



DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon filing
with the Registrar of Companies, Coimbatore, Tamil Nadu)
100% Book Built Issue

SERVALAKSHMI PAPER LIMITED

[Incorporated on 3rd November, 2005 under the Companies Act, 1956 as 'SRI SAI SHAKTHI RAAM PAPERS PRIVATE LIMITED' vide Certificate of Incorporation issued by the Registrar of Companies, Coimbatore, Tamil Nadu. The name of the company was changed to 'SERVALAKSHMI PAPER PRIVATE LIMITED' on 31st January, 2007. The Company was later converted into a public company and the name was changed to 'SERVALAKSHMI PAPER LIMITED', pursuant to a shareholders resolution dated 30th April, 2010 and received a Fresh Certificate of Change of Name on 17th June, 2010. The Corporate Identity Number of the Company is 'U21012TZ2005PLC012260'.]

Registered Office: 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India.
Tel: 0422-4333344; **Fax:** 0422-4333355

Contact Person: Mrs. Praveena Dhanagopal, Company Secretary & Compliance Officer; **E-mail:** secretarial@servalakshmi.in **Website:** www.servalakshmi.in

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10/- EACH ("EQUITY SHARES") OF SERVALAKSHMI PAPER LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. [●] PER EQUITY SHARE), AGGREGATING TO RS. 6000.00 LACS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE [●] % OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE

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

THE PROMOTERS OF THE COMPANY ARE MR. R. RAMSWAMY, SERVALL ENGINEERING WORKS PRIVATE LIMITED AND SERVALAKSHMI PAPER & BOARDS PRIVATE LIMITED

This Issue is being made in terms of Regulation 26 (2) [a (ii) & b (i)] of SEBI (ICDR) Regulations, 2009, where by the "Project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% shall come from the appraiser(s). In addition to this, at least 10% of the fresh issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded. (In case of delay, if any in refund, Servalakshmi Paper Limited shall pay interest on the application money at the rate of 15% per annum for the period of delay).

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three (3) additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding ten (10) days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate Member. The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allocated on a proportionate basis to eligible Qualified Institutional Buyers, out of which 5% of the Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all eligible Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, not less than 15% of the Issue shall be made available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 35% of the Issue shall be made available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- per equity share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section titled "Risk Factors" beginning on page no. ix of this Draft Red Herring Prospectus

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares of the Company are proposed to be listed on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Company has received in-principle approvals from these Stock Exchanges for the listing of the Equity Shares pursuant to their letters dated [●] and [●] respectively. For the purpose of the Issue, BSE is the Designated Stock Exchange.

IPO GRADING

The issue has been graded by [●] and has been assigned the [●] indicating [●] vide their letter dated [●]. For further details and rationale of grading please refer page no. 15.

BOOK RUNNING LEAD MANAGER TO THE ISSUE	CO-BOOK RUNNING LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
KEYNOTE CORPORATE SERVICES LTD	 इण्डियन ओवरसीज़ बैंक Indian Overseas Bank	LINK INTIME INDIA PVT LTD  (Formerly INTIME SPECTRUM REGISTRY LTD.)
KEYNOTE CORPORATE SERVICES LIMITED 4 th Floor, Balmer Lawrie Building, 5, J.N. Heredia Marg, Ballard Estate, Mumbai – 400001. Tel: +91-22- 30266000-3; Fax: +91-22- 22694323 Website: www.keynoteindia.net; E-mail: mbd@keynoteindia.net SEBI Registration No.: INM 000003606 AMBI No.: AMBI/ 040	INDIAN OVERSEAS BANK Merchant Banking Division, Central Office, 6th Floor, Annex Building, 763 Anna Salai, Chennai-2 Tel: 044-28889367; Fax: 044-28519548; Website: www.iob.in; E-mail: mbd@iobnet.co.in; SEBI Registration No: INM 000001386; AMBI No: AMBI/030	LINK INTIME INDIA PRIVATE LIMITED C-13, Pannalal Silk Mills Compound, LBS Marg Bhandup (West), Mumbai – 400 078, India Tel : +91 22 2596 0320; Fax: +91 22 2596 0329 Website: www.linkintime.co.in; E-mail: rtl ipo@linkintime.co.in; SEBI Registration No.: INR 000004058

ISSUE SCHEDULE

BID/ ISSUE OPENS ON	[●]	BID/ ISSUE CLOSES ON	[●]
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DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL OR GENERAL TERMS

TERM	DESCRIPTION
Companies Act	The Companies Act, 1956, as amended from time to time.
FCNR Account	Foreign Currency Non Resident Account
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
IT Act	The Income Tax Act, 1961, as amended from time to time.
IT Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Regulation/ SEBI (ICDR) Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.

