, Stock- in-Trade & in- Process, Furniture of unit situated at Block No. 292-292, Karanj, Kim, Surat.	The New India Assurance Company Limited.	30.04.2009	8394.55
Building & Furniture & Fixtures fittings of office situated at 504, Trividh Chambers, Ring Road , Surat.	Iffco - Tokio General Insurance Co. Limited.	23.06.2009	32.50

## Property

### Existing owned property of the company:

Sr. No.	Address of the Property	Date of purchase	Area In Sq.ft	Purpose
1	504, Trividh Chambers, Ring Road, Surat.	28/02/1999	2,415	Corporate & registered office
2	Block no. 289, Village Karanj, Taluka Mandavi, Distinct Surat	30/04/2004	4,374	Factory shed & Building
3	Block No. 291 and 292 Village Karanj, Taluka Mandavi, Distinct Surat	06/04/1991 and 10/04/1991	25,900	Factory shed & Building
4	Block 304, Plot no. 9 and 10 Village Karanj, Taluka Mandavi, Distinct Surat	11/12/2003	2369.5	Factory shed & Building

### Property purchased for the expansion of plant:

Sr. No.	Address of the Property	Date of purchase	Area	Purpose
1	Survey No. 92/1, 83 & 91, Village Dhaneti, Taluka Mandavi, District Bhuj (Kutch)	24/12/2004	53 Acres	For upcoming project
2	Survey No. 80/1,80/2, 57 & 81, Village Dhaneti, Taluka Mandavi, District Bhuj (Kutch)			

## BUSINESS STRENGTHS

Promoters have a rich experience in marketing of Synthetic Filament yarns in the country for more than 20 years and have a score of satisfied customers to their credit.

Besides the commodity Polyester and Polypropylene yarns, the company is manufacturing specialized products like micro denier, Dope Dyed and Tribonal yarns for the niche market, which generate higher value additions.

The company intends to put up Poly- Condensation plant of 1 Lakh MT per annum and step towards backward integration, which will enable the company to bring down its cost of production further which besides improving the scale of economies will also yield the advantages of continuous polymerization system.

As a business Strategy, the company believes in specialization in to its core business segments and to become cost efficient to remain competitive in the market in the peer group. The Company has envisaged both organic and inorganic route of expansion and on the line of its objective it has leaped a big Expansion cum Backward Integration Project by way of setting up one fully imported C.P.Plant of 288 Tons per day capacity or say 1,00,000 Tons per annum under technical guidance of M/s. Huitong Chemical Engineering Technique Co. Limited , China and another 10 Lines of Polyester POY spinning Plant with annual installed capacity of 48,300 Tons as a new Greenfield project with a total project of Rs. 125 Crores.



The Company offers a strong technology based value proposition to the customers. Over the years, the Company has developed capabilities to customize and improve the product designs by absorbing, adapting and improving the acquired technology from both national and international suppliers. The Company believes that this has enabled it to offer product variants as per customer demand and also introduced new products from time to time to keep itself competitive in the market.

## **MARKETING STRATEGY**

- **Strong distribution network:**

The company believes that aggressive marketing to build up a substantial distribution network through dealers, agent/ brokers will help the company in not just surviving but growing in a competitive market. In addition the company has flexibility in manufacturing yarns of varied filaments and deniers.

- **Cost competitive:**

Under present expansion cum backward integration project POY will be produced directly from MEG and PTA which will be a position to compete in the market in its price strategy with its peer group. Apart from its cost advantages, company can ensure good consistent quality of POY produced on CP Lines because product will be much better than existing product.

- **Brand:**

The company has established its own brand “Sumolin” with excellent customer base nationally and internationally. The company has also established marketing offices in areas like Surat, Delhi. It also plans to appoint additional sales person at Mumbai, Surat, Silvassa, Ludhiana etc.

- **Enhancing Customer Base**

The Company intends to grow business continuously by adding new customers both in existing as well as in the new countries. The Company aims to do this by effective leveraging of its marketing skills & relationships and enhancing customer satisfaction.

- **Quality Products**

The Company intends to produce the best quality ceramic products, which are readily acceptable. For that, it shall be deploying better technologies in production as well as in R&D Departments. R&D Department will find out better avenues to enhance the quality of its products while at the same time reducing the cost of production.

- **Maintain Operational Efficiencies and Cost Competitiveness**

The Company intends to maintain operational efficiencies to levels comparable with its peers in the industry. Further, the Company intend to reduce its operational costs to maintain competitiveness and offer the quality products at reasonable prices.

## **SWOT ANALYSIS:**

### **Strengths**

- Experienced promoters with over 30 years of experience in the industry
- With the implementation of the proposed project, the company will reap the benefits of economies of scale
- Strong marketing network with low selling and distribution costs
- Availability of infrastructure facilities: - the infrastructure facilities such as land, building, raw material, power, fuel and man power etc. are readily available.

### **Weaknesses**

- The prices of raw material and finished goods move in tandem with international prices, which, in turn, have correlation with the prices of petrochemical products.

### **Opportunities**

- With tariffs proposed to come down in India over a period of time, it is expected that raw material costs will be comparable to those prevailing in the international markets.
- Potential growth in domestic demand for POY due to increase in share of non-cotton fabric in total fabric production on account of lower availability of cotton, reduction in the excise duty on non-cotton yarns, and higher cotton yarn exports.

### **Threats**

- Likely expansion by existing large players in the industry.
- Dumping of cheaper textile products by China, Indonesia and Taiwan etc. may adversely affect the Indian Textile industry.
- Increase in raw material prices may strain the profitability margins of textile companies.

## **REGULATIONS AND POLICIES**

### **Environmental Regulations:**

In India, regulation and enforcement of environmental protection and safety is governed by three major central regulations namely Water (Prevention and control of Pollution) Act, 1974, the Air (Prevention and control of Pollution) Act, 1981 and the Environment Protection Act, 1986. the main purpose of these legislations is to regulate prevent and control pollution, by setting up, inter alia of national and regional Pollution Control Boards (PCBs) which monitor and enforce standards and norms in relation to air, water pollution and other kinds of wastes causing environmental damage.

In addition, the Environment (Protection) Act, 1986 also prescribes rules for the management and disposal of hazardous industrial wastes governed by Hazardous Wastes (Management and Handling Rules, 1989).

Further all proposals for setting up, expansion or modernization are evaluated in terms of environment assessment impact, by the Ministry of Environment and Forests, which accords the necessary clearance for projects after evaluation of Environment Impact Assessment.

### **FEMA Regulations**

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Government of India, the implementation of which is regulated by the FIPB. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 as amended ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals are required from the RBI for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

### **Labour and Industrial Laws**

The company is required to comply with labour and industrial laws, including Industrial Disputes Act 1947 as amended, the Employees' Provident Funds and Miscellaneous Provisions Act 1952 as amended, the Minimum Wages Act, 1948 as amended, the Payment of Bonus Act, 1965 as amended, Workmen Compensation Act, 1923 as amended, the Payment of Gratuity Act, 1972 as amended, the Payment of Wages Act, 1936 as amended and the Factories Act, 1948 as amended. In addition the Company is also governed by the provisions of the Employees' Provident Funds Act, 1952 as amended and the rules made thereunder and are accordingly required to make periodic contributions to the Employees Provident Fund Scheme and the Employees' Pension Scheme as applicable. The Company is also required to make contributions under the Employees' State Insurance Act, 1948 as amended.

### **Fiscal Regulations**

In accordance with the Income Tax Act, 1961 as amended any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act.

**Contract Labour (Regulation and Abolition) Act**

The Company engages for each of its stores the services of various contractors for various activities including, house keeping security, maintenance, tailoring and valet services. These contractors in turn employ contract labour whose number exceeds twenty in respect of some of the stores. Accordingly, the Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 as amended which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour.

**Trademarks Act, 1999**

The company's logo & the name "Sumilion" has been registered under the Trademarks Act 1999.

**Regulations regarding foreign direct investment ("FDI")**

An industrial policy was formulated in 1991 ("Industrial Policy, 1991") in order to implement the economic reforms initiated by the Government of India. The Government of India ("GoI") has since amended the Industrial Policy, 1991, from time to time in order to enable FDI in various sectors of the Indian industry in a phased manner, gradually allowing higher levels of FDI in Indian companies.

Under the extant FDI Policy, April 2006, FDI in Indian companies carrying on business in Indian retail and trading sector is prohibited, except "Single Brand Product" retailing. Press Note No. 3 (2006 Series) which provides guidelines for FDI in retail trade of "Single Brand Products", prescribes a 51% cap on the same, with prior Government approval. Further, Press Note No. 4 (2006 Series), which aims at rationalization of the FDI Policy, states that the GoI has decided to allow FDI up to 51% with prior Government approval for retail trade of "Single Brand Products". In this regard, it is pertinent to note that the corollary changes to the foreign exchange control regulations promulgated by the Reserve Bank of India under the Foreign Investment Management Act, 1999 have not been notified.

**Water (Prevention and Control of Pollution) Act, 1974**

The Act aims at the prevention and control of water pollution as well as for restoration of water quality, through the establishment of state pollution control boards. Under the provisions of this act, any individual, industry or institution discharging industrial or domestic wastewater is required to obtain consent of the state pollution control board. The consent to operate is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the state pollution control board. Even before the expiry of the consent period, the state pollution control board is authorized to carry out random checks on any industry to verify if the standards prescribed are being complied with by the industry. If the standards are not being complied with, the state pollution control board is authorized to serve a notice to the concerned person. In the event of non-compliance, the concerned state pollution control board may withdraw its water supply or cause magistrates to pass injunctions to restrain such polluters.

**Air (Prevention and Control of Pollution) Act, 1981**

The Act aims at the prevention and control of air pollution through the establishment of state pollution control boards. The company shall also be required to comply with the said Act under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any manufacturing activity. The board is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed. For ensuring the continuation of manufacturing activities, a consent certification from the state pollution control board is required both under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974 as discussed above.

## HISTORY

The Company was incorporated on 1st August, 1988 as a Private Limited Company with Registrar of Companies, Gujarat and was converted to Public Limited Company on 26<sup>th</sup> February, 1992. Mr. Shankar Lal Somani and his family promoted the Company and recognized the name and brand of the Company as quality product supplier among its competitors. The Company is mainly engaged in the business of manufacturing of Polypropylene Multifilament Yarn (PPMFY), Polyester Filament Yarn (POY) and weaving fabrics. The Company has established its brand “Sumilon” with excellent Customer base nationally and internationally.

The Company made its maiden public Issue in the year 1992 of 56,00,000 Equity Shares of Rs. 10/- at par aggregating to Rs. 560 lacs and received overwhelming response from investors. Equity Shares of the Company were listed on Bombay Stock Exchange and Vadodara Stock Exchange Ltd. (VSE). The equity shares were delisted from VSE w.e.f. 09/01/2007.

### History:

Milestones achieved by the Company since incorporation:

Year	Event
1988	Incorporation of the company as Sumeet Synthetics Pvt. Ltd.
1992	Conversion from Private Company to Public Company
1993	Installed capacity of 1,500 MT per annum Polypropylene Multifilament Yarn (PPMFY)
1995	Installed capacities of 1,500 Mt per annum for Texturising & Twisting Yarn
1997	Increased capacities of PPMFY to 3,900 MT per annum
1999	Increased the Capacities of Texturising & Twisting Yarn to 3,900 MT & 2,000 MT per annum respectively.
2004	Installed coal based Power Plant of 2.5 MW for captive power generation
2005	Installed Polyester Spinning plant to manufacture 12000 MT POY per annum
2006	Installed 60 water jet looms
2006	Installed Menthol Distilling & Crystallizing Plant with a installed capacity of 900 MT of Peppermint Oil & 300 MT of Menthol Crystal
2007	Converted Coal based power plant to Gas based Gen Set Power Plant to reduce power cost

### Awards & Certifications

Year	Event
2007-08	Crisil rating “SME 2”
2007-08	Received an ISO 9001:2000 certification
2007-08	Received Kosher Certificate
2004-05	Received a Star Export House status by Ministry of Commerce & Industry
2001-02	Received Award for Highest Export Performance in Polypropylene Yarn by SRTEPC
2001-02	Received Gold Trophy for Outstanding Export Performance from SRTEPC

### Changes in Registered Office of the Company

Date of change	Address Changed	
	From	to
20/07/1992	H-2045, Surat Textile Market, Ring Road, Surat- 395 002	504 Trividh Chambers, Opp. Fire Station, Ring Road, Surat- 395 002

## MAIN OBJECTS OF THE COMPANY

The main objects of the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

1. To carry on the business of spinners, weavers, manufactures, crimpers Texturisers ginnerers, processors, packers and balers of cotton, jute, hemp silk, artificial silk, rayon, nylon, stretchlon, man-made synthetic fibers, staple fiber wool and any others fibrous material and the business of manufacturing, weaving, bleaching, printing & selling yarns of all types whether knitted or looped and importing, exporting, buying, selling, and/ or otherwise dealing in cotton, silk, nylon, stretchlon, man-made synthetic fibers, wool, hemp and other fibrous material, yarn, cloth, line, rayon and generally to carry on business of processors, dyers, sizers, manufacturers, and/or dealers in cotton, linen, flax, hemp, jute, silk, rayon, man-made synthetic fibers, wool, yarn and cloth merchants, cleaners and combers.
2. To carry on the business of manufacturing, buying, selling, exchanging, converting, altering, importing, exporting, processing, twisting to otherwise handling or dealing in rayon yarn (also known as Continuous filament rayon or Artificial Silk Yarn and which expression shall including all Synthetic fibers whatsoever for textile use), staple fiber yarn (also known as spun Rayon), Polyester filaments yarn, Nylon Filaments yarn, acrylic yarn.
3. To promote, run, establish, install, set-up, and to act as agent, broker, stockiest, trader, buyer, seller, importer, exporter, job worker, or otherwise deal in composite steel plants, integrated steel plants, mini steel plants, sponge iron plants, hot rolling steel mills, cold rolling mills, blooms and billet mills, steel furnaces, concasts, rolling mills, induction furnace for the manufacturing, producing, converting, extracting, treating, processing, or otherwise to deal in all types, grades and size of steels, stainless, ball bearing steels, corrosion resisting steels, corrosion resisting steels, TMT bars, heat resisting free cutting steels, spring steels, silico manganese steels, structural steels, ship building quality steels armour steels, magnet steels, hot rolled and cold rolled again oriented electrical steels or any other type of steels that may be prevailing from time to time present of future.
4. To carry on business as manufacturers, producers, fabricators, processors, refiners, stockiest, agents, importers, exporters, traders, whole-sellers, retailers, distributors, concessionaires or dealers of menthol Crystal, Menthol, Peppermint oil and all other types raw materials for drugs, medicines, spirits, mixtures, tonic, pigments powder, tablets, pills, capsules, injections, compounds, mother tinctures triturations, globules, creams, scents, soaps, lotions, shampoo, toilet goods and all kind or pharmaceuticals, cosmetics and medical preparations required or used in homeopathic, ayurvedic, unani or any other or nature cure or any other medicinal system or branch of medicine or as beauty aid or personal hygiene, whether or human, animal birds, insects for whatever purpose, such as prevention curation and nourishments.
5. To undertake and/or direct all types of construction and the maintenance of and to acquired by purchase, lease, exchange lease, exchange hire and otherwise, lands, properties, buildings and estates off the same and to purchase, construct and sell for self for self or for any person free hold or lease hold lands, house properties, buildings, offices factories, work-shops., godowns, farm houses, farms and any kind of landed properties or any share/interest therein and to carry on the business of land and estate agents on commissions or otherwise without commission.

## SUBSIDIARIES OF THE COMPANY

The company has presently one subsidiary company named M/s. Somani Industries (Nepal) Pvt. Ltd. (SIPL) the details of SPIL is as given under:

### Incorporation details

Somani Industries (Nepal) Private Limited was incorporated on 21<sup>st</sup> April, 2000 and commenced its business activity on 19<sup>th</sup> September, 2000. The main activity of the company was to manufacture Polypropylene Multifilament Yarn. Presently, there are no operations in the company due to political unrest prevailing in Nepal. The company is an unlisted company.

### Board of Directors of Somani Industries (Nepal) Pvt. Ltd. are:

Mr. Shankarlal Somani  
Mr. Bhagchand Chordia

### Shareholding Pattern:

Name of the shareholder	No. of shares of Rs.100/- each	% of shares held
Sumeet Industries Ltd.	1,60,000	100.00
<b>TOTAL</b>	<b>1,60,000</b>	<b>100.00</b>

### Financial Information:

Particulars	As on 30 <sup>th</sup> June 2008	(Rs. In lacs)		
		For Financial Year Ended 31 <sup>st</sup> March		
		2007-08	2006-07	2005-06
Sales	0.00	0.00	0.00	0.00
Cost of Sales	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	3.37
Total Income	0.00	0.00	0.00	3.37
Profit After Tax	0.00	(0.07)	(10.88)	3.18
Equity Share Capital	100.00	100.00	100.00	100.00
Reserves & Surplus	(27.24)	(27.24)	(27.17)	(16.29)
EPS (Rs.)	-	-	-	1.99
Book Value per share (Rs.)	45.48	45.48	45.52	52.32

(100 Indian Rupees = 160.15 Nepal Rupees as on 30/09/2008 Source: Nepal Rastra Bank website)

### Other details:

Public issue or rights issue in the preceding 3 years	No
Whether the company has become a sick company within the meaning of sick industrial companies (Special Provision) Act, 1985 or is under winding up	No

### Shareholders' Agreements

There is no separate agreement between any shareholder and the company as on date of filing this letter of Offer.

**Strategic/ financial partner**

The company does not have any strategic partner and financial partner as on the date of filing of this letter of offer.

**Other agreements**

There are no other agreements entered by the company other than those entered into the normal course of the business.

**CHANGES IN MEMORANDUM**

**Dates on which some of the main clauses of the Memorandum of Association of the Company has been altered citing the details of Amendment as under:**

<b>Date of Passing Resolution</b>	<b>Clause</b>	<b>Amendment</b>
20/08/1990	Sec. 94(1) & (2)	Increase in Authorized Share Capital from Rs. 1.00 lac to Rs. 50.00 lacs
01/02/1992	Sec. 94	Increase in Authorized Share Capital from Rs. 50.00 lacs to Rs. 1500.00 lacs
01/02/1992	Sec. 44	Conversion from Private Company to Public Company
27/12/1993	Sec. 94(1) & (2)	Increase in Authorized Share Capital from Rs. 1500.00 lacs to Rs. 2000.00 lacs
14/07/1995	Sec. 94 & 97	Increase in Authorized Share Capital from Rs. 2000.00 lacs to Rs. 2500.00 lacs
28/12/1995	Sec. 21	Change of name of the Company from Sumeet Synthetics Ltd. to Sumeet Industries Ltd.
23/02/2005	Sec. 80, 81 (1A)	Preferential Allotment of Shares (6% Convertible Preference Shares)
31/03/2007	Sec. 94	Increase in Authorized Capital from Rs. 2500.00 lacs to Rs. 5000.00 lacs



## MANAGEMENT

The details of the board of directors of the company are given below:

Name, Age, Designation, Father's name, Address ,Occupation, no. of shares held and status	DIN	Date of Appointment (Term period)	Qualification	Other Directorships
Mr. Shankarlal Somani (54) Chairman S/o Mr. Sitaram Somani 12, Keshav Park Society, Parle Point, Surat, Gujarat, India Industrialist No. of shares held: 567471 Non-Independent, Executive	165238	01/08/88	B.Com	a) Somani Overseas Pvt. Ltd. b) Mahesh Texturisers Pvt. Ltd. c) Somani Industries (Nepal) Pvt. Ltd.
Mr. Rajkumar Somani (47) Managing Director S/o Mr. Sitaram Somani 37, Sangam Society, City Light Road, Surat, Gujarat, India Industrialist No. of shares held: 353575 Non-Independent, Executive	254038	11/03/91	B.Com	a) Akashganga Dyeing & Printing Mills Ltd. b) Sumeet Silk Processors Pvt. Ltd. c) Betex India Ltd. d) Rakesh industries Pvt. Ltd. e) Chinton Processors Pvt. Ltd.
Mr. Sumeet Kumar Somani (27) S/o Mr. Shankarlal Somani 12, Keshav Park Society, Parle Point, Surat, Gujarat, India Industrialist No. of shares held: 293015 Non-Independent, Executive	318156	01/06/04	M.Com, PGDBM	a) Somani Overseas Pvt. Ltd. b) Sitaram Prints Pvt. Ltd. c) Sanya Fashions
Mr. Devi Prasad Saboo (75) Director S/o Badri Narainji Saboo 65, Sant Tukaram Society No. 3, Jamna Nagar, Ghod Dod Road, Surat, Gujarat Consultant No. of shares held: NIL Independent, Non-Executive	1265546	05/02/07	B.S. in Mechanical Engineering	None
Mr. Dinesh Sharan Khare (41) Director S/o Mr. Radhamohan Khare 14, Vasant Vihar Row House, near, Sahaj Dham Row House, Opp. Parasram Garden, Adajan, Surat, Gujarat Service No. of shares held: NIL Independent, Non-Executive	383743	17/12/01	B. Tex.	None
Mr. B. C. Chordia (42) Director S/o Mr. Bhanwarlal Chordia 10-C, Megh Sarman Tower-5, City Light Road, Surat, Gujarat Chartered Accountant No. of shares held: NIL Independent, Non-Executive	165398	17/12/01	B.Com. FCA	a) B. Chordia & Co. Chartered Accountants b) Somani Industries (Nepal) Pvt. Ltd.

Name, Age, Designation, Father's name, Address ,Occupation, no. of shares held and status	DIN	Date of Appointment (Term period)	Qualification	Other Directorships
Mr. Vinod Kumar Ladia (62) Director S/o Mr. Raghunath P Ladia Shyamkunj, Modern Complex, Pulla Bhawana Road, N. H. No. 8, Udiapur-313 004 Businessman No. of shares held: 165 Independent, Non-Executive	168257	01/08/00	B.Sc., MBA- IIM Ahmadabad	(a) V.K. Texichem Pvt. Ltd. (b) Shree Shyam Ind Pvt. Ltd. (c) Swan Ind. Ltd. (d) Shree Shyam Distributors & Marketing Pvt. Ltd. (e) Shree Rajasthan Syntex Ltd.
Mr. Mangilal Lahoti Director S/o Sukhlal Lahoti C/608, Green Avenue Complex, Ghod Dod Road, Surat – 395 007 Businessman No. of shares held: 16,500 Independent, Non-Executive	234817	07/02/08	Intermediate (Commerce)	a) Chinton Processors Pvt. Ltd.

**Mr. Shankarlal Somani**, aged 54 Years, a Commerce Graduate is the Chairman of the Company. He has more than 3 decades of experience in Textile Industry. He started his career with M/s. Kanhaiyalal & Co, Bombay, as Textile Commission agent in 1973. In 1976, he started his trading business in the name of Somani Trading Co. in Surat Textile Market. In the year 1981, he established a Fabric Processing Unit in the name “Somani Silk Mills (P) Limited” at Ankleshwar near Surat. In 1988, he diversified his business and established a Texurising Unit in the name of “Mahesh Texurisers (P) Limited at Mangrol (Surat). In 1991, he established Polyester Yarn Twisting Unit in the name of “Ambaji Syntex (P) Limited at Mangrol (Surat). In the year 1993, he established “Sumeet Industries Limited for Manufacturing Polypropylene Multifilament Yarn with project cost of Rs. 19.55 Crores and in the year 1997 he expanded its capacity from 1,500 Tons to 3,900 Tons per annum. He also promoted a 100% subsidiary Company in Nepal to manufacture Polypropylene Multifilament Yarn. Under his leadership the Company has successfully commissioned a plant producing 12,000 Tons of Polyester Filament Yarn Plant and 60 Waterjet Looms imported from Japan and one Menthol Plant at Karanj near Surat. He has overall control and management of the Company subject to supervision, control & direction of the Board. He has served various social prestigious posts like President of Rajasthan Parisad, Surat, President of Maheshwari Bhawan Samiti, Managing committee member of Sarvajanic Education Society and Shri Maheswari Vidyapeeth.

**Mr. Raj Kumar Somani**, aged 47 years, a Commerce Graduate is Managing Director of the Company. He started his career with establishing a process house Somani Silk Mills (P) Limited. He has actively participated in the Company for establishing Polypropylene Multifilament Yarn by the Company in the year 1990. He has vast experience in the textile industry, which he utilized in the Company to successfully establish its Manufacturing of Polyester Filament Yarn, Twisted & Texturised Yarn Plant.

**Mr. Devi Prasad Saboo**, aged 75 years, a Technocraft Engineer is the Director of the Company. He has completed B.S in Mechanical Engineering from Birla Institute of Technology & Science, Pilani, India. He has deep knowledge of the projects relating to Paper & Pulp Industry. He has successfully set up the plant of Paper Mills at Nigeria and persuaded other major expansions of plants of the Nigeria paper Mills Limited in the year 1977 to 1983. In 1987, he was appointed as a Technical Advisor by Pattchom International Engg. Altenbach, Switzerland and he advised on acquisition of small and medium sized companies in Germany to the Company. In 1989 He became the President of

operations of Orient Paper Mills Limited. He is member of Institution of Engineers (India and Technical Association of the Pulp and Paper Industry (TAPPI).

**Mr. Dinesh Sharan Khare**, aged 41 years is an Executive Director of the Company. He is qualified as B. Tex (Man-Made Fibre Technology) from Govt. Central Textile Institute, Kanpur University in 1987. He has also completed his certificate Course in Foreign Trade Management from Indian Institute of Foreign Trade. He started his career with M/s. Rajasthan Petro Synthetics Limited and has worked in different capacities for marketing of Polyester yarns till 1994. In the year 1995 he had been appointed in the Company to look after the marketing division. He has experience in sales Production Planning of Polypropylene Yarn, Polyester Yarn and Polyester fabrics. He has played a pioneer role in establishing company's brand abroad.

**Mr. Sumeet Kumar Somani**, aged 27 years is a director of the company. He has completed his M.Com. from South Gujarat University, Gujarat and Diploma in Business Management from S. P. Jain Institute of Management & Research, Mumbai. He joined the company as a Director. He is also managing a process house of SANYA FASHIONS at Pandesra.

**Mr. Bhagchand Chordia**, aged 42 Years is a Practicing Chartered Accountant and Director of the company. He is a Fellow member of The Institute of Chartered Accountants of India. He has vast experience in financial and taxation field. He started his career as a management trainee in 1991 with M/s. Rajasthan Spinning & Weaving Limited. The Company has been long benefited with experience and advises of Mr. Chordia in reducing cost of financing and project implementation.

**Mr. Vinod Kumar Ladia** aged 62 Years, a Graduate in Science from Technological Institute of Textile, Bhiwani. He has completed his MBA from India Institute of Management, Ahmadabad in 1998. He started his career with J.K.Synthetics Limited, Kota and worked on various positions till 1979. In 1980, he promoted M/s. Rajasthan Syntex Limited at Dungarpur, Rajasthan.

**Mr. Mangilal Lahoti**, aged 52 years, is having more than 12 years of experience in the Textile Industry. He is presently a Director in Chinton Processors Pvt. Ltd. He is associated with the company since 2001.

#### RELATIONSHIP AMONG DIRECTORS

Mr. Sumeet Kumar Somani is son of Mr. Shankarlal Somani. Mr. Rajkumar Somani and Mr. Shankarlal Somani are brothers.

#### CHANGE IN BOARD OF DIRECTORS DURING THE LAST THREE YEARS

The changes in the Board of Directors of the Company in the last three year are as under:

Sr. No	Name of the Director	Date of change	Reason
1	Mr. Mangilal Lahoti	17/12/2007	Resigned
2	Mr. Mangilal Lahoti	17/02/2008	Appointed
3	Mr. Maheshkumar Somani	05/02/2007	Resigned
4	Mr. Devi Prasad Saboo	05/02/2007	Appointed
5	Mr. Sarvan Kumar Kabra	05/02/2007	Resigned
6	Mr. Madanlal Bhala	05/02/2007	Resigned
7	Mr. Bajranglal Somani	05/02/2007	Resigned
8	Mr. Sumeet Kumar Somai	01/06/2004	Appointed

## DETAILS OF BORROWING POWER

Pursuant to a resolution passed by the members in accordance with the Companies Act, the Board is authorized to borrow sums of money for the purpose of business of the company upon such terms and conditions and with or without security as the Board of directors may think fit, provided that the money or monies to be borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs 20,000 lacs.

