

## INFORMATION MEMORANDUM

### **SIMPLEX MILLS COMPANY LIMITED** *(Formerly known as Gaalaxy Garments Limited)*

**Registered Office:** 30, Keshavrao Khadye Marg, Sant Gadge Maharaj Chowk, Mumbai – 400 011.

**Tel No:** +91 22 23082951/54; **Fax No:** +91 22 23072773;

**Email:** simplex\_realty@rediffmail.com

**Contact Person:** Mr. S. M. Soni

Simplex Mills Company Limited was originally incorporated on 21<sup>st</sup> September 1998 under the Companies Act, 1956 as Lupercal Finance and Investments Private Limited. The name of the Company was thereafter changed to Galaxy Garments Private Limited on 13<sup>th</sup> May 2002. The name of the Company was changed to Gaalaxy Garments Private Limited on 9<sup>th</sup> August 2004. Thereafter the status of the Company was changed to public limited company on 6<sup>th</sup> January 2005 and the name was changed to Gaalaxy Garments Limited. The name of the Company was further changed to its present name Simplex Mills Company Limited w.e.f. 14<sup>th</sup> December 2005.

### **INFORMATION MEMORANDUM FOR LISTING OF 30,00,475 EQUITY SHARES OF RS. 10 EACH**

#### **NO EQUITY SHARES ARE PROPOSED TO BE SOLD OR OFFERED PURSUANT TO THIS INFORMATION MEMORANDUM**

#### **GENERAL RISK**

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in the equity shares of Simplex Mills Company Limited 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 the shares of Simplex Mills Company Limited. For taking an investment decision investors must rely on their own examination of the Company including the risks involved.

#### **ISSUER'S ABSOLUTE RESPONSIBILITY**

Simplex Mills Company Limited having made all reasonable enquiries accepts responsibility for and confirms that this Information Memorandum contains all information with regard to Simplex Mills Company Limited, which is material, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

#### **REGISTRAR AND SHARE TRANSFER AGENT**

##### **Amtrac Management Services Ltd.**

Mumbai Office: 106, Peninsula Centre, Dr. S S Rao Road, Parel, Mumbai 400 012.

Tel: (022) 2410 5685. Fax: (022) 5661 8788

Contact Person: Mr. Sanjay Karangutkar

E-mail id : vidula@boms.vsnl.net.in

Nashik Office: Plot No.101/102, MIDC, Satpur, Nashik 422 007.

Tel: (95253) 2354032 / 2351892. Fax: (95253) 235 1126

Contact Person: Mr. Bhushan P. Chandrate

E-mail id: amtrac\_nsk@sancharnet.in

#### **LISTING**

The Equity Shares of the Company are proposed to be listed on Bombay Stock Exchange Limited (BSE).

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## DEFINITIONS AND ABBREVIATIONS & INDUSTRY RELATED TERMS

Term	Description
“Simplex Mills” or “SMCL” or “Company” or “Resulting Company” or “Simplex Mills Company Limited” or “us” or “we” or “our”	Simplex Mills Company Limited (Formerly known as Gaalaxy Garments Limited), a Public Limited Company incorporated under the Companies Act, 1956
Act	The Companies Act, 1956, as amended from time to time
Articles/Articles of Association	Articles of Association of Simplex Mills Company Limited
’s	The Statutory Auditors of Simplex Mills Company Limited
A.Y./ AY	Assessment Year
AGM	Annual General Meeting of the Company
AS	Accounting Standard as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
Board/ Board of Directors/Directors	The Board of Directors of Simplex Mills Company Limited
CDSL	Central Depository Services (India) Limited
MCA	Ministry of Company Affairs
DP	Depository Participant
EGM	Extraordinary General Meeting of the Company
EPS	Earnings Per Share
Equity Shares	The Equity Shares of face value of Rs. 10/- each of the Company
HUF	Hindu Undivided Family
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time, except as stated otherwise.
MoU	Memorandum of Understanding
Memorandum/ Memorandum of Association / MOA	The Memorandum of Association of Simplex Mills Company Limited
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India
“Simplex Realty” or “SRL”	Simplex Realty Limited (Formerly known as The Simplex Mills Company Limited)
“Simplex Papers” or “SPL”	Simplex Papers Limited (Formerly known as Simplex Paper & Pulp Limited)
Scheme	Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 between Simplex Realty Limited (Formerly known as The Simplex Mills Company Limited), Simplex Papers Limited (Formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (Formerly known as Gaalaxy Garments Limited) and their respective shareholders as sanctioned by the High Court of Judicature at Bombay on 1 <sup>st</sup> July 2005.
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	SEBI (Disclosures and Investor Protection) Guidelines, 2000 issued by the SEBI on January 27 <sup>th</sup> , 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
TDS	Tax Deduction at Source

## FORWARD-LOOKING STATEMENTS AND MARKET DATA

We have included statements in this Information Memorandum that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward looking statements”. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

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

- General economic and business conditions in India.
- Our ability to successfully implement our growth strategy.
- Our ability to respond to technological changes.
- Changes in laws and regulations relating to the industry in which we operate.
- The loss of our key employees and staff.
- Any adverse outcome in the legal proceedings in which our Company is involved.
- Increasing competition in and the conditions of the industry in which we operate.

For further discussion of factors that could cause our actual results to differ, refer to the section entitled “Risk Factors”. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future.

We do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying assumptions which may not come to realization.

## **RISK FACTORS**

*Investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information contained in this Information Memorandum including the risks and uncertainties described below. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment.*

### **1. Risk (internal and external) envisaged by the management**

- The textile industry is dependent on the vagaries of nature. Availability of the required quality and quantity of cotton is critical for business and any damage or fall in crop production can adversely impact the price of cotton, which can impact business performance and profitability.
- Competition from China Textile Industry by virtue of it being a very dominant player, and due to its large scale operations, can put price pressure and impact the company's global business. Cheaper imports of fabric can also impact pricing power and adversely affect business performance in the domestic market.
- In post quota regime there could be a threat to Indian companies in terms of Non-tariff barriers imposed by the US and Europe – mainly being stringent quality adherence standards, labour policy standards, environmental / pollution concerns. Also preferential treatment could be given to countries in certain trading blocks like NAFTA by US & Europe.
- Any economic downturn / recession or unforeseen events like terrorist attacks etc. would reduce consumer spending, thus dampening sales.

### **2. Proposal to address the risks**

- The company has in place a team of experienced professionals who keep track of global happenings, use forecasting tools and plan purchases accordingly through forward booking and multiple sources.
- The company is present in niche business segments (unlike commodity type business), which require high fashion and design skills, stringent quality parameters and small lot sizes. In view of this the company is well prepared and has established benchmarking parameters for its different business process to be globally competitive.
- The company is continuously working towards building a cost competitive manufacturing set-up.

This section should also be read in conjunction with section titled "Outstanding Litigation and Material Developments."

## INTRODUCTION

### SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE RISK FACTORS AND THE MORE DETAILED INFORMATION ABOUT THE COMPANY AND FINANCIAL DATA INCLUDED ELSEWHERE IN THIS INFORMATION MEMORANDUM.

(Sources: The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been independently prepared and verified by the company. The information provided is based on present business activities of the company.)

### INDUSTRY STRUCTURE & DEVELOPMENT

The Indian textile industry is one of the oldest industries in the country and has a very complex structure with hand-spun and hand-woven sector at one end of the spectrum and the capital intensive sophisticated mill sector at the other. The textile industry encompasses all type of textile fibers from natural ones like cotton, silk, wool, jute and synthetic/man-made fibers like polyester, viscose, nylon etc. It has the unique position of being self reliant and complete in value chain from raw materials to garments.

The textile industry plays a pivotal role in the Indian economy. It contributes about 14 per cent to the industrial production of the country. As regards employment, it is the second largest after agriculture, accounting for 20 per cent of the total work-force of the nation. Its contribution to forex earnings is around 20 per cent.

The installed spindleage, which was 37.03 million in March 2004, has since increased to 37.5 million as of January 2006. In fact, after the expiry of Agreement on Textiles and Clothing, a number of existing units have undertaken significant expansion of their spinning capacity. These apart, new spinning units, particularly in the Southern region, have come into existence and more are in the pipeline. The capacity expansion is taking place both in the organized and small-scale sectors.

Some of the units, which were exclusively engaged in the production of man-made fiber spun yarn are now shifting their production programme in favour of cotton yarns because cotton prices are relatively lower than those of polyester fiber.

As regards spinning, 92 per cent of installed capacity is in the organized sector and only 8 per cent in the small-scale sector. On the contrary, weaving capacity in the organized segment has been steadily declining. It is progressively expanding in the decentralized sector of power looms. As per the latest data, the number of power looms, which was 18.93 lakhs in January 2005, has since rose to 19.34 lakhs in January 2006. The weaving capacity in the handloom sector is 3.89 million looms.

The production of spun yarn was stagnant at 3100 million kgs for a period of four years between 1999-2000 and 2003-04. In 2004-05, the production of spun yarn increased to 3223 million kgs from 3052 million kgs 2003-04, registering a growth of six per cent. Similarly, the production of spun yarn in 2005-06 is projected to grow by six per cent. With the expansion and continuous modernization of spinning capacity, prospects for the sector are quite promising. Coming to fabrics, the growth rate in 2004-05 was 7 percent, production rising from 42,383 million sq. mtrs. in 2003-04 to 45,378 million sq. mtrs. Total exports of textile / clothing products have remained more or less steady during the last three years.

The health of textile units is primarily dependant on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seeds and larger production of hybrids and Bt. cottons, the production and productivity of cotton in India have been increasing. Therefore, the supply of quality cotton will be comfortable. This augurs well for the future growth of the textile industry.

The growth and development of textile industry in the past was stunted because of distorted fiscal structure, which favoured fragmentation and tax evasion. In the last three Budgets, this lacuna was removed and level playing field has been provided to all the segments of the textile industry. Fortunately, this policy is being carried forward by Government, especially for cotton products. Besides, continuation of the Technology Up-gradation Fund and special treatment to processing sector will go a long way in improving competitiveness of textile industry. This will also boost demand for quality yarns from downstream sectors. It is relevant to mention that Technology Upgradation Fund Scheme has provided a great impetus for investments in textile industry.

Apart from intensification of international competition, the areas of concern are, poor infrastructure resulting in higher transaction cost, inadequate and skewed Drawback rates, which do not fully refund un-rebated taxes, uncertainty about continuation of DEPB Scheme, reluctance to introduce labour reforms, besides high cost of power. However, since Government is alive to the aforesaid problems, it is hoped that satisfactory solutions will be found soon. Another area of concern is ongoing discussion by Government of India in SAFTA and ASEAN under which tariff concessions to our competitors are being contemplated.

### **Business Summary of the Company**

Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) was incorporated in the year 1998 with presently its Registered office situated at 30, Keshavrao Khadye Marg, Sant Gadge Maharaj Chowk, Mumbai-400 011. The main object of the company is to carry on activities relating to Manufacturing, Selling, Distributing, exporting, importing and otherwise dealing in all kinds of textile items.

The Company has been vested with the Textile Division of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) w.e.f. 02<sup>nd</sup> October 2004 as per the Scheme of Arrangement sanctioned by the Hon'ble High Court vide their order dated 01<sup>st</sup> July 2005.

### **Scheme of Arrangement between SRL, SMCL AND SPL**

Scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 between Simplex Realty Limited (formerly known as The Simplex Mills Company Limited), Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) and their respective shareholders was sanctioned by the Hon'ble High Court of judicature at Bombay on 1<sup>st</sup> July 2005.

The scheme of arrangement envisages the issue and allotment of equity shares to every member of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited), holding fully paid up equity shares in Simplex Realty Limited and whose name appears in the register of members of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited), on the record date, in respect of every Forty Three (43) Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by him/her/it in Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.), Twenty Two (22) equity shares of the face value of Rs. 10/- (Rupees Ten only) each of Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited.) and Twenty Two (22) equity shares of the face value of Rs.10 (Rupees Ten only) each of Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited.) as fully paid-up.

Upon the Scheme becoming effective, Simplex Realty Limited. (formerly known as The Simplex Mills Company Limited.) shall subscribe to and acquire 14,20,000 (Fourteen Lacs Twenty Thousand) Equity Shares of Rs. 10/- each of Simplex Papers Limited. (formerly known as Simplex Paper & Pulp Limited.) and 14,20,000 (Fourteen Lacs Twenty Thousand) Equity Shares of Rs. 10/- each of Simplex Mills Company Limited. (formerly known as Gaalaxy Garments Limited.) for cash at par.

Further, Simplex Realty Limited. (formerly known as The Simplex Mills Company Limited.) shall allot and Simplex Papers Limited. (formerly known as Simplex Paper & Pulp Limited.) and Simplex Mills Company Limited. (formerly known as Gaalaxy Garments Limited.) each shall subscribe to 1,42,000 (One Lac Forty Two Thousand) 5% Non-Convertible Debentures ('NCDs') of Rupees 100/- (Hundred) each for cash at par.



## **GENERAL INFORMATION**

Simplex Mills Company Limited was originally incorporated on 21<sup>st</sup> September 1998 under the Companies Act, 1956 in the name of Lupercal Finance And Investments Private Limited. The name of the Company was thereafter changed to Galaxy Garments Private Limited w.e.f. 13<sup>th</sup> May 2002. The name of the Company was changed to Gaalaxy Garments Private Limited w.e.f. 9<sup>th</sup> August 2004. Thereafter the status of the Company was changed to public limited company w.e.f. 6<sup>th</sup> January 2005 and the name was changed to Gaalaxy Garments Limited. The name of the company was further changed to its present name Simplex Mills Company Limited w.e.f. 14<sup>th</sup> December 2005.

### **REGISTERED OFFICE:**

30, Keshavrao Khadye Marg,  
Sant Gadge Maharaj Chowk,  
Mumbai – 400011

### **REGISTRATION NO:**

11-116585

### **REGISTRAR OF COMPANIES:**

Registrar of Companies,  
Everest Building,  
100, Marine Drive,  
Mumbai -400 002

### **COMPLIANCE OFFICER:**

Mr. S. M. Soni  
Director  
Simplex Mills Company Limited  
30, Keshavrao Khadye Marg,  
Sant Gadge Maharaj Chowk,  
Mumbai – 400011

Telephone : (022) 23082951 - 54  
Fax: (022) 23072773  
Email : admin@simplexmills.com

### **BOARD OF DIRECTORS:**

Mr. Shyamsunder M. Soni  
Mr. Rameshwarlal Saboo  
Mr. Omdutt Purohit  
Mr. Kashiprasad C. Murarka

For further details of the Board of Directors of the Company, please see – the Section titled “Management”.

**BANKERS TO THE COMPANY:**

State Bank of India  
Commercial Branch,  
N. G. N. Vaidya Marg, Mumbai – 400 023  
Telephone: 022- 2266 2205 Fax : 022- 2262 6474

**AUDITORS:**

M/s. Vijay Rungta & Co.,  
Chartered Accountants  
4/88, Nityanand Nagar  
S.N.Marg, Opp. Andheri Railway Station,  
Andheri (East)  
Mumbai- 400 069  
Email:vidhi3@mtnl.net.in

**REGISTRAR AND SHARE TRANSFER AGENT:**

Amtrac Management Services Ltd.