ISSUE RELATED TERMS

TERM	DESCRIPTION
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Allottee	A successful Bidder to whom the Equity Shares are allotted
ASBA/ Applications Supported by Blocked Amount	An application for subscribing to an issue, containing an authorization to block the application money in a bank account.
ASBA Investor/ ASBA Bidders	An Investor who intends to apply through ASBA process and is applying through blocking of funds in a bank account with the SCSB. All investors are eligible to apply through ASBA process.
ASBA Form	Bid cum Application form for ASBA Investor intending to subscribe through ASBA
ASBA Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.



TERM	DESCRIPTION
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Book Building Process	Book building mechanism as provided under Schedule XI of the SEBI Regulations, in terms of which this Issue is made.
BRLM	Book Running Lead Manager to this Issue, in this case being Keynote Corporate Service Limited.
CAN/ Confirmation of Allotment Note	The note or advice or intimation of allotment of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
Co-BRLM	Co-Book Running Lead Manager to this Issue, in this case being Indian Overseas Bank.
Cut-off	The Issue Price finalised by the Company in consultation with the BRLM and Co-BRLM. Only Retail Individual Bidders who are applying for a maximum bid amount not exceeding Rs. 1,00,000/- are entitled to Bid at the Cut-off Price, for a bid amount not exceeding Rs. 1,00,000/-. QIBs and Non Institutional Bidders are not entitled to Bid at the Cut-off Price. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Coimbatore, Tamil Nadu following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	In this case being the Bombay Stock Exchange Limited.
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM and Co-BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being [•].
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be



TERM	DESCRIPTION
	finalized and below which no Bids will be accepted.
Indian National	A citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue	The issue of [•] Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating Rs. 6000.00 Lacs.
Issue/ Bidding Period	The period between the Bid / Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by the Company consultation with the BRLM and Co-BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 100% of the Bid Amount.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Funds Portion	5% of the QIB Portion or [•] Equity Shares of Rs. 10/- each aggregating Rs. 150.00 Lacs, available for allocation to Mutual Funds only, out of the QIB Portion.
Non Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-.
Non Institutional Portion	The portion of this Issue being not less than 15% of [•] Equity Shares of Rs. 10/- each aggregating Rs. 900.00 Lacs, available for allocation to Non Institutional Bidders.
Offer Document	Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus
Pricing Date	The date on which the Company in consultation with the BRLM and Co-BRLM finalizes the Issue Price.
Prospectus	The Prospectus, to be filed with the Registrar of Companies, Coimbatore, Tamil Nadu containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
QIB Margin Amount	An amount representing at least 100% of the Bid Amount.
QIB Portion	Consists of [•] Equity Shares of Rs. 10 each aggregating Rs. 3000.00 lacs being upto 50% of the Issue, available for allotment to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers or QIBs	A mutual fund, venture capital fund and foreign venture capital investor registered with the Board; a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board; a public financial institution as defined in section 4A of the Companies Act, 1956; a scheduled commercial bank; a multilateral and bilateral development financial institution; a state industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority; a provident fund with minimum corpus of twenty five crore rupees; a pension fund with minimum corpus of twenty five crore rupees; National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India



TERM	DESCRIPTION
	published in the Gazette of India.
Red Herring Prospectus/RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies, Coimbatore, Tamil Nadu at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Coimbatore, Tamil Nadu after pricing and allocation.
Registrar/ Registrar to this Issue	Link Intime India Private Limited
Resident Retail Individual Investor	A Retail Individual Investor who is a person resident in India as defined in Foreign Exchange Management Act, 1999
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	Consists of [•] Equity Shares of Rs. 10/- each aggregating Rs. 2100.00 Lacs, being not less than 35% of the Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE).
Self Certified Syndicate Bank (SCSB)	SCSB is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making an Application Supported by Blocked Amount and recognized as such by the Board.
Syndicate	The BRLM and Co-BRLM and the Syndicate Member.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	[•]
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Member to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.

COMPANY RELATED TERMS

TERM	DESCRIPTION
"The Issuer" or "The Company" "Our Company" or "Servalakshmi Paper" or "Servalakshmi Paper Limited". "We" or "us" or "our"	Unless the context otherwise requires, refers to Servalakshmi Paper Limited a public limited company incorporated under the provisions of Companies Act, 1956.
Articles/ Articles of Association	The Articles of Association of the Company i.e., Servalakshmi Paper Limited.
Auditors	The statutory auditors of the Company, being M/s. S. Krishnamoorthy & Co., Chartered Accountants, Coimbatore, Tamil Nadu.
Board of Directors/ Board	The Board of Directors of the Company or a committee constituted thereof.
Director(s)	Director(s) of the Company unless otherwise specified.
Memorandum/ Memorandum of Association	The Memorandum of Association of the Company.



TERM	DESCRIPTION
Registered Office of the Company	31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India.