## INTEREST OF DIRECTORS

All the Directors of the company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board and reimbursement of expenses. All the directors may also be deemed to be interested to the extent of equity shares, if any, already held by them and /or by their friends /relatives in the Company that may be subscribed for or allotted to them in the present offer and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares. All the directors may also be deemed to be interested to the extent of normal transactions, if any, with the company. The Directors may also be regarded as interested in the equity shares, if any, held or that may be allotted to the companies, firms and trust in which they are interested as directors, members, partners and or trustees. Mr. Rajkumar Somani, Managing Director, may be deemed to be interested to the extent of remuneration paid/payable to him.

## CORPORATE GOVERNANCE

The Company has complied with the requirements of the applicable regulations including the Listing agreement with the Stock Exchanges and the SEBI (DIP) Guidelines, 2000 in respect of corporate governance especially with respect to the broad basing of the board, constitution of the committees such as the shareholders/ Investor grievance committee.

The Board of the Company consists of eight Directors, of which four are independent directors in accordance with the requirements of Clause 49 of the Listing Agreement. The Chairman of the Board is an Executive Director.

Committees of the Board have been constituted in order to look into the matters in respect of audit and shareholders/ investors grievance redressal.

The following committees are formed in compliance with the corporate governance norms:

### 1. Company's Philosophy on Corporate Governance

The company's philosophy on corporate governance continues to aim at high levels of transparency, accountability and equity in all areas of its operations and its dealing with members, employees, customers, lenders, regulatory and government agencies.

### 2. Committees of the Board

## AUDIT COMMITTEE

The Audit Committee was constituted on 28<sup>th</sup> May 2001. The latest committee meeting was held on 25/07/2008. The Audit Committee comprises of the following members.

Name of the Director	Status in Committee	Nature of Directorship
Mr. B.C. Chordia	Chairman	Non-Executive
Mr. Mangilal Lahoti	Member	Non-executive
Mr. Devi Prasad Saboo	Member	Non-executive

## **The powers and role of the audit committee include:**

### **Scope**

- a) Review of the Company's financial reporting process, the financial statements and financial/risk management policies.
- b) Ensuring the adequacy and compliance of the internal control systems in the Company.
- c) Review of the internal audit reports.
- d) Should have discussions with the auditors periodically and review of quarterly/half yearly and annual financial statements before submission to the board.
- e) Review of the statutory and internal auditors Remuneration.
- f) Such other matters as stipulated from time to time by the listing agreement.

### **Powers**

1. The committee shall have the authority to investigate into any matter and shall have full access to information contained in the records of the Company and external professional advice, if necessary.
2. The recommendations of audit committee on any matter relating to Financial Management including the audit committee Report shall be binding on the Board of Directors.

## **Proceeds from public issues, rights issues, preferential issues etc.**

The company shall disclose to the Audit Committee, the uses/ applications of funds by major category (capital expenditure, sales and marketing, working capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and place it before the audit committee. Such disclosure shall be made only till such time that the full money raised through the issue has been fully spent.

### **B. Remuneration Committee**

The Remuneration Committee was constituted on 28<sup>th</sup> May 2001. The latest committee meeting was held on 27/06/2008. The remuneration Committee comprises of the following members.

<b>Name of the Director</b>	<b>Status in Committee</b>	<b>Nature of Directorship</b>
Mr. B.C. Chordia	Chairman	Non-Executive
Mr. Mangilal Lahoti	Member	Non-executive
Mr. Devi Prasad Saboo	Member	Non-executive

## **Remuneration policy of the company is given below:**

### **For Managing Director**

#### **1. SHANKARLAL SOMANI**

##### **REMUNERATION & PERQUISITES**

1. Salary: Shri Shankarlal Somani shall be paid a monthly salary of Rs. 12,000/- (Rs. Twelve Thousand Only) inclusive of dearness and all other allowances.

2. Perquisites: In addition to the above salary, Shri Shankarlal Somani shall also be provided the following perquisites.

**CATEGORY A**

i)	Housing	:	a) the Company shall provide owned/leased free furnished accommodation b) Where the Company does not provide accommodation to the whole time director, house rent allowance may be paid by the Company @60% of the basic salary. c) The expenditure incurred by the Company on gas, electricity, water and furnishing will be value as per the income tax, Rules, 1962 and shall be subject to a ceiling of 10% of the salary.
ii)	Medical reimbursement	:	Expenses incurred for self and family subject a ceiling of one month salary per year or three months salary in a period of three years.
iii)	Leave Travel Concession	:	For self and family once in year in accordance with the rules of the Company.
iv)	Club Fees	:	Fees of Clubs subject to maximum of two clubs, admission and life membership fees not being allowed.
v)	Personal Accident Insurance	:	For an amount the annual premium of which does not exceed Rs. 4000/-

**CATEGORY B**

- i) Contribution to provident fund, superannuation funds or annuity fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the income tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii) Leave as per Company's rules, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisite.

**CATEGORY C**

- i) Free use of company's car with driver on Company's business and telephone at residence will not be considered as perquisites.
- ii) Personal long distance calls and use of car for private purpose shall be billed by the Company.
- iii) Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of company's business.
- iv) No sitting fees shall paid for attending the meeting of Board of Directors of Committee thereof.

## 2. RAJKUMAR SOMANI

### REMUNERATION & PERQUISITES

1. Salary : Shri Rajkumar Somani shall be paid a monthly salary of Rs. 12,000/- (Rs. Twelve Thousand Only) inclusive of dearness and all other allowances.
2. Perquisites: In addition to the above salary, Shri Rajkumar Somani shall also be provided the following perquisites.

#### CATEGORY A

i)	Housing	:	a) the Company shall provide owned/leased free furnished accommodation.  b) Where the Company does not provide accommodation to the whole time director, house rent allowance may be paid by the Company @60% of the basic salary.  c) The expenditure incurred by the Company on gas, electricity, water and furnishing will be value as per the income tax, Rules, 1962 and shall be subject to a ceiling of 10% of the salary.
ii)	Medical reimbursement	:	Expenses incurred for self and family subject a ceiling of one month salary per year or three months salary in a period of three years.
iii)	Leave Travel Concession	:	For self and family once in year in accordance with the rules of the Company.
iv)	Club Fees	:	Fees of Clubs subject to maximum of two clubs, admission and life membership fees not being allowed.
v)	Personal Accident Insurance	:	For an amount the annual premium of which does not exceed Rs. 4000/-.

#### CATEGORY B

- i) Contribution to provident fund, superannuation funds or annuity fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the income tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii) Leave as per Company's rules, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisite.

#### CATEGORY C

- i) Free use of company's car with driver on Company's business and telephone at residence will not be considered as perquisites.
- ii) Personal long distance calls and use of car for private purpose shall be dilled by the Company.
- iii) Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of company's business.

- iv) No sitting fees shall paid for attending the meeting of Board of Directors of Committee thereof.

### 3. SUMEET KUMAR SOMANI

#### REMUNERATION & PERQUISITES

1. Salary : Shri Sumeet Somani shall be paid a monthly salary of Rs. 25,000/- (Rs. Twenty Fire Thousand Only) inclusive of dearness and all other allowances.
2. Perquisites : In addition to the above salary, Shri Sumeet Somani shall also be provided the following perquisites.

#### CATEGORY A

i)	Housing	:	a) the Company shall provide owned/leased free furnished accommodation  b) Where the Company does not provide accommodation to the whole time director, house rent allowance may be paid by the Company @60% of the basic salary.  c) The expenditure incurred by the Company on gas, electricity, water and furnishing will be value as per the income tax, Rules, 1962 and shall be subject to a ceiling of 10% of the salary.
ii)	Medical reimbursement	:	Expenses incurred for self and family subject a ceiling of one month salary per year or three months salary in a period of three years.
iii)	Leave Travel Concession	:	For self and family once in year in accordance with the rules of the Company.
iv)	Club Fees	:	Fees of Clubs subject to maximum of two clubs, admission and life membership fees not being allowed.
v)	Personal Accident Insurance	:	For an amount the annual premium of which does not exceed Rs. 4000/-.

#### CATEGORY B

- i) Contribution to provident fund, superannuation funds or annuity fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the income tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii) Leave as per Company's rules, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisite.

#### CATEGORY C

- i) Free use of company's car with driver on Company's business and telephone at residence will not be considered as perquisites.
- ii) Personal long distance calls and use of car for private purpose shall be dilled by the Company.
- iii) Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of company's business.
- iv) No sitting fees shall paid for attending the meeting of Board of Directors of Committee thereof.



### For Executive/ Non-Executive Directors

The details of remuneration / fees paid to the executive / non-executive directors for the year 2007-08 and the shares held by them are given below.

(Rs in lacs)		
Name of the Director	Salary	No of equity shares held
Mr. Shankarlal Somani	1,50,000	5,77,471
Mr. Raj Kumar Somani	1,50,000	3,53,575
Mr. Sumeet Kumar Somani	1,50,000	2,93,015
Mr. Dinesh Sharan Khare	2,82,000	--

### Notes:

1. The appointment of Managing Director is governed by the Articles of Association of the company and the resolutions passed by the board of directors and members of the company. These cover the terms and conditions of such appointment. Mr Raj Kumar Somani was reappointed as Managing Director of the company for a period of 5 years with effect from 29<sup>th</sup> Sep. 2007. He will hold office up to 29<sup>th</sup> Nov. 2008. The Company does not have any service contract with the Managing Director.
2. No severance fee is payable to the Directors on termination of employment.
3. In terms of the Articles of Association, the resignation of a director becomes effective upon its acceptance by the Board.
4. The company does not have a scheme for stock option either to its directors or employees.
5. None of the non-executive directors have any pecuniary relationship or transactions with the company.

### C. Shareholders' / Investors' Grievance Committee

The functions of the committee are to redress the grievances of shareholders / investors and to create and review the systems for improving the services. The latest committee meeting was held on 26/09/2008.

#### Composition

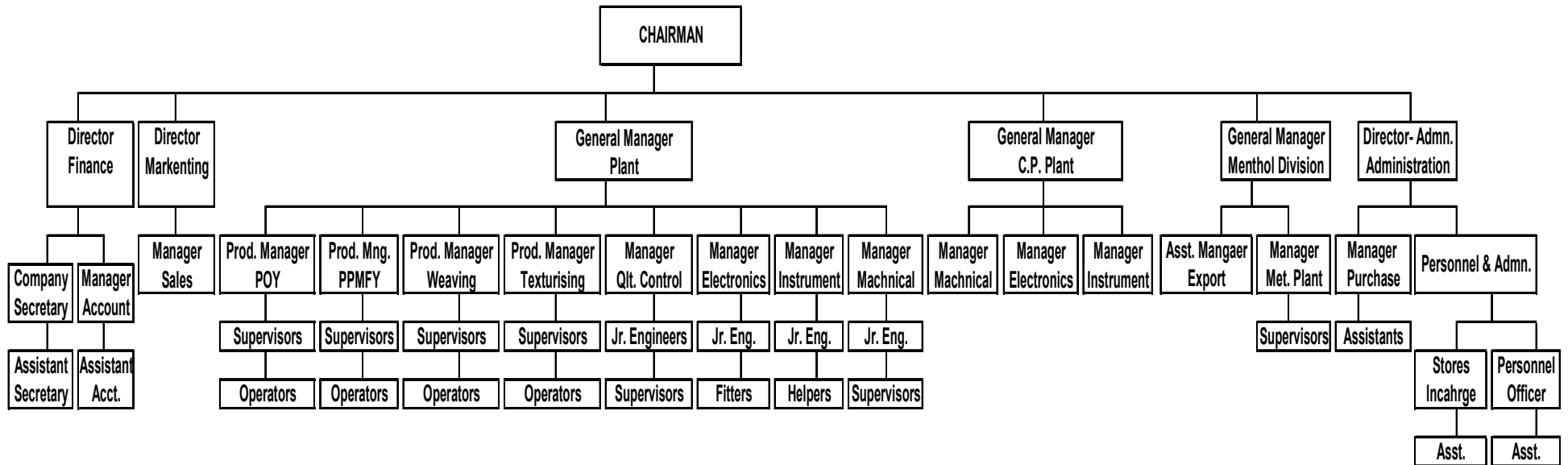
The composition of the Shareholders' and Investors' Grievance Committee is given below:

Name of the Director	Status in Committee	Nature of Directorship
Mr. B.C. Chordia	Chairman	Non-Executive
Mr. Mangilal Lahoti	Member	Non-Executive
Mr. Devi Prasad Saboo	Member	Non-Executive

The shareholders and investors Grievances Committee is responsible for remedying of all investor and shareholder grievances. This Committee will also oversee the performance of the Registrars, Transfer agents and the depository related services. This committee will also undertake all such acts, deeds and things relating to share transfer, transmission, splitting of share certificates, issuance of duplicate shares certificates and other related matters as may be considered necessary in this behalf.

NAME OF THE COMPANY : SUMEET INDUSTRIES LIMITED

ORGANISATION CHART :-



## DETAILS OF KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/engineering/distribution/marketing/finance and corporate laws. Following are the key functionaries in different functions of the Company excluding the promoters/directors of the Company: -

Sr. No.	Name	Designation	Age (Years)	Date of appointment	Remuneration (p.a.)	Qualification	Total Experience (Years)	Previous Company
1.	Anil Kumar Jain	Company Secretary and Compliance Officer	36	01.01.2008	232,908.00	B.Com (HONS), ACS	5	Raj Rayon Ltd.
2.	Abhishek M. Gupta	Manager (Accountants Div.)	30	08.08.2005	180,000.00	B.Com, ACA	5	J.P.Saboo & Co.
3.	Talshibhai L. Patel	General Manager (Plant)	53	05.10.2005	220,560.00	B.E. (Electrical)	29	Garden Silk Mills Ltd.
4.	Bhagwan R. Sharma	Manager (Electrical)	46	04.12.1993	153,072.00	Diploma in Electrical Engg.	20	Jindal Polyester Pvt. Ltd.
5.	Shailesh B. Patel	Manager (Mechanical)	35	22.11.1993	199,476.00	Diploma in Mechanical Engg.	14	—
6.	Alkesh M. Desai	Manager (Instrumentation)	38	13.07.1995	230,184.00	B.E. (Power Electronics)	15	Garden Silk Mills Ltd.
7.	Sanjeev Kumar	Manager (Quality Control)	44	01.06.2004	205,368.00	M.Sc. (Chemistry)	19	M/s. Rajasthan Petro Ltd.
8.	Anoop R. Gautam	Production Manager (POY)	35	05.04.2005	238,488.00	B. Tech (Textile)	15	Filatex India Ltd.
9.	Binay Kumar Tiwary	Production Manager (PPMFY)	40	11.10.1998	151,032.00	B. Tech (Textile)	17	M/s. Rajsthan Petro Synthetics Ltd.
10.	Yogesh bhai N. Gadiali	Production Manager (Texturising)	43	14.05.2006	243,024.00	B. Text (Techno.)	20	Himsion Textile Pvt. Ltd.
11.	Manish C. Kinariwala	Production Manager (Weaving)	42	06.10.2006	120,504.00	B.Com, Diploma in Weaving Technology	16	Metal Feb Pvt. Ltd.
12.	Prikshit Bhandari	General Manager (Menthol Division)	37	10.05.2007	559,740.00	B.Sc., M.B.A.	18	Banwari Aromas Pvt. Ltd.
13.	Amish Patel	Manager – Menthol Plant	33	06.01.1992	78,000.00	First Year Diploma in Instrument Engg.	14	Mahesh Texturisers Ltd.
14.	Baiju Thyagarajan	Assit. Manager (Export)	37	16.01.1995	129,996.00	B.A.	16	Hiralal Industries Ltd.

Sr. No.	Name	Designation	Age (Years)	Date of appointment	Remuneration (p.a.)	Qualification	Total Experience (Years)	Previous Company
15.	Jaykrishnan C.	Purchase Manager	38	07.11.1994	149,124.00	B.A.	14	—
16.	Manish Kumar Donga	Sales Manager	34	15.04.1991	161,004.00	H.S.C.	16	—
17.	Prabhat K. Srivashtav	Manager (Mechanical - C.P. Plant)	39	01.01.2008	282,044.00	Diploma in Mechanical Engg.	20	Arfees India Ltd.
18.	Dipak C. Chaudhari	Manager (Electrical - C.P. Plant)	27	01.01.2008	200,676.00	B.E. (Electrical)	4	Suzzlon Infrastructure Services Ltd.
19.	Balasaheb G. Shinde	Manager (Instrument - C.P. Plant)	34	01.01.2008	232,908.00	B.E. (Electronics & Telecom)	12	JBF India Ltd.
20.	Naresh Kumar Joshi	Personnel & Admn. Officer	43	16.02.2004	103,176.00	S.S.C.	27	Shri Vallabhglass Works Ltd.

All the above mentioned key managerial personnel are permanent employees of the Company. The remuneration of each of key managerial personnel includes salary, bonus, Company's contribution to Provident Fund, Leave Travel Allowance/Concession, Medical Expenses and value of other facilities inclusive of accommodation as may be applicable in each case. The Company has not offered any profit sharing plan to its Key Managerial Personnel.

#### CHANGES IN KEY MANAGERIAL PERSONNEL IN THE LAST THREE YEARS

Name	Date of Appointment	Date of Resignation
Mr. Anil Kumar Jain	01/01/2008	-
Mr. Surendra Phophalia	-	10/08/2005
Mr. Abhishek M Gupta	08/08/2005	-
Mr. P.C. Jain	-	04/10/2005
Mr. Talshibhai L. Patel	05/10/2005	-
Mr. Anoop R Gautam	05/04/2005	-
Mr. Chatra Singh Suhalka	-	31/10/2005
Mr. Yogesh Bhai N. Gadiali	14/05/2006	-
Mr. Manish C. Kinariwala	06/10/2006	-
Mr. Prikshit Bhandari	10/05/2007	-
Mr. Prabhat K. Shrivastav	01/01/2008	-
Mr. Dipak C. Chaudhari	01/01/2008	-
Mr. Balasaheb G. Shinde	01/01/2008	-

#### SHAREHOLDING OF KEY MANAGERIAL PERSONNEL

No key managerial persons are holding any shares on the company.

#### BONUS OR PROFIT SHARING PLAN FOR KEY MANAGERIAL PERSONNEL

No bonus or profit sharing plan exists for key managerial persons.




#### EMPLOYEE STOCK OPTION SCHEMES

Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

**PAYMENT OR BENEFIT (NON-SALARY RELATED) TO OFFICERS OF THE COMPANY**

Except as stated in this Letter of Offer, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company.

## PROMOTERS

	<p><b>Mr. Shankarlal Somani</b>, aged 54 years is a chairman of the company. He is a commerce graduate and has more than 3 decades of experience in Textile industry. During 1976-80 he started Fabric Trading in the name of M/s. Somani Trading Co., Surat Textile Market, Surat as Partner. He has served various social prestigious posts like President of Rajasthan Parisad, Surat, President of Maheshwari Bhawan Samiti, Managing committee member of Sarvajanik Education Society and Shri Maheswari Vidyapeeth</p> <p><b>Voter ID No. :</b> CTL7019102  <b>Passport No.:</b> A1027629  <b>PAN:</b> ABNPS7087D</p>
	<p><b>Mr. Rajkumar Somani</b>, aged 47 years Managing Director of the company. He is a commerce graduate from and has around 27 years of experience in the field of Textiles. He started fabric processing unit in the name of Sumeet Silk Processors (P) Ltd. during 1992-93. In the year 1993-94 he established a process house at 436 GIDC Pandesra in the name of Sumeet Silk Mills and also set up Sumeet Industries Limited for manufacture of Polypropylene Multifilament Yarn.</p> <p><b>Driving Licence No. :</b> ST/98/DL/257653  <b>Voter ID No.:</b> GBV3777752  <b>Passport No.:</b> B5539219  <b>PAN:</b> ACIPS4806L</p>
	<p><b>Mr. Sumeet Kumar Somani</b>, aged 27 years is a Director of the company. He is M.Com from South Gujarat University, Gujarat and has Diploma in Business Management from S. P. Jain Institute of Management &amp; Research, Mumbai. He has joined the company as a Director in Sumeet Industries Ltd. He is also managing a process house of SANYA FASHIONS at Pandesra.</p> <p><b>Driving Licence No. :</b> 05/ST/99/NDL/288482  <b>Voter ID No. :</b> CTL7018948  <b>Passport No.:</b> E7043865  <b>PAN:</b> ANPPS3016A</p>

We confirm that the Permanent Account Number, Bank Account Numbers, Passport Number have been submitted to the Stock Exchanges at the time of filing of the Letter of Offer. Further, the Promoters have not been detained as willful defaulters by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters.

### INTEREST OF PROMOTERS

Promoters are interested to the extent of their shareholding for which they are entitled to receive dividend declared, if any by the company. further, since promoters are also directors of the company, they are interested to the extent of their remuneration from the company.

### COMMON PURSUITS

The Associate Companies are carrying on separate businesses and there is no conflict of interest situation except certain related party transaction mentioned on page no. 102.

## PROMOTER GROUP COMPANIES

### GROUP COMPANIES

#### 1. Somani Overseas Pvt. Ltd (SOPL)

The Company was incorporated as Somani Silk Mills Private Limited on 6th July, 1981 having Registration no. 04-4477. The name of the Company was changed to Somani Overseas Limited with effect from 10th May, 1996 later on it was changed to Somani Overseas Pvt. Private Limited on 6<sup>th</sup> February, 2008. The Registered office of the company is situated at 703, Trividh Chamber, Opp. Fire Station, Ring Road, Surat - 395 002. The company is engaged in trading business.

#### Board of Directors of Somani Overseas Pvt. Limited

- 1) Mr. Shankarlal Somani
- 2) Mr. Sumeet Kumar Somani
- 3) Mr. Bajranglal Somani
- 4) Mr. Sushil Kumar Somani

#### Shareholding Pattern of Somani Overseas Private Limited:

Shareholder	No. of Shares of Rs. 10/- each	Holding (%)
Directors	2,83,500	22.32
Promoter's & relatives	9,86,500	77.68
<b>Total</b>	<b>12,70,000</b>	<b>100.00</b>

#### Key Audited Financial of Somani Overseas Private Limited

(Rs. In Lacs)

Particulars	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Equity Capital	127.00	127.00	127.00
Reserve & Surplus	674.39	646.74	621.41
Total Income	39.39	41.21	144.86
Total Expenditure	4.17	15.18	55.18
Profit before Tax	35.22	26.03	89.68
Profit after Tax	27.65	25.85	86.56
Earning Per Share (Rs.)	2.18	2.04	6.82
Book Value per equity share (Rs.)	63.10	60.92	58.93

SOPL has not made any rights / public issue during last three years. SOPL is not a Sick Industrial Company within the meaning of the SICA.

#### 2. Sitaram Prints Private Ltd. (SPPL)

The Company was incorporated as Sitaram Prints Private Limited on 8<sup>th</sup> January, 1987 having Registration no.9299 of 1986-87. The registered office of the company is situated at 504, Trividh Chamber, Opp. Fire Station, Ring Road, Surat - 395 002. The company is mainly engaged in activities of Textile Business. The company is engaged in Fabric Processing work on job basis.

**Board of Directors of Sitaram Prints Private Limited:**

1. Mr.Sushil Kumar Somani
2. Mr. Sumeet Kumar Somani

**Shareholding Pattern of Sitaram Prints Private Limited:**

Name of the shareholder	No. of Shares of Rs. 10/- each	Holding (%)
Directors	1,70,400	21.30
Promoter's & relatives	4,45,500	55.69
Others	1,84,100	23.01
<b>Total</b>	<b>8,00,000</b>	<b>100.00</b>

**Key Audited Financial of Sitaram Prints Private Limited****(Rs. In Lacs)**

Particulars	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Equity Capital	80.00	80.00	80.00
Reserve & Surplus	169.06	154.86	126.96
Total Income	491.99	466.53	372.55
Total Expenditure	469.07	440.96	337.55
Profit before Tax	22.92	25.57	35.00
Profit after Tax	15.21	27.91	24.80
Earning Per Share (Rs.)	1.90	3.49	3.10
Book Value per equity share (Rs.)	31.13	29.36	25.87

SPPL has not made any rights / public issue during last three years. SPPL is not a Sick Industrial Company within the meaning of the SICA.

**3. Sumeet Menthol Private Limited (SMPL)**

The Company was incorporated as Mahesh Texturisers Private Limited on 1<sup>st</sup> August, 1988 having Registration no. 04-11052. The name of the Company was changed to Sumeet Menthol Private Limited with effect from 5<sup>th</sup> February, 2008. The registered office of the company is situated at 504, Trividh Chamber, Opp. Fire Station, Ring Road, Surat - 395 002. The company is engaged in Textile & Menthol Business.

**Board of Directors of Sumeet Menthol Private Limited**

- 1) Mr. Shankarlal Somani
- 2) Mr. Mahesh Kumar Somani

**Shareholding Pattern of Sumeet Menthol Private Limited**

Name of shareholder	No. of Shares of Rs.10/- each	Holding (%)
Directors	36,000	10.29
Promoter's & relatives	40,000	11.43
Others	2,74,000	78.29
<b>Total</b>	<b>3,50,000</b>	<b>100.00</b>

**Key Audited Financial of Sumeet Menthol Private Limited**



(Rs. In Lacs)

	For Financial Year Ended 31 <sup>st</sup> March		
Particulars	2008	2007	2006
Equity Capital	35.00	35.00	35.00
Reserve & Surplus	117.81	114.82	75.38
Total Income	3.00	63.48	40.37
Total Expenditure	0.01	24.29	60.06
Profit before Tax	2.99	39.19	(19.68)
Profit after Tax	2.99	39.44	(9.44)
Earning Per Share (Rs.)	0.85	11.24	-
Book Value per equity share (Rs.)	43.66	42.80	31.54

SMPL has not made any rights / public issue during last three years. SMPL is not a Sick Industrial Company within the meaning of the SICA.

#### 4. Sumeet Silk Processors Private Limited (SSPPL)

The Company was incorporated as Sumeet Silk Processors Private Limited on 11<sup>th</sup> May, 1987 having Registration no. 009625 of 1987-88. The registered office of the company is situated at Plot no. B/46, Road No.3, Udhna Udyog Road, Udhna, Surat. The company is engaged in fabric processing work on job basis.

##### Board of Directors of Sumeet Silk Processors Private Limited

- 1) Mr. Rajkumar Somani
- 2) Mr. Ritesh Kumar Somani

##### Shareholding Pattern of Sumeet Silk Processors Private Limited

Name of shareholder	No. of Shares of Rs.10/- each	Holding (%)
Directors	900	8.33
Promoter's & relatives	6,300	58.33
Others	3,600	33.33
<b>Total</b>	<b>10,800</b>	<b>100.00</b>

##### Key Audited Financial of Sumeet Silk Processors Private Limited

(Rs. In Lacs)

	For Financial Year Ended 31 <sup>st</sup> March		
Particulars	2008	2007	2006
Equity Capital	1.08	1.08	1.08
Reserve & Surplus	38.29	40.86	15.75
Total Income	0.72	27.00	38.90
Total Expenditure	0.44	1.89	38.95
Profit before Tax	0.28	25.11	(0.05)
Profit after Tax	0.25	25.11	(0.05)
Earning Per Share (Rs.)	2.31	232.50	-
Book Value per equity share (Rs.)	364.54	388.33	155.83

SSPPL has not made any rights / public issue during last three years. SSPPL is not a Sick Industrial Company within the meaning of the SICA.

## 5. Akash Ganga Processors Private Limited (AGPPL)

The Company was incorporated as Akash Ganga Processors Private Limited on 12<sup>th</sup> January 2004 having Registration no. 043456/03-04. The registered office of the company is situated at Plot no. 402/2, GIDC, Pandesara, Surat. The company is engaged in fabric processing work on job basis.

### Board of Directors of Akash Ganga Processors Private Limited

- 1) Mr. Rajkumar Somani
- 2) Mr. Rakesh Kumar Somani

### Shareholding Pattern of Akash Ganga Processors Private Limited

Name of shareholder	No. of Shares of Rs.10/- each	Holding (%)
Directors	1,04,000	24.47
Promoter's & relatives	56,000	13.18
Others	2,65,000	62.35
<b>Total</b>	<b>4,25,000</b>	<b>100.00</b>

### Key Audited Financial of Akash Ganga Processors Private Limited

(Rs. In Lacs)

Particulars	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Equity Capital	42.50	24.50	24.50
Reserve & Surplus	91.94	19.97	5.16
Total Income	488.51	465.85	158.79
Total Expenditure	466.52	444.78	150.56
Profit before Tax	21.99	21.07	8.23
Profit after Tax	14.96	14.82	8.21
Earning Per Share (Rs.)	3.52	6.04	3.35
Book Value per equity share (Rs.)	31.63	18.15	12.10

AGPPL has not made any rights / public issue during last three years. AGPPL is not a Sick Industrial Company within the meaning of the SICA.