**Mumbai Office:**

Mr. Sanjay Karangutkar  
106, Peninsula Centre,  
Dr. S S Rao Road,  
Parel, Mumbai 400 012.  
Tel: (022) 2410 5685.  
Fax: (022) 5661 8788  
Email: vidula@bom3.vsnl.net.in

**Nashik Office:**

Mr. Bhushan P. Chandratre  
Plot no.101/102,  
MIDC, Satpur,  
Nashik 422 007.  
Tel: (95253) 2354032 / 2351892.  
Fax: (95253) 235 1126  
Email: amtrac\_nsk@sancharnet.in

## CAPITAL STRUCTURE

Consequent to issue and allotment of shares pursuant to the scheme, the share capital of the Company is as follows:

	(Rupees)
A. Authorised Share Capital 31,00,000 Equity Shares of Rs.10/- each	3,10,00,000
B. Issued, Subscribed and Paid up Capital after the implementation of the scheme 30,00,475 Equity Shares of Rs. 10/- each	3,00,04,750
C. Share Premium Before the Scheme After the Scheme	Nil Nil

1. The Authorized Share Capital of the Company at the time of Incorporation was Rs.1,00,000/- divided into 10,000 Equity Shares of Rs.10/- each. The Authorized Share Capital of the Company was increased to Rs.3,00,00,000/- divided into 30,00,000 Equity Shares of Rs.10/- each vide an ordinary resolution passed at its Extra-Ordinary General Meeting held on 28<sup>th</sup> December 2004.
2. Subsequently the Authorized Share Capital of the Company was increased to Rs.3,10,00,000/- divided into 31,00,000 Equity Shares of Rs.10/- each vide an ordinary resolution passed at its Extra-Ordinary General Meeting held on 9<sup>th</sup> June 2005.
3. Prior to the allotment of the shares as per the scheme the Issued, Subscribed and Paid up Share Capital of the Company was Rs.5,00,000/- divided into 50,000 Equity Shares of Rs.10/- each.
4. As per clause 4.1 of the scheme, the Company has issued and allotted 14,20,000 equity shares of Rs.10/- each for cash at par to Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) on 27<sup>th</sup> March, 2006.
5. As per clause 6.1 of the scheme, the Company has issued and allotted 15,30,475 equity shares of Rs.10/- each to the eligible members of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) on 27<sup>th</sup> March 2006.

**Notes forming part of Capital Structure:**

1. Equity share capital history

S.R. NO.	DATE OF ALLOTMENT	DATE WHEN FULLY PAID UP	CONSIDERATION (CASH, BONUS, KIND, ETC.)	NO. OF EQUITY SHARES	FACE VALUE (RS.)	ISSUE PRICE (RS.)	LOCK-IN PERIOD
1.	22.09.1998	22.09.1998	Cash	20	10.00	10.00	NIL
2.	10.12.2002	10.12.2002	Bonus	9,980	10.00	10.00	NIL
3.	03.01.2005	03.01.2005	Cash	40,000	10.00	10.00	NIL
4.	27.03.2006	27.03.2006	Issuance of Equity Shares pursuant to the scheme for cash	14,20,000	10.00	10.00	3 years
5.	27.03.2006	27.03.2006	Issuance of Equity Shares pursuant to the scheme	15,30,475	10.00	N.A.	NIL

2. Promoters of SMCL, their relatives and associates, and their Directors have not purchased or sold or financed, directly or indirectly, any equity shares from the date of sanction of the scheme by the Hon'ble High Court till the date of submission of this Information Memorandum except as provided in scheme of arrangement.

3. Equity Shareholding Pattern of the Company before and after the scheme (as on date of Information Memorandum):

(a) **Before the Scheme:**

	Pre-arrangement	
	No. of Equity shares	% of shareholding
<b>A. PROMOTER GROUP</b>		
1. Promoters		
Indian Promoters	50,000	100
Foreign Promoters	-	-
2. Person acting in concert	-	-
<b>Sub-Total Promoter Group</b>	<b>50,000</b>	<b>100</b>
<b>B. NON – PROMOTER GROUP</b>		
3. Institutional Investors		
a) MFs and UTI	-	-
b) Banks, Financial Institutions, Insurance Companies (Central/State Govt., Non- Govt. Institution)	-	-
c) FIIs	-	-
4. Others		
a) Private Corporate Bodies	-	-
b) Indian Public	-	-
c) NRIs / OCBs	-	-
d) Any other (Please specify)	-	-
<b>Sub-Total Non - Promoter Group</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>50,000</b>	<b>100</b>

## (b) After the Scheme :

Category Code	Category of shareholders	Number of share holders	Total number of shares	Numbers of shares held in demat form	Total shareholding as a % of total number of shares	
					As a % of (A+B)	As a % of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
<b>1</b>	<b>Indian</b>					
(a)	Individual/HUF	12	89523	88665	2.98	2.98
(b)	Central Govt. / State Govts.	-	-	-	-	-
(c)	Bodies Corporate	5	2071656	2021656	69.05	69.05
(d)	Financial Institutions / Banks	-	-	-	-	-
(e)	Any other (specify)	-	-	-	-	-
	<b>Sub-total (A)(1)</b>	<b>17</b>	<b>2161179</b>	<b>2110321</b>	<b>72.03</b>	<b>72.03</b>
<b>2</b>	<b>Foreign</b>					
(a)	Individuals (Non Residents Individuals / Foreign Individuals)	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-
(c)	Institutions	-	-	-	-	-
(d)	Any other (specify)	-	-	-	-	-
	<b>Sub-total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)</b>	<b>17</b>	<b>2161179</b>	<b>2110321</b>	<b>72.03</b>	<b>72.03</b>
<b>(B)</b>	<b>Public Shareholding</b>					
<b>1</b>	<b>Institutions</b>					
(a)	Mutual Funds /UTI	4	361	4	0.01	0.01
(b)	Financial Institutions / Banks	8	4843	0	0.16	0.16
(c)	Central Govt./ State Govt.	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-
(e)	Insurance Companies	8	472353	471747	15.75	15.75
(f)	F.I.Is.	-	-	-	-	-
(g)	Foreign Venture Capital Investors	-	-	-	-	-
(h)	Any other (specify)	-	-	-	-	-
	<b>Sub-total (B)(1)</b>	<b>20</b>	<b>477557</b>	<b>471751</b>	<b>15.92</b>	<b>15.92</b>

<b>2</b>	<b>Non Institutions</b>					
(a)	Bodies Corporate	72	8128	5264	0.27	0.27
(b)	Individuals					
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	6112	353611	129851	11.78	11.78
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-
(c)	Any other (specify)	-	-	-	-	-
	<b>Sub-total (B)(1)</b>	<b>6184</b>	<b>361739</b>	<b>135115</b>	<b>12.06</b>	<b>12.06</b>
	<b>Total Public shareholding (B) = (B)(1) + (B)(2)</b>	<b>6204</b>	<b>839296</b>	<b>606866</b>	<b>27.97</b>	<b>27.97</b>
	<b>TOTAL (A) + (B)</b>	<b>6221</b>	<b>3000475</b>	<b>2717187</b>	<b>100.00</b>	<b>100.00</b>
(C)	Shares held by custodians and against which Depository Receipts have been issued	-	-	-	-	-
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>6221</b>	<b>3000475</b>	<b>2717187</b>	<b>100.00</b>	<b>100.00</b>

4. List of the Persons/Entities comprising Promoter Group holding shares in the company are as follows:

Sr. no.	Name of shareholders	Pre-scheme	Post-scheme	
			No. of Shares	Percent
1.	Simplex Realty Limited	49,974	14,70,000	48.99
2.	Mr. Nandan S. Damani, Nominee of Simplex Realty Limited	11	-	-
3.	Mrs. Nagaratna C. Prasad, Nominee of Simplex Realty Limited	10	-	-
4.	Mr. R. L. Saboo, Nominee of Simplex Realty Limited	1	-	-
5.	Mr. Kantilal V Shah, Nominee of Simplex Realty Limited	1	-	-
6.	Mr. S. M. Soni, Nominee of Simplex Realty Limited	1	-	-
7.	Mr. R. L. Kachhawa, Nominee of Simplex Realty Limited	1	-	-
8.	Mr. Surendra Kumar Somany, Nominee of Simplex Realty Limited	1	-	-
9.	Shreelekha Global Finance Limited	-	2,52,553	8.41

10.	New Textiles Limited	-	2,50,847	8.36
11.	Lucky Vyapaar & Holdings Private Limited	-	98,256	3.27
12.	Nandan S Damani	-	50,479	1.68
13.	Shreelekha N Damani	-	26,571	0.88
14.	Nandan S. Damani (Trust)	-	4,321	0.14
15.	Kamala Devi Bagri	-	227	0.01
16.	Shashi A. Patodia & Nandan S. Damani	-	4,765	0.15
17.	Nalini Somany	-	255	0.01
18.	Sumita Somany	-	25	0.001
19.	Devratan Bagri	-	16	0.001
20.	Jaiprakash Semwal	-	102	0.001
21.	Sandip Somany	-	2302	0.08
22.	Surendra Kumar Somany	-	460	0.02
<b>Total</b>		<b>50,000</b>	<b>21,61,179</b>	<b>72.03</b>

Note : 49,974 Equity Shares were held by Simplex Realty Limited and remaining 26 Equity Shares were held by other seven nominees of Simplex Realty Limited.

**List of top ten shareholders of SMCL and the number of equity shares held by them**

A) Top ten shareholders on the date of filing of the Information Memorandum with the Stock Exchange and 10 days prior to the date of filing of the Information Memorandum:

<b>SR. NO.</b>	<b>NAME OF THE SHAREHOLDERS</b>	<b>NO. OF SHARES</b>
1.	Simplex Realty Limited	14,70,000
2.	Life Insurance Corporation of India	3,87,439
3.	Shreelekha Global Finance Limited	2,52,553
4.	New Textiles Limited	2,50,847
5.	Lucky Vyapaar & Holdings Private Limited	98,256
6.	Oriental Insurance Company Limited	50,940
7.	National India Assurance Company Limited	32,850
8.	Nandan S Damani	54,800
9.	Shreelekha N Damani	26,571
10.	Sweety H. Shah	5,858

b) Top ten equity shareholders of the Company on the date of Incorporation

<b>Sr. No.</b>	<b>Name of the shareholders</b>	<b>No. of shares</b>
1.	Vasantray C. Vadodaria	10
2.	Mahesh S. Gupta	10

Note: The Company had only two shareholders at the time of incorporation.

5. As on the date of this Information Memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into equity shares of the Company.

6. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of sanction of the scheme by the Hon'ble High Court till listing of the Equity Shares as per the scheme.

7. There shall be only one denomination for the equity shares of the Company, subject to applicable regulations and the Company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.

8. The Company has 6,221 members as on the date of filing this Information Memorandum.

9. None of the Equity Shares of the Company were under lock-in prior to the Scheme.



## **SCHEME OF ARRANGEMENT**

### **Rationale for Demerger with respect to Paper Division and Textile Division as defined in the Scheme**

The Scheme of Arrangement was for demerger of the Paper Division and Textile Division of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) into Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited.) and Simplex Mills Company Limited. (formerly known as Gaalaxy Garments Limited.) respectively.

Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) was engaged in the business of paper, textile and real estate development. It was considered necessary to provide focussed attention to each business, which are totally distinct from each other. Accordingly, the management of Simplex Realty Limited. (formerly known as The Simplex Mills Company Limited.) had decided to demerge the Paper Division and Textile Division as defined in para 1.7 and 1.8 of the Scheme into Simplex Papers Limited. (formerly known as Simplex Paper & Pulp Limited.) and Simplex Mills Company Limited. (formerly known as Gaalaxy Garments Limited.) respectively. Simplex Papers Limited. (formerly known as Simplex Paper & Pulp Limited.) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited.) were both 100% subsidiaries of Simplex Realty Limited. It was believed that the scheme would result in the following advantages:

- The separate businesses would be carried out in independent entities.
- This will result in enhanced management focus to the respective businesses and result in synergies of operations.
- The resultant structure should facilitate independent growth of the separate businesses.

Further, in order to maximize the shareholders' value and the profitability, the management has for long been looking at strategic investor in paper and textile business. Post restructuring structure will enable the management to attract strategic investor, as each of businesses will be carried out in separate companies.

### **Rationale for issue of shares and debentures pursuant to Clause 4 of the Scheme**

As per the Scheme of Arrangement upon implementation of the Scheme, Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) will retain a huge part of the liabilities of the paper and textile divisions.

Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) has retained a huge part of the liabilities of the paper and textile divisions and in order to provide for those liabilities, it desired to maintain control over the Paper and Textile business. Therefore as proposed in the Scheme, Simplex Realty Limited has subscribed to and acquired 14,20,000 equity shares of Rs. 10 each for cash at par of the paid up equity share capital of Simplex Papers Limited and Simplex Mills Company Limited. Further, by holding the share of the Simplex Papers Limited and Simplex Mills Company Limited there would be no loss of economic value to the shareholders of Simplex Realty Limited.

In order to make the above transaction cash neutral, Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) has allotted and Simplex Papers Limited. (Formerly known as Simplex Paper & Pulp Limited.) and Simplex Mills Company Limited. (formerly known as Galaaxy Garments Limited.) each has subscribed to 1,42,000 Non-Convertible Debentures ('NCDs') of Rs. 100/- each for cash at par. This issue and acquisition/ subscription of Equity Shares and NCDs shall be carried out as an integral part of the Scheme.

#### **EXCHANGE RATIO IN WHICH SHARES WERE ALLOTTED**

22 Equity shares of Rs.10/- each of Simplex Mills Company Limited. (formerly known as Gaalaxy Garments Limited) were allotted on 27.03.2006 to the shareholders of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) for every 43 Equity shares held by them in the Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) as on the record date i.e. 8th March 2006.

#### **Approval and sanction of the Scheme of Arrangement**

The Honorable High Court of Judicature at Bombay, vide its Order dated 1<sup>st</sup> July, 2005 has sanctioned the Scheme of Arrangement between Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) and Simplex Papers Limited (Formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) and their respective Shareholders.

Pursuant to the Scheme of Arrangement Paper Division and Textile Division of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) has vested with Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) respectively w.e.f 2<sup>nd</sup> October, 2004 (i.e. the Appointed Date under the Scheme) under Sections 391 to 394 of the Companies Act, 1956.

In accordance with the said Scheme, the Equity Shares of Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) issued pursuant to the Scheme, subject to applicable regulations, shall be listed and admitted to trading on BSE. Such listing and admission for trading is not automatic and will be subject to such other terms and conditions as may be prescribed by the Stock Exchange at the time of application by Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) for seeking listing.

The aforesaid order of the Honorable High Court of Judicature at Bombay was filed by Simplex Realty Limited (Formerly known as The Simplex Mills Company Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) with the Registrar of Companies ("ROC"), Maharashtra on 25<sup>th</sup> August, 2005 which is the Effective Date of the Scheme.

Subsequently SEBI, vide letter no. CFD/DIL/JAK/106664/2007 dated 19<sup>th</sup> October 2007 has granted relaxation from the strict enforcement of the requirement of Rule 19(2)(b) of the Securities Contract Regulation (Rules), 1957 (SCRR) for the purpose of listing the shares of Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) (the transferee company), subject to, complying with all the provisions of clause 8.3.5 of SEBI (DIP) Guidelines, 2000.

Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) has submitted its Information Memorandum containing information and disclosures in line with the disclosure requirement for public issues, as applicable, to the BSE for making the said information Memorandum available to public through their website.

**This Information Memorandum will be available on the website of the Bombay Stock Exchange Limited, Mumbai.**

Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) will publish an advertisement in the newspapers containing its details in line with the details required as per Clause 8.3.5.4 of SEBI (DIP) Guidelines.

Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) also undertakes that all material information about itself shall be disclosed to stock exchanges on a continuous basis so as to make the same available to public.

## STATEMENT OF TAX BENEFITS

M/s. Vijay Rungta & Co., Chartered Accountants, vide their report dated 25<sup>th</sup> June 2008, have certified that the following tax benefits are available to the Company and its shareholders under the current direct tax laws in India.