INDUSTRY RELATED TERMS AND ABBREVIATIONS

TERM/ ABBREVIATION	DESCRIPTION/FULL FORM
Grams per square meter / GSM	It is a comparative measure of gram weight of a theoretical square meter of a particular type of paper.
NP	Newsprint
PWP	Printing and Writing Paper
MT or MTPD/MTPDA	Metric Tonne or Metric Tonnes Per Day/Annum
TPA or MTPA	Tonnes Per Annum or Metric Tonnes Per Annum
FSC	Forest Stewardship Council Certification
MF	Machine Finished
MG	Machine Glazed
POM Technology	Paul Olof Meinander (Founder of the technology)
MW	Mega Watts
LWC	Light Weight Coated
ISO	International Standard Organization
LC	Letter of Credit
VAT	Value Added Tax
WIP	Work-in-progress

ABBREVIATIONS

ABBREVIATION	FULL FORM
AGM	Annual General Meeting
AMBI	Association of Merchant Bankers of India
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
ASBA	Application Supported by Blocked Amount
AY	Assessment Year
BSE	Bombay Stock Exchange Limited.
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting of the shareholders.
EPS	Earnings per Equity Share.
ESOP	Employee Stock Option Plan
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FIs	Financial Institutions.



ABBREVIATION	FULL FORM
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number.
Gol/ Government	Government of India.
HUF	Hindu Undivided Family.
INR / Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
NAV	Net Asset Value.
NR	Non Resident
NRI/Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
RBI	The Reserve Bank of India.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
RoC/Registrar of Companies	The Registrar of Companies, Coimbatore, Tamil Nadu
RoNW	Return on Net Worth.
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America.

Notwithstanding the foregoing:

- a. In the section titled “Financial Statements” on page 111 of this Offer Document, defined terms shall have the meaning given to such terms in that section.
- b. In the section titled “Main Provisions of the Articles of Association of the Company” on page 186 of this Offer Document, defined terms have the meaning given to such terms in the Articles of Association of the Company.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Draft Red Herring Prospectus is derived from the Company's restated financial statements as of and for the year ended 31st March, 2010, 2009, 2008, 2007 and 2006 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Regulations, as stated in the report of the statutory Auditors.

Our fiscal year commences on 1st April and ends on 31st March of a particular year. Unless stated otherwise, references herein to a fiscal year (e.g., fiscal 2010), are to the fiscal year ended 31st March of a particular year.

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

All references to 'Rupees' or 'Rs.' are to Indian Rupees, the official currency of the Republic of India. One crore is the unit in the Indian numbering system representing 10 million or 100 lac and one lac is the unit in the Indian numbering system representing 100,000; thus, for example, Rs. 10 crore equals Rs. 100 million. All references to '\$', 'US\$' or 'U.S. Dollars' are to United States Dollars, the official currency of the United States of America.

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



FORWARD-LOOKING STATEMENTS AND MARKET DATA

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

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

- General economic and business conditions in the markets in which we operate and in the local, regional and national and international economies;
- Changes in laws and regulations relating to the industries in which we operate;
- Increased competition in these industries;
- The Company’s ability to successfully implement the growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through this Issue;
- Our ability to meet capital expenditure requirements;
- Fluctuations in operating costs;
- Unanticipated variations in the duration, size and scope of the projects;
- Our ability to attract and retain qualified personnel;
- The effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees;
- Changes in political and social conditions in India or in other countries that we may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors” “Business Overview” and “Management’s Discussion and Analysis” beginning on pages ix, 54 and 124 of this Draft Red Herring Prospectus respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor the Book Running Lead Manager, nor any of its respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we and the Book Running Lead Manager and the Co-Book Running Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



SECTION I - RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Company's Equity Shares. If any of the following risks occur, the business of the Company, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment. The financial and other related implications of risks concerned, wherever quantifiable have been disclosed in the risk factors mentioned below. There are certain risk factors mentioned where the effect is not quantifiable and hence not disclosed.

RISK FACTORS INTERNAL TO THE COMPANY

1. ***There are no outstanding litigation/suits or criminal/ civil prosecution, proceedings or tax liabilities against us. However, some of our promoter/group companies are part of certain legal and other proceedings. The summary of such proceedings is as follows:***

Particulars	No. of cases/ disputes	Approximate amount involved where quantifiable (Rs. in lacs)
Promoter Companies:		
1. Servall Engineering Works Private Limited		
Against the Company		
• Excise Duty related	3	4.90
• Sales Tax related	8	47.95
2. Servalakshmi Paper & Boards Private Limited		
Against the Company		
• Sales Tax related	1	3.21
By the Company		
• u/s 138 of Negotiable Instruments Act	2	12.99
Group Companies:		
2. Danalakshmi Paper Mills Private Limited		
By the Company		
• u/s 138 of Negotiable Instruments Act	10	16.24

For details please refer the section titled 'Outstanding Litigations, Material Developments and Other Disclosures' commencing from page 131 of this Draft Red Herring Prospectus.

3. ***There are certain contingent liabilities which have not been provided for and if any of them materialise, this could adversely affect our financial condition***

The contingent liabilities not provided for as per the audited financials on 31st March, 2010 are as follows:

(Rs. in lacs)	
Particulars	Year Ended 31 st March, 2010
Unexpired Letter of Credit	478.89
Export Obligation under Export Promotion of Capital Goods Scheme (EPCG)	10726.00
Total	11204.89

In the event, any of the above contingent liabilities materialise it may have an adverse effect on our financial condition and future financial performances.