## 6. Ambaji Syntex Private Limited (ASPL)

The Company was incorporated as Ambaji Syntex Private Limited on December 04, 1990 having Registration no. 04-14729. The Registered office of the company is situated at 504, Trividh Chambers, Opp. Fire Station, Ring Road, Surat. The company is engaged in fabric processing work on job basis.

### Board of Directors of Ambaji Syntex Private Limited

- 1) Mr. Mahesh Kumar Somani
- 2) Mr. Manish Kumar Somani

### Shareholding Pattern of Ambaji Syntex Private Limited

Name of shareholder	No. of Shares of Rs.10/- each	Holding (%)
Directors	2,39,990	14.54
Promoter's & relatives	3,64,610	22.10
Others	10,45,400	63.36
<b>Total</b>	<b>16,50,000</b>	<b>100.00</b>

**Key Audited Financial of Ambaji Syntex Private Limited****(Rs. In Lacs)**

	<b>For Financial Year Ended 31<sup>st</sup> March</b>		
<b>Particulars</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Equity Capital	165.00	120.00	100.00
Reserve & Surplus	351.52	188.20	193.28
Total Income	2.42	477.76	566.34
Total Expenditure	19.06	488.80	525.47
Profit before Tax	(16.64)	(11.04)	40.87
Profit after Tax	(16.64)	(4.30)	27.40
Earning Per Share (Rs.)	-	-	2.74
Book Value per equity share (Rs.)	31.30	25.68	29.32

ASPL has not made any rights / public issue during last three years. ASPL is not a Sick Industrial Company within the meaning of the SICA.

**7. Bajarang Processors Private Limited (BPPL)**

The Company was incorporated as Bajarang Processors Private Limited on 5<sup>th</sup> February, 2004 having Registration no. 043558. The registered office of the company is situated at 504, Trividh Chambers, Opp. Fire Brigade Station, Ring Road, Surat. The company is engaged in fabric processing work on job basis.

**Board of Directors of Bajarang Processors Private Limited**

- 1) Mr. Bajrang Lal Somani
- 2) Mr. Amit Kumar Somani

**Shareholding Pattern of Bajarang Processors Private Limited**

<b>Name of shareholder</b>	<b>No. of Shares of Rs.10/- each</b>	<b>Holding (%)</b>
Directors	4,80,000	43.64
Promoter's & relatives	20,000	1.82
Others	6,00,000	54.54
<b>Total</b>	<b>11,00,000</b>	<b>100.00</b>

**Key Audited Financial of Bajarang Processors Private Limited****(Rs. In Lacs)**

	<b>For Financial Year Ended 31<sup>st</sup> March</b>		
<b>Particulars</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Equity Capital	110.00	110.00	90.00
Reserve & Surplus	139.16	113.10	50.22
Total Income	734.58	835.33	341.89
Total Expenditure	697.53	775.67	325.49
Profit before Tax	37.05	59.66	16.40
Profit after Tax	26.06	43.52	9.97
Earning Per Share (Rs.)	2.37	3.95	1.11
Book Value per equity share (Rs.)	22.65	20.28	15.58

BPPL has not made any rights / public issue during last three years. BPPL is not a Sick Industrial Company within the meaning of the SICA.

## 8. Raghuvir Texturisers Private Limited (RTPL)

The Company was incorporated on 7<sup>th</sup> March, 1981 having Registration no. 4173 of 1980-81. The registered office of the company is situated at 504, Trividh Chambers, Opp. Fire Brigade Station, Ring Road, Surat. The company is engaged in textile business and presently has no business activity.

### Board of Directors of Raghuvir Texturisers Private Limited

- 1) Mr. Pushkar Narayan Mantri
- 2) Mr. Sharwan Kumar Kabra

### Shareholding Pattern of Raghuvir Texturisers Private Limited

Name of shareholder	No. of Shares of Rs.100/- each	Holding (%)
Directors	-	0.00
Promoter's & relatives	2,000	3.33
Others	58,000	96.67
<b>Total</b>	<b>60,000</b>	<b>100.00</b>

### Key Audited Financial of Raghuvir Texturisers Private Limited

(Rs. In Lacs)

Particulars	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Equity Capital	60.00	60.00	60.00
Reserve & Surplus	49.21	49.21	49.21
Total Income	0.00	0.46	38.26
Total Expenditure	(0.06)	0.53	45.35
Profit before Tax	(0.06)	(0.07)	(7.09)
Profit after Tax	(0.06)	(0.07)	(7.09)
Earning Per Share (Rs.)	-	-	-
Book Value per equity share (Rs.)	28.09	28.20	28.32

RTPL has not made any rights / public issue during last three years. RTPL is not a Sick Industrial Company within the meaning of the SICA.

## 9. Sanya Fashions (Sanya)

Sanya Fashions is a proprietorship concern promoted by Mr. Sumeet Kumar Somani. The registered office of the firm is situated at 74, GIDC Pandesara, Surat. The firm is mainly engaged in fabric processing work on job basis.

### Key Audited Financial of Sanya Fashions

(Rs. In Lacs)

Particulars	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Proprietor's Capital	22.35	8.61	5.01
Reserve & Surplus	0.00	0.00	0.00
Total Income	596.83	518.46	303.31
Total Expenditure	575.61	513.13	298.30
Profit before Tax	21.22	5.33	5.01
Profit after Tax	20.01	3.86	5.01

## 10. Betex India Limited (BIL)

The Company was incorporated as on 7<sup>th</sup> January, 1987 having Registration no. 42125 of 1987 by Registrar of Companies, Maharashtra. The Registered office of the company was situated at Mumbai which was shifted to 504, Trividh Chamber, Ring Road, Surat. The company is engaged in textile business.

BIL made a public issue of 4,00,000 equity shares of face value of Rs.10/- each issued at par during the year 1987. Further, the company came out with the rights issue during the year 1988. The equity shares of the company are listed at Bombay Stock Exchange Limited (BSE).

The equity shares of Betex India Limited one of the group companies are listed on BSE. The trading in the equity shares of the company have been suspended w.e.f 08/05/2000 on account of non-compliance with Clause 15/16, Clause 31, Clause 35, Clause 40B, Clause 41 and Clause 47 of the listing agreement. The shares of the company are included in "Z" category of BSE. Please refer page vi under "Risk Factors"

#### **Board of Directors of Betex India Limited**

- 1) Mr. Mahesh Kumar Somani
- 2) Mr. Manish Kumar Somani
- 3) Mr. Raj Kumar Somani

#### **Shareholding Pattern of Betex India Limited**

Name of shareholder	No. of Shares of Rs.10/- each	Holding (%)
Directors	84,000	5.60
Promoter's & relatives	9,77,700	65.18
Others	4,38,300	29.22
<b>Total</b>	<b>15,00,000</b>	<b>100.00</b>

#### **Key Audited Financials of Betex India Limited**

Particulars	(Rs. In Lacs)		
	For Financial Year Ended 31 <sup>st</sup> March		
	2008	2007	2006
Equity Capital	150.00	150.00	150.00
Reserve & Surplus	239.72	171.41	114.59
Total Income	1514.68	1097.21	1036.16
Total Expenditure	1439.76	998.70	1020.39
Profit before Tax	74.92	98.51	15.77
Profit after Tax	68.31	57.80	13.30
Earning Per Share (Rs.)	4.55	3.85	0.88
Book Value per equity share (Rs.)	25.98	21.43	17.64

#### **COMPANY/FIRM FROM WHICH THE PROMOTERS HAVE DISASSOCIATED THEMSELVES DURING PRECEDING THREE YEARS**

The promoters have not disassociated themselves from any of the companies during three preceeding years.

#### **RELATED PARTY TRANSACTIONS**

For details of Related Party Transaction please refer to details given under the section titled "Related Party Transactions" on page 102 of this Letter of Offer.

## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by the Board of Directors and shareholders, in their discretion and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The company has declared final dividend of 10% during the year 2006-07 amounting to Rs.198.40 lacs and 6% dividend on non-convertible preference shares amounting to Rs. 35.10 lacs.

## PART II

### SECTION IV - FINANCIAL INFORMATION

#### Auditors' Report as required by Part II of schedule II of the Companies Act, 1956

The Board of Directors  
Sumeet Industries Limited  
504, Trividh Chamber  
Ring Road , Surat.

#### Sub: Your Proposed Rights Offer

Dear Sirs,

We have examined the financial information of Sumeet Industries Limited annexed to this report which has been prepared in accordance with the requirements of:

- i) paragraph B (1) of part II of Schedule II of the Companies Act, 1956 (the Act) and the amendments thereof.
- ii) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (Guidelines) issued by the Securities and Exchange Board of India (SEBI) including each type of adjustment as per clause 6.10.2.7 and clause 6.10.2.7 (b) of the guidelines and the amendments made there to from time to time in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992; and
- iii) the instruction received from the company requesting us to examine the financial information referred to above and proposed to be included in the Letter of Offer of the company in connection with its proposed Rights offer of Equity Shares.

#### Financial Information of the Company

1. We have examined the attached statement of Summary Statements of Assets & Liabilities (Standalone) of the Company as at 31st March 2008, 2007, 2006, 2005, 2004 and Quarter ended as at 30<sup>th</sup> June, 2008 (**Annexure I**) and accompanying statements of restated summary statement of Profit & Loss (Standalone) of the Company for the financial year(s)/period ended 31<sup>st</sup> March 2008, 2007, 2006, 2005, 2004 and Quarter ended as on 30<sup>th</sup> June, 2008 (**Annexure II**) as prepared by the company and approved by the Board of Directors. These statements reflect the Assets and Liabilities and Profit & Losses for each of the relevant years as extracted from the balance sheet and profit and loss account of years audited by us. The Statement of Cash Flow (Standalone) for the financial year(s)/period ended 31st March 2008, 2007, 2006, 2005, 2004 and Quarter ended as at 30<sup>th</sup> June, 2008 is appearing in **Annexure III**. These statements have been made after making such adjustments, regrouping as in our opinion are appropriate and more fully described in the Notes appearing in **Annexure IV** to this report .
2. Based on our examination of the above financial statement, we confirm that the relevant extracts of Balance Sheet and Profit & Loss Account as enclosed in **Annexure I & II** and this report has been made after giving effect to the following :-
  - The impact of extra ordinary items has been disclosed separately in the financial statements.
  - There are no qualifications in the auditor's report, which require any adjustments in the summary statements.
  - The impact arising on account of changes in significant accounting policies, if any, (as disclosed in Annexure IV to this report) adopted by the company has been adjusted with retrospective effect in the attached summary statements.

3. We confirm that the company has not declared any interim or final dividend on equity shares in respect of the financial years ended March 31, 2004, 2005, 2006, 2008 and the company has declared dividend of 10% on equity shares for the year ended March 31, 2007. The Company has issued 6% Non - Convertible Preference Shares of Rs. 10/- each to the promoters & its relatives on dated 24/02/2005 and the same will be redeemed between dated 16.09.08 to 30.09.08 as approved in the class meeting of Preference Share Holders held on dated 15.09.08.
4. The significant Accounting Policies and Notes to Accounts are enclosed in **Annexure V** to this report.
5. **Other Financial Information**
  - Accounting ratios relating to Earnings per Share, Net Asset Value per Share and Return on net worth are given in **Annexure VI**.
  - Details of Reserve & Surplus in **Annexure VII**
  - Statement of other Income **Annexure VIII**.
  - The Capitalisation statement of the company as at 31st March, 2007 is enclosed as **Annexure IX**
  - The taxation statement for the preceding financial years of the company is enclosed as **Annexure X**.
  - Details of Loans & Advances in **Annexure XI**
  - Details of Unsecured Loan taken in **Annexure XII**
  - The transactions with companies in the promoter group and details and transaction with Group Company/ promoters including Outstanding Loans taken by the company are enclosed in **Annexure XIII**
  - Details of Secured Loan taken from Bank in **Annexure XIV**
6. We have examined the attached consolidated summary statements of Assets & Liabilities of the company and its subsidiary as at 31<sup>st</sup> 2008, 2007, 2006, 2005, 2004 and Quarter ended as at 30<sup>th</sup> June, 2008 (**Annexure XV**) and accompanying consolidated summary statements of restated Profit & Loss of the Company and its subsidiary for the year(s)/period ended 31st March 2008, 2007, 2006, 2005 , 2004 and Quarter ended as on 30<sup>th</sup> June, 2008 ( **Annexure XVI** ) as prepared by the Company. Consolidated Cash Flow Statement as appearing in **Annexure XVII** to this report. These statements have been made after making such adjustment and regrouping as in our opinion are appropriate and more fully described in the Notes appearing in Annexure (**Annexure XVIII**) to this report.

The consolidation of the accounts of Sumeet Industries Limited and Somani Industries (Nepal) Pvt. Limited (subsidiary company) has been done in accordance with the requirements of AS-21 and such consolidation is on the basis of financial statements prepared in accordance with Indian GAAP.

In our opinion the above financial information of the company, read with Significant Accounting Policies and notes on accounts attached in Annexure IV to this report, after making adjustments and reporting as considered appropriate, has been prepared in accordance with Part II of the Schedule II of the Act and the SEBI guidelines.

This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred therein.



This report is intended solely for your information and for inclusion in the Offer Document in connection with the Proposed Right Issue of Equity Shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours Faithfully

**For PRADEEP SINGHI & ASSOCIATES**

**Chartered Accountants**

**Sd/-**

**Pradeep Kumar Singhi**

**Proprietor**

**M. No. 200/24612**

**Place : Surat**

**Date : 06/11/2008**

## ANNEXURE – I

### SUMMARY STATEMENT OF ASSETS AND LIABILITIES (STANDALONE)

The assets and liabilities of the company as at the end of each five financial years ended on 31<sup>st</sup> March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008 are set out below. This summary statement of assets and liabilities, read with significant accounting policies and notes annexed hereto have been arrived at after making such regrouping as are, in our opinion, appropriate.

(Rs. in Lacs)

	Particulars		As at 30.06.2008	As at 31 <sup>st</sup> March				
				2008	2007	2006	2005	2004
<b>A.</b>	<b>Fixed Assets :</b>							
	Gross Block		8703.02	8665.06	8087.77	7650.92	6374.48	4235.51
	Less : Depreciation		4128.92	4040.82	3657.20	3299.85	2965.97	2734.43
	<b>Net Block</b>		<b>4574.10</b>	<b>4624.24</b>	<b>4430.57</b>	<b>4351.07</b>	<b>3408.51</b>	<b>1501.08</b>
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	<b>Net Block after adjustment for Revaluation Reserve</b>		<b>4574.10</b>	<b>4624.24</b>	<b>4430.57</b>	<b>4351.07</b>	<b>3408.51</b>	<b>1501.08</b>
	<b>Capital Work In Progress</b>		<b>354.19</b>	<b>127.56</b>	<b>14.80</b>	<b>267.65</b>	<b>926.63</b>	<b>756.74</b>
	<b>Total</b>	<b>( i )</b>	<b>4928.29</b>	<b>4751.80</b>	<b>4445.37</b>	<b>4618.72</b>	<b>4335.14</b>	<b>2257.82</b>
<b>B.</b>	<b>Current Assets, Loans and Advances</b>							
	Inventories		2921.09	2748.81	2298.84	1405.34	969.09	754.93
	Sundry Debtors		800.13	880.70	577.55	514.29	444.41	346.63
	Cash & Bank Balances		520.30	161.23	25.61	46.10	101.93	58.89
	Loans and Advances		786.61	1061.12	838.71	467.72	564.70	346.22
	<b>Total</b>	<b>( ii )</b>	<b>5028.13</b>	<b>4851.86</b>	<b>3740.71</b>	<b>2433.45</b>	<b>2080.13</b>	<b>1506.67</b>
<b>C.</b>	<b>Investments</b>	<b>( iii )</b>	<b>103.78</b>	<b>155.81</b>	<b>126.1</b>	<b>103.49</b>	<b>105.31</b>	<b>180.23</b>
<b>D.</b>	<b>Liabilities &amp; Provisions :</b>							
	Secured Loans		4201.68	4280.29	3944.12	3525.93	3146.70	1154.15
	Unsecured Loans		255.12	527.03	505.31	405.93	357.29	311.52
	Current Liabilities & Provision.		1346.42	824.95	620.60	289.22	202.39	295.18
	Deferred Tax Liability		464.26	464.26	388.28	257.56	221.97	180.58
		<b>( iv )</b>	<b>6267.48</b>	<b>6096.53</b>	<b>5458.31</b>	<b>4478.64</b>	<b>3928.35</b>	<b>1941.43</b>
<b>E.</b>	<b>Net Worth ( i + ii + iii - iv )</b>	<b>( v )</b>	<b>3792.72</b>	<b>3662.94</b>	<b>2853.87</b>	<b>2677.02</b>	<b>2592.23</b>	<b>2003.29</b>
<b>F.</b>	<b>Represented by</b>							
	1. Equity Share Capital		2012.29	2012.29	1739.93	1739.93	1160.00	1160.00
	2. Preference Share Capital		500.00	500.00	500.00	500.00	500.00	0.00
	3. Share Application Money		297.00	257.00	75.00	0.00	0.00	0.00
	4. Reserve & Surplus		1005.05	911.71	538.94	437.09	932.23	843.29
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	Reserve ( Net of Revaluation Reserve )		1005.05	911.71	538.94	437.09	932.23	843.29
	Less: Pre. Exp. not written off		21.62	18.06	0.00	0.00	0.00	0.00
	<b>Net Worth</b>	<b>( v )</b>	<b>3792.72</b>	<b>3662.94</b>	<b>2853.87</b>	<b>2677.02</b>	<b>2592.23</b>	<b>2003.29</b>

## ANNEXURE - II

### RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS (STANDALONE)

The Profit & Loss of the company for each of the five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008 are set out below. The summary statement of Profit & Loss Account, as restated read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture , working & management including depreciation and after making such adjustments and regrouping as are, in our opinion , appropriate

(Rs. In Lacs )

Particulars		Quarter Ended on 30.06.2008	Year Ended 31 <sup>st</sup> March				
			2008	2007	2006	2005	2004
<b>Income</b>							
Sales							
a. Of products manufactured by the company		3325.04	12850.83	11249.13	7781.69	3246.89	3343.18
b. Of products traded in by the company		0.00	0.00	0.00	437.02	243.06	81.07
<b>Total</b>		<b>3325.04</b>	<b>12850.83</b>	<b>11249.13</b>	<b>8218.71</b>	<b>3489.95</b>	<b>3424.25</b>
Other Income		7.34	(15.09)	137.00	62.89	22.40	70.31
Export Incentive		13.49	82.07	0.00	0.00	50.48	66.87
Increase ( Decrease ) in Inventories		(14.85)	33.41	653.96	356.35	10.91	(74.79)
<b>Total</b>	<b>A</b>	<b>3331.02</b>	<b>12951.22</b>	<b>12040.09</b>	<b>8637.95</b>	<b>3573.74</b>	<b>3486.64</b>
<b>Expenditure</b>							
Purchase of Finished Goods		0.00	0.00	25.75	289.60	321.75	386.13
Raw Material Consumed		2550.88	9843.14	9165.38	6341.78	1990.92	1836.02
Staff Costs		22.66	101.56	74.41	55.85	68.38	68.82
Other Manufacturing Expenses		245.26	981.53	860.55	907.07	525.79	620.22
Administrative Expenses		152.39	626.13	587.75	325.76	193.04	117.08
Selling & Distribution Expenses		27.99	79.28	97.58	20.16	29.56	32.04
Interest		110.09	408.99	360.63	218.12	65.60	70.59
Depreciation		88.10	387.06	360.82	346.67	236.05	241.23
<b>Total</b>	<b>B</b>	<b>3197.37</b>	<b>12427.69</b>	<b>11532.87</b>	<b>8505.01</b>	<b>3431.09</b>	<b>3372.13</b>
<b>Net Profit before tax and Extra Ordinary Items ( A-B)</b>	<b>C</b>	<b>133.65</b>	<b>523.53</b>	<b>507.22</b>	<b>132.94</b>	<b>142.65</b>	<b>114.51</b>
Taxation	<b>D</b>	40.31	156.41	156.98	47.71	52.59	32.09
<b>Net Profit after Tax but before Extra Ordinary items ( C - D )</b>	<b>E</b>	<b>93.34</b>	<b>367.12</b>	<b>350.24</b>	<b>85.23</b>	<b>90.06</b>	<b>82.42</b>
Extra Ordinary Items	<b>F</b>	0.00	0.00	13.77	0.00	0.00	0.00
Prior Period Expenses	<b>G</b>	0.00	0.00	0.00	0.06	0.00	0.86
<b>Net Profit after Extraordinary items &amp; Prior period Expenses ( E - F - G )</b>	<b>I</b>	<b>93.34</b>	<b>367.12</b>	<b>336.47</b>	<b>85.17</b>	<b>90.06</b>	<b>81.56</b>
Less : Taxation of earlier year		0.00	1.94	1.12	0.37	1.12	(0.03)
<b>Adjusted Profit</b>		<b>93.34</b>	<b>365.18</b>	<b>335.35</b>	<b>84.80</b>	<b>88.94</b>	<b>81.59</b>

<b>Add : Balance Brought Forward</b>		<b>641.23</b>	<b>451.86</b>	<b>350.01</b>	<b>265.22</b>	<b>776.28</b>	<b>694.69</b>
<b>Total</b>		<b>734.57</b>	<b>817.04</b>	<b>685.36</b>	<b>350.02</b>	<b>865.22</b>	<b>776.28</b>
<b>Appropriation</b>							
<b>Dividend &amp; Distribution Tax on Equity Shares</b>		0.00	0.00	198.40	0.00	0.00	0.00
<b>6% Dividend &amp; Dist. Tax on Pre. Share</b>		0.00	0.00	35.10	0.00	0.00	0.00
<b>Excess Prov. of Taxation of earlier Year written back</b>		0.00	4.85	0.00	0.00	0.00	0.00
<b>Transfer for capitalization for issue of Bonus Shares</b>		0.00	180.66	0.00	0.00	0.00	0.00
<b>Transfer to General Reserve</b>		0.00	0.00	0.00	0.00	600.00	0.00
<b>Bal. Carried Forward to Balance Sheet</b>		<b>734.57</b>	<b>641.23</b>	<b>451.86</b>	<b>350.02</b>	<b>265.22</b>	<b>776.28</b>

### ANNEXURE III

#### SUMMARY STATEMENT OF CASH FLOWS ( STANDALONE )

(Rs. in Lacs)

	Particulars	3 Months Ended on 30.06.2008	Year Ended 31st March				
			2008	2007	2006	2005	2004
<b>A</b>	<b>Cash Flow from operating activities</b>						
	<b>Net Profit Before Tax &amp; Extraordinary items</b>	<b>133.65</b>	<b>523.53</b>	<b>493.45</b>	<b>132.88</b>	<b>142.65</b>	<b>113.65</b>
	<b>Adjustment For :</b>						
	Depreciation	88.10	387.06	360.82	346.67	236.06	241.23
	Interest Income	(5.54)	(16.56)	(7.57)	(6.60)	(10.39)	(13.01)
	Dividend Income	0.00	(3.68)	(3.03)	(0.03)	(0.32)	(0.01)
	Misc. Expenditure written off	0.00	0.00	0.00	0.00	0.00	0.00
	Profit/Loss on sale of Fixed Assets	0.00	(2.65)	(0.49)	(3.33)	(1.84)	0.82
	Profit/Loss on sale of Investment	0.00	99.56	(16.56)	(42.77)	5.74	(2.88)
	Interest Paid	107.85	392.37	336.76	201.72	65.60	70.59
	<b>Operating Profit Before Working Capital Changes</b>	<b>324.06</b>	<b>1379.63</b>	<b>1163.37</b>	<b>628.53</b>	<b>437.47</b>	<b>410.40</b>
	<b>Adjustments For :</b>						
	Trade & other Receivables	355.07	(525.57)	(434.26)	27.11	(316.26)	(66.11)
	Inventories	(172.28)	(449.96)	(893.50)	(436.26)	(214.16)	0.49
	Trade Payable & other Liabilities	521.47	204.35	331.38	86.84	(92.79)	92.71
	<b>Cash Generated From Operations</b>	<b>1028.32</b>	<b>608.45</b>	<b>167.00</b>	<b>306.22</b>	<b>(185.72)</b>	<b>437.49</b>
	Interest Paid	(107.85)	(392.38)	(336.76)	(201.72)	(65.60)	(70.59)
	Provision for Taxation	(40.31)	(80.43)	(26.26)	(12.13)	(11.20)	(14.65)
	Previous Year Taxation	0.00	2.91	(1.12)	(0.37)	(1.12)	0.03
	<b>Net Cash Flow From Operating Activity ( A )</b>	<b>880.16</b>	<b>138.55</b>	<b>(197.15)</b>	<b>92.00</b>	<b>(263.64)</b>	<b>352.28</b>
<b>B</b>	<b>Cash Flow From Investing Activities :</b>						
	Interest Income	5.54	16.56	7.57	6.60	10.39	13.01
	Dividend Income	0.00	3.69	3.03	0.03	0.32	0.01
	Purchases of Fixed Assets ( Including Adv. )	(264.59)	(694.00)	(187.80)	(631.03)	(2321.69)	(885.90)
	Sale of Fixed Assets	0.00	3.16	0.83	4.10	10.16	61.50
	Purchase / Sale of Investment	52.03	(129.27)	(6.04)	44.59	69.18	(19.55)
	<b>Net Cash Flow From Investing Activity ( B )</b>	<b>(207.02)</b>	<b>(799.86)</b>	<b>(182.41)</b>	<b>(575.69)</b>	<b>(2231.63)</b>	<b>(830.94)</b>
<b>C</b>	<b>Cash Flow From Financing Activities :</b>						
	Increase in Borrowings	(271.90)	123.31	545.19	472.43	208.95	121.96
	Increase in Term Loan	(78.61)	234.58	(27.62)	0.00	1829.37	365.94
	Increase in Share Capital	00.00	273.70	75.00	(44.57)	500.00	0.00
	Share Application Money Received	40.00	0.00	0.00	0.00	0.00	0.00
	Share Premium Received	0.00	183.40	0.00	0.00	0.00	0.00
	Dividend Payments	0.00	0.00	(233.50)	0.00	0.00	0.00
	Preliminary Expenses W/off	(3.56)	(18.06)	0.00	0.00	0.00	0.00

	Net Cash Flow From Financing Activity (C)	(314.07)	796.93	359.07	427.87	2538.32	487.90
	Net increase in Cash & Cash equivalents (A+B+C)	359.07	135.62	(20.49)	(55.83)	43.04	9.23
	Cash & Cash equivalents as on 1st April	161.23	25.61	46.10	101.93	58.89	49.66
	Cash & Cash equivalents as on 31st March	520.30	161.23	25.61	46.10	101.93	58.89

#### **ANNEXURE IV**

#### **NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS**

1. Prior period items have been adjusted to reflect the same in the accounting year to which it relates. Accordingly, the summary profit & loss account is adjusted with corresponding effect in the carrying amount of reserves and surplus and Net Current Assets as per the Adjustment given below.
2. The amount of Extra Ordinary items have been debited to the profit & loss account before carrying amount of Reserve and Surplus .
3. In the Financial year 2007-08 2006-07 , 2005-06 , 2004-05 Rs. 1.94 Lacs Rs. 1.12 Lacs , Rs. 0.37 Lacs, Rs. 1.12 Lacs has been debited to Profit & Loss Account as Taxation for earlier year and Rs. 0.03 Lacs have been credited for the Financial Year 2003-04 as written back of Taxation of earlier year.
4. No figure has been restated in the Summary statement of Assets & Liabilities (Standalone) and Summary Statement of Cash Flow (Standalone).