### I. Under Income Tax Act, 1961

#### A) Key Benefits available to the Company under the Income-tax Act, 1961 ('the Act')

1. Under section 32 of the I. T. Act, the company is entitled to claim depreciation, subject to the conditions specified therein, at the prescribed rates on its specified assets used for its business.
2. Under section 10(34) of the I. T. Act, dividend income (whether interim or final) referred to in section 115O of the I. T. Act, received by the Company, is exempt from the tax in the hands of the company.
3. By virtue of section 10(35) of the I. T. Act, the following income shall be exempt, in the hands of the company:
  - (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of the section 10; or
  - (b) Income received in respect of the units from Administrator of the specified undertaking; or
  - (c) 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 the 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.

4. Capital assets may be categorized into short-term capital assets and long-term capital assets based on the period of holding. Shares held in a Company or any other securities listed on a recognized stock exchange in India, units of Mutual Funds and zero coupon Bonds will be considered as long-term capital assets if these are held for a period exceeding 12 months. Capital gains arising on transfer of these capital assets held for more than 12 months are considered as 'long-term capital gains'. Other capital assets held for a period exceeding 36 months immediately preceding the date of transfer will be considered as long term capital assets and capital gain arising on transfer of these capital assets are also considered as long term capital gains. Capital gains arising on transfer of capital assets other than long term capital assets are considered as 'short-term capital gains'.
5. Section 48 of the Act, prescribes the mode of computation of capital gains. It provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by the prescribed cost inflation index. The benefit of indexation is not available in respect of long-term capital gains arising from the transfer of long-term capital asset like bonds and debenture other than capital indexed bonds issued by the Government.

6. Under section 10(38) of the I. T. Act, the long term capital gain arising on transfer of equity shares in any other company or units of equity oriented fund, which is chargeable to STT, is exempt from tax in the hands of the Company.
7. As per Section 54EC & 54ED of the I. T. Act, and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains are invested in certain notified Bonds (54EC) or Securities (54ED) within six months from the date of transfer and held for a minimum period of three years. Where only a part of the capital gains is so invested, the exemption is proportionately available. However, if the said Bonds / Securities are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the Bonds / Securities are transferred or converted into money.
8. Share of Profit, if any, received by the Company from its investment in Partnership Firms that are separately assessed to tax will be exempt from tax under Section 10 (2A) of the Act.
9. The Company shall be eligible for amortization of preliminary expenditure as specified in section 35D of the Act being expenditure as specified in section 35D of the Act on public issue of share subject to meeting the conditions and limits specified in that section.
10. Under Section 115 JAA of the Act, the Company can claim credit for the difference of tax paid for any assessment year under subsection 1 of section 115JB and the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act. Such credit shall be allowed to be carried forward and set off in accordance with the provisions of said section. The carried forward tax credit shall not be allowed beyond 5<sup>th</sup> assessment year immediately succeeding the assessment year in which tax credit becomes allowable.

## **B) Key benefits available to the Shareholders of the Company**

### **a) Resident Shareholders**

1. Under section 10(34) of the I. T. Act, dividend income (whether interim or final) referred to in section 115O of the I. T. Act, received by the resident shareholder, is exempt from the tax in the hands of resident shareholders.
2. By virtue of section 10(35) of the I. T. Act, the following income shall be exempt, in the hands of the shareholders:
  - (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of the section 10; or
  - (b) Income received in respect of the units from Administrator of the specified undertaking; or
  - (c) 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 the 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.

3. Capital assets may be categorized into short-term capital assets and long-term capital assets based on the period of holding. Shares held in a Company or any other securities listed on a recognized stock exchange in India, units of Mutual Funds and zero coupon Bonds will be considered as long-term capital assets if these are held for a period exceeding 12 months. Capital gains arising on transfer of these capital assets held for more than 12 months are considered as 'long-term capital gains'. Other capital assets held for a period exceeding 36 months immediately preceding the date of transfer will be considered as long term capital assets and capital gain arising on transfer of these capital assets are also considered as long term capital gains. Capital gains arising on transfer of capital assets other than long term capital assets are considered as 'short-term capital gains'.
4. Section 48 of the Act, prescribes the mode of computation of capital gains. It provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by the prescribed cost inflation index. The benefit of indexation is not available in respect of long-term capital gains arising from the transfer of long-term capital asset like bonds and debenture other than capital indexed bonds issued by the Government.
5. Under section 10(38) of the I. T. Act, the long term capital gain arising on transfer of equity shares in any other company or units of equity oriented fund, which is chargeable to STT, is exempt from tax in the hands of resident shareholders.
6. As per Section 54EC of the I. T. Act, and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains are invested in certain notified bonds within six months from the date of transfer and held for a minimum period of three years. Where only a part of the capital gains is so invested, the exemption is proportionately available. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
7. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in section 54F of the I. T. Act, the shareholder is entitled to exemption from long term capital gains arising from the transfer of shares of the Company (not covered under section 10(38) of the I. T. Act), if the net consideration is invested within a period of one year before, or two years after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. If part of the net consideration is invested within the prescribed period in a residential house, such gains would be exempt from tax on a proportionate basis. If, however, such new residential in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long term capital gains of the year in which such residential house is transferred.

**b) Mutual Funds**

In case of a shareholder being a Mutual Fund, as per the provisions of section 10(23D) of the I. T. Act, any income of Mutual Funds registered under the SEBI Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India is exempt from income tax, subject to the conditions notified by Central Government in this regard.

**c) Venture Capital Companies/Funds**

In case a shareholder being a Venture Capital Company/Fund, any income from investment in venture capital undertaking is exempt from income tax, subject to the conditions specified in section 10(23FB) of the I. T. Act.

**d) Key Benefits available to Non-Resident Shareholders/Non-Resident Indians (Other than FII and Venture Capital Companies /Funds) :**

1. Dividend income (whether interim or final) referred to in section 115O of the I. T. Act, received by the Non Resident Shareholder/ Non-Resident Indian Shareholders from the company shall be exempt under section 10(34).
2. Capital assets may be categorized into short-term capital assets and long-term capital assets based on the period of holding. Shares held in a Company or any other securities listed on a recognized stock exchange in India, units of Mutual Funds and zero coupon Bonds will be considered as long-term capital assets if these are held for a period exceeding 12 months. Capital gains arising on transfer of these capital assets held for more than 12 months are considered as 'long-term capital gains'. Other capital assets held for a period exceeding 36 months immediately preceding the date of transfer will be considered as long term capital assets and capital gain arising on transfer of these capital assets are also considered as long term capital gains. Capital gains arising on transfer of capital assets other than long term capital assets are considered as 'short-term capital gains'.
3. Section 48 of the Act, prescribes the mode of computation of capital gains. It provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by the prescribed cost inflation index. The benefit of indexation is not available in respect of long-term capital gains arising from the transfer of long-term capital asset like bonds and debenture other than capital indexed bonds issued by the Government.
4. Under section 10(38) of the I. T. Act, the long term capital gain arising on transfer of equity shares in any other company or units of equity oriented fund, which is chargeable to STT, is exempt from tax in the hands of non resident shareholders.
5. As per Section 54EC & 54ED of the I. T. Act, and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains are invested in certain notified Bonds (54EC) or Securities (54ED) within six months from the date of transfer and held for a minimum period of three years. Where only a part of the capital gains is so invested, the exemption is proportionately available. However, if the said Bonds / Securities are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the Bonds / Securities are transferred or converted into money.

6. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in section 54F of the I. T. Act, the shareholder is entitled to exemption from long term capital gains arising from the transfer of shares of the Company (not covered under section 10(38) of the I. T. Act), if the net consideration is invested within a period of one year before, or two years after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. If part of the net consideration is invested within the prescribed period in a residential house, such gains would be exempt from tax on a proportionate basis. If, however, such new residential in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long term capital gains of the year in which such residential house is transferred.
7. As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non-resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.
8. Options available to a non-resident Indian under the I. T. Act
  - (a) As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.
  - (b) As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three year from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
  - (c) As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
  - (d) Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to



apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

- (e) 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.

### **C) Key Benefits available to Foreign Institutional Investors (FIIs)**

1. Dividend income:  
Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115-O of the Act.
2. Capital Gains:
  - a) As per the provisions of section 111A of the I. T. Act, short term capital gains arising to FII from the transfer of equity shares of the Company transacted through a recognised stock exchange, are subject to tax @ 15% (plus applicable surcharge and education cess).
  - b) Under Section 115AD, capital gains arising from transfer of shares of the company which are not exempt under Section 10(38), shall be taxable as follows:  
  
Capital gains of shares, which are held for the period of more than twelve months, shall be taxable @ 30% (plus applicable surcharge and education cess).
3. Exemption of capital gains tax
  - a) Long-term capital gains arising on transfer of equity shares in the Company, which is held for the period of twelve months or more and where such transaction is chargeable to STT, shall be exempt from tax under Section 10(38) of the Act.
  - b) As per Section 54EC & 54ED of the I. T. Act, and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains are invested in certain notified Bonds (54EC) or Securities (54ED) within six months from the date of transfer and held for a minimum period of three years. Where only a part of the capital gains is so invested, the exemption is proportionately available. However, if the said Bonds / Securities are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the Bonds / Securities are transferred or converted into money.

### **II. Under Wealth Tax Act, 1957**

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

### **III. Under The Gift Tax Act, 1957**

Gift of shares of the company made on or after October 1, 1998 are not liable to tax.

## **ABOUT SIMPLEX MILLS COMPANY LIMITED**

### **INDUSTRY STRUCTURE & DEVELOPMENT**

The Indian textile industry is one of the oldest industries in the country and has a very complex structure with hand-spun and hand-woven sector at one end of the spectrum and the capital intensive sophisticated mill sector at the other. The textile industry encompasses all type of textile fibres from natural ones like cotton, silk, wool, jute and synthetic/man-made fibres like polyester, viscose, nylon etc. It has the unique position of being self reliant and complete in value chain from raw materials to garments.

The textile industry plays a pivotal role in the Indian economy. It contributes about 14 per cent to the industrial production of the country. As regards employment, it is the second largest after agriculture, accounting for 20 per cent of the total work-force of the nation. Its contribution to forex earnings is around 20 per cent.

The installed spindleage, which was 37.03 million in March 2004, has since increased to 37.5 million as of January 2006. In fact, after the expiry of Agreement on Textiles and Clothing, a number of existing units have undertaken significant expansion of their spinning capacity. These apart, new spinning units, particularly in the Southern region, have come into existence and more are in the pipeline. The capacity expansion is taking place both in the organized and small-scale sectors. The number of open-end operators has marginally increased during the last one year.

Some of the units, which were exclusively engaged in the production of man-made fibre spun yarn are now shifting their production programme in favour of cotton yarns because cotton prices are relatively lower than those of polyester fibre.

As regards spinning, 92 per cent of installed capacity is in the organized sector and only 8 per cent in the small-scale sector. On the contrary, weaving capacity in the organized segment has been steadily declining. It is progressively expanding in the decentralized sector of powerlooms. As per the latest data, the number of powerlooms, which was 18.93 lakhs in January, 2005 has since rose to 19.34 lakhs in January 2006. The weaving capacity in the handloom sector is 3.89 million looms.

The production of spun yarn was stagnant at 3100 million kgs for a period of four years between 1999-2000 and 2003-04. In 2004-05, the production of spun yarn increased to 3223 million kgs from 3052 million kgs 2003-04, registering a growth of six per cent. Similarly, the production of spun yarn in 2005-06 is projected to grow by six per cent. With the expansion and continuous modernization of spinning capacity, prospects for the sector are quite promising. Coming to fabrics, the growth rate in 2004-05 was 7 percent, production rising from 42,383 million sq. mtrs. in 2003-04 to 45,378 million sq. mtrs. However, in 2005-06 the growth rate is expected to be around 5 per cent over the previous year. Total exports of textile / clothing products have remained more or less steady during the last three years. But in 2006-07, exports are slated to expand positively.

The health of textile units is primarily dependant on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seeds and larger production of hybrids and Bt. Cottons, the production and productivity of cotton in India have been increasing. Therefore, the supply of quality cotton will be comfortable. This augurs well for the future growth of the textile industry.

The growth and development of textile industry in the past was stunted because of distorted fiscal structure, which favored fragmentation and tax evasion. In the last three Budgets, this lacuna was removed and level playing field has been provided to all the segments of the textile industry. Fortunately, this policy is being carried forward by Government, especially for cotton products. Besides, continuation of the Technology Upgradation Fund and special treatment to processing sector will go a long way in improving competitiveness of textile industry. This will also boost demand for quality yarns from downstream sectors. It is relevant

to mention that Technology Upgradation Fund Scheme has provided a great impetus for investments in textile industry.

Apart from intensification of international competition, the areas of concern are, poor infrastructure resulting in higher transaction cost, inadequate and skewed Drawback rates, which do not fully refund unrebated taxes, uncertainty about continuation of DEPB Scheme, reluctance to introduce labour reforms, besides high cost of power. However, since Government is alive to the aforesaid problems, it is hoped that satisfactory solutions will be found soon. Another area of concern is ongoing discussion by Government of India in SAFTA and ASEAN under which tariff concessions to our competitors are being contemplated.

### **Business Summary of the Company**

Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) was incorporated in the year 1998, presently having its Registered office situated at 30, Keshavrao Khadye Marg, Sant Gadge Maharaj Chowk, Mumbai - 400012. The main object of the company is to carry activities relating to Manufacturing, Selling, Distributing, exporting, importing and otherwise dealing in all kinds of textile items.

The Company has been vested with the Textile Division of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited) w.e.f. 02<sup>nd</sup> October 2004 as per the Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay vide their order dated 01<sup>st</sup> July 2005.

## HISTORY

Simplex Mills Company Limited was originally incorporated on 21<sup>st</sup> September 1998 under the Companies Act, 1956 in the name of Lupercal Finance and Investments Private Limited. The name of the Company was thereafter changed to Galaxy Garments Private Limited w.e.f. 13<sup>th</sup> May 2002. The name of the Company was changed to Gaalaxy Garments Private Limited w.e.f. 9<sup>th</sup> August 2004. Thereafter the status of the Company was changed to public limited company w.e.f. 6<sup>th</sup> January 2005 and the name was changed to Gaalaxy Garments Limited. The name of the Company was changed to its present name Simplex Mills Company Limited w.e.f. 14<sup>th</sup> December 2005.

**The main object of the Company was altered w.e.f. 15<sup>th</sup> June 2002 to enable the Company to pursue business in textile industry. The Main Objects are set out hereunder:**

1. To carry on the business as traders, dealers, wholesalers, retailers, makers, designers, combbers scourers, spinners weavers, finishers, dyers and manufacturers of readymade garments, yarns and fabrics of wool, cotton, jute, silk, rayon, nylon, terelene and other natural, synthetic and/or fibrous substances and/or manufacturers of materials from the waste realised from the above mentioned products either on its own account or on commission and to carry on business as drapers and dealers of furnishing fabrics in all its branches as customers, readymade dress and mantle makers, silk, mercers, makers and suppliers of clothing, lingerie and trimmings of every kind furriers draper, haberdashers, milliners, hosiers, gloves, lace makers, feather dressers, felt makers, dealers in and manufacturers of yarns, fabrics and also to manufacture, deal in or process natural starch and other sizing materials, substances of all kinds and compounds and other substances, either basic or intermediate required for the above mentioned product or products.
2. To carry on the business of importers and exporters, buyers, sellers, traders, merchants, indentors, brokers, agents, commission agents, assemblers, refiners, cultivators, miners, mediators, packers, stockists, distributors, advisors, hire purchasers of and in all kinds of industrial wears, ready made garments, rubberised cloth, food grains, dairy products, soap detergents, biscuits, surgical, diagnostics medical pulses, leather & finished leather goods, leather garments, leather products, all related items in leather, electric and electronics components and goods, iron and steel, aluminum, mineral, ferrous and non-ferrous metal, stainless steel, jute and jute products, textiles, cotton, synthetic, fiber, silk, yarn, wool and woolen goods, handicrafts and silk artificial synthetics, readymade garments, design materials, process, printers in all textiles, timber cosmetics, stationery, tools and hardware, plastics and plastics goods, sugar, tea, coffee, paper packaging material, chemicals, cement, food grains factory materials, house equipments, rubber and rubber products, coal, coal products and coaltar, fertilizers, agriculture products, industrial products, computer data materials, software, paints industrial and other gases, alcohol, edible and non-edible oils and fats, drugs, plants and machinery goods, engineering goods and equipments, office equipments, hospital equipments, railway accessories, medicine, sugar and sugarcane, automobile parts, building construction and materials, coal and coke, mica and mica products, gems and jewellery, imitation jewellery, dry flowers and plants, printing, transportation and all other kinds of goods and merchandise, commodities and articles of consumption of all kinds in India or elsewhere.