Management Proposal

We had imported Paper Machineries from USA and other countries under Export Promotion Capital Goods Scheme (EPCG). We have already obtained an authorization under EPCG. Under the aforesaid authorization, we were allowed to import the capital goods at the concessional duty of 3% with an obligation to export items worth Rs. 10726.00 lacs (US \$ 24.71 Mn) i.e. 8 times the duty saved of capital goods within a period of 8 years from the date of issue of authorization. We have planned to export our product to developing countries and also through export houses & do not foresee any difficulty in fulfilling our obligation over a period of eight years. The said amount has been mentioned under contingent liabilities.

4. We have experienced a negative Operating Cash Flow from activities in the Financial Year 2009-10, 2008-09, 2007-08 and 2006-07.

We have experienced negative Operating Cash flows for the financial years 2009-10, 2008-09, 2007-08 and 2006-07 details of which are as follows:

Sr No	Financial Years	Amount (Rs. in Lacs)
1	2009-2010	(594.36)
2	2008-2009	(957.64)
3	2007-2008	(1034.65)
4	2006-2007	(0.79)

For further details please refer Annexure – III of Auditors Report appearing on page. 116 of this Draft Red Herring Prospectus.

5. Our restated net profit for the financial year 2008, 2009 and 2010 is negative.

Our company was incorporated in November 2005. We had no business activity during financial year ended 2006 & 2007. Further there was no significant business activity in the past three financial years. We have incurred losses to the extent of Rs. (3.30) lacs, Rs. (8.49) lacs & Rs. (8.78) lacs for financial years 2008, 2009 & 2010 respectively.

Management Proposal

We have incorporated the company with a objective to implement state-of-the-art manufacturing facilities to produce Printing & Writing papers. The project was conceived & we started the implementation with financial assistance from consortium of banks led by Indian Overseas Bank. We have successfully commissioned the Phase-I of the project with a total cost of Rs. 28000.00 lacs & have started the commercial production from 1st April, 2010. The capacity installed to produce 90,000 MTPA which is one of the largest single location plants in India. The loss in the earlier years is mainly on account of start-up expenses & we expect to achieve profitability in current year.

6. Some of our group companies have incurred losses in the past.

Some of our group companies have incurred losses in the past three years. The details of these companies are set out in the table below:

Name of the Company	(Rs. In Lacs)		
	Financial Year Ended 31 st March		
	2008-09	2007-08	2006-07
Vijayalakshmi Paper Mills	(87.60)	29.75	6.21
Monarch Machine Tools Private Limited	0.80	(0.02)	0.51
Techno Spin Private Limited	6.77	0.37	(8.75)
Servall Properties Private Limited	(0.34)	(1.24)	(0.15)

(Figures in the bracket indicate losses)



- 7. We have not yet placed orders for part of the plant & machinery and equipments required for Phase-II of the project, as specified in the Objects of the Issue. Any delay in procurement of plant & machinery, equipment, etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, leading to implementation of Phase-II of the project facing time and cost over-run which may have an adverse affect on our future costs, revenue and profitability.**

We propose to finance the entire plant & machinery worth Rs. 2068.00 Lacs from the proceeds of this Issue required for the proposed Phase-II expansion. Though we have identified the machineries we are yet to place orders for them. Any delay in procurement of plant & machinery, equipment, etc may delay the implementation schedule. We may also be subject to risks on account of inflation in the price of plant & machinery and other equipments that we require. Hence our project could face time and cost over-run which could have an adverse affect on the operations of our Company.

Management Proposal

We have successfully commissioned the paper plant to manufacture Printing & Writing paper and Newsprint to produce 90,000 tonnes of paper per annum and a 15MW power plant with a total capital outlay of Rs. 28000.00 Lacs in Phase-I of the project. We are proposing to further invest on the balancing equipments to improve productivity, augment working capital funds & produce value added products in Phase-II with a total capital outlay of 6000.00 Lacs to be financed through this IPO. The capacity of the paper plant will then be increased to 108000 tonnes per annum after completion of phase-II. With the experience & expertise of the management we do not foresee any problem in implementing Phase-II without affecting costing of the same.

- 8. We are dependent on our management team for our success whose loss could seriously impair our ability to continue to manage and expand our business efficiently. The loss of service of the senior management could seriously impair the ability to continue to manage and expand the business efficiently.**

The management team of our company is skilled and carries a high-quality of experience in the paper industry. Management will help us to grow and manage our expanding business efficiently. However, situations may arise where we may lose some of our senior management, which may impair our ability to continue to manage and expand bandwidth of our business efficiently.

Management Proposal

We are in the business of manufacturing PWP and Newsprint and have a complete control and full experience to retain the management team and have not encountered any such problem. The people, who are already recruited, are handed over the key functions in paper mill and power plant. The company is maintaining very cordial relationship with the management. As such, we do not foresee any problem with regards to our management.