**Adjustment made in the Profit and Loss account for restatement during the Financial Year 2004 to 2008 & three months ended on 30.06.2008.**

Details	3 Months ended 30.06.2008	(Rs. In Lacs)				
		Year ended 31 <sup>st</sup> March				
		2008	2007	2006	2005	2004
Net Profit after Tax but before Extra Ordinary Items & Prior Period Expenses	93.34	367.12	350.24	85.23	90.06	82.42
Adjustment on account of Extra Ordinary Items	0.00	0.00	(13.77)	0.00	0.00	0.00
Adjustment on account of Prior Period Expenses	0.00	0.00	0.00	(0.06)	0.00	(0.86)
Earlier year income tax expenses	0.00	(1.94)	(1.12)	(0.37)	(1.12)	0.03
<b>Adjusted Profit</b>	<b>93.34</b>	<b>365.18</b>	<b>335.35</b>	<b>84.80</b>	<b>88.94</b>	<b>81.59</b>

## ANNEXURE V

### SCHEDULE - 20: NOTES ON ACCOUNTS

#### 1) Significant Accounting Policies :

Significant accounting policies adopted in the preparation and presentation of the accounts are based on accounting principal set out in Accounting Standard (AS) issued by ICAI as enumerated below:

- (a) **Basis of Accounting (AS 1):** The financial statements are prepared under historical cost convention on an accrual basis. The company follows mercantile system of Accounting and recognize income & expenditure on accrual basis.
- (b) **Fixed Assets ( AS 10 ) :** Fixed Assets are stated at cost of acquisition (net of cenvat) or construction less accumulated depreciation. Cost comprises of purchase price and all other attributable cost bringing the asset to its working condition for its intended use.
- (c) **Depreciation ( AS 6 ) :** Depreciation is provided on fixed assets (except land) on written down value method at the rates specified in schedule XIV to the companies Act, 1956 except on trucks, addition in the vehicle from 01.04.2003, cater pillar D.G. Sets one Himson Texturising machine and all additions in plant & machinery from 01.04.2002, where depreciation has been provided on straight line methods as per schedule XIV to the companies Act, 1956.
- (d) **Investments ( AS 13 ) :** Investments are stated at cost. Investment in shares and securities are considered as long term and valued at cost . No provision for shortfall in value at the end of the year is provided for.
- (e) **Investment in Subsidiary Company (AS 23):** The company has made an investment of Rs. one crore in wholly subsidiary company named M/s. Somani Industries (Nepal) Pvt. Limited. At present, the company has stopped all of its business activities in Nepal due to political unrest.
- (f) **Foreign Currency Transactions ( AS 11 ) :** In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liabilities arising out of exchange rates at the year end and the resultant net gains and losses are adjusted in the profit and loss account. Loss on foreign currency derivatives transactions are included in determining the net profit for the year

Sales in foreign currencies are accounted at the rate prevailing on the date of purchase of bills by the collecting bank. Current assets in foreign currencies as at the balance sheet date (not covered above) are reconverted at the rate prevailing at the year end and the resultant net gains and losses are adjusted in the profit and loss account.

#### (g) Inventories: (AS 2):

- (a) Stores & Spares and fuel Oil : At Cost.
- (b) Raw Material : At Cost.
- (c) Goods in Transit (Raw Mat.) : At Cost.
- (c) Work-in-Progress : At Cost + Procurement charges
- (d) Finished Goods : At Cost or Net Realizable values whichever is lower.
- (e) Wastage : At Net Realizable Value

Cost of inventories is ascertained on the "First-in-First-Out" basis.

- (h) **Retirement Benefits ( AS 15 ) :** Provision for gratuity has been made in the accounts, only in case of those employees who have become eligible for the retirement benefits. Leave encashment, LTA, Medical

Assistance are accounted as and when paid. The Company is a member of recognized Provident Fund scheme established by the regional Government of Gujarat. The Company is contributing 12% of Salary & Wages of eligible employees under the scheme every month. The amount of contribution is being deposited each and every month well within the time under the rules of EPF Scheme.

(i) **Excise duty:** The liability of excise duty amounting to Rs. 17,12,764 /- has been provided for the goods manufactured but not cleared as on 31.3.2008 , the effect of which on profit and loss account of the year is Nil. When excise duty is provided on goods manufactured but not cleared on the 31st march every year, the value of the **Closing Stock of Finished Goods** increased by the amount of Excise duty charged and correspondingly in the expenses account **Expenses on Excise Duty** also increased by the amount of excise duty thereby ultimately the impact on Profit & Loss Account of that year remains nil.

(j) **Revenue Recognition ( AS 9 ) :** Expenses and incomes , not specifically referred to otherwise consider payable and receivable respectively are accounted for on accrual basis.

**Sales:** Sales include packing and forwarding charges, octroi & sales-tax but excludes excise duty wherever applicable and a sale of goods is recognized on transfer of property of goods as per agreed terms.

**Export Sales:** These are accounted at the exchange rate prevailing on the date of purchasing of bills by the collecting bank. These are gross of commission and include freight wherever applicable as per the terms of the sales contract.

(k) **Cenvat on Inputs :** The purchase cost of raw materials is shown net of excise duty and utilized amount of CENVAT on raw material consumed has been credited to Excise Expenses Account.

(l) **Borrowing cost ( AS 16 ) :** Borrowing costs that are directly attributable to the acquisition or construction of fixed assets are capitalized as a part of the cost of asset. Other borrowing costs are recognized as an expense in the period in which they are accrued / incurred.

(m) **Income Tax : ( AS 22 ) :** Tax expenses for the year, comprising current tax and deferred tax is included in determining the net profit for the year. Deferred tax asset and liabilities are recognized for the future tax consequences of temporary difference between the carrying value of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary difference are expected to be reviewed or settled.

(n) **Segment Accounting ( AS 17 ) :** The requirement of segment reporting is not applicable to the company both in respect of geographical segment and product wise segment.

(o) Quantity discount, Rate difference, Rebate and interest are accounted as and when settled. It is general practice prevailing in this type of industry.



**2) Notes pertaining to Audited Financial Statements for each of the five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008.**

**(Rs. In Lacs)**

Particulars	3 months ended on 30.06.2008	Year Ended 31 <sup>st</sup> March				
		2008	2007	2006	2005	2004
Advances given to companies in which directors are interested	302.74	302.74	32.47	51.00	39.98	74.20
Interest received from Subsidiary Company in Nepal	0.00	0.00	0.00	0.00	4.59	8.64
Advance given to wholly owned subsidiary company in Nepal	0.00	0.00	0.00	0.00	0.00	95.00
Debtors of wholly owned subsidiary company in Nepal	0.00	0.00	0.00	0.00	0.00	6.77
Creditors of wholly owned subsidiary company in Nepal	0.00	0.00	0.00	0.00	0.00	3.75

**3) Contingent Liabilities : ( AS 29 ) :**

**(Rs. in Lacs)**

SR. No.	Description of Contingent Liabilities	3 months Ended on 30.06.2008	2007-08	2006-07	2005-06	2004-05	2003-04
1.	Estimated amount of contracts remaining to be executed on Capital account and not provided for	4500.95	3249.72	128.53	7.27	238.74	1530.02
	Advance given against contract remaining to be executed on Capital Account	352.32	37.00	35.74	1.31	90.27	236.36
2.	Export Sale bills raised on overseas buyers purchased by Company's Banker outstanding	0.00	75.81	67.46	2.96	6.53	12.08
3.	Letter of Credit outstanding	2350.00	337.00	250.48	204.10	-	-
4.	Excise matter in respect of which company has filed an appeal with Excise Tribunal	61.84	52.97	29.40	29.40	-	-

**4) Payment to Auditors:**

**(Rs. In Lacs)**

Description	3 Months ended on 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
As Auditors	0.00	1.85	1.85	1.10	1.10	1.08
<b>As Advisory or other Capacity</b>						
Company Law Matter	Nil	Nil	0.10	0.10	0.10	0.10
Taxation Matter	0.00	0.15	0.15	0.15	0.15	0.15
Others	Nil	Nil	0.10	0.10	0.10	0.01

**5) Managerial Remuneration :**

(Rs. in Lacs)

Description	3 Months ended on 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
Salary	2.25	4.50	5.40	6.63	6.54	5.34
Perquisites	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total :</b>	<b>2.25</b>	<b>4.50</b>	<b>5.40</b>	<b>6.63</b>	<b>6.54</b>	<b>5.34</b>

**6) Deferred Tax ( AS 22 ) :**

A) The movement of deferred tax account is as follows:

(Rs. in Lacs)

Opening Balance	388.28
Provision for current year deferred tax liability (Net)	75.98
<b>Total</b>	<b>464.26</b>

B) Deferred tax asset and liability are being offset as they relate taxes on income levied by the same governing taxation laws. The following amounts are shown in the balance sheets.

(Rs. in Lacs)

Deferred Tax liabilities	448.11
Deferred Tax Assets	16.15
<b>Total</b>	<b>464.26</b>

C) Breakup of deferred tax assets / liabilities and reconciliation of current year deferred tax change:

**Deferred tax liabilities:**

(Rs. in Lacs)

	Opening	Charged/ Credited to P & L	Closing
Tax impact of difference between carrying amount of fixed asset in the financial statements and the income tax return	394.30	53.81	448.11
<b>Total ( A )</b>	<b>394.30</b>	<b>53.81</b>	<b>448.11</b>

**Deferred Tax Assets**

Tax impact of expenses charged in the financial statements but allowable as deduction in future years under income tax;

(Rs. in Lacs)

	Opening	Charged/ Credited to P & L	Closing
Provision for gratuity	2.66	0.12	2.78
Provision for Bonus	0.68	0.17	0.85
Carry forward of DEPERCIATION.	-	-	-
Loss From Speculative Business	24.79	(24.78)	-
Foreign Exchange Difference	(22.11)	2.32	(19.79)
MAT Credit c/f	-	-	-
<b>Total ( B )</b>	<b>6.02</b>	<b>(22.17)</b>	<b>(16.15)</b>
<b>Net Deferred Tax liability (A-B)</b>	<b>388.28</b>	<b>75.98</b>	<b>464.26</b>

Pursuant to Accounting Standards (AS) 22 – Accounting for taxes on income, the impact of deferred tax liability of Rs. 7598 for the year-ended 31.3.08 has been debited to Profit and Loss account.

## 7) Additional Information's:

Pursuant to provisions of paragraphs 3 and 4 in Part II of Schedule VI to the Companies Act, 1956.

### A. Capacity:

	Items		Units	2007-08	2006-07	2005-06	2004-05	2003-04
a)	Polypropylene/ POY	*						
	i) Licensed Capacity	**	TPA	12900	12900	12900	8400	3900
	ii) Installed Capacity							
b)	Twisted							
	i) Installed Capacity	**	TPA	2500	2500	2500	2500	2500
c)	Texturised	**	TPA	3300	3300	3300	3300	3300
d)	Draw Twisted	**	TPA	700	700	700	700	700
e)	Weaving Unit ( Fabrics )	**	Mtrs	3500000	3500000	Nil	Nil	Nil
f)	Menthol Product	**	TPA					
	-- Distilling			720	720	Nil	Nil	Nil
	-- Freezing			120	Nil	Nil	Nil	Nil

\* Initially permission for License capacity has to obtained from Government but later License system was withdrawn vide in terms of Government of India's Notification No. S. O.477 (E) dated 25.07.1991. So, only installed capacity has been given.

\*\* As Certified by the management, being a technical matter.

### B. Production:

Items	Unit	2007-08	2006-07	2005-06	2004-05	2003-04
Polyester / Polypropylene Multifilament Yarn	Kgs.	14555063	14486069	11648372	3429639	3563988
Polyester Fabrics	Mtrs	4122261	2161867	Nil	Nil	Nil
Menthol Product	Kgs.	255344	17488	Nil	Nil	Nil

### C. Turnover :

(Rs. In Lacs)

Items	2007-08		2006-07		2005-06		2004-05		2003-04	
	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value
PP/ Poly Yarn ( includin Export )	14656893 Kgs	10974.06*	14623091 Kgs	10863.33*	11324279 Kgs	7753.75*	3932415 Kgs	3194.24	4070331 Kgs	3252.82
Wastage	405274 Kgs	24.30	298044 Kgs	17.88	248707 Kgs	14.94	166188 Kgs	10.43	195472 Kgs	13.59
Fabrics Local	0.00	0.00	0.00	0.00	1942830 Mtrs	437.02	1066597 Mtrs	243.06	379366 Mtrs	81.07
Weaving Unit	3985237 Mtrs	577.94	2003091 Mtrs	281.06	0.00	0.00	0.00	0.00	0.00	0.00
Menthol Product	255344	1291.65	17488	107.03	0.00	0.00	0.00	0.00	0.00	0.00

	Kgs		Kgs							
Paper Cone	0.00	0.00	0.00	0.00	0.00	0.00	1660250 Nos.	42.22	3737639 Nos.	76.77
P.P.Tape	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>12867.95</b>		<b>11269.30</b>		<b>8205.71</b>		<b>3489.95</b>		<b>3424.25</b>

\* Amount of Excise duty included in the Turnover Value of PP/Poly Yarn amounting to Rs. 17.12 Lacs in the year 2007-08 , Rs. 20.16 Lacs in the year 2006-07 and Rs. 13.00 Lacs in the year 2005-06.

**D. Raw Material Consumed:**

(Rs. In Lacs)										
	2007-08		2006-07		2005-06		2004-05		2003-04	
Items	Qty. & Unit ( in Kgs )	Value	Qty. & Unit ( in Kgs )	Value	Qty. & Unit (in Kgs)	Value	Qty. & Unit (in Kgs)	Value	Qty & Unit ( Kgs )	Value
Poly/ PP Chips *	15025865	8105.70	15090145	8455.23	11981272	6157.68	3660911	1780.84	3739970	1576.07
Master Batch	59581	127.92	58920	91.58	46750	113.37	69557	170.60	69539	199.75
Spin Finish / Yarn Oil	92715	88.05	86275	77.03	83820	78.34	37900	38.45	41680	45.26
Polyester Yarn	314975	363.62	356555	327.73	0.00	0.00	1412	1.14	14068	10.56
Menthol Product	259194	1167.34	42840	213.81	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>9852.63</b>		<b>9165.38</b>		<b>6349.39</b>		<b>1991.03</b>		<b>1831.64</b>

\* Excluded increase in stock of compounding chips of Rs. 9.49 Lacs in the year 2007-08, Rs. 7.61 Lacs in the year 2005-06, Rs. 0.11 Lacs in the year 2004-05, and Excluded decrease in stock of compounding chips of Rs. 4.38 Lacs in the year 2003-04 )

**E. Purchase:**

(Rs. In Lacs)											
		2007-08		2006-07		2005-06		2004-05		2003-04	
Items	Unit	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
P.P. Yarn	Kgs	0.00	0.00	-	-	117.97	0.13	169112	134.65	317601	243.07
Polyester Fabrics	Mtrs.	0.00	0.00	113840	25.75	1344368	289.48	1327674	184.23	636979	131.94
Poly. Yarn	Kgs	0.00	0.00	0.00	0.00	0.00	0.00	2509	2.88	9535	11.12
P.P.Tape	Nos.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>			<b>0.00</b>		<b>25.75</b>		<b>289.61</b>		<b>321.76</b>		<b>386.13</b>

**F. Finished Stock :**

(Rs. In Lacs)										
	2007-08		2006-07		2005-06		2004-05		2003-04	
Items	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value	Qty. & Unit	Value
Opening Stock : PPMFY*	316210 Kgs	264.59	426666 Kgs	402.54	120157 Kgs	96.82	146645 Kgs	115.66	310371 Kgs	286.45
Polyester	272617	49.56								

	2007-08		2006-07		2005-06		2004-05		2003-04	
Fabrics	Mtrs									
Closing Stock : PPMFY*	248860	223.22	316210	264.59	426666	402.54	120157	96.82	146645	115.66
	Kgs		Kgs		Kgs		Kgs		Kgs	
Polyster Fabrics	409641	73.73	272617	49.56						
	Mtrs		Mtrs							

\* Including Texturised and Twisted yarn and Wastage stock

**G. Value of Raw Material Consumed :**

( Rs. In Lacs )

	2007-08		2006-07		2005-06		2004-05		2003-04	
Items	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Imported *	269.49	2.74	754.48	8.00	1451.74	22.89	211.54	11.00	239.47	13.00
Indigenous**	9573.65	97.26	8410.90	92.00	4897.65	77.11	1779.49	89.00	1592.17	87.00
<b>Total</b>	<b>9843.14</b>	<b>100.00</b>	<b>9165.38</b>	<b>100.00</b>	<b>6349.39</b>	<b>100.00</b>	<b>1991.03</b>	<b>100.00</b>	<b>1831.64</b>	<b>100.00</b>

\* Including Purchase from Nepal in Indian Currency

\*\* Excluded increase in stock of compounding chips of Rs. 7.61 Lacs in the year 2005-06, Rs. 0.11 Lacs in the year 2004-05, and Excluded decrease in stock of compounding chips of Rs. 4.38 Lacs in the year 2003-04 )

**H. Value of Stores & Spares Consumed:**

(Rs. In Lacs)

	2007-08		2006-07		2005-06		2004-05		2003-04	
Items	Amount	%	Amount	%	Amount	%	Amount	%		
Imported	3.90	5.24	2.31	5.00	9.63	12.49	1.93	06.00	2.45	08.00
Indigenous	70.52	94.76	39.28	95.00	67.47	87.51	32.33	94.00	27.79	92.00
<b>Total</b>	<b>74.42</b>	<b>100.00</b>	<b>41.59</b>	<b>100.00</b>	<b>77.10</b>	<b>100.00</b>	<b>34.26</b>	<b>100.00</b>	<b>30.24</b>	<b>100.00</b>

**I. Transaction in Foreign Currencies on account of ( on Accrual Basis )**

( Rs. In Lacs )

C.I.F. Value of Import :						
Particulars	3 months ended 30.06.2008	2007-08	2006-07	2005-06	2004-05	2003-04
Raw Material	101.59	240.15	754.48	1250.42	265.80	209.92
Stores and Spares	0.00	3.12	1.66	8.61	4.01	3.21
Capital Goods	0.00	253.73	8.07	263.81	1670.54	0.00
<b>Total : ( A )</b>	<b>101.59</b>	<b>497.00</b>	<b>764.21</b>	<b>1522.84</b>	<b>1940.35</b>	<b>213.13</b>
Expenditure in Foreign Currencies						
Interest	38.07	223.13	242.82	148.99	55.66	37.03
Commission to Selling Agent	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Traveling	4.02	0.00	0.00	0.00	0.00	0.00
Overseas Banking Charges	0.13	0.72	1.89	1.24	1.19	1.80
<b>Total : ( B )</b>	<b>42.22</b>	<b>223.85</b>	<b>244.71</b>	<b>150.23</b>	<b>57.01</b>	<b>38.95</b>
<b>Total : ( A ) + ( B )</b>	<b>143.81</b>	<b>720.85</b>	<b>1008.92</b>	<b>1673.07</b>	<b>1997.36</b>	<b>252.08</b>

**J. Earnings in Foreign Currency ( FOB Value of Exports )**

( Rs. In Lacs )

Particulars	3 Months ended 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
Fabrics	0.00	0.00	0.00	0.00	0.00	0.00

Particulars	3 Months ended 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
Yarn	16.01	202.00	717.52	233.06	216.06	336.19
Menthol	225.00	1152.61	0.00	0.00	0.00	0.00
<b>Total</b>	<b>241.01</b>	<b>1354.61</b>	<b>717.52</b>	<b>233.06</b>	<b>216.06</b>	<b>336.19</b>

## ANNEXURE VI

### Accounting Ratios

Details	3 months ended on 30.06.08	2007-08	2006-07	2005-06	2004-05	2003-04
Earning Per Share (Rs.)	0.46	1.82	1.93	0.49	0.78	0.70
Net Assets Value (Rs. per Share)	18.85	18.20	16.40	15.39	22.35	17.27
Return on Net Worth (%)	2.46	10.02	11.79	3.18	3.47	4.07
No. of Equity Shares (Face Value of Rs.10/-)	201,22,930	201,22,930	173,99,300	173,99,300	116,00,000	116,00,000
Net Worth (excluding Revaluation Reserve) (Rs. In Lacs)	3792.72	3662.94	2853.87	2677.02	2592.23	2003.29

### Formula :

Net Profit , as appearing in the summary statement of Profit & Loss Account has been considered for the purpose of computing the above ratios.	
Earning per share (Rs. )	$\frac{\text{Net Profit after Tax}}{\text{No. of Equity Shares outstanding during the year/period}}$
Net Asset Value Per Share (Rs.)	$\frac{\text{Net worth at the end of the fiscal year/period}}{\text{No. of Equity Shares outstanding during the year/period}}$
Return on net worth (%)	$\frac{\text{Net Profit after Tax}}{\text{Net worth at the end of the fiscal year/period}}$

**ANNEXURE VII****Reserve & Surplus:-****(Rs. in Lacs)**

Reserve & Surplus		3 Months ended 30.06.08	Year Ended				
			2007-08	2006-07	2005-06	2004-05	2003-04
General Reserve		62.08	62.08	62.08	642.01	642.01	42.01
	<b>A</b>	<b>62.08</b>	<b>62.08</b>	<b>62.08</b>	<b>62.08</b>	<b>642.01</b>	<b>42.01</b>
Capital Reserve	<b>B</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>
Bal. Brought Forward		641.23	451.86	350.02	265.22	776.28	694.70
Add : Profit during the year		93.34	367.12	336.46	85.17	90.06	81.55
Add : Excess Taxation of Previous Year		0.00	4.85	0.00	0.00	0.00	0.00
Less : Taxation of previous Year		0.00	1.94	1.12	0.37	1.12	-0.03
Less : Transferred to General Reserve		0.00	0.00	0.00	0.00	600.00	0.00
Less : Capitalization for Bonus Issue		0.00	180.66	0.00	579.93	0.00	0.00
Less : Dividend on Equity Shares & Dist. Tax		0.00	0.00	198.40	0.00	0.00	0.00
Less : Dividend on Preference Shares & Dist. Tax		0.00	0.00	35.10	0.00	0.00	0.00
	<b>C</b>	<b>734.57</b>	<b>641.23</b>	<b>451.86</b>	<b>350.02</b>	<b>265.22</b>	<b>776.28</b>
Share Premium	<b>D</b>	<b>183.40</b>	<b>183.40</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total ( A+B+C+D )</b>		<b>1005.05</b>	<b>911.72</b>	<b>538.94</b>	<b>437.10</b>	<b>932.23</b>	<b>843.29</b>

**ANNEXURE VIII****Statement of Other Income****(Rs. In Lacs)**

Particulars	3 Months Ended on 30.06.08	Year Ended				
		2007-08	2006-07	2005-06	2004-05	2003-04
<b>Other Income Details</b>						
<b>a) Recurring from Business Activities</b>						
Misc. receipts	0.19	0.67	0.00	0.22	0.00	1.54
Brokerage & Commission	1.61	19.55	13.15	0.00	9.78	13.61
<b>Sub Total (a)</b>	<b>1.80</b>	<b>20.22</b>	<b>13.15</b>	<b>0.22</b>	<b>9.78</b>	<b>15.15</b>
<b>b) Non Recurring Business Activities</b>						
Exchange Difference	0.00	41.35	13.93	9.93	0.00	39.26
Profit on sale of Fixed Assets	0.00	2.65	0.49	3.33	1.90	0.00
Claim received	0.00	0.00	82.26	0.00	0.00	0.00
<b>Sub Total (b)</b>	<b>0.00</b>	<b>44.00</b>	<b>96.68</b>	<b>13.26</b>	<b>1.90</b>	<b>39.26</b>
<b>c) Income from Financial Activities</b>						
Interest ( Others )	0.00	0.00	0.00	0.00	1.92	2.88
Interest from wholly owned subsidiary	0.00	0.00	0.00	0.00	4.59	8.64
<b>Sub Total (c)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6.51</b>	<b>11.52</b>
<b>d) Income from Investing Activities</b>						
Interest on Fixed Deposit	5.54	16.56	7.57	6.61	3.89	1.49
Dividend	0.00	3.69	3.03	0.03	0.32	0.01
Profit on sale of Shares & Commodities	0.00	(99.56)	16.56	42.77	0.00	2.88
<b>Sub Total (d)</b>	<b>5.54</b>	<b>(79.31)</b>	<b>27.16</b>	<b>49.41</b>	<b>4.21</b>	<b>4.38</b>
<b>Total (a+b+c+d )</b>	<b>7.34</b>	<b>(15.09)</b>	<b>136.99</b>	<b>62.89</b>	<b>22.40</b>	<b>70.31</b>

## ANNEXURE IX

### INVESTMENT

(Rs. In Lacs)

Particulars	Period Ended 30.06.08	Year Ended				
		31.03.08	31.03.07	31.03.06	31.03.05	31.03.04
Long Term Investment in Quoted Shares	3.78	55.81	26.10	3.49	5.31	40.23
Unquoted Shares	100.00	100.00	100.00	100.00	100.00	140.00
Short Term Investment	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>103.78</b>	<b>155.81</b>	<b>126.10</b>	<b>103.49</b>	<b>105.31</b>	<b>180.23</b>

## ANNEXURE X

### DEBTORS

(Rs. In Lacs)

Particulars	Period Ended 30.06.08	Year Ended				
		31.03.08	31.03.07	31.03.06	31.03.05	31.03.04
<b>Sundry Debtors (Unsecured considered good)</b>						
Exceeding Six Months	0.00	0.00	0.00	0.00	0.00	0.00
Other Debts	800.13	880.70	577.55	514.29	444.41	346.63
<b>Total</b>	<b>800.13</b>	<b>880.70</b>	<b>577.55</b>	<b>514.29</b>	<b>444.41</b>	<b>346.63</b>

## ANNEXURE XI

### STATEMENT OF DIVIDEND

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
No. of Equity Shares of Rs.10/- each	2,01,22,930	1,73,99,300	1,73,99,300	1,16,00,000	1,16,00,000
Rate of Dividend ( Net )	-	10%	-	-	-
Dividend Amount ( Rs. in Lacs )	0.00	174.00	0.00	0.00	0.00
Dividend Tax	0.00	24.40	0.00	0.00	0.00



## ANNEXURE XII

### CAPITALISATION STATEMENT

(Rs. in Lacs)		
Particulars	Pre-issue as at 30.06.08	Post-issue as adjusted for the issue
<b>Loan Funds</b>		
A. Long Term Debts	1813.53	11413.53*
B. Short Term Debts	2643.27	2643.27
<b>Total Debts</b>	<b>4456.80</b>	<b>14056.80</b>
<b>Shareholders Fund</b>		
a. Equity Shares Capital**	2012.29	4024.59
b. Reserves & Surplus (Incl. Share Premium)	1005.05	2011.20
Misc. Expenses not written off / Adjusted	(21.62)	(21.62)
<b>Total Shareholders' Fund</b>	<b>2995.72</b>	<b>6014.17</b>
Long Term Debt to Equity	<b>0.61 : 1</b>	<b>1.90 : 1</b>
<b>Total Debt to Equity</b>	<b>1.49 : 1</b>	<b>2.34 : 1</b>
**Share Application Money Excluded		

#### Note:

\* Long term debts will be increased by Rs. 9600.00 Lacs due foreign currency loans of 10 Million Dollar was sanctioned by Bank of Baroda and 10 Million Dollar was sanctioned by Bank of India for our proposed project and the rate of exchange has been considered @ 48.00 for the said amount of Loan.