**Changes in Memorandum of Association since the Company's inception:**

Date	Particulars
13.05.2002	Change of name of the Company from Lupercal Finance and Investments Private Limited to Galaxy Garments Private Limited
15.06.2002	Alteration of main object clause
09.08.2004	Change of name of the Company from Galaxy Garments Private Limited to Gaalaxy Garments Private Limited
28.12.2004	Increase in Authorised Share Capital from Rs. 1,00,000/- to 3,00,00,000/-.
06.01.2005	Change of status from Private Limited to Public Limited Company
09.06.2005	Increase in Authorised Share Capital from Rs. 3,00,00,000/- to Rs. 3,10,00,000/-.
14.12.2005	Change of name of the Company from Gaalaxy Garments Limited to Simplex Mills Company Limited

**Changes in Registered Office**

The registered office of our Company is situated at Simplex Mills Compound, 30, Keshavrao Khadye Marg, Sant Gadge Maharaj Chowk, Mumbai – 400 011.

Date of Change	Shifted from	Shifted to	Reason
16.01.1999	Administrative Building, Morarjee Mills Compound, Dr. Ambedkar Road, Parel, Mumbai – 400012	N. M. Wadia Building, 1 <sup>st</sup> Floor, 123 M. G. Road, Mumbai – 400023	Administrative convenience
05.09.2001	N. M. Wadia Building, 1 <sup>st</sup> Floor, 123 M. G. Road, Mumbai – 400023	Simplex Mills Compound, 30, Keshavrao Khadye Marg, Sant Gadge Maharaj Chowk, Mumbai – 400 011	Administrative convenience

**Change in Statutory Auditors**

Date of Change	Particulars
27.03.2008	M/s. Vijay Rungta & Co., Chartered Accountants were appointed as Statutory Auditors of the Company to fill casual vacancy occurred due to sudden death of Mr. Bharat Bhuta, proprietor of M/s. Bharat Bhuta & Co., Chartered Accountants.

## MANAGEMENT

### BOARD OF DIRECTORS

The following table sets forth details regarding the Board of Directors:

Name of Directors, Age in years, Father's name, Designation, Occupation and Address	Other Directorships
Mr. S. M. Soni S/o Late Mr. Mulchand Soni Age: 74 yrs. Designation: Director Occupation: Service Address: 7/25, Subodhguru Co-op. Housing Society, 38, Tagore Road, Santacruz (West), Mumbai-400054	Simplex Papers Limited
Mr. R. L. Saboo S/o Late Mr. Jaynarayanji Saboo Age: 69 yrs. Designation: Director Occupation: Service Address: B-507, Alka Chambers Premises Co-op. Society Ltd., S. V. Road, Andheri (West), Mumbai-400058	Simplex Papers Limited
Mr. O. D. Purohit S/o Late Mr. Jamnadas Purohit Age: 80 yrs. Designation: Director Occupation: Practicing Company Secretary Address: 49/5, Venus Apartments, Worli Sea Face (South), Mumbai-400018	Lotus Properties Pvt. Ltd. Shreelekha Global Finance Ltd. The Nav Bharat Refrigeration & Industries Ltd. Simplex Papers Ltd.
Mr. K. C. Murarka S/o Late Mr. Chiranjilal Murarka Age: 62 yrs. Designation: Director Occupation: Industrialist Address: 703, Panchsheel, General A. K. Vaidya Marg, Gokul Dham, Film City Road, Goregaon (E), Mumbai- 400063	Simplex Papers Ltd. Shreelekha Global Finance Ltd.

#### Brief profile of the Directors:

##### **Mr. S. M. Soni**

Mr. S. M. Soni is M. Com, LLB, LTI by qualification, he has more than 48 years experience in Textile Industries

##### **Mr. R. L. Saboo**

Shri R. L. Saboo has more than 40 years of experience in the field of Accountancy, Finance and Banking.

##### **Mr. O. D. Purohit**

Shri O. D. Purohit is Fellow member of The Institute of Company Secretaries of India having more than 40 years of experience in the field of Company Law, Taxation and legal matters.

**Mr. K. C. Murarka**

Shri K. C. Morarka has more than 35 years of experience in the field of chemical industry and marketing.

**COMPENSATION TO MANAGING/ WHOLETIME DIRECTORS**

SMCL does not have any Managing Director or Whole Time Director at present.

**CORPORATE GOVERNANCE**

The provisions of the clause 49 of the listing agreement with respect to corporate governance will be applicable to SMCL upon the listing of its Equity Shares on the Stock Exchanges.

SMCL has already appointed independent directors on its Board and has also constituted the Audit Committee and the Investors Grievances Committee as required by Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

Details of the Board and its committees are as follows:

**a) The Board of Directors:**

Sr. No.	Name of the Director	Executive / Non-Executive / Independent
1.	Mr. S. M. Soni	Non- Executive Director
2.	Mr. R. L. Saboo	Non- Executive Director
3.	Mr. O. D. Purohit	Non- Executive & Independent Director
4.	Mr. K. C. Murarka	Non- Executive & Independent Director

**b) The Audit Committee:**

The constitution of the Audit Committee is as follows:

Sr. No.	Name of the Director	Executive / Non-Executive / Independent
1.	Mr. O. D. Purohit (Chairman)	Non- Executive & Independent Director
2.	Mr. K. C. Murarka	Non- Executive & Independent Director
3.	Mr. R. L. Saboo	Non-Executive Director

**c) Investors Grievance Committee**

Sr. No.	Name of the Director	Executive / Non-Executive / Independent
1.	Mr. O. D. Purohit (Chairman)	Non- Executive & Independent Director
2.	Mr. K. C. Murarka	Non- Executive & Independent Director
3.	Mr. R. L. Saboo	Non-Executive Director

SMCL undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

**SHAREHOLDING OF DIRECTORS:**

<b>Name of the Director</b>	<b>No. of shares</b>
Mr. S. M. Soni	Nil
Mr. R. L. Saboo	112
Mr. O. D. Purohit	24
Mr. K. C. Murarka	Nil

The Articles do not require the Directors of our Company to hold any qualification shares.



## INTEREST OF PROMOTERS AND DIRECTORS

All the directors may be deemed to be interested only to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles.

The Directors may also be regarded as interested in the shares held and subscribed by and allotted/transferred to the Companies, firms and trust, in which they are interested as directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Further, the Directors are interested to the extent of Equity Shares that they are holding and are allotted to them pursuant to the arrangement, if any, and also to the extent of any dividend payable to them and other distributions in respect of the Equity Shares.

Except as stated otherwise in this Information Memorandum, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Information Memorandum in which the Directors are directly or indirectly interested.

### Change in the Board of Directors during the last three years

The changes in the Board of Directors during the last three years is as under:

Sr. No	Name of the Director	Date of appointment	Date of Resignation	Remarks
1.	Mr. Arvind Agarwal	16/10/1998	30/09/2005	
2.	Mr. Kantilal V. Shah	16/10/1998	01/12/2004	
3.	Mrs. Nagaratna Prasad	29/09/2001	01/12/2004	
4.	Mr Rajesh Patil	16/12/2002	06/07/2004	
5.	Captain Vinod Anthony	16/12/2002	01/12/2004	
6.	Ms. Manpreet Kaur	10/08/2004	01/12/2004	
7.	Mr. Nandan Damani	01/12/2004	30/09/2005	
8.	Mr. Surendra K Somany	01/12/2004	30/09/2005	
9.	Mr. Shyamsunder Soni	29/09/2005	--	
10.	Mr. Rameshwar Saboo	29/09/2005	--	
11.	Mr. Om Dutt Purohit	29/09/2005	--	
12.	Mr. Kashiprasad Murarka	29/09/2005	--	

### Date of expiration of current term of Office of Directors

The Directors are subject to retirement by rotation.

## KEY MANAGEMENT PERSONNEL

The company is managed, controlled and directed by the Board of Directors assisted by qualified professionals, with vast experience in the field of production/management/finance/marketing and corporate laws.

Name & Designation	Age (years)	Qualification	Total no. of years of experience	Remuneration per month	Shares of the company held
Mr. S. M. Soni Director	74	M. Com., LL.B., LTI	48	Nil	1
Mr. S. D. Patil President	53	B. Sc., ATA	31	Nil	Nil

## EMPLOYEES

As on date, the Company has around 300 employees.

## PROMOTERS

Prior to the Scheme, the Company was a wholly owned subsidiary of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.). Pursuant to the Scheme of Arrangement, the Company has allotted equity shares to Simplex Realty Limited and the shareholders of Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.).

Simplex Realty Limited and Shri Nandan S. Damani are the promoters of the Company.

Nandan S. Damani – Family Trust, Smt. Shreelekha N. Damani, Smt. Kamla Devi Bagri, Smt. Nalini Somany, Smt. Shashi A Patodia, Smt. Sunita Somany, Shri Surendra Kumar Somany, Shreelekha Global Finance Limited., New Textiles Limited., and Lucky Vyapaar & Holding Pvt. Limited. are part of the 'Promoter Group' and are the Persons Acting in Concert with the Promoters

### Details of Promoters

#### Mr. Nandan S. Damani

Shri Nandan S. Damani, aged 54 is a Science Graduate from Mumbai University. He is presently the Managing Director of Simplex Realty Limited, a Company Listed with the Bombay Stock Exchange Limited and having more than 28 years of experience in the running of Textile and Paper Industry. He is also on the Board of Graphite India Limited.

#### Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.)

Simplex Realty Limited (formerly known as The Simplex Mills Company Limited.) was incorporated on 6<sup>th</sup> November 1912 under the Indian Companies Act VI of 1882.

The principle business of the Company is Real Estate Development.

Shareholding pattern of SRL as on 31<sup>st</sup> March 2008

	Category	No. of Shares Held	% of Shareholding
A	Promoter Holding	13,54,194	45.27
B	Non-Promoter Holding	16,37,188	54.73
	<b>Total</b>	<b>29,91,382</b>	<b>100.00</b>

#### Board of Directors of SRL

The Board of Directors of SRL consists as follows :

Shri Nandan S. Damani – Chairman & Managing Director

Shri M. P. Jatia

Shri V. B. Haribhakti

Shri S. K. Somany

Smt. Anna Malhotra

Smt. Gopa Ray

## Financial Performance of SRL

Particulars	2007 – 08 (Rs. in Millions)
Sales & Other Income	767.75
PAT	237.23
Equity Capital	29.93
Reserves	144.24
EPS (Rs.)	79.30
Book Value (Rs.)	58.18

SRL is listed on Bombay Stock Exchange Limited.

### Details of listing and Highest & Lowest market price during the preceding six months :

Month	High	Low
January 2008	379.00	207.35
February 2008	227.90	180.15
March 2008	238.35	123.75
April 2008	189.00	148.40
May 2008	245.50	161.55
June 2008	232.20	179.00

We confirm that the PAN and bank account details of the Promoters have been submitted to Bombay Stock Exchange Limited, on which shares are proposed to be listed, at the time of filing this Information Memorandum with them.

### CURRENCY OF PRESENTATION

In this Information Memorandum all references to "Rupees" and "Rs." are to Indian Rupees, the legal currency of the Republic of India.

### DIVIDEND POLICY

Dividend is intended to be declared based on the quantum and availability of profits and will be disbursed based on shareholders' approval based on the recommendation of the Board of Directors.

The Company has not paid any dividend in the past.

## FINANCIAL INFORMATION

### The Board of Directors

Simplex Mills Company Limited  
30, Keshavrao Khadye Marg,  
Sant Gadge Maharaj Chowk,  
Mumbai – 400 011

### Re: Public listing of Simplex Mills Company Limited (Formerly known as Gaalaxy Garments Limited)

Dear Sirs,

1. We have examined the financial information of Simplex Mills Company Limited (Formerly known as Gaalaxy Garments Limited) ('the Company'), as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with your instructions dated 19.06.2008 requesting us to carry out work in connection with the listing of fully paid Equity Shares of the Company.

2. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Act, the SEBI Guidelines and our terms of reference with the Company dated 19.06.2008 requesting us to make this report for the purpose of the Information Memorandum as aforesaid, we report that:

The restated assets and liabilities of the Company as at March 31, 2004, 2005, 2006, 2007 and 2008 are as set out in Annexure 1 to this report after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4 to this report.

The restated profits of the Company for the financial years ended March 31, 2004, 2005, 2006, 2007 and 2008 are as set out in Annexure 2 to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4 to this report.

The restated cash flows of the Company for the financial years ended March 31, 2004, 2005, 2006, 2007 and 2008 are as set out in Annexure 3 to this report. These cash flows have been arrived at after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4 to this report.

3. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document:

- i. Accounting ratios as appearing in Annexure 5 to this report.
- ii. Capitalization statement as at March 31, 2008 as appearing in Annexure 6 to this report.
- iii. Statement of tax shelters as appearing in Annexure 7 to this report.
- iv. Statement of details of secured loans as appearing in Annexure 8 & 9 to this report
- v. Statement of details of unsecured loans as appearing in Annexure 10 to this report

- vi. Statement of details of investments as appearing in Annexure 11 to this report
  - vii. Statement of details of sundry debtors as appearing in Annexure 12 to this report
  - viii. Statement of details of loans and advances as appearing in Annexure 13 to this report.
  - ix. We hereby confirm that the Company's other income does not exceed 20% of its total income for the year ended on March 31, 2008.
4. This report is being issued by us for the purpose of incorporating the same in the Information Memorandum to be issued to the Bombay Stock Exchange in connection with the listing of shares of the Company.