- 9. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of our operations. There could be a possibility of a mishap or an accident at the manufacturing facilities that may result in a loss or shutdown of operations and could also cause damage to life and property.**

Our manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our business operations and profitability. We carry out planned shutdowns of our plants for preventive maintenance. Any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.



10. The management of our company may be flexible in utilizing the Issue Proceeds.

We intend to use the Issue Proceeds for the purposes of Phase-II of the project described in section titled “Objects of the Issue” on page 27 of this Draft Red Herring Prospectus. The management may determine that it will be appropriate for them to revise their estimated costs, fund requirements and deployment schedule owing to certain factors that they may think are beneficial to the company.

11. Our company is in paper industry which requires employees to handle specific set of operations and functions in the company. Any change in the Key Managerial Personnel could have an impact on the operations of our company.

Our success largely depends on the continued services and performance of our key employees. The loss of service of these employees could seriously impair the ability to continue to manage and expand the business efficiently. Further, it may adversely affect the operations, finances and profitability of our company. Any failure or inability of our company to efficiently manage human resources would adversely affect our ability to implement new projects and expand our business.

Management Proposal

We have a professional setup and the key managerial personnel have been with the organization for many years. The company takes care of its key personnel by providing various facilities and amenities within and outside the company’s premises. Hence no problem is envisaged by us in attracting fresh talents and retaining the existing employees.

12. Our company functions in a labour intensive industry and hence is dependent on the labourers that work here. Any kind of Labour problems can impact our operations and hence, our future profitability.

Labour problems such as strikes/lockouts can create situations where we may experience rise in wage costs/ employee number or slowdown in production. Such situations may materially and adversely impact our operations and financial condition.

Management Proposal

The plant and machinery of our company is fully automated with quality control system, distributor control system and with intelligent Motor Control Centres. We have harmonious Industrial relations with our workers and we have not lost a single man hour due to any labour problem or any other problems since inception.

13. There are certain restrictive covenants in the agreements with the Banks/ Institutions from whom we have borrowed, which among other things, require the Company to obtain prior permission from them for certain acts which may limit Company’s discretion in these matters.

We have executed standard loan and security documents favouring our Bankers, containing the usual covenants, representations and warranties including conferring power on the Bankers to enforce the security in default scenario. Indian Overseas Bank is the Lead Bank of the consortium of Bankers funding the Company. The important covenants in the said documents executed by us are as follows:

- a. The Bankers have the right to examine the books of accounts and inspect the premises and affairs of the Company at all times.
- b. The Company is barred from availing any credit facility from any banker outside the consortium of Bankers with whom the Company presently deals, without the consent of the Lead Bankers.
- c. The Company is barred from declaring dividend without consent of the Lead Bank, if there is a default scenario vis-à-vis the Company financial obligation to the Bankers.
- d. The Consortium of Bankers has the right to nominate to the Board of Directors, at any time, not exceeding two directors.



Prior approval of the Lead Banker is required:

- To effect any change in the capital structure,
- For formulating any scheme of amalgamation or reconstruction,
- For implementation of any scheme of expansion /diversification/modernization other than of routine nature,
- For making any corporate investments or advances, other than in normal course of business.
- To undertake guarantee obligations on behalf of any third party.

14. Our inability to manage growth effectively could disrupt our business and reduce our profitability.

We expect that our growth strategy will place significant challenges and demands on our management, financial and other resources and we may not be successful in expanding the business in accordance with our business plan. Our ability to successfully implement the business plan requires adequate information systems and resources and oversight from senior management. We will need to continuously develop and improve our financial, internal accounting and management controls, reporting systems and procedures as they continue to grow and expand our business.

15. Our ability to pay dividends will depend upon our future earnings, cash flows, working capital requirements, lender's approvals and other factors.

Our ability to pay dividends will depend on our earnings, financial condition and capital requirements. Our business is capital intensive and we may plan to make additional expenditures to complete the projects that we are developing, or to develop new projects. Our ability to pay dividends is also restricted under certain financing arrangements that we have entered into and expect to enter into. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our future earnings and financing arrangements for the projects, financial condition and results of operations.

16. Some of our group concerns/ entities are also engaged in the manufacturing of paper products which could lead to a conflict of interest. The operations and financials of our Company may be negatively affected, in case these group companies provide any competitive services or expand their presence in the business in which we are already present or offer services to companies in direct competition with us.

Some of our group concerns/ entities are engaged in the manufacturing of paper & paper products. The products manufactured by other companies can lead to a conflict of interest. There is no assurance that the Group Companies will not provide competitive services or expand their presence in the business in which we are already present or offer services to companies in direct competition with us.