**ANNEXURE XIII****TAXATION STATEMENT****(Rs. In Lacs)**

<b>Accounting Year</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
<b>Assessment Year</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Profit before tax and Extra ordinary items	<b>523.53</b>	<b>507.22</b>	<b>132.87</b>	<b>142.65</b>	<b>113.65</b>
Profit before tax as per Books	<b>523.53</b>	<b>493.45</b>	<b>132.87</b>	<b>142.65</b>	<b>113.65</b>
<b>Tax Rate</b>	<b>0.3399</b>	<b>0.3366</b>	<b>0.3366</b>	<b>0.3659</b>	<b>0.3588</b>
A. Tax at specified rate as applicable on book profits	177.95	166.10	44.72	52.20	40.78
B. Adjustments					
1. Difference between Tax					
Depreciation and Book	155.64	144.15	214.04	148.56	(2.53)
Depreciation					
C/F set off against Income	0.00	0.00	(91.58)	0.00	0.00
Unabsorbed Depreciation U/s.32(2)	0.00	208.92	0.00	0.00	51.99
2. Other adjustments					
Profit/Loss on sale of Investments	0.00	89.48	42.77	(5.74)	2.88
Profit/Loss on sale of Fixed Assets	2.65	0.49	3.33	(0.06)	(0.82)
Others	(1.29)	0.09	0.95	(0.11)	(3.14)
Profit /Loss on Trading of Shares	0.00	0.00	0.00	0.00	0.00
Bank Interest & Dividend	20.25	10.60	0.00	0.00	0.00
Deduction U/S. 80 HHC	0.00	0.00	0.00	0.00	3.45
Deduction U/S. 80 IB	0.00	0.00	0.00	0.00	0.00
Notional Foreign Exchange Gain	58.21	65.05	0.00	0.00	0.00
<b>Total Adjustments</b>	<b>235.46</b>	<b>518.78</b>	<b>169.51</b>	<b>142.65</b>	<b>51.83</b>
<b>C. Tax savings on adjustments</b>	<b>80.03</b>	<b>174.62</b>	<b>57.06</b>	<b>52.20</b>	<b>18.60</b>
D. Total business income as per					
Income tax Return	288.06	(25.32)	(36.64)	0.00	61.82
E. Total Taxation	97.92	(8.52)	0.00	0.00	22.18
F. Taxation of Extra Ordinary items	0.00	(4.63)	0.00	0.00	0.00
G. Taxation on Profit before Extra Ordinary items	177.95	170.73	44.72	52.20	40.78
<b>H. Tax paid U/S. 115 JB</b>	<b>58.55</b>	<b>58.40</b>	<b>11.18</b>	<b>11.16</b>	<b>8.47</b>
<b>I. Tax provided in the books</b>	<b>84.32</b>	<b>56.36</b>	<b>11.30</b>	<b>11.20</b>	<b>14.65</b>

Note: Statement of Tax Shelter has been prepared on the basis of audited financial statements of the company

**ANNEXURE XIV****Schedule of Loans & Advances:****(Rs. in Lacs)**

Particulars		3 Months ended 30.06.2008	Year Ended				
			31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004
Advances ( Recoverable in Cash or in kind )		196.37	410.51	204.67	156.74	175.81	214.31
T.D.S. Receivable & Advance Income Tax		18.77	17.79	53.42	10.42	7.30	5.10
Advance to Staff		7.21	7.38	7.68	3.31	3.88	3.14
Prepaid Expenses		11.27	11.28	11.56	10.93	11.05	12.08
Cenvat Receivable		388.61	373.45	469.8	253.61	359.23	86.81
Vat Receivable		0.00	0.00	3.86	21.11	0	0
Mat Credit		37.83	37.83	31.94	0.00	0	0
Balance with Excise Dept.		0.09	0.09	0.09	0.09	0.05	4.69
Sundry Deposits		47.89	127.14	55.69	11.50	3.12	3.20
Other Current Assets		0.00	0.00	0.00	0.00	4.26	3.28
Other Advances		0.00	0.00	0.00	0.00	0.00	13.61
TUF Subsidy Receivable		5.39	10.19	0.00	0.00	0.00	0.00
Export Incentive Receivable		73.18	65.46	0.00	0.00	0.00	0.00
<b>Total :</b>		<b>786.61</b>	<b>1061.12</b>	<b>838.71</b>	<b>467.71</b>	<b>564.70</b>	<b>346.22</b>

**ANNEXURE XV****Details of Unsecured Loan (From Body Corporate)****(Rs. In Lacs)**

Name of the Party	3 months ended on 30.06.2008	2007-08	2006-07	2005-06	2004-05	2003-04
Ambaji Syntex (P) Ltd.	5.88	5.88	70.08	101.71	54.09	8.07
Betex India Limited	0.00	0.00	0.00	20.43	32.31	60.29
Mahesh Texturisers (P) Ltd.	0.00	0.00	37.67	38.58	63.28	3.69
Raghuvir Texturisers (P) Ltd.	0.00	0.00	12.21	38.26	14.23	0.00
Sitaram Prints (P) Ltd.	0.00	0.00	34.20	2.37	0.00	0.00
Somani Industries ( Nepal ) (P) Ltd.	66.72	66.72	66.72	66.72	26.88	0.00
Somani Overseas Limited	9.60	3.60	0.00	17.79	0.00	158.41
Sumeet Silk Process (P) Ltd.	0.00	0.00	0.69	38.51	17.65	0.00
Mohit Industries Limited	50.00	50.00	85.00	0.00	0.00	0.00
Goverdhan Dyg. & Printing (P) Ltd.	10.00	10.00	45.02	0.00	0.00	0.00
Deegee Cotsyn Pvt. Limited	0.00	291.33	0.00	0.00	0.00	0.00

<b>TOTAL (A)</b>	<b>142.20</b>	<b>427.53</b>	<b>351.60</b>	<b>324.38</b>	<b>208.44</b>	<b>230.45</b>
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**B : Loan from Directors : ( Unsecured Loan )**

<b>Name of the Directors</b>	<b>3 months ended on 30.06.2008</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
Bajrang Lal Somani	0.00	0.00	1.27	0.67	0.07	1.81
Mahesh Kumar Somani	1.20	1.20	2.51	1.34	0.13	0.15
Raj Kumar Somani	1.50	1.50	7.95	0.42	0.30	0.39
Shankarlal Somani	16.10	3.10	58.13	10.29	4.85	3.18
Sumeet Kumar Somani	9.03	8.60	0.00	0.00	0.00	0.00
<b>Total ( B )</b>	<b>27.83</b>	<b>14.40</b>	<b>69.87</b>	<b>12.73</b>	<b>5.35</b>	<b>5.52</b>

**C : Agency Deposit :**

	<b>3 months ended on 30.06.2008</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
<b>Agency Deposit</b>	<b>85.09</b>	<b>85.09</b>	<b>83.84</b>	<b>68.82</b>	<b>143.50</b>	<b>75.55</b>
<b>Total ( B )</b>	<b>85.09</b>	<b>85.09</b>	<b>83.84</b>	<b>68.82</b>	<b>143.50</b>	<b>75.55</b>
<b>Total : ( A ) + ( B ) + ( C )</b>	<b>255.12</b>	<b>527.02</b>	<b>505.31</b>	<b>405.93</b>	<b>357.29</b>	<b>311.52</b>

**Note : The rate of interest on Unsecured Loan taken by the company is 6.00% P.A. and are payable on demand. No amount of interest is paid on the Agency Deposit.**

**ANNEXURE XVI**

**RELATED PARTY DISCLOSURES**

**A. DETAILS OF RELATED PARTIES AND RELATIONSHIP**

<b>RELATIONSHIP</b>	<b>NAME OF THE RELATED PARTY</b>
<b>Subsidiary Company</b>	Somani Industries Nepal Pvt. Limited
<b>Key Management Personal</b>	Mr. Shankarlal Somani ( Chairman ) Mr. Rajkumar Somani ( Mg. Director )
<b>Relatives of Key Management Personal ( Director )</b>	Mr. Mahesh Kumar Somani Mr. Bajrang Somani Mr. Sumeet Kumar Somani
<b>Other related Parties ( Individual )</b>	Mr. Dinesh Khare Mrs. Vibha Khare Mr. Bhagchand Chordia Mr. B.P. Bhala
<b>Other related Parties ( Body Corporate &amp; Trust )</b>	Somani Overseas (P) Limited Sitaram Prints (P) Limited Betex India Limited

	Bajrang Processors (P) Limited Mahesh Texturisers (P) Limited Raghuvir Texturisers (P) Limited Sumeet Silk Processors (P) Limited Ambaji Syntex (P) Limited Akashganga Processors (P) Limited Shri Sitaram Somani Charitable Trust
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**B. TRANSACTION RELATED TO PROMPTER GROUP & RELATED PARTY**

( Rs. In Lacs)

Name of the related Person	Nature of Relationship	Nature of Transaction	3 Months ended 30.06.08	As at 31 <sup>st</sup> March				
				2008	2007	2006	2005	2004
Shankarlal Somani	Chairman	Loan Outstanding (CR)	16.10	3.10	56.83	10.29	4.85	3.18
		Interest Paid	0.00	0.00	0.91	0.28	1.16	0.53
		Remuneration	0.75	1.50	1.20	1.20	1.20	1.20
Rajkumar Somani	Mg. Director	Loan Outstanding (CR)	1.50	1.50	6.75	0.42	0.30	0.39
		Interest Paid	0.00	0.00	0.38	0.02	0.33	0.10
		Remuneration	0.75	1.50	1.20	1.20	1.20	1.20
Mahesh Somani	Relative of Key Management Personal ( Director )	Loan Outstanding (CR)	1.20	1.20	1.31	1.34	0.13	0.15
		Interest Paid	0.00	0.00	0.03	0.01	0.15	0.01
		Remuneration	0.00	0.00	1.20	1.20	1.20	1.20
Bajranglal Somani	Relative of Key Management Personal ( Director )	Loan Outstanding (CR)	0.00	0.00	1.27	0.67	0.07	1.81
		Interest Paid	0.00	0.00	0.00	0.01	0.08	0.11
		Remuneration	0.00	0.00	0.60	0.60	0.60	0.60
Sumeet Somani	Relative of Key Management Personal ( Son )	Loan Outstanding (CR)	9.03	8.60	0.98	0.00	0.00	0.00
		Interest Paid	0.00	0.11	0.00	0.00	0.00	0.00
		Remuneration	0.75	1.50	1.20	1.20	1.20	1.20
Dinesh Khare	Director	Remuneration	0.76	2.82	1.80	1.23	1.14	1.14
Vibha Khare	Relative of Director	Remuneration	0.68	2.70	1.94	1.38	1.29	1.29
Bhagchand Chordia	Director	Consultancy Fees	0.00	0.00	0.00	0.00	0.00	0.00
B.P. Bhala	Relative of Director	Remuneration	0.00	0.00	0.00	0.00	0.00	0.00
		Sitting Fees	0.00	0.00	0.00	0.00	0.00	0.00

ii ) BODY CORPORATE

(Rs. in Lacs)

				As at 31 <sup>st</sup> March				
Name of the related Company	Nature of Relationship	Nature of Transaction	3 months ended 30.06.08	2008	2007	2006	2005	2004
Somani Industries Nepal (P) Limited	100% Subsidiary Company	Loan Outstanding (CR)	66.72	66.72	66.72	66.72	0.00	0.00
		(DR)	0.00	0.00	0.00	0.00	26.88	95.00
		Interest Recd.	0.00	0.00	0.00	0.00	4.59	8.64
		Purchase	0.00	0.00	0.00	0.00	112.21	197.46
		Sale	0.00	0.00	0.00	0.00	200.73	330.05
Somani Overseas Pvt. Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (DR)	0.00	0.00	5.51	0.00	2.91	0.00
		(CR)	9.60	3.60	0.00	17.79	0.00	0.00
		Interest Recd.	0.00	0.00	0.00	1.19	0.00	0.00
		Interest Paid	0.00	0.00	1.17	0.00	1.75	0.00
Sitaram Prints (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (CR)	0.00	0.00	34.19	2.37	0.00	0.00
		(DR)	0.00	0.00	0.00	0.00	37.07	0.00
		Interest Recd.	0.00	0.00	0.00	0.72	0.08	0.00
		Interest Paid	0.00	0.00	1.45	0.00	0.00	0.00
Betex India Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (DR)	253.63	253.63	15.33	20.43	32.31	0.00
		Interest Received	0.00	1.92	0.00	0.00	0.00	0.00
		Interest Paid	0.00	0.00	0.76	0.17	0.74	0.00
Bajrang Processors (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (DR)	49.11	49.11	26.95	25.76	0.00	0.00
		Interest Received	0.00	2.78	0.00	0.00	0.00	0.00
		Interest Paid	0.00	0.00	1.54	1.63	0.00	0.00
Sumeet Menthol Pvt. Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (CR)	0.00	0.00	0.00	38.58	63.28	0.00
		Interest Paid	0.00	0.00	0.00	0.00	0.12	0.00
Raghuvir Texturisers (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (CR)	0.00	0.00	0.00	38.26	14.23	0.00
		Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00
Sumeet Silk Processors (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (CR)	0.00	0.00	0.00	38.51	17.65	0.00
		Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00
Ambaji Syntex (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (CR)	5.88	5.88	0.00	101.71	54.09	0.00
		Interest Paid	0.00	0.17	0.00	1.00	0.64	0.00
Akashganga Processors (P) Ltd.	Relative of Key Management Personal ( Director)	Loan Outstanding (DR)	0.00	0.00	0.00	25.24	0.00	0.00
		Interest Paid	0.00	0.00	0.00	0.97	0.00	0.00
Shri Sitaram Somai Charitable Trust	Some of the Directors and Trustee are same person	Loan Outstanding (DR)	0.00	0.00	0.00	0.00	0.00	0.00
		Interest Paid		0.00	0.00	0.00	0.00	0.00

## ANNEXURE XVII

### DETAILS OF SECURED LOAN

#### A. Term Loan (Fund Based )

( Rs. In Lacs )

Name of the Bank	Nature of Loan	Loan Sanctioned	Loan Outstanding as on 30.06.2008	Rate of Interest	Repayment Schedule	Security Offered
Bank of Baroda	Term Loan ( FCTL ) (For POY Plant )	1500.00	926.59	US Libor + 3.5 %	The loan is to repaid in 19 quarterly installments of Rs. 75 Lakhs w.e.f April,07.	Refer 'Note' Below
Bank of Baroda	Term Loan ( For POY Plant )	500.00	356.55	US Libor + 3.5 %	The loan is to repaid in 19 quarterly installments of Rs. 25 Lakhs w.e.f May,07.	
Bank of Baroda	Term Loan (For Water Jet Looms )	200.00	146.60	BPLR - 1.5%	The loan is to repaid in 20 quarterly installments of Rs. 10 Lakhs w.e.f March,07.	
Bank of Baroda	Term Loan (For Gas Based Power Plant)	367.00	370.54	BPLR - 1.0%	The loan is to be repaid in 20 Quarterly installments of Rs. 18.35 Lacs ,w.e.f. July,2008	
Kotak Bank Prime Ltd./ ICICI Bank	Vehicle Loan(s)	69.70	13.25	11.50% P.A.	Repayable in 36 Installments	Hypothecation of Vehicle
<b>TOTAL</b>		<b>2636.70</b>	<b>1813.53</b>			

#### Note :

- Equitable Mortgage of Factory Land & Building at Block no 291-292, Karanj, Surat.
- Equitable Mortgage of office Premises at 504, Trividh Chamber, Ring Road , Surat.
- Equitable Mortgage of Bunglow of Shri Shankarlal Somani situated at 12, Keshav Park Society , Parle Point , Surat.
- Equitable Mortgage of Block No. 289, Plot No 1&1A, Vill: Karanj, Mandvi, Surat
- Equitable Mortgage of land at Block No. 304, Plot No. 6-10, Karanj, Mandvi, Surat.
- Open land Situated at RS No,80/p-1, 80/p-2, 57 and 81 admeasuring hector 13-18.27 and 92/1, 83 and 91 at Vill: Dhaneti, Tal : Bhuj.
- Hypothecation of Plant & Machinerries – Existing & Proposed.

## B. Working Capital Facilities ( Fund Based )

( Rs. in Lacs )

Name of the Bank	Nature of Loan	Loan Sanctioned	Loan Outstanding as on 30.06.2008	Rate of Interest	Security Offered
Bank of Baroda	Line of Credit In FCNR	1600.00	1600.00	US Libor+ 3.5 %	Refer 'Note' Below
	In Indian Rupees	900.00	788.15	BPLR - 0.5%	
<b>Total :</b>		<b>2500.00</b>	<b>2388.15</b>		

### Note :

Hypo. of Stocks viz. Raw Materials, Stock in Process , Finished Foods , Stores, Spares and Packing Materials & Book Debts.

## C. Loan ( others ) ( Non - Fund based )

( Rs. In Lacs )

Name of the Bank	Nature of Loan	Loan Sanctioned	Loan Outstanding as on 30.06.08	Rate of Interest	Security Offered
Bank of Baroda	Inland / Foreign L/C.(DA )	200.00	Nil	Non-Fund Based	1)Extension of Charge over Current Assets
Bank of Baroda	Inland / Foreign L/C.(DP )	400.00	Nil	Non-Fund Based	1)Extension of Charge over Current Assets
Bank of Baroda	Bank Guarantee	0.50	Nil	Non-Fund Based	1)Extension of Charge over Current Assets
Bank of Baroda	Foreign L/C (DA) for Capital Goods	4800.00	2350.00	Non-Fund Based	1)Extension of Charge over Capital Assets



**ANNEXURE XVIII****SUMMARY STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES**

This consolidated summary statement of assets and liabilities read with significant accounting policies and notes annexed hereto have been arrived at after making such regrouping as are, in our opinion , appropriate as at the end of each five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008 are set out below.

**( Rs. In Lacs )**

	Particulars		As at 30.06.2008	As at 31 <sup>st</sup> March				
				2008	2007	2006	2005	2004
<b>A.</b>	<b>Fixed Assets :</b>							
	Gross Block		8703.01	8665.06	8087.77	7650.92	6375.38	4349.49
	Less : Depreciation		4128.92	4040.82	3657.20	3299.85	2966.37	2765.54
	<b>Net Block</b>		<b>4574.09</b>	<b>4624.24</b>	<b>4430.57</b>	<b>4351.07</b>	<b>3409.01</b>	<b>1583.95</b>
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	<b>Net Block after adjustment for Revaluation Reserve</b>		<b>4574.09</b>	<b>4624.24</b>	<b>4430.57</b>	<b>4351.07</b>	<b>3409.01</b>	<b>1583.95</b>
	<b>Capital Work In Progress</b>		<b>354.20</b>	<b>127.56</b>	<b>14.79</b>	<b>267.65</b>	<b>926.64</b>	<b>756.74</b>
	<b>Total</b>	<b>( i )</b>	<b>4928.29</b>	<b>4751.80</b>	<b>4445.36</b>	<b>4618.72</b>	<b>4335.65</b>	<b>2340.69</b>
<b>B.</b>	<b>Current Assets, Loans and Advances:</b>							
	Inventories		2921.09	2748.81	2298.84	1405.34	969.09	810.51
	Sundry Debtors		800.13	880.70	577.55	514.29	465.86	349.95
	Cash & Bank Balances		522.49	163.42	27.87	46.38	111.11	69.53
	Loans and Advances		857.27	1065.05	842.64	485.12	591.79	285.25
	<b>Total</b>	<b>( ii )</b>	<b>5100.98</b>	<b>4857.98</b>	<b>3746.90</b>	<b>2451.13</b>	<b>2137.85</b>	<b>1515.24</b>
<b>C.</b>	<b>Investments</b>	<b>( iii )</b>	<b>3.78</b>	<b>55.81</b>	<b>26.10</b>	<b>3.49</b>	<b>5.31</b>	<b>80.23</b>
	<b>Total Assets</b>		<b>10033.05</b>	<b>9665.59</b>	<b>8218.36</b>	<b>7073.34</b>	<b>6478.81</b>	<b>3936.16</b>
<b>D.</b>	<b>Liabilities &amp; Provisions :</b>							
	Secured Loans		4201.68	4280.29	3944.12	3525.93	3146.70	1154.15
	Unsecured Loans		255.12	460.30	438.58	339.90	331.11	312.17
	Current Liabilities & Provision.		1346.50	825.03	620.68	289.22	206.36	289.29
	Deferred Tax Liability		464.26	464.26	388.28	257.56	221.97	180.58
		<b>( iv )</b>	<b>6267.56</b>	<b>6029.88</b>	<b>5391.66</b>	<b>4412.61</b>	<b>3906.14</b>	<b>1936.19</b>
<b>E.</b>	<b>Net Worth ( i + ii + iii - iv )</b>	<b>( v )</b>	<b>3765.49</b>	<b>3635.71</b>	<b>2826.70</b>	<b>2660.73</b>	<b>2572.67</b>	<b>1999.97</b>
<b>F.</b>	<b>Represented by</b>							
	1. Share Capital		2012.29	2012.29	1739.93	1739.93	1160.00	1160.00
	2. Preference Share Capital		500.00	500.00	500.00	500.00	500.00	0.00
	3. Share Application Money		297.00	257.00	75.00	0.00	0.00	0.00
	4. Reserve & Surplus		977.82	884.48	511.77	420.80	912.76	840.14
	Less : Revaluation Reserve		0.00	0.00	0.00	0.00	0.00	0.00
	Reserve ( Net of Revaluation Reserve )		977.82	884.48	511.77	420.80	912.76	840.14
	Less : Pre.Exp.not written off		21.62	18.06	0.00	0.00	0.09	0.17
	<b>Net Worth</b>	<b>( v )</b>	<b>3765.49</b>	<b>3635.71</b>	<b>2826.70</b>	<b>2660.73</b>	<b>2572.67</b>	<b>1999.97</b>

## ANNEXURE XIX

### RESTATED SUMMARY STATEMENT OF CONSOLIDATED PROFIT AND LOSS

The summary statement of consolidated Profit & Loss Account, as restated read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working & management including depreciation and after making such adjustments and regrouping as are, in our opinion, appropriate for each of the five financial years ended on 31st March 2008, 2007, 2006, 2005, 2004 and three months ended on 30.06.2008 are set out below.

( Rs. In Lacs )

Particulars		Quarter ended on 30.06.08	Year Ended 31 <sup>st</sup> March				
			2008	2007	2006	2005	2004
<b>Income</b>							
Sales							
a. Of products manufactured by the company		3325.04	12850.83	11249.13	7781.69	3237.90	3223.05
b. Of products traded in by the company		0.00	0.00	0.00	437.02	243.06	81.07
<b>Total</b>		<b>3325.04</b>	<b>12850.83</b>	<b>11249.13</b>	<b>8218.71</b>	<b>3480.96</b>	<b>3304.12</b>
Other Income		7.34	(15.09)	137.00	66.26	23.66	61.67
Export Incentive		13.49	82.07	0.00	0.00	50.48	66.87
Increase ( Decrease ) in Inventories		(14.85)	33.41	653.96	356.35	(3.95)	(75.69)
<b>Total</b>	<b>A</b>	<b>3331.02</b>	<b>12951.22</b>	<b>12040.09</b>	<b>8641.32</b>	<b>3551.15</b>	<b>3356.97</b>
<b>Expenditure</b>							
Purchase of Finished Goods		0.00	0.00	25.75	289.60	209.54	188.67
Raw Material Consumed		2550.88	9843.14	9165.38	6341.78	2043.95	1822.71
Staff Costs		22.66	101.59	74.49	55.85	75.03	77.16
Other Manufacturing Expenses		245.26	981.54	860.55	907.07	559.08	672.19
Administrative Expenses		152.39	626.16	598.55	325.79	195.79	135.77
Selling & Distribution Expenses		27.99	79.28	97.58	20.16	31.35	36.61
Interest		110.09	408.99	360.63	218.17	67.75	72.73
Depreciation		88.1	387.06	360.82	346.67	242.08	250.55
Preliminary Expenses Written off		0.00	0.00	0.00	0.09	0.09	0.09
<b>Total</b>	<b>B</b>	<b>3197.37</b>	<b>12427.76</b>	<b>11543.75</b>	<b>8505.18</b>	<b>3424.66</b>	<b>3256.48</b>
<b>Net Profit before tax and Extra Ordinary Items ( A-B)</b>	<b>C</b>	<b>133.65</b>	<b>523.46</b>	<b>496.34</b>	<b>136.14</b>	<b>126.49</b>	<b>100.49</b>
Taxation	<b>D</b>	40.31	156.41	156.98	47.71	52.76	32.84
<b>Net Profit after Tax but before Extra Ordinary items ( C - D )</b>	<b>E</b>	<b>93.34</b>	<b>367.05</b>	<b>339.36</b>	<b>88.43</b>	<b>73.73</b>	<b>67.65</b>

Extra Ordinary Items	<b>F</b>	0.00	0.00	13.77	0.00	0.00	0.00
Prior Period Expenses	<b>G</b>	0.00	0.00	0.00	0.07	0.00	0.86
<b>Net Profit after Extraordinary items &amp; Prior period Expenses ( E - F - G )</b>	<b>I</b>	<b>93.34</b>	<b>367.05</b>	<b>325.59</b>	<b>88.36</b>	<b>73.73</b>	<b>66.79</b>
Less Taxation of Previous Year		0.00	1.94	1.12	0.37	1.12	(0.03)
<b>Adjusted Profit</b>		<b>93.34</b>	<b>365.11</b>	<b>324.47</b>	<b>87.99</b>	<b>72.61</b>	<b>66.82</b>
<b>Add : Balance Brought Forward</b>		<b>613.99</b>	<b>424.69</b>	<b>333.72</b>	<b>245.74</b>	<b>773.13</b>	<b>706.31</b>
<b>Total</b>		<b>707.33</b>	<b>789.80</b>	<b>658.19</b>	<b>333.73</b>	<b>845.74</b>	<b>773.13</b>
<b>APPROPRIATION</b>							
Dividend & Dist. Tax		0.00	0.00	198.40	0.00	0.00	0.00
6% Dividend & Dist. Tax on Pref. Share		0.00	0.00	35.10	0.00	0.00	0.00
Excess Prov. Of Taxation of Earlier Year Written Back		0.00	4.85	0.00	0.00	0.00	0.00
Transfer for capitalisation for issue of Bonus Shares		0.00	180.66	0.00	0.00	0.00	0.00
Transfer to General Reserve		0.00	0.00	0.00	0.00	600.00	0.00
<b>Bal. Carried Forward to Balance Sheet</b>		<b>707.33</b>	<b>613.99</b>	<b>424.69</b>	<b>333.73</b>	<b>245.74</b>	<b>773.13</b>

**ANNEXURE XX**
**SUMMARY STATEMENT OF CONSOLIDATED CASH FLOWS**
**( Rs. in Lacs )**

	Particulars	3 Months Ended on 30.06.2008	Year Ended 31st March				
			2008	2007	2006	2005	2004
<b>A</b>	<b>Cash Flow from operating activities</b>						
	<b>Net Profit Before Tax &amp; Extraordinary items</b>	<b>133.65</b>	<b>523.46</b>	<b>482.57</b>	<b>136.06</b>	<b>126.50</b>	<b>99.63</b>
	<b>Adjustment For :</b>						
	Depreciation	88.10	387.06	360.82	346.67	242.08	250.55
	Interest Income	(5.54)	(16.56)	(7.57)	(6.60)	(6.42)	(4.37)
	Dividend Income	0.00	(3.68)	(3.03)	(0.03)	(0.32)	(0.01)
	Misc. Expenditure written off	0.00	0.00	0.00	0.09	0.09	0.09
	Profit/Loss on sale of Fixed Assets	0.00	(2.65)	(0.49)	(3.41)	(7.08)	0.82
	Profit/Loss on sale of Investment	0.00	99.56	(16.56)	(42.77)	5.74	(2.88)
	Interest Paid	107.85	392.37	336.76	201.72	67.75	72.73
	<b>Operating Profit Before Working Capital Changes</b>	<b>324.06</b>	<b>1379.56</b>	<b>1152.50</b>	<b>631.73</b>	<b>428.34</b>	<b>416.57</b>
	<b>Adjustments For :</b>						
	Trade & other Receivables	288.34	(525.57)	(420.78)	58.24	(422.46)	(58.86)
	Inventories	(172.28)	(449.96)	(893.50)	(436.26)	(158.57)	(7.81)
	Trade Payable & other Liabilities	521.47	204.35	331.46	82.87	(82.93)	99.03
	<b>Cash Generated From Operations</b>	<b>961.59</b>	<b>608.38</b>	<b>169.68</b>	<b>336.58</b>	<b>(235.62)</b>	<b>448.93</b>
	Interest Paid	(107.85)	(392.37)	(336.76)	(201.72)	(67.75)	(72.73)
	Provision for Taxation	(40.31)	(80.43)	(26.26)	(12.13)	(11.37)	(15.40)
	Previous Year Taxation	0.00	2.91	(1.12)	(0.37)	(1.12)	0.03
	<b>Net Cash Flow From Operating Activity ( A )</b>	<b>813.43</b>	<b>138.49</b>	<b>(194.47)</b>	<b>122.36</b>	<b>(315.87)</b>	<b>360.82</b>
<b>B</b>	<b>Cash Flow From Investing Activities :</b>						
	Interest Income	5.54	16.56	7.57	6.60	6.42	4.37
	Dividend Income	0.00	3.68	3.03	0.03	0.32	0.01
	Purchases of Fixed Assets ( Including Adv. )	(264.59)	(694.01)	(187.80)	(631.03)	(2321.77)	(885.99)
	Sale of Fixed Assets	0.00	3.17	0.83	4.68	91.81	61.50
	Purchase / Sale of Investment	52.03	(129.27)	(6.04)	44.59	69.18	(19.55)
	<b>Net Cash Flow From Investing Activity ( B )</b>	<b>(207.02)</b>	<b>(799.87)</b>	<b>(182.41)</b>	<b>(575.11)</b>	<b>(2154.04)</b>	<b>(839.67)</b>
<b>C</b>	<b>Cash Flow From Financing Activities :</b>						
	Increase in Borrowings	(205.17)	123.31	544.50	432.58	2011.49	365.99
	Increase in Term Loan	(78.61)	234.58	(27.62)	0.00	0.00	121.96
	Increase in Share Capital	0.00	273.70	75.00	(44.57)	500.00	0.00
	Share Application Money Received	40.00	0.00	0.00	0.00	0.00	0.00
	Share Premium Received	0.00	183.40	0.00	0.00	0.00	0.00
	Dividend Payments	0.00	0.00	(233.50)	0.00	0.00	0.00
	Preliminary Expenses W/off	(3.56)	(18.06)	0.00	0.00	0.00	0.00

	Particulars	3 Months Ended on 30.06.2008	Year Ended 31st March				
			2008	2007	2006	2005	2004
	<b>Net Cash Flow From Financing Activity ( C )</b>	<b>(247.34)</b>	<b>796.93</b>	<b>358.37</b>	<b>388.02</b>	<b>2511.49</b>	<b>487.95</b>
	Net increase in Cash & Cash equivalents ( A+B+C )	359.07	135.55	(18.50)	(64.74)	41.58	9.10
	Cash & Cash equivalents as on 1st April	163.42	27.87	46.38	111.11	69.53	60.43
	Cash & Cash equivalents as on 31st March	522.49	163.42	27.87	46.38	111.11	69.53

## **ANNEXURE XXI**

### **Significant Accounting policies and notes to the consolidated financial statements.**

#### **1) Significant Accounting policies :-**

Significant Accounting policies adopted in the preparation and presentation of the consolidated financial statement are as below :

- a. **Basis of accounting** : The financial statement are Prepared under historical cost convention on an accrual basis .Financial Statement of a foreign subsidiary company prepared in accordance with the Accounting Standard of that country have in recast for the purpose of consolidation with Indian parents.
- b. **Fixed Assets** : Fixed Assets are stated at cost of acquisition (net of Cenvat) or construction less accumulated depreciation. Cost comprises of purchase price and all other attributable cost for bringing the asset to its working condition for its intended use.
- c. **Depreciation** :Depreciation is provided on fixed assets (except land) on written down value method at the rates specified in schedule XIV to the companies Act, 1956 except on trucks, addition in the vehicle from 01.04.2003, cater pillar D.G. Sets one Himson Texturising machine and all additions in plant & machinery from 01.04.2002, where depreciation has been provided on straight line methods as per schedule XIV to the companies Act, 1956.