**For Vijay Rungta & Co.**  
Chartered Accountants

**Ajay Rungta**  
Partner  
Membership No.: 40333

Place : Mumbai  
Date : 25.06.2008

## ANNEXURE 1

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Million)

Particulars	As at				
	March 31 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
<b>A Fixed Assets</b>					
Gross Block	-	148.20	152.85	159.43	158.11
Less: Depreciation	-	2.31	6.80	11.65	15.95
Net Block	-	145.89	146.05	147.78	142.16
Capital Work in Progress	-	2.40	3.98	0.99	2.02
<b>Total fixed assets (A)</b>	<b>-</b>	<b>148.29</b>	<b>150.03</b>	<b>148.77</b>	<b>144.18</b>
<b>B Investments (B)</b>	<b>-</b>	<b>0.63</b>	<b>14.20</b>	<b>14.20</b>	<b>-</b>
<b>C Current assets, loans and advances</b>					
Inventories	-	27.19	28.16	20.14	23.08
Sundry debtors	-	12.75	12.07	16.66	9.63
Cash and bank balances	0.03	1.59	1.77	1.41	3.81
Loans and advances	0.01	4.21	4.16	5.52	9.75
<b>Total (C)</b>	<b>0.04</b>	<b>45.74</b>	<b>46.16</b>	<b>43.73</b>	<b>46.27</b>
<b>D Liabilities and provisions</b>					
Secured loans	-	28.89	18.02	16.47	5.39
Unsecured loans	0.05	0.05	-	-	-
Deferred tax liability	-	10.97	10.20	9.48	7.19
Current liabilities	0.06	15.77	23.20	17.96	23.63
Provisions	-	6.66	7.40	9.97	11.44
<b>Total (D)</b>	<b>0.11</b>	<b>62.34</b>	<b>58.82</b>	<b>53.88</b>	<b>47.65</b>
<b>E Net Worth (A+B+C-D)</b>	<b>(0.07)</b>	<b>132.32</b>	<b>151.57</b>	<b>152.82</b>	<b>142.80</b>
<b>F Represented by:</b>					
<b>1 Share Capital</b>					
Equity share capital	0.10	15.80	30.00	30.00	30.00
<b>2 Reserves and Surplus</b>	<b>-</b>	<b>130.36</b>	<b>130.36</b>	<b>130.36</b>	<b>130.36</b>
<b>3 Miscellaneous expenditure</b>	<b>-</b>	<b>3.07</b>	<b>4.56</b>	<b>4.70</b>	<b>4.50</b>
<b>4 Debit balance in profit and loss a/c.</b>	<b>0.17</b>	<b>10.77</b>	<b>4.23</b>	<b>2.84</b>	<b>13.06</b>
<b>Net Worth (1+2-3-4)</b>	<b>(0.07)</b>	<b>132.32</b>	<b>151.57</b>	<b>152.82</b>	<b>142.80</b>

## ANNEXURE 2

## SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in Million)

Particulars	For the year ended				
	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
<b>Income</b>					
Sales	0.02	88.43	187.78	221.25	194.31
Other Income	0.01	0.77	8.91	2.19	1.11
(Decrease)/Increase in Stock	(0.07)	(9.34)	(4.43)	(4.80)	2.78
<b>Total</b>	<b>(0.04)</b>	<b>79.86</b>	<b>192.26</b>	<b>218.64</b>	<b>198.20</b>
<b>Expenditure</b>					
Cost of Sales /Raw Material consumed	-	44.24	91.16	117.63	123.49
Manufacturing Expenses	-	23.11	49.89	49.09	40.29
Excise Duty	-	2.95	2.54	2.54	1.76
Employee costs	-	11.79	25.39	28.44	28.19
Administration and other expenses	0.01	3.37	7.70	9.11	7.65
Selling & Distribution expenses		1.09	2.46	2.41	1.70
<b>Total</b>	<b>0.01</b>	<b>86.55</b>	<b>179.14</b>	<b>209.22</b>	<b>203.08</b>
<b>Profit/(loss) before interest, depreciation and tax</b>	<b>(0.05)</b>	<b>(6.69)</b>	<b>13.12</b>	<b>9.42</b>	<b>(4.88)</b>
Depreciation/amortization	-	2.30	4.53	4.88	4.99
<b>Profit/(loss) before interest and tax</b>	<b>(0.05)</b>	<b>(8.99)</b>	<b>8.59</b>	<b>4.54</b>	<b>(9.87)</b>
Interest	0.01	2.14	3.32	2.44	(0.16)
<b>Profit/(loss) before tax</b>	<b>(0.06)</b>	<b>(11.13)</b>	<b>5.27</b>	<b>2.10</b>	<b>(9.71)</b>
Profit /(Loss) on sale of Fixed Assets	-	0.29	0.90	0.36	(2.69)
<b>Provision for taxes on income</b>					
- Current Tax	-	-	0.34	1.71	-
- Deferred Tax	-	(0.25)	(0.77)	(0.72)	(2.29)
- Fringe Benefit Tax	-	-	0.06	0.08	0.11
Prior Period Income / Expenses	-	(0.01)	-	-	-
<b>Profit/(loss) after tax for the year</b>	<b>(0.06)</b>	<b>(10.60)</b>	<b>6.54</b>	<b>1.39</b>	<b>(10.22)</b>
<b>Net Profit/(loss) as restated</b>	<b>(0.06)</b>	<b>(10.60)</b>	<b>6.54</b>	<b>1.39</b>	<b>(10.22)</b>
Profit/(loss) brought forward from previous year	(0.11)	(0.17)	(10.77)	(4.23)	(2.84)
<b>Amount available for appropriation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Issue of Bonus Shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance carried to balance sheet, as restated</b>	<b>(0.17)</b>	<b>(10.77)</b>	<b>(4.23)</b>	<b>(2.84)</b>	<b>(13.06)</b>



**ANNEXURE 3**

**CASH FLOW STATEMENTS, AS RESTATED**

**(Rs. in Million)**

Particulars	For the year ended				
	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES					
<b>Profit before tax, as restated</b>	<b>(0.06)</b>	<b>(10.84)</b>	<b>6.17</b>	<b>2.46</b>	<b>(12.40)</b>
<u>Adjustments for</u>					
Depreciation	-	2.30	4.53	4.88	4.99
Loss/ (Profit) on sale of asset	-	(0.29)	(0.90)	(0.36)	2.69
Dividend Income	-	(0.01)	(0.06)	-	-
Interest expenses	-	2.34	3.75	3.46	0.77
Interest income	-	(0.20)	(0.43)	(1.02)	(0.92)
Miscellaneous expenditure written off	-	0.21	0.59	0.67	0.71
Payment for Voluntary Retirement Scheme	-	(0.46)	(2.09)	(0.82)	(0.52)
Operating profit before working capital changes	(0.06)	(6.95)	11.56	9.27	(4.68)
<u>Adjustments for:</u>					
Decrease/(Increase) in inventories	0.07	14.65	(0.97)	8.02	(2.94)
Decrease/(Increase) in trade debtors and other receivables	0.07	(3.18)	0.81	(4.57)	3.54
Increase/(decrease) in current liabilities and provisions	(0.27)	2.80	7.77	(4.41)	7.04
Cash generated from operations/(used) in operations	(0.19)	7.32	19.17	8.31	2.97
Taxes (paid)	-	0.01	(0.07)	(1.43)	(0.67)
<b>Net cash generated from operating activities</b>	<b>(0.19)</b>	<b>7.31</b>	<b>19.10</b>	<b>6.88</b>	<b>2.29</b>
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of fixed assets	-	(0.69)	(6.82)	(3.89)	(4.72)
Sale of fixed assets	-	0.39	1.46	0.64	1.64
Purchase of investments	-	-	(13.57)	-	-
Dividend Income	-	0.01	0.05	-	-
Interest received	-	0.20	0.43	1.01	0.84
Sale of investments	-	-	-	-	14.20
<b>Net cash generated from / (used in) Investing Activities</b>	<b>-</b>	<b>(0.09)</b>	<b>(18.45)</b>	<b>(2.24)</b>	<b>11.96</b>

<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
Interest paid	-	(2.34)	(3.75)	(3.46)	(0.77)
Proceeds from issue of share capital	-	0.40	14.20	-	-
(Decrease)/Increase in loans and advances	-	(4.82)	(10.92)	(1.54)	(11.08)
Proceeds from borrowings	-	-	-	-	-
Repayment of borrowings	-	-	-	-	-
<b>Net cash generated from / (used in) financing activities</b>	<b>-</b>	<b>(6.76)</b>	<b>(0.47)</b>	<b>(5.00)</b>	<b>(11.85)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(0.19)</b>	<b>0.46</b>	<b>0.18</b>	<b>(0.36)</b>	<b>2.40</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>0.22</b>	<b>0.03</b>	<b>1.59</b>	<b>1.77</b>	<b>1.41</b>
<b>Cash and cash equivalent taken over on de-merger</b>	<b>-</b>	<b>1.10</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>0.03</b>	<b>1.59</b>	<b>1.77</b>	<b>1.41</b>	<b>3.81</b>

## ANNEXURE 4

### NOTES TO RESTATED PROFIT AND LOSS AND RESTATED ASSETS AND LIABILITIES AND CASH FLOW STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

**1. Significant Accounting Policies:**

The accounts have been prepared in accordance with the accounting principles generally accepted in India and are in line with the relevant provision of the Companies Act, 1956.

**(a) System of Accounting:**

The Company adopts the accrual basis in the preparation of the accounts except insurance claims and sales tax refunds.

**(b) Fixed Assets:**

All fixed assets (including assets taken on hire purchase) are carried at cost. The cost of fixed assets includes expenses incidental to acquisition. Interest on specific borrowings, obtained for the purposes of acquiring fixed assets is capitalised upto the date of commissioning of the assets.

**(c) Investments:**

Long term Investments are valued at cost less provision for permanent diminution in value of such investments.

**(d) Inventories:**

Stores and spare parts are valued at cost. Process stock is valued at estimated cost. Raw materials are valued at cost or market rate, whichever is lower. Finished products and waste are valued at cost or market rate whichever is lower, whereas the sold quantity is valued at contract rates. (Cost includes direct cost and overheads). Cost of finished goods and work in process is ascertained by applying the absorption cost basis.

**(e) Revenue recognition:**

Sales of goods are recognized on dispatch of goods to customers, or when substantial risks and rewards of ownership are transferred by the Company. Sales are inclusive of excise duty and exclude sales tax.

**(f) Borrowing Costs:**

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

**(g) Export Sales:**

Export sales in foreign currency are accounted at the exchange rates prevailing on the dates of the transactions.

**(h) Foreign Exchange Transactions:**

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. As at the balance sheet date, monetary assets and liabilities denominated in foreign currency are reported at closing rates. Gains or losses on settlement / restatement of foreign currency transactions are recognized in the Profit and Loss account in the period in which they arise.

- (i) **Depreciation:**  
Depreciation has been provided on all fixed assets (excluding Furniture, Fixtures and Equipments) on straight-line method and on Furniture, Fixtures and Equipments on the written down value basis at rates prescribed in Schedule XIV to the Companies Act, 1956.
- (j) **Miscellaneous Expenditure (to the extent not written off or adjusted):**  
Compensation to employees who have opted for retirement under the Voluntary Retirement Scheme of the Company is amortised over ten years.
- (k) **Retirement Benefits:**  
The liability on account of gratuity and leave encashment is based on actuarial valuation. The Company's contribution to provident fund, family pension fund and superannuation fund are charged to Profit and Loss account as incurred.
- (l) **Deferred Taxation:**  
Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty of realization, except for unabsorbed depreciation and business loss, in respect of which deferred tax is recognized only if the Company is virtually certain of having sufficient taxable income in future against which the loss/depreciation can be set off.
- (m) **Impairment of Assets:**  
Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

## NOTES TO THE ACCOUNTS

1. Contingent liabilities not provided for:

	(Rs. Million)	
	31-03-08	31-3-07
a) Claims against the Company not acknowledged as debts		
i) Excise duty tax liability that may arise in respect of matter in appeal or challenged by the company	55.14	55.14
ii) Other	3.84	36.70
b) Bills discounted, Letters of Credit, Letters of Guarantee	49.93	52.19

2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 286.38 lacs (net of advances) (Previous year Rs. 181.07 lacs).
3. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

4. Retirement Benefits:

The Gratuity Scheme and Leave encashment scheme are the unfunded defined benefit plan. There are no plan assets attributable to the obligation.

a. **Gratuity**

**Actuarial Assumptions**

Discount Rate	7.50%
Salary Escalation Rate	5.00%
Attrition rate	1.50%

**Changes in value of obligations**

	<b>Rs.(In Million)</b>
Liability at the beginning of the year	7.32
Interest Cost	0.53
Current Service Cost	0.52
Benefits Paid	(0.48)
Actuarial (Gain)/Loss on Obligations	1.08
Liability at the end of the year	8.97

**Expenses recognized in the Profit & Loss account**

Current Service cost	0.52
Interest Cost	0.53
Net Actuarial (Gain)/Loss recognized	1.08
Expenses recognized in Profit & Loss account	2.13

b. **Leave Encashment**

**Actuarial Assumptions**

Discount Rate	7.50%
Salary Escalation Rate	5.00%
Attrition rate	1.50%

**Changes in value of obligations**

	<b>Rs.(In Million)</b>
Liability at the beginning of the year	0.51
Interest Cost	0.01
Current Service Cost	-
Benefits Paid	(0.77)
Actuarial (Gain)/Loss on Obligations	0.48
Liability at the end of the year	0.23

**Expenses recognized in the Profit & Loss account**

Current Service cost	-
Interest Cost	0.01
Net Actuarial (Gain)/Loss recognized	0.48
Expenses recognized in Profit & Loss account	0.49

5. Break-up of deferred tax liability (net):

(Rs. in Millions)

	<b>Deferred tax effect of</b>	<b>31-03-2008 Deferred Tax Asset /(Liability)</b>	<b>31-03-2007 Deferred Tax Asset /(Liability)</b>
1	Difference between books and tax depreciation	<b>(10.31)</b>	(12.14)
2	Provision for Gratuity	<b>3.05</b>	2.49
3	Provision for Leave Encashment	<b>0.08</b>	0.17
	<b>Deferred tax liability – net</b>	<b>(7.18)</b>	(9.48)

6. Earnings per Share

	<u>2007-08</u>	<u>2006-07</u>
(a) Numerator used for calculating basic and diluted earnings per share Profit/(Loss) after taxation - Rs.	<b>(1,02,09,729)</b>	13,86,619
(b) Weighted average number of shares used as denominator for calculating basic and diluted earning per share	<b>30,00,475</b>	30,00,475
(c) Nominal value of shares (Rs. per share)	<b>10/-</b>	10/-
(d) Basic / Diluted earning per share Rs.	<b>(3.40)</b>	0.46

7. The Company's activities are classified as belonging to a single business segment of manufacture and trading in yarns, textiles and textile products. The Company's operations are largely limited to India.

8. Related Party Disclosure (As identified by the management)

(a) Related Party Relationship during the year

Controlling Company

Simplex Realty Limited

(b) Transactions with Related Party

(Rs. in Million)

Type of Related Party	Description of the nature of the transaction	Volume of transaction during 2007-08	Volume of transaction during 2006-07	As on 31.03.08 Receivable /(Payable)	As on 31.03.07 Receivable /(Payable)
Controlling Company	Advances	<b>3.55</b>	2.59	<b>3.86</b>	0.30

**ANNEXURE 5**

**STATEMENT OF ACCOUNTING RATIOS**

**(Rs. in Million)**

Particulars	As at				
	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Net Profit Before extraordinary items but after tax, as restated (A)	(0.06)	(10.59)	6.54	1.39	(10.21)
Less: Preference dividend including tax on dividend	-	-	-	-	-
<b>Net profit after preference dividend (B)</b>	<b>(0.06)</b>	<b>(10.59)</b>	<b>6.54</b>	<b>1.39</b>	<b>(10.21)</b>
Net Worth excluding share application and revaluation reserve at the end of the year (C)	(0.08)	132.33	151.57	152.81	142.80
Net Worth excluding share application and revaluation reserve and preference share capital at the end of the year (D)	(0.08)	132.33	151.57	152.81	142.80
Weighted average number of equity shares outstanding during the year (E) Nos.	10000	19644	1599927	3000475	3000475
Add: Effect of share Suspense Account	-	1530475	-	-	-
Weighted average number of equity shares outstanding during the year (F) Nos-Dilutive	10000	19644	1599927	3000475	3000475
Total Number of Equity shares outstanding at the end of the year (G) Nos.	10000	1581475	3000475	3000475	3000475
<b>Earnings Per Share</b>					
-- Basic (B/E)	(6.40)	(539.40)	4.08	0.46	(3.40)
--Diluted (B/F)	(6.40)	(539.40)	4.08	0.46	(3.40)
Return on Net Worth (%) (A/C)	N.A.	(8.00%)	4.31%	0.90%	(7.15)
Net Asset Value/ Book Value per share (Rs.) (D/G)	(7.64)	83.68	50.52	50.93	47.60

**ANNEXURE 6****CAPITALIZATION STATEMENT AS AT MARCH 31, 2008****(Rs. in Million)**

<b>Particulars</b>	<b>Pre Issue</b>	<b>Post Issue</b>
<b>Debt</b>		
Short term debt	0.06	5.38
Long term debt	Nil	Nil
<b>Total Debt</b>	<b>0.06</b>	<b>5.38</b>
<b>Shareholders Funds</b>		
Equity Share Capital	0.01	30.00
Preference Share Capital	Nil	Nil
Reserves and Surplus	Nil	130.36
Less: Miscellaneous Expenditure and Debit balance of P&L Account	0.17	17.56
<b>Total Shareholders Funds</b>	<b>(0.16)</b>	<b>142.80</b>
Debts / Shareholders' Funds	-	0.04:1

Note : Pre issue figures are taken of before the appointed date i.e. 2<sup>nd</sup> October 2004. Post issue figures are as on 31<sup>st</sup> March 2008.