Management Proposal

Our group companies manufacture paper & paper products of lesser grade compared to the products manufactured by us because they do not have Distributor Control Systems (DCS), Quality Control Systems (QCS) & pulping facilities to produce the same grade of paper as ours and therefore; we do not see the group companies as our competitors. Also the machine configurations of our group companies are not similar to those installed by us and hence; to that extent we do not foresee any conflict of interest.

17. We are using two residential premises for our executives. There have been agreements with the owners of these premises which are not registered.

Our company has currently taken two residential properties on lease for our executives. The lease may be renewed subject to mutual consent of the lessor and us. In the event we are required us to vacate the premises, we will have to seek new premises as per the notice issued by the lessor and for a price that may be higher than what we are currently paying, which may increase our operating costs.



- 18. Foreign currency volatility will increase the cost of the raw materials imported for manufacturing the paper. This may adversely impact our financial condition as waste paper that is imported forms the major part of the paper that is manufactured in the paper plant.**

As we import major portion of raw materials we are exposed to foreign currency fluctuations in respect of proceeds paid in various foreign currencies. Major suppliers of the Company are located in Europe and USA. The fluctuation in the exchange rate between the rupee and other currencies, including the U.S. Dollar, the British Pound Sterling, the Euro, etc. may adversely impact the financials of the Company.

EXTERNAL RISK FACTORS

- 19. Competition from other domestic producers / unorganized sector may adversely affect our competitive position and our profitability as some of our competitors may have access to significantly greater resources and hence the ability to compete more effectively.**

We will have to compete with larger players in the field who have better economies of scale with higher capacity. Also, we operate in domestic market where we face competition from various existing players. Growing competition may force us to reduce the prices of our products, which may reduce our revenues and margins and/or decrease market share, either of which could impact our results of operations

Management Proposal

The competition is inevitable in any line of business. Our presence in south India puts us in competition with some of the major players who already exist here. We are coping with competitions by focusing on our products, channelising our sales through dedicated dealers, managing raw materials, fuel and technological changes.

- 20. We are engaged in the paper industry which is generally cyclical in nature & hence our performance is likely to be influenced by fluctuations experienced by the industry as a whole.**

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 paper, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between revenue and cost and consolidation in the paper industry, effect of seasonality, availability of raw material, change of Govt. 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 of share holders, market analysis and public.

- 21. We are dependent on the transportation providers for the supply of raw materials which is imported and also procured from domestic market, along with the delivery of finished products. Any failure by such providers could have an impact on our production schedules and this could in turn have an adverse impact on our operations and profitability of our company.**

We use third-party transportation providers for the supply of raw material and for delivery of our products to our customers. Transportation strikes by members of the various Indian Transport Unions have occurred in the past, and could occur in the future also. This could have an adverse impact on the timely receipt of supplies to us and in turn our ability to deliver the finished products to our customers. In addition, increase in transportation costs may have an adverse effect on our business and results of our operations.

- 22. Compliance with Environmental Laws**

Our facilities are in compliance in all material respects with applicable environmental laws and regulations. However, Failure to comply with environmental rules and regulations may adversely affect our business operations.



Management Proposal

We have a very good pollution and waste management system. We have taken adequate measures to control the pollution levels and have taken necessary precautions and set-up waste treatment plant within the factory premises. We do not foresee any difficulty in complying with any normal statutory requirement in this regard.

23. We operate under several statutory and regulatory permits, licenses and approvals. Any failure by us to obtain and/or renew any approvals or licenses in future may have an adverse impact on our business operations.

We have obtained approvals, registrations and clearances for operating our business as per details set out under the section titled "Government/Statutory and Business Approvals" at page 141 of this Draft Red Herring Prospectus. There is a possibility that the relevant authorities may not issue/renew the approvals on time or at all. Further, these permits, licenses and approvals are subject to several conditions, and our company cannot assure that it shall be able to continuously meet such conditions or be able to prove compliance with such conditions to statutory authorities, and this may lead to cancellation, revocation or suspension of relevant permits/licenses/approvals. If we fail to obtain any of these approvals or licenses thereof, in a timely manner, or at all, our business may be adversely affected. For more information, please see page 141 under section titled "Government/Statutory and Business Approvals" in this Draft Red Herring Prospectus.

24. The name, business and logo of our company is not registered as Trademarks under the Indian Trade Marks Act and any unauthorized use of the name or logo by our competitors could lead to loss of business.

Our brand name/ logo are not specifically protected in the relevant class for paper products, and may therefore not be protected for intellectual property rights. Further, we have not applied for registration of any of the trademark(s), which may lead to unauthorized use of our trademark(s), by persons including our competitors. Any misuse on account of these may result in dilution of brand value and loss of business to the Company.

25. A slowdown in economic growth in India could materially and adversely affect our Operations and financial condition. Further, any natural calamities could have a negative impact on the Indian economy and cause the business to suffer.