#### **d. Consolidated of Accounts:**

These accounts comprise a consolidation of the accounts of Sumeet Industries Ltd. and its subsidiary named Somani Industries Nepal Pvt. Ltd which have been prepared in accordance with the requirements of Accounting Standard ( AS 21 ) and consolidation of accounts of the subsidiary company have been done on the basis of financial statements prepared in accordance with Indian GAAP.

All Inter Company transactions, balances, unrealized surpluses and deficits on transactions have been eliminated.

#### **e. Goodwill/ Capital Reserve:**

Since the Somani Industry Nepal Pvt. Ltd. has been incorporated by issuing 1,60,000 share at face value of Rs. 100 per share so there is no Goodwill or Capital Reserve.

#### **f. Inventories :**

- (a) Stores & Spares and fuel Oil : At Cost.
- (b) Raw Material : At Cost.

- (c) Goods in Transit (Raw Mat.) : At Cost.
- (d) Work-in-Progress : At Cost plus procurement charges
- (e) Finished Goods : At Cost or Net Realisable value which ever is lower.
- (f) Wastage : At Net Realisable Value
- (g) Cost of inventories is ascertained on the "First-in-First-Out" basis.

**g. Income Tax :**

Tax expenses for the year, comprising current tax and deferred tax is included in deterring the net profit for the year. Deferred tax asset and liabilities are recognized for the future tax consequences of temporary difference between the carrying value of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary difference are expected to be reviewed or settled. This Accounting Standard 22 –Accounting for Taxes on Income is not applicable to Subsidiary company.

**h. Segment Accounting :**

The Accounting Standard 17 –Segment Accounting is not applicable to Subsidiary company.

- i. Minority Interest :** Since the company holding 100% share in subsidiary company there is no Minority Interest.

**2. Notes to adjustments carried out in Restated Financial Statement**

- a. No figure has been restated in the Summary statement of Assets & Liabilities (Consolidated) and in the Summary statement of Cash Flow (Consolidated).
- b. Prior period items have been adjusted to reflect the same in the accounting year to which it relates. Accordingly , the summary profit & loss account is adjusted with corresponding effect in the carrying amount of reserves and surplus and Net Current Assets as per the Adjustment given below.
- c. The amount of Extra Ordinary items have been debited to the profit & loss account before carrying amount of Reserve and Surplus .
- d. In the Financial year 2007-08, 2006-07, 2005-06 and 2004-05 , Rs. 1.94 Lacs , Rs. 1.12 Lacs , Rs. 0.37 Lacs, and Rs. 1.12 Lacs has been debited to Profit & Loss Account as Taxation for earlier year and Rs. 0.03 Lacs have been credited for the Financial Year 2003-04 as written back of Taxation of earlier year.

**Adjustment made in the Profit and Loss Account for restatement during the Financial Year 2003 to 2007 and three months ended on 30.06.2008.**

**( Rs. In Lacs )**

Details	3 months ended on 30.06.2008	Year ended 31 <sup>st</sup> March				
		2008	2007	2006	2005	2004
Net Profit after Tax but before Extra Ordinary Items & Prior Period Expenses	93.34	367.05	339.36	88.43	73.73	67.65
Adjustment on account of Extra Ordinary Items	0.00	0.00	(13.77)	0.00	0.00	0.00
Adjustment on account of Prior Period Expenses	0.00	0.00	0.00	(0.07)	0.00	(0.86)
Earlier year Income tax expenses	0.00	(1.94)	(1.12)	(0.37)	(1.12)	0.03
<b>Adjusted Profit</b>	<b>93.34</b>	<b>365.11</b>	<b>324.47</b>	<b>87.99</b>	<b>72.61</b>	<b>66.82</b>

**For PRADEEP SINGHI & ASSOCIATES**  
Chartered Accountants

Sd/-  
Pradeep Kumar Singhi  
Proprietor  
M.No. : 200/24612

Place : Surat  
Date :

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the business of the Company

The Company has been synonymous with creativity in Indian Textile Industry for more than two decades. The Company is at present mainly engaged in producing Polyester Filament Yarn (POY), Polypropylene Multi Filament Yarn (PPMFY), Texturised Yarn etc.

The company has in house packing material manufacturing facility. The unit is designed with utmost flexibility and equipped with mechanical and electronic attachments at all stages of spinning for imparting special effects in the yarns.

In view of the increase in raw material (Pet Chips) prices consequent upon the movement of crude oil prices, the company is in process of setting up Continuous Polymerization Plant, under which POY will be produced direct from MEG and PTY. During the year 2007, the company had converted its captive coal base power plant into Gas Based Genset Plant which ultimately further reduced its power cost.

### Key strengths and Growth Drivers

The company is a well-established and reliable manufacture of Polyester Filament Yarn and Polypropylene Polyester Multifilament Yarn and Weaving Fabrics in the market through its sustained efforts and emphasizing on product quality, continuing improvements and competitive pricing. The Research and Quality department of the company is constantly exploring improved and new varieties of yarns to improve the product quality, achieving cost effectiveness and optimum utilization of capacity.

Although the market behavior has been challenging, the company with its continues customer centric initiative and cost effectiveness, optimum utilization of product capacity , diversification in other profitable business , efforts in increasing export earnings is confident in achieving business growth and profitability in the upcoming years.

### Significant developments

In the Opinion of the Directors, there has not arisen, since the date of the last financial statements as disclosed in the Letter of Offer, any circumstances that materially and adversely affect or are likely to affect the trading or profitability of the company, or the value of assets, or the ability to pay our liabilities within the next twelve months.

### Factors that may affect results of Operations

#### ◆ Unusual or infrequent events or transactions

There have been no unusual or infrequent transactions that have been taken place during the last three years. M/s. Somani Industries (Nepal) Pvt. Ltd. was incorporated on 21/04/2000 with an objective to manufacture Polypropylene Multifilament Yarn. The said manufacturing facility was maintained upto year 2004-05. During the year 2006 due to continuous disturbance and unrest in Nepal near factory premises, Company had to close down the plant. On account of this political chaos and disturbances, the assets of the subsidiary company were sold to vacate the place.

#### ◆ Significant economic changes

Government's focus on exports will have major bearing on the companies involved in export. Any major changes in the policies of the government would have significant impact on the profitability of the company.



◆ **Known trends or uncertainties**

Other than as described in Letter of Offer, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

◆ **Future changes in relationship between costs and revenues**

The recent trend in continuous increase in international prices of raw materials compared to the prices of finished products may shrink margins in future. Direct Material expenses as a percentage to sales have remained in the range of around 80 % to 84% of sales in all the last three financial years. Under this backward integration cum expansion project, the company will produce POY directly from PTA, MEG which will be much cost effective and direct material expenses as a percentage to sales will be fallen to less than 80%. Apart from cost advantage the company ensures consistent quality of POY produced on CP lines. The company is continuously working to create efficient process resulting in cost reduction and have a better control over its activities.

Other than as described in this Letter of Offer, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

◆ **Extent of impact on Sales volume**

The company is at present mainly engaged in producing POY which consists more than 65% of its total revenue and around 20% revenue is coming from PPMFY. After implementation of the said backward integration cum Expansion Project, around 90% of the total revenue of the company will be earned by way of POY and Pet Chips sales.

◆ **New Products**

The Company has not announced any new products as business segment publicly.

◆ **Seasonality of business**

The business of our company is not seasonal in nature.

◆ **Dependence on single or few suppliers/customers**

Majority of raw material of the company is sourced domestically. The company is not under threat for excessive dependence on any single customer/supplier. Similarly, the company has nationwide customer base and hence there is no dependence on any single customer.

◆ **Competitive Conditions**

The Company operates in a highly competitive environment and faces huge competition from large and integrated players like Reliance Industries Ltd. However, the Company is a pioneer in the field quality products which have created niche for themselves and have been established in the industries as Brand names of its product "Sumilon" . Since the company is mainly operating in Polyester Yarn manufacturing business, it has already established its market to sell the products. Further under its backward integration cum expansion project, the company will produce Polyester Filament yarn directly from PTA and MEG which will be much cost effective and quality controlled product as compared to its peer group.

## Results of Operations

Results of operations for the past 3 years and year – on- year comparison are as follows:

(Rs. In lacs)

Particulars	Year Ended 31.03.2005	Year Ended 31.03.2006	Year Ended 31.03.2007	Year Ended 31.03.2008
Net Sales	3489.95	8218.71	11249.13	12850.83
Other Income	72.88	62.89	137.00	66.98
<b>Total Income</b>	<b>3562.83</b>	<b>8281.60</b>	<b>11386.13</b>	<b>12917.81</b>
Cost of Good sold	2301.76	6275.03	8537.17	9809.73
Staff Cost	68.38	55.85	74.41	101.55
Other Manufacturing Exp.	525.79	907.07	860.55	981.54
Administrative , Selling & Distribution Exp.	222.60	345.92	685.33	705.41
Interest	65.60	218.12	360.63	408.99
Depreciation	236.05	346.67	360.82	387.06
Profit before Extra Ordinary Items	90.06	85.23	350.24	523.53
<b>Net Profit after Extraordinary items</b>	<b>90.06</b>	<b>85.16</b>	<b>336.47</b>	<b>523.53</b>

### Comparison of Performance and Analysis of Developments for Financial year 31<sup>st</sup> March 2005 and 2006

**Major Events:** - In the year 2005, the company took its expansion project under its backward integration expansion ,and installed a new state of automatic craft winder plant for producing Polyester Filament Yarn (POY) imported from Barmag (Germany) with initial capacity of 12,000 M.T. per annum with capital investment of Rs. 3,000 Lacs.

**Sales:** The turnover to the company went up from Rs. 3489.94 Lacs for the year ended on 31<sup>st</sup> March, 2005 to Rs. 8218.71 Lacs for the year ended on 31<sup>st</sup> March 2006 registering a growth of 135.53%. The growth in turnover was due to Backward Integration project was initiated by the company during the year.

**Other Income:** The Company has earned other income of Rs. 62.89 Lacs for the year ended on 31<sup>st</sup> March 2006 as compared to other income earned Rs. 72.88 during the last year ended on 31<sup>st</sup> March 2005. The was a decrease in other due to Export Incentive not received during the year 31<sup>st</sup> March, 2006 but this year company has earned profit Rs. 42.77 Lacs on the sale of investment.

**Operating Expenses:** The operating expenses comprised of raw materials, staff cost, other manufacturing expenses and administrative, selling and other expenses increased from Rs. 3118.53 Lacs as on 31<sup>st</sup> March 2005 to Rs. 7583.87 as on 31<sup>st</sup> March 2006 due to expansion of manufacturing facility by way of backward integration.

**Interest and Financial Charges:** The Interest and Financial expenses have gone up from Rs. 65.60 Lakhs for the year ended on 31<sup>st</sup> March 2005 to Rs. 218.12 Lakhs for the year ended on 31.03.2006 on account of availment of additional FCNR Working capital Loan facilities and Packing credit facilities.

**Depreciation:** The depreciation has gone up to Rs. 346.67 Lacs for the year ended on 31<sup>st</sup> March 2006 from 236.06 Lacs for the year ended on 31<sup>st</sup> March 2005 on account of increase in gross block due to commencement of expansion projects .

**Profit after Tax:** The profit after tax for 31<sup>st</sup> March 2005 is at Rs. 90.06 Lacs as against Rs. 85.16 Lacs during the financial year 2005-06. The reduction in net profit for the financial year ended 31<sup>st</sup> March 2006 was due to increase in financial charges and depreciation.

### Comparison of Performance and Analysis of Developments for Financial year 31<sup>st</sup> March 2006 and 2007

**Major Events:** In the year 2006 under its forward integration expansion programme, the company installed 60 Waterjet Looms plain as well as dobby to manufacture woven fabrics with installed capacity of 35 Lacs Mtrs per annum.

During the year company another expansion cum diversification project under its vertical and installed Menthol Distilling & Crystallizing Plant with a installed capacity to produce 900 M.T. of Peppermint oil and 300 M.T. of Menthol Crystals.

**Sales:** The turnover to the company went up from Rs. 8218.71 Lacs for the year ended on 31<sup>st</sup> March 2006 to Rs. 11249.13 Lacs for the year ended on 31<sup>st</sup> March 2007 marking a growth of 36.87%. The growth in turnover was due to Expansion cum Diversification project was initiated by the company during the year.

**Other Income:** The Company has earned other income of Rs. 137.00 Lacs for the year ended on 31<sup>st</sup> March 2007 as compared to other income earned Rs. 62.89 Lacs during the last year ended on 31<sup>st</sup> March 2006. The other income went up for the year ended due to Rs. 82.26 Lakhs was received as insurance claim.

**Operating Expenses:** During the financial year ended 31<sup>st</sup> March 2006, operating expenses comprising of raw materials, staff cost, other manufacturing expenses and administrative, selling and other expenses increased to Rs. 10157.46 Lacs from Rs. 7583.87 due to expansion of manufacturing facility by way of backward integration.

**Interest and Financial Charges:** The Interest and Financial expenses have went up from Rs. 218.12 Lakhs for the year ended on 31<sup>st</sup> March 2006 to Rs. 360.63 Lakhs for the year ended on 31<sup>st</sup> March 2007 on account of availment of additional working capital facilities for expansion cum diversification project.

**Depreciation:** The depreciation has gone up to Rs. 360.82 Lacs for the year ended on 31<sup>st</sup> March 2007 from 346.67 Lacs for the year ended on 31<sup>st</sup> March 2006 on account of increase in gross block due to commencement of expansion projects .

**Profit after Tax:** The profit after tax for the financial year 31<sup>st</sup> March 2007 is at Rs. 336.47 Lacs as against Rs. 85.16 Lacs during the financial year 31<sup>st</sup> March 2006. The profit has been increased by around 3 times only due to expansion cum diversification in projects and over all improvement in operating margins.

#### **Comparison of Performance and Analysis of Developments for Financial year 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2008**

**Major Events:** The Company is in the expansion phases to expand its Polyester POY Spinning capacity from existing 12,000 Tons per annum to 48300 Tons by way of setting another 10 Lines of Polyester POY Spinning Plant and Pet Chips capacity of 51,700 Tons per annum. Thereby the Company is setting up Continuous Polymerization Plant with total installed capacity of 1,00,000 Tons per annum as a Green field project and 6 MW Captive Gas based Genset Power Plant .

**Sales:** The turnover of the company went up from Rs. 11249.13 Lacs for the year ended on 31<sup>st</sup> March 2007 to Rs. 12850.83 Lacs for the year ended on 31<sup>st</sup> March 2008 marking a growth of 14.24%. Increase in sales was achieved mainly due to better price realization. The major contributor of sales was yarn sales which consisted of 85% of total turnover from domestic sales and 1.5% from export sales. Other contributors are Polyester fabrics consisted of 4% of turnover. Sales of Menthol through Export consisted 8.50% and domestic around 1%.

**Other Income:** The Company has earned other income of Rs. 66.98 Lacs for the year ended on 31<sup>st</sup> March 2008 as compared to other income earned Rs. 137.00 Lacs during the last year ended on 31<sup>st</sup> March 2007. Other income consisted of export incentive received, exchange difference received and miscellaneous income received during the year. The company has received Rs. 82.07 Lacs Export Incentive during the year. The Company has incurred losses of Rs. 99.56 Lacs on Trading in Shares, Commodities and Foreign Exchanges during the year. During the year 2006-07, no amount of incentive was received by the company.

**Operating Expenses:** During the year 2007-08 total operating expenses stood Rs.11598.23 Lacs. In manufacturing expenses our major cost consisted of power & fuel prices which increased in comparison to last year. Raw material price has also marginally increased as compared to previous year. Salary and wages cost increased due to appointment of manpower for the new projects.

**Profit after Tax:** The profit after tax for the financial year 31<sup>st</sup> March 2008 is at Rs. 367.12 Lacs as against Rs. 336.47 Lacs during the financial year 31<sup>st</sup> March 2007 showing an increase of 9.1% in comparison to the last year. Increase in Profit margin was made due to better sales realization and control on overheads.

### **Working Results**

Information relating to the company sales, gross profit etc., as required by the Ministry of Finance vide circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even no. dated March 8, 1977 as under:-

The results of the company for the period from to July 1, 2008 to September 30, 2008:-

<b>Particulars (Consolidated)</b>	<b>(Rs. in Lacs)</b>
Net Sales	4245.83
Other income	2.30
<b>Total income</b>	<b>4248.13</b>
Total expenditure	3936.08
Interest & Financial charges	127.50
Depreciation	74.62
Provision for taxation	34.79
<b>Net Profit/ (Loss) after Tax</b>	<b>75.14</b>
Paid-up equity share capital	2012.30

## OUTSTANDING LITIGATIONS AND DEFAULTS

There are no pending proceedings initiated for economic offences against the Company. No disciplinary action/ investigation have been taken by the SEBI against the Company. The Company is not detained as willful defaulter by RBI/Government authorities and there are no violations of securities laws committed by the company in part or pending against them.

Save as stated herein under, the Company, have not defaulted in meeting any of its statutory or institutional dues and have made all payments/refunds on fixed deposits or no proceedings have been initiated against the Company, for any of the offences specified in paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956. Further, there are no disputes/litigations towards tax liabilities or criminal prosecutions against the Company and its Directors for any offence, economic or otherwise civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed below.

### CONTINGENT LIABILITIES OF THE COMPANY

As on 30<sup>th</sup> June 2008 the audited accounts, the company has contingent liabilities not provided for in respect of items detailed below:

<b>Particulars</b>		<b>(Rs. in lacs)</b>
		<b>3 months ended 30/06/2008</b>
Letter of Credit outstanding		2350.00
Estimated amount of contract remaining to be executed on capital account		4500.95
<b>Total</b>		<b>6850.95</b>

In the event such contingent liabilities materialize it may have an adverse effect on the company's financial condition and future financial performance.

### PENDING LITIGATIONS AGAINST THE COMPANY

Summary of litigations pending against the company:

<b>Sr. No</b>	<b>Particulars</b>	<b>No. of cases/disputes/ notices/ warnings</b>	<b>Approx. amount involved where quantifiable (Rs. In lacs)</b>
1	Central Excise Tax	3	197.33
2	Labour Law	10	Not quantifiable
3	Industrial Law	1	Not quantifiable
4	Securities related	3	75.00

### SALES TAX/ EXCISE/ CUSTOMS ACT

<b>Case No., Date and Authority / Place , Parties to the case</b>	<b>Brief Description of the Case</b>	<b>Status</b>	<b>Amount Involved (Rs. In Lacs )</b>
1. Appeal No. E/1617 &1618/06 pending before CESTAT, Mumbai arising from Order in Original No.03/KRB/MP /2006 dtd. 16.02.2006 passed by	The Commissioner of Central Excise (Adj), Surat made order in original thereby making a total demand of Rs. 65,46,595/-.	The Company has filed appeals which are pending before CESTAT, Mumbai. The CESTAT has waived the requirement of pre-deposit of the amount beyond Rs.50,76,495/- which	65.46

Case No., Date and Authority / Place , Parties to the case	Brief Description of the Case	Status	Amount Involved (Rs. In Lacs )
Commissioner of Central Excise (Adj), Surat.		amount has already been adjusted by reversal of Modvat Credit. There is also a stay of recovery till final disposal of the appeals.	
2. Show cause notice no. V (Ch.53)3-12/ dem /2006  Dated :04/01/2007	It is alleged that charging of NCCD @1% adv. by the Company for the POY manufactured and cleared for home consumption during the period between Dec'2005 to March'2006, in stead of depositing the same in Government Treasury in the form of Cash i.e. through PLA or NCCD Account, it has debited BED part of Cenvat account and the payment made through Cenvat Account found to be illegal in terms of the provisions of Rule 3 (7) (b) Cenvat Credit Rules, 2004.	The Company has replied this show cause notice on dated 17/01/2007 to the Commissioner of Central Excise & Custom and requested for personal hearing and the matter is pending.	23.57
3. Show cause notice no.V(Ch.54)3-02 / demand/07  Dated :01/05/2007	It is alleged that charging of NCCD @1% adv. by the Company for the POY manufactured and cleared for home consumption during the period between April'2006 to December '2006, in stead of depositing the same in Government Treasury in the form of Cash i.e. through PLA or NCCD Account, it has debited BED part of Cenvat account and the payment made through Cenvat Account found to be illegal in terms of the provisions of Rule 3 (7) (b) Cenvat Credit Rules, 2004.	The Company has replied this show cause notice on dated 28/05/2007 to the Addl. Commissioner of Central Excise & Custom and requested for personal hearing and the matter is pending.	58.38
4. Show cause notice no.V(Ch.54)3-03 / demand/07/addl.  Dated :19/12/2007	It is alleged that charging of NCCD @1% adv. by the Company for the POY manufactured and cleared for home consumption during the period between January'07 to August '2007, in stead of depositing the same in Government Treasury in the form of Cash i.e. through PLA or	The Company has replied this show cause notice on dated 19/01/2008 to the Addl. Commissioner of Central Excise & Custom and requested for personal hearing. Date of personal hearing is not yet fixed.	49.92

Case No., Date and Authority / Place , Parties to the case	Brief Description of the Case	Status	Amount Involved (Rs. In Lacs )
	NCCD Account, it has debited BED part of Cenvat account and the payment made through Cenvat Account found to be illegal in terms of the provisions of Rule 3 (7) (b) Cenvat Credit Rules, 2004.		

### **LABOUR LAWS**

Sr No.	Case No.	Particulars of the Case	Court Pending	where	Present status of the Case
1.	Adj. Case No. 215/2000	The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Shailesh K. Patel on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Mr. Shailesh K. Patel was terminated from the services w.e.f. 28.10.99.  Mr. Shailesh K. Patel has filed a case against the Company	Labour Court	Surat	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
2.	Adj. Case No. 213/2000	The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Kiran B. Solanki on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Kiran B. Solanki was terminated from the services w.e.f. 28.10.99.  Mr. Kiran B. Solanki has filed a case against the Company	Labour Court	Surat	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.

Sr No.	Case No.	Particulars of the Case	Court Pending	where	Present status of the Case
3.	Adj. Case No. 214/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Harish J. Prajapati on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Mr. Harish J. Prajapati was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Harish J. Prajapati has filed a case against the Company.</p>	Labour Court	Surat	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
4.	Adj. Case No. 224/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Ajay Narenderprasad Morker on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Mr. Ajay Narenderprasad Morker was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Ajay Narenderprasad Morker has filed a case against the Company.</p>	Labour Court	Surat ,	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
5.	Adj. Case No. 232/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Suresh F. Mahida on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Mr. Suresh F. Mahida was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Suresh F. Mahida has filed a case against the Company.</p>	Labour Court	Surat ,	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
6.	Adj. Case No. 237/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Mahesh Morarji Hansoti on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry , Mr. Mahesh Morarji Hansoti was terminated from the services w.e.f. 28.10.99. Mr. Mahesh Morarji Hansoti has filed a case against the Company</p>	Labour Court	Surat ,	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.



Sr No.	Case No.	Particulars of the Case	Court Pending	where	Present status of the Case
7.	Adj. Case No. 238/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Dilip Ramjibhai Parmar on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry, Mr. Dilip Ramjibhai Parmar was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Dilip Ramjibhai Parmar has filed a case against the Company.</p>	Labour Surat	Court	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
8.	Adj. Case No. 368/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Rajesh P. Sarang on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry, Mr. Rajesh P. Sarang was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Rajesh P. Sarang has filed a case against the Company.</p>	Labour Surat	Court	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
9.	Adj. Case No. 381/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Rajender Kesriprasad Pandey on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry, Mr. Rajender Kesriprasad Pandey was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Rajender Kesriprasad Pandey has filed a case against the Company.</p>	Labour Surat	Court	On filing of writ petition in the Hon'ble High Court of Gujarat against the order made by the Labour Court, Surat, the matter is remanded back to Labour Court and the same is pending.
10.	Adj. Case No. 92/2000	<p>The Company issued Show-cause Notice cum Suspension Order on dated 20.07.99 on the ground of misbehaviour and unlawful conduct against Mr. Krishnakant Chaudhary on 30.06.1999 and also on the ground of continued unauthorized absence from duty. After conducting domestic enquiry, Mr. Krishnakant Chaudhary was terminated from the services w.e.f. 28.10.99.</p> <p>Mr. Krishnakant Chaudhary has filed a case against the Company.</p>	Labour Surat	Court	Cases pending at on hearing stage.

## INDUSTRIAL COURT MATTER

Sr No.	Case No.	Particulars of the Case	Court where Pending	Present status of the Case
1.	Reference (I.T) No.187/99	Chemical Mazdoor Panchayat has raised industrial dispute for revision of wages, D.A., Leave, etc.	Industrial Court , Surat	Pending

### Securities Related/ Warnings

#### *1. Securities related dispute:*

The issued, subscribed and paid up capital of the company includes 2,50,000 equity shares of Rs.10 each allotted to M/s. Vishvas Infrastructure Ltd. (Vishvas) on a preferential basis on 13<sup>th</sup> April 2007. These shares are yet to be listed on BSE. The company submitted the application for the listing of 9,17,000 equity shares issued on preferential basis to BSE. The company received a communication from BSE vide their letter no. DCS/PREF/ST/GEN/1531/07-08 dated 11<sup>th</sup> Sep. 2007 advising the company to take requisite steps to address the discrepancy in the issued and listed capital arising out of the non approval of issue of 2,50,000 equity shares to Vishvas. The company called an Extra Ordinary General Meeting on 20<sup>th</sup> Nov. 2007 for the purpose of passing of Special Resolution for Reduction of share capital and accordingly the members of the company passed the special resolution for cancellation of preferential allotment of 2,50,000 shares to Vishvas.

The company has filed a petition (company petition no. 30 of 2008) on 10<sup>th</sup> January, 2008 in the High Court of Gujarat at Ahmadabad under the provisions of section 78, 100 and 101 of the Companies Act, 1956 for cancellation of aforesaid 2,50,000 equity shares of Rs.10 each issued at a premium of Rs.20 per share and confirmation of reduction of share capital consequent to such cancellation.

Vishvas has filed an objection to the proposed Reduction of share capital vide their affidavit dated 12<sup>th</sup> March, 2008. The company's petition is pending for hearing by the Hon'ble High Court in this regard till date.

#### *2. Warnings:*

The company has received a letter from SEBI vide their letter no. IVD/ID1/BM/MB/114353/08 dated 23<sup>rd</sup> January, 2008 warning the company to strengthen their system to avoid possibilities of insider trading failing which action may be initiated in accordance with provisions of SEBI Act. / Rules and Regulations.

#### *3. Investigation*

The Company has received a communication from SEBI vide their letter no. IVD/ID8/BM/NR/SIL/139973/2008 dated October 7, 2008 requiring the company to furnish the details in respect of investigations in the scrip of Sumeet Industries Limited for the period October 1, 2006 to March 12, 2007 and in response to the said query the company has submitted the relevant details to the SEBI.