## ANNEXURE 7

## STATEMENT OF TAX SHELTERS

(Rs. in Million)

Particulars	As at				
	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
<b>Profit Before current and deferred taxes, as restated</b>	<b>(0.06)</b>	<b>(10.84)</b>	<b>6.17</b>	<b>2.46</b>	<b>(12.40)</b>
Tax rate%					
Normal	35.875%	36.5925%	33.66%	33.99%	33.99%
<b>Tax impact at applicable tax rate on restated profits</b>	-	-	-	-	-
<b>Adjustments</b>					
Difference between book base and tax base of fixed assets	-	(36.10)	(37.31)	(35.72)	(41.50)
Others	-	6.12	7.01	7.83	9.19
<b>Net Adjustments</b>	-	<b>(29.98)</b>	<b>(30.30)</b>	<b>(27.89)</b>	<b>(32.31)</b>
Tax saving thereon	-	(10.97)	(10.20)	(9.48)	(10.98)
<b>Net Tax payable</b>	-	-	-	-	-

**ANNEXURE 8****SECURED LOANS, AS RESTATED****(Rs. in Million)**

<b>Particulars</b>	<b>As at</b>				
	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>
Working capital loans from bank	-	28.89	17.56	16.24	5.39
Vehicle Loan	-	-	0.46	0.23	-
<b>Total</b>	<b>-</b>	<b>28.89</b>	<b>18.02</b>	<b>16.47</b>	<b>5.39</b>

**ANNEXURE 9****PRINCIPAL TERM OF SECURED LOANS AND ASSETS CHARGED AS SECURITY****(Rs. in Million)**

<b>Sr No.</b>	<b>Particulars</b>	<b>Rate of Interest / Repayment Terms</b>	<b>Amount Outstanding as at March 31, 2008</b>	<b>Details of security</b>
1.	Working capital loan from State Bank of India	Interest rates varies between 12.50% to 14.00% and repayable on demand	5.39	Secured by first charge over current assets and second charge over immovable property of the company
	<b>Total</b>		<b>5.39</b>	

**ANNEXURE 10****UNSECURED LOANS, AS RESTATED****(Rs. in Million)**

<b>Particulars</b>	<b>As at</b>				
	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>
From group/ associate companies	0.05	0.05	-	-	-
From others	-	-	-	-	-
<b>Total</b>	<b>0.05</b>	<b>0.05</b>	-	-	-

**ANNEXURE 11****INVESTMENTS, AS RESTATED****(Rs. in Million)**

<b>Particulars</b>	<b>As at</b>				
	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>
The Akola Janta Commercial Co-op Bank Limited.	-	0.63	-	-	-
5% Non Convertible Debentures of Simplex Realty Limited	-	-	14.20	14.20	-
<b>Total</b>	-	<b>0.63</b>	<b>14.20</b>	<b>14.20</b>	-

**ANNEXURE 12****SUNDRY DEBTORS, AS RESTATED****(Rs. in Million)**

<b>Particulars</b>	<b>As at</b>				
	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>
Debts outstanding for a period exceeding six months	-	0.85	0.09	0.01	0.18
Others	-	11.90	11.98	16.65	9.45
<b>Total</b>	<b>-</b>	<b>12.75</b>	<b>12.07</b>	<b>16.66</b>	<b>9.63</b>

**ANNEXURE 13****LOANS AND ADVANCES, AS RESTATED****(Rs. in Million)**

<b>Particulars</b>	<b>As at</b>				
	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>
Deposits with various authorities	-	1.57	1.57	1.58	2.37
Balance with Excise Authorities	-	0.36	0.88	0.63	0.42
Advances (Recoverable in cash or in kind for value to be received)	-	2.27	1.63	1.80	4.78
Advance payment of tax/TDS	-	0.01	0.08	1.51	2.18
<b>Total</b>	<b>-</b>	<b>4.21</b>	<b>4.16</b>	<b>5.52</b>	<b>9.75</b>

## **CHANGES IN ACCOUNTING POLICIES DURING THE LAST THREE YEARS**

There was no material change in accounting policies during last three years.



## **FINANCIAL DETAILS OF SUBSIDIARY COMPANIES**

The company does not have any subsidiary company.

## FINANCIAL DETAILS OF GROUP COMPANIES

### 1. Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited)

Simplex Papers Limited (SPL) was originally incorporated on 3<sup>rd</sup> May 1994 under the Companies Act, 1956 in the name of Simplex Paper & Pulp Limited. Certificate for commencement of Business was received on 1<sup>st</sup> June 1994. The name of the Company was thereafter changed to its present name Simplex Papers Limited w.e.f. 15<sup>th</sup> December 2005.

The Company was incorporated with the main object to pursue business in paper industry.

The Board of Directors of SPL consist 5 directors, namely Shri S. M. Soni, Shri R. L. Saboo, Shri O. D. Purohit, Shri Dinesh C. Shrimali and Shri K. C. Murarka.

Share holding pattern of SPL as on 31.03.2008 is as follows :

	No. of Shares	Holding (%)
Promoter Holding	21,62,179	72.04
Non – Promoter Holding	8,39,296	27.96

The Company is proposed to be listed on Bombay Stock Exchange Ltd.

Financial parameters of SPL are as follows :

Particulars	As on March 31, 2008 (Rs. in Million)
Sales	0.03
Profit After Tax (PAT)	(1.81)
Equity Capital	30.04
Reserve & Surplus	193.45
Earning per share (Rs.)	(0.60)
Book Value (Rs.)	39.52

### 2. Shreelekha Global Finance Limited

Shreelekha Global Finance Limited (SGFL) was originally incorporated on 16.11.1994 in the name Shreelekha Investments & Finance Limited. Certificate for Commencement of Business was received on 12.01.1995. Thereafter, w.e.f. 01.06.1995, the name of the Company was changed to Shreelekha Global Finance Limited. SGFL was incorporated with main object to pursue investment business.

The Board of Directors of SGFL consist 8 directors, namely Shri S. K. Somany, Smt. Shreelekha Damani, Shri N. S. Damani, Shri O. D. Purohit, Shri G. L. Damani, Shri A. Agarwal, Shri K. P. Murarka and Shri Sudhir Merchant.

Share holding pattern of SGFL as on 31.03.2008 is as follows :

	<b>No. of Shares</b>	<b>Holding (%)</b>
Promoter Holding	10,00,000	100
Non – Promoter Holding	Nil	Nil

The Company is not listed at any stock exchange.

Financial parameters of SGFL are as follows:

<b>Particulars</b>	<b>As on March 31, 2008 (Rs. in Millions)</b>
Income from operations	1.00
Profit After Tax (PAT)	0.42
Equity Capital	10
Reserve & Surplus	Nil
Earning per share (Rs.)	0.42
Book Value (Rs.)	10.46

### **3. New Textiles Limited**

New Textiles Limited (NTL) was incorporated on 02.05.1951. The Company's status was changed to Private Limited and Fresh Certificate of Incorporation dated 14.06.1979 was received in the name of New Textiles Pvt. Limited.. The status of NTL was further changed to Public Limited and Fresh Certificate of Incorporation dated 09.07.1985 was received in the name of New Textiles Limited. The Company was incorporated with main object to pursue business to provide agency services in the textile industry.

The Board of Directors of NTL consist 3 directors, namely Shri N. S. Damani, Smt. Shreelekha Damani, Smt. Prasann A. Somany.

Share holding pattern of NTL as on 31.03.2008 is as follows :

	<b>No. of Shares</b>	<b>Holding (%)</b>
Promoter Holding	2375	100
Non – Promoter Holding	Nil	Nil

The Company is not listed at any stock exchange.

Financial parameters of NTL are as follows :

<b>Particulars</b>	<b>As on March 31, 2008 (Rs. in Millions)</b>
Income from operations	Nil
Profit After Tax (PAT)	(0.02)
Equity Capital	2.38
Reserve & Surplus	7.16
Earning per share (Rs.)	(7.52)
Book Value (Rs.)	40.17

#### **4. Lucky Vyapaar And Holdings Pvt. Limited.**

Lucky Vyapaar And Holdings Pvt. Limited. (LVHL) was incorporated on 21.02.1994 with main object to pursue investment business.

The Board of Directors of LVHL consist 3 directors, namely Shri N. S. Damani, Smt. Shreelekha Damani and Shri Kantilal Shah.

Share holding pattern of LVHL as on 31.03.2008 is as follows :

	<b>No. of Shares</b>	<b>Holding (%)</b>
Promoter Holding	7,59,900	100
Non – Promoter Holding	Nil	Nil

The Company is not listed at any stock exchange.

Financial parameters of LVHL are as follows :

<b>Particulars</b>	<b>As on March 31, 2008 (Rs. in Millions)</b>
Income from operations	3.43
Profit After Tax (PAT)	0.36
Equity Capital	7.60
Reserve & Surplus	5.68
Earning per share (Rs.)	0.47
Book Value (Rs.)	17.48

#### **5. The Nav Bharat Refrigeration and Industries Limited.**

The Nav Bharat Refrigeration and Industries Limited. (NBRI) was originally incorporated on 12.10.1950 in the name "The Nav Bharat Cold Storage & Ice Mills Limited". Thereafter, the name of the company was changed to "The Nav Bharat Refrigeration and Industries Limited." w.e.f. 20.12.1963. The main object of the company is to pursue the business of ice manufacturers and cold storage keepers.

The Board of Directors of NBRI consist 7 directors, namely Shri S. K. Somany, Shri N. S. Damani, Shri O. D. Purohit, Shri G. G. Damani, Shri B. K. Binani, Smt. Shreelekha Damani and Shri G. L. Damani. Smt. Shreelekha Damani is Managing Director and Shri G. L. Damani is Whole-time Director of the company.

Share holding pattern of NBRI as on 31.03.2008 is as follows :

	<b>No. of Shares</b>	<b>Holding (%)</b>
Promoter Holding	1,33,510	66.76
Non – Promoter Holding	66,490	33.24

The Company is listed on Delhi Stock Exchange.

Financial parameters of NBRL are as follows:

Particulars	As on March 31, 2008 (Rs. in Millions)
Income from operations	17.56
Profit After Tax (PAT)	1.79
Equity Capital	2.00
Reserve & Surplus	36.66
Earning per share (Rs.)	8.94
Book Value	193.28

#### **6. Shrinathji Flour Mills Pvt. Limited.**

The Shrinathji Flour Mills Pvt. Limited. (SF MPL) was incorporated on 13.09.1988. The main object of the company is to pursue the business of millers in all its branches and to set up mills for milling wheat, gram, other grains etc.

The Board of Directors of SF MPL consist 2 directors, namely Shri Shivnarayan Daga and Smt. Sitalaxmi Narayanan.

Share holding pattern of SF MPL as on 31.03.2008 is as follows :

	<b>No. of Shares</b>	<b>Holding (%)</b>
Promoter Holding	7,000	100
Non – Promoter Holding	-	-

The Company is not listed at any stock exchange.

Financial parameters of SFMPL are as follows:

Particulars	As on March 31, 2008 (Rs. in Millions)
Income from operations	(0.00)
Profit After Tax (PAT)	(0.01)
Equity Capital	0.70
Reserve & Surplus	-
Earning per share (Rs.)	-
Book Value (Rs.)	92.37

## MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion of our Company's financial condition and results of operations should be read together with the audited financial statements for the F.Y. March 31, 2004, 2005, 2006, 2007 and 2008 including the Schedules, Annexure and Notes thereto and the Reports thereon, which appear in this Information Memorandum. These financial statements are prepared in accordance with Indian Accounting Standards, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of Vijay Rungta & Co., Chartered Accountants dated 25.06.2008 in the section with the title 'Financial Information'.

### 1. Overview of the Business of SML

Overview of business of SML has been given earlier in this Information Memorandum at page no. 27.

### 2. Significant Developments subsequent to last financial year

In the opinion of the Board of Directors there are no material developments after the date of the latest balance sheet save and except as stated elsewhere in this document, 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 subsequent to last financial year.

### 3. Factors that may affect the Results of Operations

Kindly refer to section on "Risk Factors" given earlier in this Information Memorandum.

4. A summary of past financial results after adjustments as given in the auditors report for the past three years containing significant items of income and expenditure.

(Rs in Million)			
Particulars	2005 - 06	2006 - 07	2007 - 08
Income from operation	187.78	221.25	194.31
Other Income	9.80	3.20	2.03
Interest	3.32	3.45	0.76
Depreciation	4.53	4.88	5.00
Misc. expenditure w/off	0.59	0.67	0.72
PBDIT	14.02	10.80	(6.63)
PROFIT AFTER TAX (PAT)	6.54	1.39	(10.21)
Earning Per Share (in Rupees)			
- Basic	4.08	0.46	(3.40)
- Diluted	4.08	0.46	(3.40)

5. An analysis of reasons for the changes in significant items of income and expenditure on comparison of results of recent financial year with previous financial years (3 years) on major heads of the Profit & Loss Statement:

**a. Unusual or infrequent events or transactions**

There have been no unusual or infrequent events or transactions.

**b. Significant economic changes**

There are no significant economic changes that affected the industry.

**c. Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations**

The company's product range has not affected by the vagaries of seasons or sudden surges in the market.

**d. Future relationship between costs and revenues**

The profitability of the company will affect in case of events such as increase in labour or material costs or prices of the product.

**e. Total revenue of the industry segment in which the Company operates**

The company operates only in one industry segment i.e. manufacturing of textile articles and the total revenue of the company represents revenue derived from that segment only.

**f. Status of any publicly announced new products or business segment**

Presently company has not announced any new product.

**g. Seasonality of business**

The company being in the cyclical industry, operating results has historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of textile articles, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between revenue and cost and consolidation in the textile industry, effect of seasonality, availability of raw materials, change in Government policies, addition of new machinery and other general economical and business factors. Due to all or any of these factors it is possible that in some future year the company's operating results may vary from the expectations.

**h. Dependence on single or few customers**

The company is not dependent on single or few customers.

**i. Competitive conditions**

There has not been any major changes in income / expenditure on account of competitive conditions.



## LEGAL AND OTHER INFORMATION

Except as stated here-in-below, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (l) of Part I of Schedule XIII of the Act), or litigation for tax liabilities against the Company, its subsidiaries, promoters, or directors, and there are no defaults, non-payment or overdue of statutory dues, institutional or bank due, or dues towards holder of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its subsidiaries and no disciplinary action has been taken by SEBI or any Stock Exchanges against the Company, its subsidiaries, promoters, or directors.

### OUTSTANDING LITIGATIONS INVOLVING THE COMPANY

**a. Claims against the Company**

The Excise Department has raised a claim on the Company of Rs. 545.17 lakhs. The company has disputed the same with appropriate authorities.