Our performance and the quality and growth of our business are dependent on the health of the overall Indian economy. There have been periods of slowdown in the economic growth of India during the 1990s. The Indian economy is also largely driven by the performance of the agriculture sector, which depends on the quality of rainfall during the monsoon season and is therefore difficult to predict. A negative performance of the Agricultural sector will adversely impact the business of any industry, which to a certain extent may affect the business of our company. Further, agriculture is one of the strongholds of the Indian economy and accounts for 14.6 per cent of the country's gross domestic product (GDP) in 2008-09 (Source: www.ibef.org/economy/agriculture.aspx). Hence the Indian economy is largely driven by the performance of the agriculture sector. A slowdown in the Indian Economy will have a negative impact on the manufacturing sectors which include paper & paper products. Further, India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. The extent and severity of these natural disasters has an adverse impact on the Indian economy. Any negative impact of natural disasters on the Indian economy could adversely affect the business and the market price of our Equity Shares.

26. Changes in Indian Government policies could adversely affect economic conditions in India, and thereby adversely impact our results of operations and financial condition.

The market price and liquidity of the equity shares, may be affected by Indian Government's policy changes in India. For example, rising interest rates, increases in taxation or the creation of new regulations could have a detrimental effect on the Indian economy generally and us in particular. The Indian Government has in recent years sought to implement economic reforms, and the current Indian Government has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous Indian Governments. The roles of the Indian Government and the State Governments in the Indian economy as producers, consumers and regulators have remained significant and there can be no assurance that liberalization



policies will continue in the future. Any significant change in such liberalization and de-regulation policies could adversely affect business and economic conditions in India generally and our results of operations and financial condition in particular.

27. Global economic, political and social conditions may harm our ability to do business, increase its costs and negatively affect the stock price in future.

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

Prominent Notes

1. The net worth of Servalakshmi Paper Limited as per the audited financial statement as on 31st March, 2010 is Rs. 5394.80 lacs.
2. Book value, per equity share of the Company as per its audited financial statement as at 31st March, 2010 is Rs. 24.76 per share.
3. The average cost of acquisition of the equity Shares of Rs. 10/- each by the Promoter are as under:

Name of the Promoter	Cost per share (Rs.)
R. Ramswamy	24.82
Servall Engineering Works Private Limited	25.00
Servalakshmi Paper & Boards Private Limited	25.00

4. Investors are advised to refer the paragraph on "Basis of Issue Price" on page 37 of this Draft Red Herring Prospectus before making an investment in the Issue.
5. Except as mentioned in the sections titled "Capital Structure" beginning on page 20 of this Draft Red Herring Prospectus, we have not issued any Equity Shares in the last twelve months.
6. For details on Related Party Transactions refer to the section titled "Related Party Transactions" on page 122 of this Draft Red Herring Prospectus.
7. Investors are free to contact the BRLM and Co-BRLM for any complaints, clarification or information pertaining to this Issue. For contact details of the BRLM and Co-BRLM please refer to the cover page of this Draft Red Herring Prospectus.
8. All information shall be made available by the BRLM and Co-BRLM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
9. In addition to the BRLM and Co-BRLM, the Company shall be obliged to update the Offer Document and keep the public informed about any material changes till listing and trading commences in respect of the shares issued through this issue.
10. For interest of promoters/directors, please refer to the section titled "Promoters and their Background" beginning on page no. 98 of this Draft Red Herring Prospectus.
11. There is no change in the name of the issuer company during the last three years.
12. There are no financing arrangements whereby the promoter group, the directors of the Company which is a promoter of the issuer, the directors of the issuers and their relatives have financed the purchase by any other person of securities of the issuer other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing draft offer document with the Board



PART I**SECTION II - INTRODUCTION**

The information in this section is derived from a combination of various official and unofficial publicly available materials and other sources of information. It has not been independently verified by the Company, the Book Running Lead Manager, the Co-Book Running Lead Manager or their respective legal advisors, and no representation is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources.

SUMMARY OF THE INDUSTRY AND BUSINESS OF THE COMPANY**Paper Industry**

The Indian Paper Industry is more than a century old with the first paper mill having been commissioned in the year 1867. Since then the size and the product-mix of the paper mills have undergone a sea change. With the spread of education and literacy and also the introduction of computers, the demand for paper has effected a noticeable change.

In India the development of the Paper business will be a significant factor in the increase in literacy and the raising of educational levels of people. The paper industry has, thus, a catalytic role to play not only for the overall growth of the industry but also for the living standards of the people of the country.

Demand for paper closely follows the economic growth of a country and has a positive correlation to the prevailing economic trends. In India, the demand drivers and growth triggers have come from a combination of factors:

- Rising level of national income.
- The growing per capita income.
- Rising aspiration levels of the people.
- Increasing size of the population.
- Increasing size of the service industry.
- Spread of education and literacy throughout the country.
- Government focus on education.
- Introduction of computers in rural areas; and,
- Higher level of industrial activity and corporate spending.

Industry Overview**Global Paper Industry:**

Paper Industry plays a very prominent role in the World Economy. Annual revenue from this sector exceeds USD \$ 500 billion. World consumption of paper and boards grew from 169 million tonnes in 1981, to 253 million tonnes in 1993, to 352 million tonnes in 2005 and to 390 million tonnes currently.