Similar communication has been received from SEBI vide their letter dated 7/10/2008 requiring the entities to furnish the details in respect of investigations in the scrip of Sumeet Industries Limited for the period October 1, 2006 to March 12, 2007. The names of entities are M/s. Somani Overseas Limited, M/s. Betex India Limited, M/s. Sitaram Prints (P) Limited, M/s. Ambaji Syntex (P) Limited, M/s. Sumeet Menthol (P) Ltd. (Formerly known as: Mahesh Texturisers (P) Limited), Mr. Shankarlal Somani, Mr. Rajkumar Somani, Ms. Gangadevi Somani and Ms. Krishnadevi Lahoti.

In response to the said query the company has submitted the relevant details to the SEBI.

## **PROCEEDINGS FILED BY THE COMPANY**

The Company has filed petition in the Hon'ble High Court of Gujarat at Ahmadabad being Company Petition No.30/2008 for confirming the reduction of capital of the Company by Rs.75 lacs (i.e. Rs.25 lacs share capital and Rs.50 lacs share premium) by way of cancellation of preferential allotment of 2,50,000 equity shares of Rs.10/- each issued at a premium of Rs.20/- per share to Vishvas Infrastructure Ltd. The petition is pending at the final hearing stage.

## **LITIGATION AGAINST THE GROUP COMPANIES**

### **SOMANI OVERSEAS LIMITED**

#### **EXCISE/ CUSTOMS ACT/ WARNINGS:**

<b>Case No., Date and Authority / Place , Parties to the case</b>	<b>Brief Description of the Case</b>	<b>Status</b>	<b>Amount Involved (Rs. In Lacs )</b>
Show cause notice no. <u>SD/INT/HQIU/285/95</u> S/10-1/JSS/98 SIIB Dated 02.01.98	It is alleged that the Fraudulent exports of Polyester Fabrics were made and duty free imports of goods and other raw materials made under D.E.E.C. scheme in contravention of the provisions of the Custom Act, 1962 by M/s. R.K. Exports, Ahmadabad. The Company has purchased Advance Licence of M/s. R.K.Exports and made imports against the same of duty free 5288.00 Kgs of PFY. It is thus alleged that imports made against such advance license by the Company were not valid.	The Company has submitted its written explanation on dated 17/01/2008 and completely denied the allegation cited on it. The Company has explained to the department that the said copy of advance license were purchased by the Company in the ordinary course of business for valuable consideration and had submitted all the relevant documents/details. The matter is pending.	5.69 Lacs

#### **2. Warnings:**

The company has received a letter from SEBI vide their letter no. IVD/ID1/BM/MB/105943/07 dated October 11, 2007 warning the company not to carry out any transactions in the scrip of Sumeet Industries Limited in future which are in close proximity of any un-published price sensitive events and are in violation of insider trading regulations failing which action may be initiated in accordance with provisions of SEBI Act./ Rules and Regulations.

**BETEX INDIA LIMITED****EXCISE/ CUSTOMS ACT/ WARNINGS:**

<b>Case No., Date and Authority / Place , Parties to the case</b>	<b>Brief Description of the Case</b>	<b>Status</b>	<b>Amount Involved (Rs. In Lacs )</b>
1. Appeal No. RKA/629-630/ SRT-1/08 dated 25.08.08 filed before the Commissioner (Appeals) u/s. 35 of the Central Excise Act, 1944 challenging the order in original no. 01/ADC-PS/OA / 2007 dtd. 28.06.2007.	<p>The Additional Commissioner, Central Excise &amp; Customs, Surat has made order in original thereby confirming demand of Central Excise Duty to the extent of Rs..17,39,400/- u/s. 11(A) (2) of the Central Excise Act. The order also imposes penalty of Rs. 17,39,400/- u/s. 11AC of Central Excise Act. The order also imposes penalty of Rs. 50,000/- on Mr. Rajkumar Somani, Director under Rule 26 of the Central Excise Rules, 2002.</p> <p>The Commissioner (Appeal ) has upheld the order passed in original dated 28.06.2007 confirming the demand of the duty &amp; penalty imposed except rectifying the amount of penalty imposed to Rs.10,000/- only on Mr. Raj Kumar Somani ,Director by the Add. Commissioner .</p>	The company has filed an appeal & stay petition before the Customs, Excise & Service Tax Appellate Tribunal at Ahmedabad under section 35B & 35F of the Central Excise Act,1944.	34.89

**2. Warnings:**

The company has received a letter from SEBI vide their letter no. IVD/ID1/BM/MB/105943/07 dated October 11, 2007 warning the company not to carry out any transactions in the scrip of Sumeet Industries Limited in future which are in close proximity of any un-published price sensitive events and are in violation of insider trading regulations failing which action may be initiated in accordance with provisions of SEBI Act./ Rules and Regulations.

**Against the Directors/Promoters**

There are no outstanding litigations towards tax liabilities or any criminal/ civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act, 1956), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences or securities related or other offences against the Directors/Promoters of the Company except as mentioned below.

**1. Warnings:**

Mr. Sushil Somani has received a letter from SEBI vide their letter no. IVD/ID1/BM/MB/105943/ 107 dated October 11, 2007 warning him not to carry out any transactions in the scrip of Sumeet Industries Limited in future which are in close proximity of any un-published price sensitive events and are in violation of insider trading regulations failing which action may be initiated in accordance with provisions of SEBI Act/ Rules and Regulations.

#### **OUTSTANDING LITIGATION AGAINST THE SUBSIDIARY COMPANY**

There are no outstanding litigations against the subsidiary company.

#### **MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET**

There are no material developments after the date of the latest balance sheet that are likely to materially affect the performance and the prospects of the company. The company has not discontinued any of its existing business nor commenced any new business during past year.

#### **ADVERSE EVENTS**

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Letter of Offer with the Stock Exchanges.

## GOVERNMENT APPROVALS

The Company has received all the necessary permissions and approvals from the Government and various government agencies. In view of this the company can undertake the issue and no further material approvals are required from any government authority.

Particulars	Issuing Authority	Name of the Act	Registration No./ Certificate No.	Issued on	Validity Period	Remarks
Certificate of Incorporation	Registrar of Companies, Gujarat	Companies Act, 1956	04-11049 of 1988-89	August1, 1988	Life time of the Company	
<b>Approval received from Ministry of Commerce &amp; Industry, Secretarial for Industrial Approval</b>						
Industrial Entrepreneur Memorandum with SIA/Registration under Industrial (Development & Regulation ) Act	Ministry of Commerce & Industry ( SIA )	Secretarial of Industrial Approval	4562/SIA/I MO/96	10.12.1996	Life time of the Company	Product :- Polypropylene Multifilament Yarn  Polyester Filament Yarn  Texurised Yarn  Polyester Fabrics
Industrial Entrepreneur Memorandum with SIA/Registration under Industrial (Development& Regulation ) Act	Ministry of Industry ( SIA )	Secretarial of Industrial Approval	273/SIA/IM O/2006	25/04/2006	Life time of the Company	Product :-  Polyester Grey Fabric on Power Loom
Industrial Entrepreneur Memorandum with SIA/Registration under Industrial (Development& Regulation ) Act	Ministry of Industry ( SIA )	Secretarial of Industrial Approval	1432/SIA/I MO/2007	15/05/2007	Life time of the Company	Product :-  Menthol Crystal, Menthol Flakes, Peppermint Oil
Industrial Entrepreneur Memorandum with SIA/Registration under Industrial (Development& Regulation ) Act	Ministry of Industry ( SIA )	Secretarial of Industrial Approval	2926/SIA/I MO/2007	15/10/2007	Life time of the Company	Product :-  Synthetic Filament Yarn  Pet Chips
PAN	Income Tax Department (Govt. of India)	Income Tax Act, 1961	AAECS2583 B	01/08/1988	Life time of the Company	--
TAN	Income Tax Department (Govt. of India)	Income Tax Act, 1961	SRTS00011E		Life time of the Company	--
Central Excise Registration	Superintendent of Central Excise	Central Excise Act, 1944	AAECS2256 BXM001	16/01/2003	Life time of the Company	--
Service Tax	Superintendent	Finance Act,	AAECS2583		Life time of	--

Particulars	Issuing Authority	Name of the Act	Registration No./ Certificate No.	Issued on	Validity Period	Remarks
Registration	( Service Tax ),	1944	BST001		the Company	
Central Sales Tax Registration ( H.O., Surat )	Assistant Sales Tax Commissioner	Central Sales Tax (Registration & Turnover) Act, 1957	24723700141	29.09.2005	Life time of the Company	--
Central Sales Tax Registration ( Delhi Branch )	Sales Tax Officer	Central Sales Tax (Registration & Turnover) Act, 1957	LC/97/1731 97/0394	20.09.1994	Life time of the Company	--
Local Sales Tax Registration , Surat	Sales Tax Officer	Gujarat Sales tax Act, 1969	24223700141	29.09.2005	Life time of the Company	--
Local Sales Tax Registration ( Delhi Branch )	Sales Tax Officer	The Delhi Sales Tax Rules, 1975	LC/97/1731 48/0394	20.09.1994	Life time of the Company	--
Registration under Municipal Corp.	Surat Municipal Corporation, Central Zone, Surat	The Bombay Shops & Establishment Act, 1948	CZ/C/32/1 1900	31.12.2005	31.12.2008	--
Registration under Employees Provident Funds and Miscellaneous Provision Act, 1948	Regional Provident Commissioner, Surat	Employees Provident Fund & Miscellaneous Provisions Act, 1952	GJ/SRT/311 33		Life time of the Company	--
Certificate of Importer & Exporter Code	Director General of Foreign Trade	Export Import Policy	0891004149	28.07.2000	Life time of the Company	--
Licence to manufacture for sale of drugs	Commissioner, Food & Drugs Control Administration (Gujarat State)	Licence to manufacture for sale(or for distribution)of drugs	G/25/1785	11.09.2007	10.9.2012	--
Trade Mark Registration	Registrar of Trade Marks	Trade and Merchandise Marks Act, 1958	613407	06/12/1993	Registration has been renewed for a period of 10 years from 06.12.2007	--
ISO Certification	QS Cert, spol. s.r.o. ( Certification body of Management System )	ISO 9001:2000	* Q - 1899/07	07/05/2007	May. 2010	Certificate issued for Menthol Division of the Company
Factory Licence	Chief Inspector of Factory	Factories Act, 1948	018218	01/03/2007	31.12.08	--
Registration under	Assistant	Rule 29 (2)	140/99	12.06.99	Valid up to	No new contract

Particulars	Issuing Authority	Name of the Act	Registration No./ Certificate No.	Issued on	Validity Period	Remarks
Contract Labour ( Regulation & Abolition Act )	Labour Commissioner, Surat	Contract Labour ( Regulation & Abolition Act )			2004	has been executed until 31.03.2008.
Consolidated consent and authorization from Gujarat Pollution Board.	Gujarat Pollution Control Board ( Gandhinagar)	Water (Prevention & Control of Pollution Act), 1974, Air ( Prevention & Control of Pollution ) Act,1981 and Hazardous waste (Management And Handling) Rules ,1989	5725	23.03.2005	16.07.07	Application for renewal has been made on dated 24/05/07
Standard Weight & Science Instrument	Inspector of Standard Weight & Science	Certification of the machines used for weighing	10/0076	03.11.07	02.11.2008	--



## **SECTION VI - REGULATORY AND STATUTORY DISCLOSURES**

### **AUTHORITY FOR THE PRESENT ISSUE**

The Board of Directors at their meeting held on 21<sup>st</sup> January, 2008 have approved the rights issue of equity shares of the Company of Rs 10/- each to the existing holders of equity shares on a date to be announced by the Board (Record Date) for a total amount of Rs. 3018.43 lacs. The Special resolution was passed at the Extra Ordinary General Meeting of the shareholders of the Company held on 3<sup>rd</sup> March, 2008 authorizing the Board of the Company to raise capital up to Rs 3018.43 lacs. The Board of Directors at their meeting held on 15<sup>th</sup> May, 2008 have decided to make the offer to the existing shareholders of the company. The Board of Directors in their meeting held on 08<sup>th</sup> October 2008 has finalized the rights issue offer as follows:

Issue of 2,01,22,930 Equity Shares of Rs. 10/- each at Rs. 15/- aggregating Rs. 3018.43 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Share for every 1 (One) Equity Shares (ie; 1:1) held on 29/10/2008 (Record Date). The face value of the Equity Share is Rs. 10/- per share and the Issue Price is 1.5 times the face value. The Board of Directors of the Company has approved the Letter of Offer in the board meeting held on 15/05/2008.

### **PROHIBITION BY SEBI**

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

### **ELIGIBILITY FOR THE ISSUE**

Sumeet Industries Limited is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4.1(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, Sumeet Industries Limited, group companies are not detained as wilful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

### **DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).**

**"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN OFFER DOCUMENT, LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE**

**DILIGENCE CERTIFICATE DATED 27<sup>th</sup> May, 2008 IN ACCORDANCE WITH 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 MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
  - a) THE LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE CERTIFY THAT REQUIREMENT OF PROMOTER'S CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (a), (b) or (c)} ARE NOT APPLICABLE IN RESPECT OF THE SAID ISSUE.
5. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
6. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
7. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS,

**DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT, IF ANY, IN THE ISSUE.**

- 8. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**
- 9. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER :**
  - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**
  - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**

#### **CAUTION STATEMENT / DISCLAIMER CLAUSE OF THE ISSUER AND THE LEAD MANAGER**

The Issuer Company and the Lead Manager accept no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares), Foreign Collaborators and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any jurisdiction other than India. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Surat, State of Gujarat, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Sumeet Industries Ltd. since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **LISTING**

Presently the Equity shares of Sumeet Industries Limited are listed on Bombay Stock Exchange Limited (BSE) (Designated Stock Exchange).

The Company has received in-principle approval from BSE vide its letter no. DCS/PREF/JA/IP-RT/723/08-09 dated June 24th 2008 for listing of the equity share being issued in terms of this Letter of Offer.

If the permissions to deal in and for an official quotation of the equity shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

#### **DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE), THE DESIGNATED STOCK EXCHANGE**

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated DCS/PREF/JA/IP-RT/723/08-09 dated June 24<sup>th</sup> 2008, permission to this Company to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that this letter of offer 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 for any other reason whatsoever.

#### **FILING**

A copy of this Letter of Offer has been filed with SEBI, SEBI Bhavan, Plot No. C-4A, C- Block, Bandra - Kurla complex, Bandra (East), Mumbai 400 021 and Bombay Stock Exchange Ltd., (BSE) (Designated Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Fort.

#### **IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

**"Any person who-**

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

#### **CONSENTS**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Lead Manager to this Issue, Registrar to this Issue and legal advisors to the Issue to act in their respective capacities have been obtained and filed with Stock Exchanges at the time of filing this Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Offer Document and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

## **EXPERT OPINION**

Except as stated elsewhere in this Offer Document, the Company has not obtained any expert opinions.

## **EXPENSES OF THE ISSUE**

The total expenses of the issue are estimated to be around Rs. 70 Lacs. All expenses with respect to the issue would be met out of the proceeds of the issue. The split of issue expenses is as under: -

<b>(Rs. in Lacs)</b>	
<b>Activity</b>	<b>Estimated Expense</b>
Fees to the lead manager and intermediaries	30.00
Printing and stationary	28.00
Advertisement	6.00
Legal and other statutory expenses	5.00
Miscellaneous expenses	1.00
<b>Total estimated Issue expenses</b>	<b>70.00</b>

### ***Fees payable to Lead Manager***

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed amongst the company and the Lead Manager, a copy of which is available for inspection at the Registered office of Sumeet Industries Limited.

### ***Fees payable to Registrar to the Issue***

The total fees payable to the Registrar to the issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the issue, a copy of which is available for inspection at the registered office of SIL.

## **UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

No Underwriting, Brokerage and selling Commission will be payable for this issue.

## **PREVIOUS ISSUE DETAILS**

The company has not made any public/rights issue of its equity shares during the last five years.

## **ISSUES OTHERWISE THAN FOR CASH**

Except for the Bonus issues made, as stated in the section titled "Capital Structure" beginning on page 13 of this Offer Document, we have not issued any Equity Shares for consideration otherwise than for cash.

## **COMMISSION AND BROKERAGE ON PREVIOUS ISSUES**

The Company has not made any Public /Rights Issue during last five years, hence any commission or brokerage has not been paid.

## DATE OF LISTING ON THE STOCK EXCHANGES

The equity shares of the company were listed on The Stock Exchange, Mumbai and Baroda Stock Exchanges. The company has voluntarily delisted from Baroda Stock Exchange in accordance with the provisions of the SEBI (Delisting of Securities) Guidelines, 2003 vide their approvals dated 9<sup>th</sup> January 2007.

## PROMISE VIS-À-VIS PERFORMANCE

### a) Of the Company :

The Company had made a Public Issue during the year 1992. The projected profitability of the company was estimated as follows by Bank of Baroda for the first full 3 years based on the then prevailing situation. However, the projections relating to capacity utilization, sales in 1995 and profitability in 1996 and 1997 could not be achieved. The detail of the variations in the promises vs. performance is detailed hereinunder:

Particulars	As on 31.3.1995		As on 31.3.1996		(Rs. In lacs) As on 31.3.1997	
	Promises as given in the prospectus	Actual performance	Promises as given in the prospectus	Actual performance	Promises as given in the prospectus	Actual performance
Capacity Utilization	65%	39%	80%	72%	90%	85%
Sales	1812.72	1795.57	2231.04	3721.31	2509.22	3067.71
Operating profits	239.40	583.73	413.56	653.09	539.42	641.54
Cash Accruals	403.90	408.47	511.07	398.88	577.68	434.45
Profit/ Loss after Tax	232.95	301.43	340.12	(62.30)	406.73	164.97
EPS (Rs.)	2.01	2.60	2.93	-	3.51	1.42

### b) Listed Ventrues of Promoters :

Betex India Limited is a listed group company. The trading in the scrip of the company is presently suspended. The company had made its maiden issue of 4,00,000 equity shares of Rs.10/- each at par in the year 1987. There were no promises made in the prospectus of the company.

## Outstanding debentures or bonds

As on the date of filing of this Letter of Offer, Sumeet Industries Limited does not have any outstanding Debentures or Bonds.

## Outstanding preference shares

As on the date of filing of this Letter of Offer, Sumeet Industries Limited has 50,00,000 6% Non Convertible preference shares of Rs.10/- each aggregating to Rs.500 lacs allotted to promoters and relatives on 24/02/2005 and the same would be redeemed on 01/01/2010 in single installment.

## OPTION TO SUBSCRIBE

Other than the present issue, the company has not given any option to subscribe to the equity shares of the company.

## STOCK MARKET DATA FOR SHARES OF THE COMPANY

The equity shares of the company are listed on The Bombay Stock Exchange Ltd. (BSE).

The stock market data for the equity shares on the BSE are as follows:

Particulars	High			Low			Average Price (Rs.)	Total Volume (no. of shares)
	High (Rs)	Date	Volume on date of high (no of shares)	Low (Rs)	Date	Volume on date of Low (no of shares)		
2005	23.60	31/01/05	2,35,995	6.12	27/12/05	18,858	14.86	2,68,49,226
2006	16.19	28/12/06	30,91,276	3.31	25/07/06	8,200	9.75	2,99,02,751
2007	34.25	21/02/07	3,90,085	9.75	24/08/07	10,080	22.00	6,63,03,736
May 08	14.84	20/05/08	91,027	12.01	07/05/08	29,534	13.42	5,92,144
June 08	12.89	02/06/08	15,255	8.66	27/06/08	11,766	10.77	2,58,594
July 08	10.55	24/07/08	11,870	7.25	02/07/08	15,645	8.90	2,09,124
August 08	10.70	06/08/08	17,987	8.02	27/08/08	3,638	9.36	1,78,000
September 08	10.15	08/09/08	6,644	6.07	30/09/08	17,106	8.11	3,11,382
October 08	7.64	14/10/08	3,43,134	4.20	31/10/08	3,661	5.92	18,12,382

Week end price of equity Shares of SIL on the BSE.

Week ended	Price (Rs)
14/11/2008	5.07
07/11/2008	5.07
31/10/2008	5.07
24/10/2008	5.48

- The market price of the equity shares of the company as on 15th May 2008 the date on which the Board of Directors approved the rights issue was Rs.12.31 (BSE).
- The market price of the equity shares of the company as on 8th October 2008 the date on which the Board of Directors approved the rights issue price was Rs.6.80 (BSE).
- The equity shares of the company were in no delivery period from Wednesday, 22/10/2008 to Tuesday 28/10/2008.
- The cum- rights closing price of the shares of the company as on Tuesday, 21/10/2008 was Rs. 6.85 on BSE.
- The ex-rights closing price of the shares of the company as on Wednesday, 22/10/2008 was Rs. 6.76 on BSE.

The transactions in equity shares by the promoters, the promoter group and directors of the company during the last six months from the date of this letter of offer is disclosed on page no. 18.

## INVESTOR GRIEVANCE REDRESSAL SYSTEM

### Sumeet Industries Limited

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed Mr. Anil Jain, as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Rights Issue and ensure timely settlement.

All grievances related to the offer may be addressed to the Registrar to the Rights Issue quoting the application No. (Including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted.

The normal time taken by SIL for redressal of investor grievance is given below:-

S.No	Type of Request	Normal Time Taken (No of Days)
1	Issue of Duplicate Share Certificate	12-15
2	Transfer of shares	7-10
3	Transmission of shares	10-12
4	Demat/remat of shares	7-10
5	Non receipt of dividend	7-10
6	Non receipt of Annual Report	5-7
7	Change of residential address/ Bank mandate	7-10
8	Consolidation/split of share certificates	10-12

Status of complaints:

- No. of shareholders complaints as of September 30, 2008: 24
- Total number of complaints received during financial year (2006-2007): 37
- Total number of complaints received during the last financial year (2007-08): 109
- Status of the complaints: Out of the 24 complaints received by the company till September 2008, 24 complaints have been resolved as on date.

## CHANGE IN AUDITORS

There has been no change in the Auditors of the company during the past three years.

## CAPITALISATION OF RESERVES OR PROFITS

The company has not capitalized its reserves or profit during the last five years except as follows:

Date of Allotment of Bonus Shares	Ratio of Bonus Issue	Number of Equity Shares of Rs. 10/- each issued as Bonus	Amount of Reserves Capitalized (Rs. in Lacs)
01/04/2005	1:2	58,00,000	580.00
21/01/2008	1:10	18,06,630	180.66

## REVALUATION OF ASSETS

The company has not revalued its asset during the last five years.



## SECTION VII - OFFERING INFORMATION

### A. TERMS OF THE ISSUE

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advice or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

#### **Ranking of equity shares**

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

#### **Mode of payment of dividend**

The dividend is paid to all the eligible shareholders as per the provisions of Companies Act.

#### **Face value & issue price**

The Face Value of Equity Shares of the company is Rs.10/-. The Equity Shares of Rs. 10/- each are being issued at a price of Rs. 15/- per share in the present rights issue.

#### **Rights of equity shareholders**

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, 1956, the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

#### **Market lot**

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

#### **Nomination**

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s)) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity

Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the office of the Company located at 504, Trividh Chamber, 5<sup>th</sup> Floor, Opp. Fire Brigade Station, Ring Road, Surat – 395 002 or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

**In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.**

#### **MINIMUM SUBSCRIPTION**

- iii. If the Company does not receive minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within Fifteen days from the date of closure of the issue.
- iv. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e., Fifteen days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

#### **Disposal of odd lots**

As the ratio is one equity share for every one equity share held (i.e, 1:1) as on the Record Date, there are no odd lots.

#### **Restrictions on transfer and transmission of shares and on their consolidation/ splitting**

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

## **B. ISSUE PROCEDURE**

### **BASIS OF THE OFFER**

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of One Equity Share for every One Equity Share held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on 29/10/2008 at the close of business hours shall be entitled to the Equity Shares on the Rights basis in the ratio of One equity share for every One Equity Share held by them.

### **OPTION TO SUBSCRIBE**

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Bigshare Services Pvt. Ltd. on 12/12/2001 and with Central Depository Services (India) Limited (CDSL) and Bigshare Services Pvt. Ltd. on 10/11/2001, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

### **RIGHTS ENTITLEMENT**

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

### **FRACTIONAL ENTITLEMENT**

On applying the rights will not lead to fractional entitlement in this issue.

### **ENTITLEMENT RATIO**

The equity shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1:1. i.e. One Equity Share for every one equity held as on the Record Date.

### **JOINT-HOLDERS**

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles.

### **OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS**

Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, *inter alia*, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has

granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

## **NOTICES**

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi and Gujarati national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

## **ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE**

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

## **OPTIONS AVAILABLE TO THE EQUITY SHAREHOLDERS**

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

## **IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:**

**"Any person who-**

- (c) **makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**

- (d) 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."

## HOW TO APPLY

### For Resident Indian Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Letter of Offer. Payment should be made in cash (not more than Rs.20,000/-) or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

### For Non-Resident Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/certificates/ payment of dividends etc. Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

### For applicants residing at places other than designated Bank collecting branches.

Applicants residing at places other than the cities where the Bank collection centers have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Bigshare Service Pvt. Ltd. along with demand drafts, net of demand draft and postal charges, payable at Surat in favor of "SIL - Rights Issue" crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e Monday, December 22, 2008.

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

**All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.**

### The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares
- Part B: Form for renunciation
- Part C: Form for application for renouncees
- Part D: Form for request for split application forms

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF:

Sr. No	Options available	Action Required	
1.	Accept whole or part of the Equity Shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for.	
2.	Renounce all the Equity Shares offered to you to one person (joint renouncees are deemed as one person) without your applying for any of the Equity Shares offered to you.	Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renouncee. The renouncee/ joint renouncee(s) must fill in and sign Part C of CAF.	
3.	Accept a part of your entitlement and renounce the balance or part of it to one or more Renouncee(s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue.	
	OR	On receipt of Split Forms :	
4.	Renounce your entitlement or part of it to one or more persons (joint renouncees are deemed as one person).	a	For the Equity Shares you are accepting, fill in and sign Part A.
		b	For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renouncees should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

### Acceptance of Offer

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal charges, payable at Surat to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

### Application for additional Equity Shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Designated Stock Exchange. In the case of requests for additional Equity Shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional Equity Shares without assigning any reasons thereof. The renounees can also make an application for additional shares.

## **Renunciation**

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorized under its constitution to hold shares in a company), OCBs, minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renounee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

## **Procedure for renunciation**

### **(i) To Renounce in WHOLE**

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounees) should complete and sign PART C of the CAF. In case of joint renounees, all joint renounees must sign.

### **(ii) To Renounce in PART**

If you wish to either accept this offer in part and renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. Monday, December 15, 2008.

If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renounee(s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

## **Please note that:**

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.

- b) Only the person to whom this Letter of Offer has been addressed and NOT the renounees shall be entitled to split forms. Forms once split cannot be resplit.

### **Request for spilt forms:**

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

### **Availability of duplicate CAF**

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

### **Application on Plain Paper**

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Demand Draft payable at Surat which should be drawn in favour of "**SIL- Rights Issue**" crossed A/c Payee Only and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e Monday, December 22, 2008) and should contain the following particulars:

- Name of Issuer, being Sumeet Industries Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on 29/10/2008 (Record Date).
- Certificate numbers and distinctive numbers, if held in physical form
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 10/-per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
- Each of the applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961
- In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Surat be drawn in favour of "**SIL - Rights Issue**" crossed "A/c Payee only".

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of



both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

### **Quoting of PAN/GIR no. in the application forms**

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the applicants should mention his/her PAN allotted under the IT Act. **Applications without this information 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.

### **Last date for submission of CAF**

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is Monday, December 22, 2008. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under "Basis of Allotment".

### **Incomplete application**

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

### **TERMS OF PAYMENT**

The entire amount of Rs. 15/- per share is payable on application by all shareholders/applicants.

### **MODE OF PAYMENT**

#### **For Resident Shareholders/Applicants**

Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Surat ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to "**SIL - RIGHTS ISSUE**". All cheques/ drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

#### **For Non-Resident Shareholders/Applicants**

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

### **Application with repatriation benefits**

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Surat or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Surat or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Surat or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Surat; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of **"SIL - RIGHTS ISSUE - NR"** payable at Surat and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

### **Application without repatriation benefits**

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Surat or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Surat. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of **"SIL - RIGHTS ISSUE"** payable at Surat and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

#### **Note:**

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

**Application will not be accepted by the Lead Manager or by the Company.**

#### **Note on cash payment (section 269 SS)**

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

#### **FORFEITURE**

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue and hence no requirement of any forfeiture.