**b. Pending litigations filed by / against the Company**

11 cases are pending in various labour courts in India against Company involving a claim of Rs. 3.84 lakhs. The company has disputed the same with appropriate authorities.

**c. Pending litigation involving our Promoters and Directors**

There are no dispute pending in any court in India against the promoters and directors.

**d. Pending litigation involving Group Companies**

Against - Simplex Papers Limited. - Claims against the Company has been made by various authorities for an amount of Rs. 1,851.33 lakhs (including Excise Rs. 1,754.47 lakhs). The company has disputed the same with appropriate authorities.

## **GOVERNMENT APPROVALS**

The Company has received following registration certificates / licenses with respect to the its business:

1. Sales Tax Registration
2. Excise Registration
3. Factory Licenses

These approvals are valid as on date.

The Company has also received the following Government approvals /licenses / permissions :

### **Incorporation and other statutory compliances**

1. Certificate of incorporation No. 11-116585 dated 21<sup>st</sup> September 1998 issued by Registrar of Companies, Mumbai to Lupercal Finance and Investments Private Limited.
2. Fresh Certificate of Incorporation dated 13<sup>th</sup> May 2002 consequent to change of name from "Lupercal Finance and Investments Private Limited" to "Galaxy Garments Private Limited".
3. Certificate of Registration of special resolution passed on 15<sup>th</sup> June 2002 for alteration of Objects dated 25<sup>th</sup> June 2002.
4. Fresh Certificate of Incorporation dated 9<sup>th</sup> August 2004 consequent to change of name from "Galaxy Garments Private Limited" to "Gaalaxy Garments Private Limited".
5. Certificate of change of name from "Gaalaxy Garments Private Limited" to "Gaalaxy Garments Limited" dated 24<sup>th</sup> January 2005 pursuant to change in the status of the Company from private limited company to public limited company.
6. Fresh Certificate of Incorporation dated 14<sup>th</sup> December 2005 consequent to change of name from "Gaalaxy Garments Limited" to "Simplex Mills Company Limited".
7. Professional Tax Registration No. 4/2/3/3324 dated 31.03.2006 issued by the Profession Tax Officer.

### **Income Tax:**

1. Permanent Account No. AABCG6005F issued by the Director of Income Tax (Systems), Income Tax Department
2. Tax Deduction Account Number MUML03608D issued by DCIT (TDS), Mumbai.

In view of the approvals listed above, we can undertake our current business activities and no further material approvals are required to continue such activities.

### **APPROVALS APPLIED FOR:**

Our Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for its present business and no further approvals are required for carrying on the present business of our Company. It must, however, be distinctly understood that in granting the above consents / licenses / permissions / approvals, the Government does not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

## **REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Scheme**

The Honorable High Court of Judicature at Bombay, vide its Order dated 1<sup>st</sup> July 2005, has sanctioned the Scheme of Arrangement between Simplex Realty Limited (formerly known as The Simplex Mills Company Limited), Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) and their respective shareholders.

### **Prohibition by SEBI**

Our Company, our directors, any of our Associates or Group Companies, and Companies with which the directors of issuer are associated, as directors or promoters, have not been prohibited from accessing the capital market under any order or directions passed by SEBI.

### **Caution**

The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of Clause 8.3.5.4 of SEBI (DIP) Guidelines, 2000 or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk.

All information shall be made available by SMCL to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.

### **Disclaimer Clause of BSE**

As required, a copy of this Information Memorandum has been submitted to BSE. The BSE has vide its letter no. DCS/SMG/RRP/2005/503229 dated June 30, 2005 has approved the said Scheme under Clause 24(f) of the Listing Agreement and by virtue of that approval the BSE's name in this Information Memorandum has been incorporated on which the Company's securities are proposed to be listed.

The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; or
- warrant that SMCL's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of SMCL, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Information Memorandum has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## **Filing**

Copies of this Information Memorandum have been filed with the BSE in due compliance with the directive issued by BSE.

## **Listing**

Applications will be made to BSE for permission to deal in and for an official quotation of the Equity Shares of the Company.

The Company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at the BSE.

## **Demat Credit**

SMCL has executed Agreements with NSDL and CDSL for admitting its securities in demat form.

The Company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at the Stock Exchange.

## **Expert opinions**

Save as stated elsewhere in this Information Memorandum, we have not obtained any expert opinions.

## **Particulars regarding previous Public or Rights Issues**

SMCL has not made any previous public or rights issue since incorporation.

## **Commission and brokerage on previous issues**

Since the Company has not issued shares to the public in the past, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since its inception.

## **Company under the Same Management**

Following companies are under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act:

1. Simplex Realty Limited (Formerly known as The Simplex Mills Company Limited.)
2. Simplex Papers Limited (Formerly known as Simplex Paper & Pulp Limited.)
3. Shreelekha Global Finance Limited.
4. New Textiles Limited.
5. Lucky Vyapaar and Holdings Pvt. Limited.
6. The Navbharat Refrigeration & Industries Limited.
7. Shrinathji Flour Mills Pvt. Limited.

## **Promise vis-à-vis performance**

This is for the first time the Company is getting listed on the Stock Exchange.

## **Outstanding debentures or bonds and redeemable preference shares and other instruments issued by the Company**

There are no outstanding debentures or bonds and redeemable preference shares and other instruments issued by the Company.

### **Stock Market Data for Equity Shares of SMCL**

Equity Shares of the Company are not listed on any stock exchanges. The Company is seeking approval for listing of its shares through this Information Memorandum.

### **Disposal of Investors Grievances**

Amtrac Management Services Limited (Amtrac) are the Registrar and Transfer Agents of the Company. All investors grievance would be redressed within 7 days of receipt by the Company or its Share Transfer Agent.

Investors can contact the Company's Share Transfer Agent or the Compliance Officer or the Secretarial Department of the Company in case of any share transfer related problem. The addresses and contact numbers are given elsewhere in this Information Memorandum. For quicker response, investors are requested to mention their contact numbers and email addresses while communicating their grievances.

The Company has appointed Mr. S. M. Soni, Director as the Compliance Officer of the Company and he may be contacted in case of any problems. He can be contacted at the following address:

Mr. S. M. Soni  
Director  
Simplex Mills Company Limited  
30, Keshavrao Khadye Marg,  
Sant Gadge Maharaj Chowk,  
Mumbai – 400011

Telephone : (022) 23082951 - 54  
Fax: (022) 23072773  
Email : simplex\_realty@rediffmail.com

## MAIN PROVISIONS OF THE ARTICLE OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Simplex Papers Limited are detailed below:

### Main Provisions of the Articles of Association

#### TRANSFER AND TRANSMISSION OF SHARES

##### 57. Register of Transfers

The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

##### 58. Instrument of Transfer

Shares in the Company may be transferred by instrument in writing in such form and by procedure as may from time to time be prescribed by law. Subject thereto the directors may prescribe a common form for instruments of transfer which may from time to time be altered by the directors.

##### 59. Transfer form to be completed and presented to the Company

The Instrument of transfer duly stamped and executed by the Transferor and the Transferee shall be delivered to the Company in accordance with the provisions of the Act. The Instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of Transferor and his right to transfer shall remain in the custody of the Company until destroyed by order of the Board. The Transferor shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the Register of Members in respect thereof. Before the registration of a transfer, the certificate or certificates of the shares must be delivered to the Company.

##### 60. Transfer Books and Register of Members when closed

The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situated to close the Transfer Books, the Register of Members or Register of Debenture-holder at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in a year.

##### 61. Director's may refuse to register transfer

(a) Subject to the provisions of Section 111 of the Act, and Section 22A of the Securities Contracts (Regulations) Acts, 1956, the Board may, at its own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares, debentures or detachable warrants, whether fully paid or not and (notwithstanding that the proposed Transferee be already a member) but in such cases it shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the Transferee and the Transferor notice of the refusal to register such transfer. The Board shall not refuse the registration of transfer on the ground of the transferor being either alone or jointly with any other person indebted to the Company on any account whatsoever.

- (b) Without prejudice to the generality of provisions of Article 61(a), the Board may refuse to register transfer of shares, debentures or detachable warrants, listed on any of the registered Stock Exchanges, in the name of the transferee on any one or more of the following grounds, namely :-
- (i) that the instrument of transfer is not proper, or has not been duly stamped and executed, or that the certificate relating to the share/s debenture/s or detachable warrant/s has not been delivered to the Company, or that any other requirement under the law relating to registration of such transfer has not been complied with.
  - (ii) that the transfer of shares, debentures or detachable warrants is in contravention of any law;
  - (iii) that the transfer of shares, debentures or detachable warrants is likely to result in such a change in the composition of the Board of Directors as would be prejudicial to the interest of the Company or to Articles 137 (b).
  - (iv) that the transfer of the shares, debentures or detachable warrants is prohibited by any order of any Court, tribunal or other authority under any law for the time being in force.
- (c)
- i. The Board shall, before the expiry of two months from the date on which the instrument of transfer is lodged with the Company for the purposes of such transfer, form its opinion as to whether such registration ought not to be refused on any of the grounds mentioned in Article 61(b).
  - ii. If the Board has formed the opinion that such registration ought not to be refused, the Company shall effect the registration of transfer.
  - iii. If the Board forms an opinion that such registration ought to be refused on the grounds, mentioned in Clause (i) of Article 61(b) it shall intimate the transferor and transferee by notice.
  - iv. If the Board forms an opinion that the registration ought to be refused on any of the grounds mentioned in Clauses (ii) to (iv) of Article 61(b), it shall make a reference to the Company law Board, if required under the law.
- (d) The Board shall not issue debenture/bonds with the right to allotment or conversion into shares without sanction of the company in the general meeting.

**62. Notice of application when to be given**

Where, in the case of partly paid share, an application for registration is made by the transferor, the company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

**63. Death of one or more joint-holders of shares**

Subject to the Article 24 hereof, in the case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.

**64. Title to shares of deceased members**

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased Member (not being one or two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such Member and the Company shall not be bound to recognise such executors or administrator or holders of a Succession certificate or the legal representatives unless such executors or administrator or legal representatives shall have first obtained probate or letters of administration or Succession certificate, as the case maybe, from a duly constituted Court in the

Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of probate or Letter of Administration or Succession Certificate, upon such terms as to indemnify or otherwise as the Board in its absolute discretion may think necessary and under Article 68 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

**65. No transfer to minor**

Only fully paid up shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian. Under no circumstances shares or debentures be transferred to any insolvent or a person of unsound mind.

**66. Registration of persons entitled to shares otherwise than by transfer. The transmission Article**

(a) Subject to the provisions of the Act and Articles 62, 63, 64, 65 and 68 any person becoming entitled to share in consequence of the death, lunacy, bankruptcy, or insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either by registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares. This Article is hereinafter called "The Transmission Article".

(b) A transfer of the share or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he has been a member at the time of the execution of the instrument of transfer.

**68. Persons entitled may receive dividend without being registered as member**

A person entitled to a share by transmission shall subject to the right of the Directors, retain such dividends or money as hereinafter provided, be entitled to receive, and may give discharge for any dividends or other money payable in respect of the share.

**71. Company not liable for disregard of notice, prohibiting registration of a transfer**

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

**DIRECTORS**

**134.** Subject to the provision of Section 252 and 259 of the Act, the number of Directors shall not be less than three and not more than twelve including nominee directors, if any, as well as the directors under the provisions of Articles 139 and 140.



### **138. Power to appoint ex-officio Directors**

Notwithstanding anything to the contrary contained in these Articles, so long as any money remains owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial and Investment Corporation of India Limited (ICICI), The Industrial Reconstruction Board of India (IRCI), Board of Industrial Finance and Reconstruction (BIFR), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Company Limited (GIC), The Oriental Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United India Insurance Company (UI), Gujarat State Financial Corporation (GSFC), or any other state or central finance corporation or any financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by the Central Government or State Government themselves (each of the above is hereinafter this Article referred to as "The Corporation" out of any loan/debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold debentures / shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the company, shall have a right to appoint from time to time any person or persons as a Director/ Directors (which Director or Directors is/are hereinafter referred to as Nominee Directors) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominees Director/s. At the Option of the Corporation such nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director's shall not be liable to retirement by rotation of Directors.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold debenture/shares in the company as a result of underwriting or by direct subscription of private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall if so facto vacate such office immediately the moneys owing by the Company to the Corporation the paid off or on the Corporation ceasing to hold the debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guaranty furnished by the Corporation.

Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall be paid or reimbursed by the Company to the Corporation or as the case may be such Nominee Director/s.

PROVIDED THAT if any such Nominee Director/s is an officer of the Corporation the sitting fees in relation to such Nominee Director/s shall also accrue to Corporation(s) And the same shall accordingly be paid by the Company directly to Corporation(s).

### **139. Debenture Directors**

If it is provided by any Trust Deed securing or otherwise, in connection with any issue of debenture of the Company that any person or persons shall have power to nominate a Director of the Company, then in case of any and every such issue of debentures, the person or persons having such power may exercise such power from to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.

**140. Appointment of Alternate Director**

The Board may, in accordance with the subject to the provision of section 313 of the Act, appoint an Alternate Director to act for a Director during latter's absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

**141. Additional Directors**

Subject to the provision of Sections 260, 261 and 264 of the Act, and further subject to Article 138, the Board shall have power at any time and from time to time to appoint any person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under the Article 135. Any such Additional Director shall hold office only upto the date of next Annual General Meeting.

**142. Directors power to fill casual vacancies**

Subject to the provision of Sections 261, 264 and 284(6) of the Act, the Board shall have power at any time and from time to time to appoint any person to be Director to fill a casual vacancy. Any person so appointed shall hold office only upto the date which the Director in whose place he is appointed would have held office if it had not been vacated by him.

**143. Share qualification of Directors**

A Director shall not require to acquire or have any share qualification.

**144. Remuneration of Directors**

- (a) Until otherwise determined by the Company in General Meeting, each director other than the Managing Director/s and whole time director/s shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or committees thereof, a fee of Rs. 250/- (Rupees Two Hundred and Fifty) per meeting.
- (b) Subject to the provisions of the Act, a Managing Director or Directors in the whole-time employment of the Company may be paid remuneration either by way of monthly or at a specified percentage of the net profit of the Company or partly by one way and partly by the other. The Board of Directors reserves the rights to execute and sign the specific agreement/ agreements with the Managing Director or Managing Directors as the case may be as well as with the Whole Time Director or Whole Time Directors specifying the details of remuneration and other terms etc. as per the Act and these Articles of Association and such agreement will be signed by two directors to be authorised by the Board for such purpose for time to time.
- (c) Subject to the provisions of the Act, a Director who is neither in the whole time employment of the Company nor a Managing Director, may be paid remuneration either:
  - (i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
  - (ii) by way of Commission if the Company by a special resolution authorised such payment.

**145. Special remuneration of Director performing extra service**

If any Director be called upon to perform extra services or make special exertion or efforts (which expression shall include work done by a Director as a member of any Committee of the Board), the Board may arrange with such Director, for such special remuneration, for such service or exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and the such remunerations may be either in addition to or in substitution of his remuneration above provided.

**146. Travelling expenses incurred by Director not a bonafide resident**

The Board may allow and pay to any Director (including the foreign Director), who is not a bonafide of the place where the meeting of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting; such sum as the Board may consider fair compensation or for travelling, boarding lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses incurred in connection with business of the Company.

**147. Directors may act notwithstanding any vacancy**

The continuing Directors may act, notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum, the continuing Directors, not being less than two may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting but for no other purpose.

**148. When office of Directors may become vacant?**

Subject to Sections 283 (2) and 314 of the Act, the Office of a Director shall become vacant if :

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudicated an insolvent; or
- (c) he is adjudged an insolvent or
- (d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
- (e) he absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
- (f) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (g) he is removed in pursuance of Section 284; or
- (h) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a director accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act; or
- (i) he acts in contravention of Section 299 of the Act; or
- (j) he is convicted by a court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or
- (k) having been appointed a Director by virtue of his holding any offer or other employment in the Company, he cease to hold such offer or other employment in the Company; or
- (l) he resigns his office by a notice in writing addressed to the Company.

**149. Director may contract with Company**

- (a) A Director or his relative, firm in which such Director or relative is a partner; or any other partner in such firm or a private company of which the Director is a member or Director, may enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company provided, that in case of the Company having a paid up capital of not less than Rupees one crore, no such contract shall be entered into except with the previous approval of the Central Government and the sanction of the Board shall be obtained before or within three months of the date on which the contract is entered into in accordance with Section 297 of the Act.
- (b) No sanction shall, however, be necessary for -
- (i) any purchase of goods and materials from the Company, or the sale of goods or materials to the Company by any such Director, relative, firm, partner or private company, as aforesaid for cash at prevailing market prices; or
  - (ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of goods, materials and services in which either the Company or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, where the value of the goods and materials or the cost of such services does not exceed Rs. 5,000/- (Rupees Five thousand) in the aggregate in any year comprised in the period of the contracts. Provided that in circumstances of urgent necessity, a Director, relative, firm, partner or private company as aforesaid may, without obtaining the consent of the Board, enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceeds Rs. 5,000/- (Rupees Five thousand) in the aggregate in any year comprised in the period of the contract, if the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

**150. Disclosure of interest**

A Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act. Provided that it shall not be necessary for Director to disclose his concern or interest in any contract or arrangement entered into or to be entered into with any other company where any of the Directors of the Company or two or more of them together hold or holds not more than two per cent of the paid-up share capital in any such other company or the Company.

**151. General notice of interest**

A General notice given to the Board by the Director, to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such General notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

**152. Interested Directors not to participate or vote in Board's proceedings**

Subject to the exceptions stipulated by Section 300(2) of the Act, no Director shall as a Director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in anyway, whether directly or indirectly, concerned or interested in such contract or arrangement, nor shall his presence be counted for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote, his vote shall be void, provided, however that nothing herein contained shall apply to :

- (a) any contract of indemnity against any loss which Directors, or anyone or more of them, may suffer by reason of becoming or be in sureties or a surety for the Company.
- (b) any contract or arrangement entered into or to be entered into with a Public Company or a Private Company which is a subsidiary of Public Company in which the interest of the Director consist solely:
  - (i) in his being:
    - 1. a director of such company, and
    - 2. the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the Company; or
  - (ii) in his being a member holding not more than two percent of its paid-up share capital.

**153. Register of Contracts in which Directors are interested**

The Company shall keep one or more Register/s in accordance with Section 301(1) and shall, within the time specified in Section 301(2), enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act, as the case may be. The Register aforesaid shall also specify, in relation to each Director of the Company, the names of the bodies corporate and firms of which notice has been given by him under Article. The Register shall be kept at the office of the Company and shall be open to inspection at such office, and extracts may be taken and copies thereof may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.

**156. Rotation and retirement of Directors**

At every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation in accordance with the provisions of Section 255 of the Act or these Articles or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Debenture Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.

**157. Ascertainment of Directors' retiring by rotation and filing of vacancies**

Subject to section 256(2) of the Act, the Directors to retire by rotation under Article 156, at every Annual General Meeting, shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire, shall in default of and subject to any agreement among themselves, be determined by lot.

**158. Eligibility for re-election**

A retiring Director shall be eligible for re-election.

**159. Company to appoint successors**

Subject to Sections 258 and 261 of the Act and further subject to Article 157, the Company at the General Meeting at which a Director retires in the manner aforesaid, may fill the vacated office by electing a person thereto.

**160. Provision in default of appointment**

- (a) If the place of the retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a holiday, at the same time and place.
- (b) If at the adjourned Meeting also, it has been not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned Meeting unless :
  - (i) at the meeting or at the previous meeting resolution for the re-appointment of such Director has been put to the meeting and lost;
  - (ii) the retiring Director has, by notice in writing addressed to the Company or its Board, expressed his willingness to be so appointed;
  - (iii) he is not qualified or is disqualified for re-appointment;
  - (iv) a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Act, or
  - (v) the proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

**161. Company may increase or reduce the number of Directors**

Subject to Section 259 of the Act, the Company may, by Ordinary Resolution from time to time, increase or reduce the number of Directors, and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

**162. Notice of candidate for office of Director except in certain cases**

- (a) No person, not being a retiring Director, shall be eligible for appointment to the office of Director at any General Meeting unless he or some other member intending to propose him has, not less than fourteen days before the meeting left at the office of the Company, a notice in writing under his hand signifying his candidature for the office of Director for that office under these Articles, along with a deposit of Rs. 500/- (Rupees Five Hundred) which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as a Director.
- (b) Every person (other than a Director retiring by rotation or otherwise) or a person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director proposed as candidate for the office of a Director shall sign and file with the Company the consent in writing to act as a Director, if appointed.
- (c) A person, other than a Director re-appointed after retirement by rotation or immediately on the expiry of his term of office or an Additional or Alternate Director, or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or re-appointed as an Additional or Alternate Director, immediately on the expiry of his term of office, shall not act as a Director of the Company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

**164. Register of Directors etc. and notification of change to Registrar**

- (a) The Company shall keep at its office a Register containing the particulars of its Directors, Manager, Secretary and other persons mentioned in Section 303 of the Act and shall otherwise comply with the provisions of the said Section in all respects.

### **Register of shares or debentures held by Directors**

- (b) The Company shall, in respect of each of its Directors also keep at its office a Register, as required by Section 307 of the Act and shall otherwise duly comply with the provisions of the said section in all respect.

### **165. Disclosure by Directors of appointment to any other body corporate**

- (a) Every Director including a person deemed to be a Director (by virtue of the Explanation (1) to sub-section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company shall, within twenty days of his appointment to any of the above offices to any other body corporate, disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (2) of Section 303 of the Act.

### **Discloser by a Director of his holding of shares and debentures of the Company etc.**

- (b) Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.

### **167. Restriction on Management**

The Managing Director or Managing Directors shall not in any event exercise the power to :

- (a) make calls on shareholders in respect of money unpaid on the shares in the Company,
- (b) issue debentures,

and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act, shall also not exercise the power to :

- (c) borrow money, other than on debentures,
- (d) invest the funds of the company; and
- (e) make loans.

### **168. Certain persons not to be appointed Managing Director**

The Company shall not appoint or employ, or continue the appointment or employment of, a person as its Managing or Whole-time Director who –

- (a) is an un-discharged insolvent, or has at any time been adjudged an insolvent.
- (b) suspends, or has at any time suspended, payment to his creditors, or makes, or has at any time made, a composition with them, or
- (c) is, or has at any time been convicted by a Court of an offence involving moral turpitude.

### **169. Special position of Managing Director**

A Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation in accordance with Articles. If he ceases to hold the office of Director, he shall ipso facto immediately cease to be a Managing Director.

## **PROCEEDINGS AND POWERS OF THE BOARD OF DIRECTORS**

### **173. Meeting of Directors**

The Directors may meet together as a Board for the dispatch of business from time to time and shall so meet atleast once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn or otherwise regulate their meetings, as they think fit.

### **174. Notice of Meetings**

Atleast five days prior notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India, to every other Director. Notice may be given by telegram, cable, telex or other means of communications to any Director who is not in India and the same shall be confirmed by a notice sent by registered air mail.

### **175. Quorum**

Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time) any fraction contained in that one-third being rounded off as one or two Directors, whichever is higher, provided that where at any time the numbers of interested Directors exceeds or is equal to two-third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

### **176. Adjournment of meeting for want of quorum**

If a meeting of the Board could not be held for want of a quorum then, the meeting shall automatically stand adjourned to such other date and time (if any), as may be fixed by the Chairman not being later than seven days from the date originally fixed for the meeting.

### **177. When meeting to be convened**

The Secretary shall, as and when directed by the Chairman to do so, convene a meeting of the Board by giving a notice in writing to every other Director.

### **178. Chiarman**

The Directors will from time to time elect from and out of the Directors nominated under Article 138, a Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present may, again subject to Article 138, choose one of the nominated Directors to be Chairman of the meeting and in case none among the nominated Directors under Article are present or are unwilling to become Chairman, the Directors present then may choose one of their numbers to be Chairman of the meeting.

### **179. Questions at Board Meeting how decided**

Subject to the provisions of the Act and these Articles, questions arising at any meeting of the Board of Directors shall be decided by a majority of votes and in the case of an equality of votes, the Chairman shall have a second or a casting vote.

### **180. Powers Board Meeting**

A meeting of the Board, for the time being at which a quorum is present, shall be competent to exercise all or any of the authorities, power and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.



**181. Directors may appoint Committee**

Subject to the provisions of the Act and these Articles, and further subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge and such Committee of the Board either wholly or in part, and either as to persons or purposes, but every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by such Committee of the Board in conformity with any such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

**182. Meeting of Committee how to be governed**

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.

**183. Resolution by circulation**

No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board, or Committee, as the case may be) and to all other Directors or Members of the Committee, at their usual address in India and has been approved by such of the Directors or Members of the Committee as are then in India, by a majority of such of them, as are entitled to vote on the resolution.

**184. Acts of Board or Committee valid notwithstanding informal appointment**

All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there is some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated, provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

**185. Minutes of proceedings of meetings of the Board**

- (a) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of next succeeding meeting.
- (c) In no case shall the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) The minutes shall also contain -
  - (i) the name of the Directors present at the meeting; and
  - (ii) In the case of each resolution passed at the meeting, the name of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in sub-clause (a) to (f) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting -
  - (i) is, or could reasonably be regarded as defamatory of any person,
  - (ii) is irrelevant or immaterial to the proceedings; or
  - (iii) is detrimental to the interest of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause and the decision of the Chairman shall be final and binding.
- (h) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

## **POWERS OF DIRECTORS**

### **186. Powers of Directors**

The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, but subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Provided that the Board shall not, except with the consent of the Company in General Meeting :-

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (b) remit, or give time for the payment of, any debt due by a Director,
- (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose;
- (e) contribute to charitable and other funds not relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

## 187. Certain powers of the Board

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say power :

- (a) To pay the cost, charges and expenses, preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- (b) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Section 76 and 208 of the Act.
- (c) Subject to Sections 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or other acquisition, to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- (d) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or service rendered to the Company, either wholly or partially, in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such shares may be issued either as fully paid-up or with such amount as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- (e) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being incur such manner as they may think fit.
- (f) To accept from any Member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- (g) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.
- (h) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration, and observe and perform any awards made thereon.
- (i) To act on behalf of the Company in all matters relating to bankrupts and insolvents.
- (j) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- (k) Subject to the provisions of Sections 292, 293(c), 295, 269, 370, 372 and 373 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time vary or realise such investment. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

- (l) To execute, in the name and on behalf of the Company, in favour of any Director or other person who may incur or be about to incur any personal liability, whether as principal or security, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- (m) To determine, from time to time, who shall be entitled to sign, on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
- (n) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any officer or other person employed by the Company, commission on the profits of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company.
- (o) To provide for the welfare of Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of house, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments; or by creating and from time to time subscribing or contributing provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and subject to Section 293(1)(c) to subscribe or contribute or otherwise assist or guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
- (p) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think fit proper for depreciation or to depreciation fund, or to an insurance fund, as Reserve Fund or Sinking Fund or any special fund to meet contingencies or to pay debentures or debentures stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause) as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested and dispose of any apply and expend all or part thereof for the benefit of the Company in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof; may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the Board may think fit, with power to transfer the whole or any portion of Reserve Fund or division of a Reserve Fund to another Reserve Fund or division of a Reserve Fund with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power, however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.
- (q) To appoint and at their discretion, remove or suspend, such managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may, from time to time, think fit and to determine their power and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit and also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provisions contained in the four next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.

- (r) To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.
- (s) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Boards, and to fix their remuneration.
- (t) Subject to Section 292 of the Act, from time to time and at any time, to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow moneys, and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies; and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed and may annul or vary any such delegation;
- (u) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (including exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits authorised by the Board the power to make loans and borrow money) and for the periods and subject to such conditions as the Board may from time to time think fit, and any appointment may (if the Board thinks fit) be made in favour of members or any of the members of any local board established aforesaid or in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
- (v) Subject to Section 294, 297 and 300 of the Act for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient. And generally subject to the provisions of the Act and these Articles to delegate the powers, authorities and discretions vested in the Directors to any person, firm, company or fluctuating body of person as aforesaid.
- (w) From time to time to make, vary and repeal bye laws for the regulation of the business of the Company, its officers and servants.

## **WINDING-UP**

### **223. Winding up**

The assets of the Company in winding up available for distribution among the Members shall be applied, first in repaying to the holders of the said preference shares the amount paid up thereon and the arrears of dividend if any down to the commencement of the winding up, whether earned or declared or not; and surplus or loss shall be divided among the holder of ordinary shares in proportion to the capital subscribed.

## **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered in the ordinary course of business carried on by our Company or entered into more than two years before the date of the Prospectus) which are or may be deemed material have been entered or to be entered into by our Company.

Copies of the following documents will be available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working days, excluding Saturday and Sunday, from the date of the Information Memorandum.

### **MATERIAL CONTRACTS AND DOCUMENTS**

1. Memorandum and Articles of Association, as amended till date.
2. Certificate of Incorporation dated 21<sup>st</sup> September 1998.
3. New Certificate of Incorporation of the company dated 13<sup>th</sup> May 2002 consequent upon change of name.
4. Certificate of Registration of special resolution passed on 15<sup>th</sup> June 2002 for alteration of Objects dated 25<sup>th</sup> June 2002.
5. New Certificate of Incorporation of the company dated 9<sup>th</sup> August 2004 consequent upon change of name.
6. New Certificate of Incorporation of the company dated 14<sup>th</sup> December 2005 consequent upon change of name on changing the status of the Company to public limited company.
7. Copy of Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 between Simplex Realty Limited (formerly known as The Simplex Mills Company Limited), Simplex Papers Limited (formerly known as Simplex Paper & Pulp Limited) and Simplex Mills Company Limited (formerly known as Gaalaxy Garments Limited) and their respective shareholders as sanctioned by the High Court of Judicature at Bombay on 1<sup>st</sup> July 2005.
8. Copy of the order dated 1<sup>st</sup> July 2005 of the Hon'ble High Court of Judicature at Bombay sanctioning the Scheme of Arrangement.
9. Certificate dated 25.06.2008, of Vijay Rungta & Co., Auditors of the Company detailing tax benefits.
10. Copy of Auditor's certificate dated 25.06.2008 included in the Information Memorandum.
11. Copy of Listing Application filed with Bombay Stock Exchange Limited on 14<sup>th</sup> August 2006.
12. Copy of in-principle listing approval received from Bombay Stock Exchange Limited vide its letter no. DCS/SMG/RRP/2005/503229 dated June 30, 2005.
13. Tripartite Agreement dated 13<sup>th</sup> March 2006 between the Company, Amtrac Management Services Ltd & NSDL.
14. Tripartite Agreement 28<sup>th</sup> May 2007 between the Company, Amtrac Management Services Ltd & CDSL.

## **DECLARATION**

To the best knowledge and belief of the Board of Directors of the Company, all statements made in this Information Memorandum are true and correct.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS**

**FOR SIMPLEX MILLS COMPANY LIMITED**

**DIRECTOR**

Place : Mumbai

Date : 18.07.2008