#### **APPLICATION UNDER POWER OF ATTORNEY**

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporate or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

#### **BANK DETAILS OF THE APPLICANT**

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

#### **APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT**

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

#### **GROUND FOR TECHNICAL REJECTIONS**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- ☞ Amount paid does not tally with the amount payable for;
- ☞ In case of physical shareholders, bank account details (for refund) are not given;

- ☞ Age of first applicant not given in case of renouncee(s);
- ☞ PAN not stated or GIR number given instead of PAN;
- ☞ Cash applications for an amount exceeding Rs.20,000/-;
- ☞ In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- ☞ If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;
- ☞ If the Applicant desires to have shares in electronic form, but the CAF does not have the Applicant's depository account details;
- ☞ CAFs are not submitted by the Applicants within the time prescribed as per the CAF and the Draft Letter of Offer;
- ☞ Applications not duly signed by the sole/joint Applicants;
- ☞ Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- ☞ In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- ☞ Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- ☞ Multiple applications.

## GENERAL

- (a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- (b) Please read the instructions in the enclosed CAF carefully.
- (c) ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.
- (d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- (e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
- (g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving /Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.
- (h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A,B,C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- (i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
- (j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.

- (k) The last date for receipt of CAF alongwith the amount payable is Monday, December 22, 2008. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 30 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

*For further instructions please read CAF carefully.*

## **DEMATERIALIZATION**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of the company are traded in the demat segment. The Company has entered into a tripartite agreement dated 12/12/2001 with the National Securities Depository Ltd. (NSDL) and Bigshare Services Pvt. Ltd. for dematerialization of the equity shares of the Company. The Company has also entered into a tripartite agreement dated 10/11/2001 with the Central Depository Services Limited (CDSL) and Bigshare Services Pvt. Ltd. for dematerialization of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE235C01010.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have at least one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

**Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of equity shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.**

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue.

The applicant is responsible for the correctness of the applicant's demographic details given in the share application form vis-à-vis those with his/her DP. Equity shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

## **DISPOSAL OF APPLICATION AND APPLICATION MONEY**

The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 6 weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e. forty-two days after the closure of Issue),

the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by the Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page 149 of this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

## **BASIS OF ALLOTMENT**

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the renouncee(s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
2. Allotment to the shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on the basis of the Equity Shares held as on the Record Date.
3. Allotment to the renouncees who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.
4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The issue will become undersubscribed after considering the number of shares applied as per the entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the Issue.

The promoters/directors/associates/promoter group intends to subscribe to their rights entitlement as well as the entire undersubscribed portion from public and/or foreign collaborator, if any, in this rights issue in full. Presuming no subscription is received from other shareholders and the promoters/directors/associates/promoter group subscribing to the entire unsubscribed portion, their shareholding shall increase to 63.58 % of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/ directors/ associates may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding. This subscription and acquisition of additional equity shares by the Promoter/Directors/Associates, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

## LETTERS OF ALLOTMENT OR REFUND ORDERS

Company shall ensure dispatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in section, Terms of the Issue clause “Mode of Payment” as stated below, as applicable, only at the sole or First Applicant’s sole risk within 15 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

Allotment of Equity Shares to non-residents and the issue of letters of allotment/share certificates to nonresidents shall be subject to the approval received from RBI.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☞ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
- ☞ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

## MODE OF PAYMENT OF REFUND

Applicants should note that on the basis of name of the applicant, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the depositories the applicant’s bank account details including nine digit MICR code. Hence, applicants 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 applicant at the applicant’s sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, shall be undertaken in any of the following manners:

1. **NEFT:** Payment of refund shall be undertaken through National Electronic Fund Transfer (NEFT) wherever the applicants’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the Demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
2. **ECS -** Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra

Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centers.

3. **Direct Credit:** Applicants having bank accounts with the Banker(s) to the Issue / Refund Banker(s), as appointed by the company, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by the Issuer.
4. **RTGS:** Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under Certificate of Posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the refund banker as appointed by the company, and payable at par.

#### **INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH**

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% per annum as stipulated under Section 73 of the Act.

#### **UNDERTAKING**

The Company undertakes that:

- i) that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of basis of allotment.
- iii) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- iv) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 42 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- v) that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
- vi) that no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
- vii) At any given time there shall be only one denomination for the shares of the company and;
- viii) The company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.



The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

#### **UTILISATION OF ISSUE PROCEEDS**

The Board of Directors declares that:

- i. The funds received against this Issue will be transferred to a separate Bank Account other than the Bank Account referred to sub-section (3) of Section 73 of the Act.
- ii. Details of all moneys utilized out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilized.
- iii. Details of all such unutilized moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilized moneys have been invested.

The promoters / directors of Sumeet Industries Limited, Mr. Shankarlal Somani, Mr. Raj Kumar Somani, Mr. Sumeet Kumar Somani, Mr. Dinesh Sharan Khare, Mr.B.C. Chordia, Mr. Vinod Kumar Ladia, Mr. Mangilal Lahoti and Mr. Devi Prasad Saboo confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this draft letter of offer has been suppressed withheld and/or incorporated in the manner that would amount to mis-statement/misrepresentation and in the event of its transpiring at any point in time till allotment/refund, as the case may be, that any information/material has been uppressed/withheld and/ or amounts to a mis-statement/ misrepresentation, the promoters/directors undertake to refund the entire application monies to all subscribers within 7 days thereafter without prejudice to the provisions of section 63 of the companies act.

#### **ACCESS TO FUNDS**

The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

## SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

### CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

#### *“Capital”*

- 4 The authorized share capital of the Company is Rs. 50,00,00,000/- (Fifty Crore only) divide into 4,50,00,000/- (Four Crore Fifty Lacs only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 50,00,000/- (Fifty Lacs) 6% Non Convertible Preference Shares of Rs. 10/- (Rupees Ten only) each.

#### *“Shares under the control of the board”*

6. Subject to the provisions of the Act and these Articles, the Shares in the Capital of the Company for the time being (including any shares forming part of any increased capital Of the Company) shall be under the control of the Board who May allot or otherwise dispose off the same or any of them To such persons, in such proportion and on such terms and Conditions and either at a premium or at par or (subject to Compliance with the provisions of Section 79 of the Act) at a Discount and at such times as it may from time to time think Fit and proper and , with the consent of the General Meeting give to any person the option to call for or be allotted any Class of shares of the Company either at per or at a premium Exercisable at such times and for such consideration as the Board thinks fit.

#### *“Power also to Company in General Meeting to issue Shares”*

7. In addition to and without derogating form the powers for that Purpose conferred on the board of under Article 6, the Company in General Meeting may 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 proportions and on such Terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount as such General Meeting shall determine And with full power to give to any person (whether a member Or not) the option to call for or be allotted any class shares Of the Company either at a premium or at par or (subject to Compliance with the provisions of Section 79 of the Act) at A discount, such option being exercisable at such times and For such consideration as may be directed by such as may Be directed by such General Meeting or the Company in General Meeting may make any other provisions, whatsoever For the issue, allotment or disposal of any shares.

#### *“Increase of Capital “*

8. The Company in General Meeting may from time to time Increase its share capital by the creation of further shares such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the Resolution shall prescribe. Subject to the provisions of the Act, the further shares shall be issued upon such terms and Conditions and with such rights and privileges annexed Thereto, as the General Meeting resolving upon the creation Thereof shall direct, and if on direction be given as the Board Shall determine; 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.

#### *“Further issue of Capital”*

9. Where at any time after the expiry of two years from the Formation of the Company or at any time after the expiry of One year from the allotment of shares in the Company made For the first time after its formation, whichever is earlier, it is Proposed to increase the subscribed capital of the Company By allotment of further shares then,
  - a) Such further shares shall be offered to the persons who, Are at the date of the offer, are holders of the equity Shares of the Company, in proportion, as nearly as Circumstances admit, to the capital paid up on those Shares at that date ;

- b) The offer aforesaid shall be made by notice specifying the Number of shares offered and limiting a time not being Less than one month from the date of the offer, within Which the offer, if not accepted, will be deemed to have Been declined ;
- c) unless the Articles of the Company otherwise provide, The offer aforesaid shall be deemed to include a right Exercisable by the person concerned of renounce the Shares offered to him or any of them in favor of any Other person ; and the notice referred to in clause (b) Shall contain a statement of this right;
- d) After the expiry of the time specified in the notice Aforesaid, or on receipt of earlier intimation from the Person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most Beneficial to the company.

Notwithstanding anything contained in sub-section (1) , of Section 81 of the Act the further shares aforesaid may Be offered to any person (whether or not those persons Include the persons referred to in clause of subsection (1) in any manner whatsoever

- (i) if a special resolution to that effect is passed, by the Company in General Meeting, or
- (ii) where on such special resolution is passed, if the votes cast whether on a show of hands, or on a poll, as the case may be) in favor of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by the members who, Bntitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the central Government is satisfied, on an application made by the Board of Directors in this behalf; that the proposal is most beneficial to the Company.

#### *"Issue and redemption of Preference Shares"*

10. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue reference Shares which are or, at the option of the Company, are liable to be redeemed, and the Resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

#### *"Provisions applicable in case of issue and Redemption of Preference Shares"*

- 11. On the issue of redeemable preference shares under the previsions of Article 10 thereof, the following prevision shall take effect :
  - a. No such shares shall be redeemed except out of the profits of the Company which otherwise be available for dividend or cut of the 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 be provided for our of the profits of the Company or out of the Company or out of the Company's Share Premium Account, before The shares are redeemed ; and
  - 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 "Capital Redemption Reserve Amount", a sum Equal to the nominal amount of the shares to be redeemed, and the provisions of the Act Relating to the reduction of the share capital of a Company shall, except as provided under Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the. Company.

#### *"New Capital same as Original Capital"*

12. Except so far as otherwise provided by the conditions of issue Or by these Articles, any capital raised by the creation of new Shares, shall be considered part of the initial capital and Shall be subject to the provisions herein contained with Reference to the payment of calls, and installments, transfer And transmission, forfeiture, lien, surrender, voting and otherwise.

***"Restrictions on purchase by Company of its own shares"***

13.

1. The Company shall not have the power to buy its own Shares, unless the consequent reduction of capital is effected and sanctioned in accordance with Article 14 And in accordance with Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.
2. Except to the context permitted by Section 77 or other Applicable provision (if any) of the Act, the Company Shall not give whether directly or indirectly and whether By means of a loan, guarantee, the provision of security Or otherwise any financial assistance for the purchase of, or in connection with the purchase or subscription made Or to be made by any person of or for any shares in the Company.

***"Reduction of Capital"***

14. The Company may subject to the provisions of Sections 78,80 and 100 to 105 and other applicable provisions (if any) of The Act, from time to time by Special Resolution reduce its Capital and any capital redemption reserve account or any Share premium account in manner for the time being Authorized by law, and in particular, capital may be paid off On the footing that it may be called up again or otherwise.

***"Consolidation and Division of Capital"***

15. The Company may in General Meeting alter the conditions of its Memorandum of Association as follows :

- a) Consolidate and divide all or any of its share capital into shares of Larger amounts than its exiting shares
- b) Sub-divide its shares or any of them into shares of smaller amount So however, that in the sub-division the proportion between the Amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the share from which the reduced share is derived
- c) Cancel any shares which, at the date of the passing of the resolution, have Not been taken or agreed to be taken by any person and diminish the Amount of its share capital by the amount of shares so cancelled; a cancelation of shares in pursuance of this sub-clause shall not be deemed To be deemed to be reduction of share capital within the meaning of the Act.
- c) Convert all or any of its fully paid up shares into stock, and reconvert that stock, And reconvert that stock into fully paid up shares of any denomination, if the Company has:

***Sale of Fractional Shares***

16. Whenever as the result of issue of new shares of any Consolidation or sub-division of shares, any share become held by members in fractions, the Board shall, subject to the Provisions of the Act, and the Articles and to the directions of The Company in General Meeting, if any, sell those shares which Members hold in fractions for the best price reasonably obtainable And shall pay and distribute to and amongst the members entitled to Such shares in due proportions the net proceeds of the sale thereof. For The purpose of giving effect to any such sale the Board may authorize any Person to transfer and the purchaser shall neither be bound to see to the application of the purchase money nor shall his title to the shares be affected by any Irregularity or invalidity in the proceedings with reference to the sale.

***Modification of Rights***

17. Whenever the capital, by reason of the issue of preference Shares o otherwise, is dividend 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 or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three fourths in nominal value of the issued shares of the class or is confirmed by a resolution passed by the votes of

not less than three-fourth in nominal value of the issued shares of the class or is confirmed by a resolution passed by the votes of not less than three-fourths of the holders of the shares of that class at a separate General Meeting of the holders of that class and the provisions contained in these Articles as it applies to General Meeting shall mutatis apply to every such meeting. This Article is not to derogate from any power the Company would have if this Article were omitted.

## **SHARES AND CERTIFICATES**

### ***Register and Index of Member***

20. The company shall cause to be kept a Register and Index of Members in accordance with Section 150 and 151 of the Act, and the Companies (Issue of Share Certificates) Rules, 1960, and any modification thereof. Every member who changes his name or address shall give notice of the change or address to the company

### ***Directors may allot shares fully paid-up***

22. Subject to the provisions of the Act, and of these Articles the Board may allot and issue share in the capital of the Company as payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid up shares.

### ***Share Certificate***

29. Every member of allottee of shares shall be entitled without payment, to receive one certificate for all the shares of the same class registered in his name and specifying the name of the person in whose favour it is issued, the share certificate number and the amount paid up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its Letter of Allotment or its Fractional Coupons of requisite value, save in cases of issues against Letters of Acceptance or for renunciation or in cases of issue of bonus shares PROVIDED THAT if the Letter of Allotment is lost or destroyed the Board may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out-of-pocket expenses incurred by the Company in investigating the evidence. If any member shall require additional certificates he shall pay for each additional certificate (not being in the marketable lot) such sum not exceeding One Rupee as the Board shall determine. The certificate of title to shares shall be issued under the Seal of the Company in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re-enactment thereof for the time being in force.

## **TRANSFER AND TRANSMISSION OF SHARES**

### ***Register of Transfer***

66. The Company shall keep a book to be called the Register of Transfers and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

### ***Execution of Transfer***

67. Subject to the provisions of the Act, and these Articles, no transfer of shares in, or debentures of the Company shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, if any of the transferee has been delivered to the Company along with the certificate is in existence, along with the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Shares of different classes shall not be included in the same instrument of transfer.

### *Form of Transfer*

68. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and of the registration thereof.

### *The Board may decline to register transfer*

69.

(1) The Board may, subject to the right of appeal conferred by Section 111 of the Act, by giving reasons decline to register or acknowledge any transfer of any shares in the company to any person of whom it does not approve and in particular, may so decline in any case in which the company has lien upon the shares or any of them. The registered of a transfer shall be conclusive evidence of the approval by the Board of the transferee but so far only as regards the share or share in respect of which the transfer is so registered and not further or otherwise and not so as to debar the Board from declining to register any subsequent or other transfer or other shares applied for in the name of such transferee.

(2) Registration of transfer shall not be refused on the ground of the transferor being, either alone or jointly with any other person or persons indebted to the company on any account whatsoever, except a lien on shares.

### *Transfer to minors*

70. (a) Only fully paid shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian.

### *No transfer shall be made to a person of unsound mind.*

- (b) No transfer shall be made to a person of unsound mind. of unsound mind Transfer of shares

### *Death of one or more*

75. In the case, of death of any one or more of the persons, joint holders of shares named in the Register of Members as joint shareholders of any share, the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a joint shareholder from any liability to the Company on shares held by him jointly with any other person.

### *Certificate of transfer*

80. A transfer of a 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.

## **CONVERSION OF SHARES INTO STOCK**

### *Shares may be converted into stock*

87. The Board may, with the sanction of a general meeting convert any paid up share into stock and when any shares shall have been converted into stock the several holders of such stock may thenceforth transfer their respective interest therein or any part of such interest in the same manner as and subject to the same regulations, under which fully paid up shares in the capital of the Company may be transferred or as near thereto as circumstances will admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and direct that fractions of a rupee shall not be dealt with, with power nevertheless at their discretion to waive such rules in any particular case.

## **THE SEAL**

### ***The Seal, its custody and use***

179. The Board of Directors shall provide a Common Seal for the purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and shall provide for the safe custody of the Seal for lime being and the Seal shall never be used except y the authority of the Board or Committee of the Board previously given. Every or other instrument to which the Seal of the Company is required to be affixed shall, unless the same is executed by a duly constituted attorney of the Company, be signed at least by one Directors and countersigned by some other person appointed by the Board for the purpose, provided nevertheless that certificates of shares or debentures may be seated and signed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificate) Rules 1960.

### ***Foreign Seal***

180. This Company may, subject to the provisions of Section 50 of the Act, have for in any territory, district of place not situate in the Union of India an official seal which shall be a facsimile of the Common Seal of the Company with the addition on its face of the name of the territory, district or place where it is to be used.

### ***Provision applicable to a foreign seal***

181. This following provisions shall apply on the Company having under the preceding article:

- (I) The Company shall, by a document under its Common Seal, authorise any person appointed for the purpose in that territory district or place, to affix the official seal to any deed or other document to which the Company is a party in that territory district or place.
- (ii) The authority of any agent the preceding clause shall, between the Company and any person dealing with the agent, continue during the period if any mentioned in the document conferring the authority, or if no period is therein mentioned, until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.
- (iii) The person affixing any such official seal, certify on the deed document to which such a seal is affixed, the date on which and the place at which, such seal is affixed.
- (iv) A deed or other document to which an official seal is duly affixed shall bind the Company as it had been sealed with the common seal of the Company.

## **DIVIDENDS**

186. The profits of the Company which it shall from time to time determine, subject to the provisions of Section 205 of the Act, to divide in respect of any year or other period shall, be applied first in paying the fixed preferential dividend on the capital paid up on the preference shares if any, and secondly in paying a dividend for such year of other period on the capital paid up on the equity shares.

### ***Amount paid in advance of calls not to be treated as paid-up capital***

187. No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of Article 186 as paid-up on the share.

### ***Apportionment of Dividends***

188. All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

### ***Declaration of Dividends***

189. The company in general meeting may subject to the provisions of Section 205 of the Act declare a dividend to be paid to the members according to their right and interest in the profits and may fix the time for payment.

### ***Restrictions on amount of dividend***

190. No larger dividend shall be declared than is recommended by the Board but the Company in general meeting may declare a smaller dividend.

### ***Dividend out of profits only***

191. (1) No dividend shall be payable except out of the profit the Company arrived at as stated in Section 205 of the Act.

(2) The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.

192. The Board of Directors may from time to time pay to the members such interim dividends as in its judgement the position of the Company justifies.

### ***Debits may be deducted***

193. The Board may retain any dividends payable on shares on Debits may be which the Company has line and may apply the same in or deducted toward the satisfaction of the debts, liabilities or engagements in respect of which the line exists

### ***Dividend and call together***

194. Any general meeting declaring a dividend may make a call the members of such amount as the meeting fixes but so together that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may if so arranged between the Company and the member, be set off against the call.

### ***Unpaid dividend of dividend warrant posted***

195. (a) Where the Company has declared a dividend but which has not been paid or claimed the dividend warrant in dividend warrant posted respect thereof has not been posted within 42 days from the date of declaration to any shareholders entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in the behalf in any scheduled bank called "Unpaid Dividend Accounts of SUMEET SYNTHETICS LIMITED and transfer to the said accounts, the total amounts of which remains unpaid or unclaimed in relation to which no dividend warrant has been posted.

(b) Any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account, may be preferred to the Central Government by the shareholder to whom the money is due. No unclaimed dividend shall be forfeited by the Board.



### *Effect of transfer*

196. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

### *Retention in certain cases*

197. The Board may retain the dividends upon shares in respect of which any person is under Article 77 entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

### *No member to receive interest or dividend whilst indebted to the*

198. No member shall be entitled to receive payment of an or dividend respect of his own share or shares

### *Company and Company's right to reimbursement there out*

whilst any money may be due or owing from him to the company in respect of such share of shares or otherwise however either, alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any shareholder all sums or money so due, from him to the Company.

### *Payment by post*

199. Any dividend payable in cash may be paid by cheque or warrant sent through the post directed to the registered address of the shareholder entitled to the payment of the dividend or in the case of joint shareholders to the registered address of that one whose name stands first on the Register of members in respect of the joint shareholding or to such persons and to such address as the holder or the joint shareholders may in writing direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent and the Company shall not be responsible or liable for any cheque or warrant loss in transit or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means. The Company may, if it thinks fit, call upon the shareholders when applying for dividends or bonus to produce their share certificates at the registered office or other place where the payment of dividend is to be made.

### *Dividend to be paid within forty-two days*

200. The Company shall pay dividend or sent the warrant in respect thereof to the shareholder entitled to the payment of the dividend within forty-two days from the date of the declaration of the dividend unless.

- (a) the dividend could not be paid by reason of the operation of any law or
- (b) a shareholder has given directions to the Company regarding the payment of dividend and these directions cannot be complied with or
- (c) there is a dispute, regarding the right to receive the dividend, or
- (d) the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder or
- (e) for any other reason the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

### *Capitalisation reserves*

- 201.(a) Any general meeting may, upon the recommendation of of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of any of the profit and loss account or any capital redemption reserve fund or in the hands of the Company and available for dividend on representing premium received, on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards
- (1) paying either at par or at such premium as the resolution may provide any unissued shares or debentures of debenture-stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or
  - (2) paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or
  - (3) Paying up partly in the way specified in clause (1) and partly in that specified in sub-clause (2); and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.
- (b) (1) Anymoneys, investments or other assets representing premium, share premium account; and  
(2) If the company has redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may by resolution of the company be applied only in paying up in full or any shares then remaining unissued to be issued to such members of the. Company as the general meeting may resolve upto an amount to the nominal amount of the shares so issued.
- (c) Any general meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to income-tax be distributed amongst the members on the footing that they receive the same as capital.
- (d) For the purpose of giving effect to any such resolution the Board may settle any difficulty which may arise in regard to the distribution of payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and. may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, debenture-stock, bonds or other obligation in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligation and fraction certificates or otherwise as it may think fit.
- (e) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act, and these articles and to the direction of the Company in general meeting, if any sell the shares which / member hold in fraction for the best price reasonably obtained and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof:for the purpose of giving effect to any such sale the Board may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and be shall not be bound to see to. The application of the purchase money nor shall his title to the shares by affected by any irregularity or invalidity in the proceedings with reference be affected by any irregularity or Invalidity in the proceedings with reference to the sale.
- (f) Where required, a proper contract shall be delivered to the Registrar for registration accordance with Section 75 of the Companies Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund such appointment shall be effective.

- (g) No unclaimed dividend shall be forfeited by the Board and the comply with all the provisions of Section 205-A of the Act is respect of unclaimed or unpaid dividend.

### **INDEMNITY**

#### ***Company may indemnify***

215. Subject to the provisions of Section 201 of the Act, every Director, Manager and other office of any person (whether officer of the Company or not) employed by the Company, or as an iuditor, or servant of the Company shall be indemnified by the Company and it shall be the duty of the Board to pay out d the funds of the Company all cost, charges losses and expenses which any such office or servant may incur or become liable to by reason of any such contract entered into or act or thing done by him as such officer or servant or in any way in the discharge of his duties including expenses, and in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such director, manager, officer or servant in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted by the Court.

#### ***Directors and other officers not responsible for the acts of others***

216. Subject to the provisions of Section 201 of the Act no Director, Manager or other of the Company shall be liable for the acts, receipts, neglects of any other director or office of for joining in any receipt of other act for conformity or for any loss or expense happening to the company through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the company shall be invested or for any loss or damage arising from the bankruptcy or insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by an error of judgement, omission, default or oversight on his part or for any other loss damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

### **WINDING UP**

#### ***Distribution of assets***

217. If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. But this Article is to be without prejudice to the right of the holders of shares issued upon special terms and conditions.

### **SECRECY CLAUSE**

#### ***Secrecy clause***

218. No member or other person (not being a Director) shall be entitled to visit or inspect any property or premises or works of the Company without the permission of the Board or to require discovery of any information respecting and detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade secret process or any other matter which may relate to the conduct of the/ business of the Company and which in the opinion of the Board is would be inexpedient in the interest of the Company to disclose.

#### ***Secrecy undertaking***

219. Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Agent, Office, Servant, Accountant or other person employed in the business of the Company shall, when required, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the

Company with the customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required so to do by the Board or by any meeting of the shareholders if any or by a Court of Law, or by the persons to whom matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

*Knowledge implied*

220. Each member of the Company, present and future, is to be deemed to join the Company with full knowledge of all the contents of these presents.

## SECTION IX - OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer may be inspected at the Registered Office of the Company between 11.00 a.m. - 4.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

#### A. MATERIAL CONTRACTS

1. Copy of Memorandum of Understanding dated 27/05/2008 between SIL and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 01/04/2008 between SIL and Bigshare Services Pvt. Ltd., Registrar to the Issue.
3. Copy of tripartite agreement dated 12/12/2001 between SIL, National Securities Depository Limited (NSDL) and Bigshare Services Pvt. Ltd.
4. Copy of tripartite agreement dated 10/11/2001 between SIL, Central Depository Services (India) Limited (CDSL) and Bigshare Services Pvt. Ltd.

#### B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum of Articles and Articles of Association of SIL.
2. Listing agreement of the company for existing securities on the Stock Exchanges.
3. Consent letters from Company's auditors, Bankers to issue, Bankers to the Company and Lead Merchant Banker.
4. Copies of Annual report of SIL for the year ended, 31/03/2004, 31/03/2005, 31/03/2006, 31/03/2007 and 31/03/2008.
5. Memorandum and Articles of Association and copies of Annual Report of group companies for the year ended, 31/03/2006, 31/03/ 2007 and 31/03/2008.
6. Special Resolution under section 81, 81(A) and 81(1A), dated 03/03/2008 passed at the Extra Ordinary General Meeting of the company authorizing present issue of equity shares and copy of the Board resolution dated 15/05/2008 recommending the rights ratio.
7. Copy of sanction letter dated 17/06/2008 ref. ST/ADV/DRP/00268 from Bank of India and sanction letter dated 02/05/2008 re. GSC/AKS/LF/08/141 regarding ECB facility of Rs.80 crores on club deal basis for CP Project.
8. Copy of certificate dated 06/11/2008 issued by M/s. Pradeep Singhi & Associates, Chartered Accountants & Statutory Auditors of the Company reporting financials of the company in terms of Part II Schedule II of the Companies Act, 1956 and including capitalization statement, taxation statement, accounting ratios.

9. Copy of Sources and deployment of funds dated 06/11/2008 received from M/s. Pradeep Singhi & Associates, Chartered Accountant.
10. Copy of letter dated 15/02/2008 received from M/s. Pradeep Singhi & Associates, Chartered Accountant, regarding tax benefits accruing to the company and its shareholders.
11. Copy of Prospectus dated 30/09/1992 in respect of the Public issue made by SIL.
12. Copies of undertakings from SIL.
13. Legal Due Diligence report dated 05/04/2008 and dated 05/11/2008 by M/s. Naveen K. Pahwa. Legal advisors to the company.
14. Copy of company petition no.30 of 2008 filed with Hon'ble High Court Gujarat Ahmadabad regarding the reduction of share capital.
15. Copies of Consents from the Directors of the Company, Auditors of the Company, Registrar to the Issue, Lead Mangers to the Issue, Banker to the Company and Bankers to the Issue.
16. Copies of in-principle approval received from BSE vide letter no. DCS/PREF/JA/IP-RT/723/08-09 dated June 24<sup>th</sup> 2008.
17. Copy of SEBI observation letter no. CFD/DIL/NB/JAK/139315/2008 dated September 26, 2008.

### PART III

#### DECLARATION

No statement made in this Letter of Offer shall contravene any of the provisions of the Companies Act, 1956 and the rules made there under. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with. We further certify that all the disclosures made in the Letter of Offer are true and correct.

#### SIGNED BY ALL THE DIRECTORS OF SUMEET INDUSTRIES LIMITED



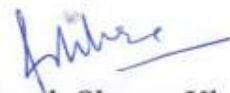
Mr. Shankarlal Somani



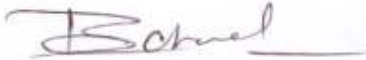
Mr. Raj Kumar Somani



Mr. Sumeet Somani



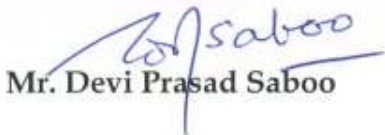
Mr. Dinesh Sharan Khare



Mr. Bhagchand Chordia



Mr. Vinod Kumar Ladia



Mr. Devi Prasad Saboo



Mr. Mangilal Lahoti

Date: 15/11/2008

Place: Surat