Global paper manufacturing industry is dominated by three major regional blocks: North America, Western Europe and Asia. The four key paper and board categories are Newsprint, Printing & Writing Paper, Speciality and Industrial Paper for the packaging applications.

Industry's growth rate was 3.4% per annum in the 1980s and early 1990s. This has since slowed down to 2.5% - 2.8% in the 1990s and currently the growth rate will vary by grade. Coated Wood-free paper and Office grades in printing & writing segment are witnessing higher growth rates.

The Industry which is capital intensive and cyclical in nature is dominated by the North America and European producers. Over 100 million tonnes of paper and boards are consumed by the North American Block. Asia,



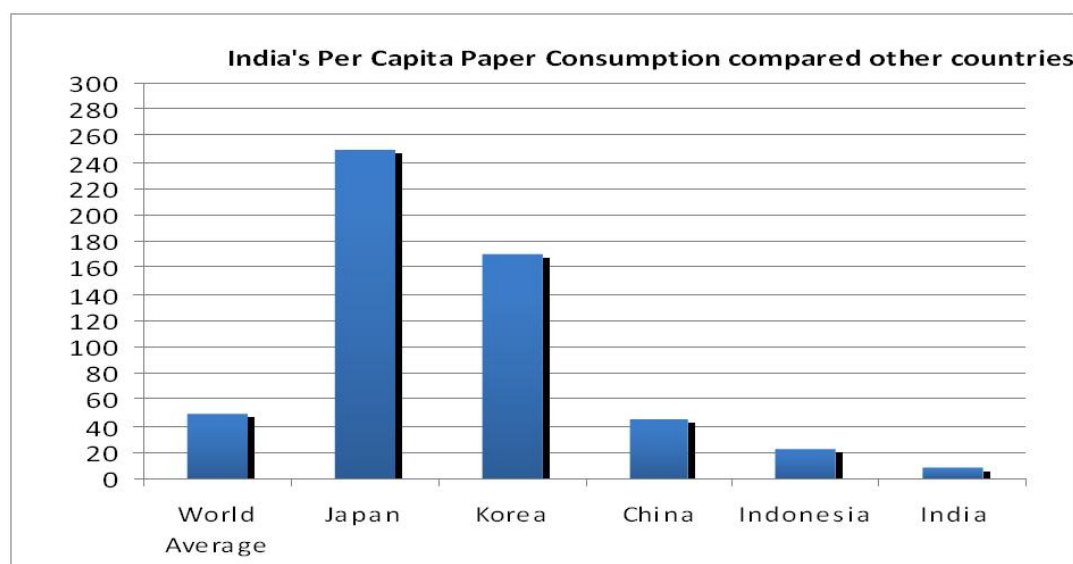
inclusive of Japan, accounts for 140 million tonnes per annum of consumption. Europe's share is of the order of 102 million tonnes. China had registered the fastest growth (9.3% per annum) in recent times. This is expected to slow down to 7.1% per annum upto 2010. India, whose consumption is a low 8.5 million tonnes per annum, has the distinction of being the fastest growing nation in the Paper sector at 7.4% per annum (*Source: ITCOT Consultancy and Services*).

Domestic Paper Industry

The paper industry plays a vital role in socio economic development of a country. The Indian Paper Industry is ranked among 35 high priority economic sectors. Indian Paper industry has made a steady growth and it ranks 15th among the paper producing countries in the world. The industry is highly fragmented with about 700 units spread across the country with capacity ranging from 5 TPD to over 1000 TPD. Total installed capacity of the existing mills is thus estimated at 9.18 million tonnes with production of 8.60 million tonnes. (*Source: Indian Agro & Recycled Paper Mills Association (IARPMA)*).

The Industry has grown at a CAGR of 6% in the last few years and is projected to grow at a CAGR of 7.6% in the next 2-3 years, showing 1:1 correlation to India's GDP growth rate. About 6 lakh tonnes of new capacity got added in 2008 and 2009. An additional 5 lakh tonnes are in the pipe line.

India constitutes 16.5% of the world's total population; however, it consumes only 1.53% of the world's total paper production. The per capita paper consumption is 8 kgs, one of the lowest in the world compared to the paper consumption in other developing countries (shown in table below). An increase in consumption by 1 kg per capita will lead to an increase in demand of one million tonnes. There has been a steady shift in paper consumption patterns consequent to change in the Country's economic scenario. Improved standard of living and increased urbanization have fuelled the shift in demand from low value, low quality paper to high quality papers. (*Source: ITCOT Consultancy and Services*).



(*Source: Websites of Indian Paper Manufacturers Association & Central Pulp & Paper Research Institute*)

Segment-wise Outlook

The product segment in the paper industry can be broadly classified as Printing & Writing, Newsprint, Industrial Paper and Speciality Paper.

The export market is slated to be buoyancy for another 2 years. Similarly, the waste paper prices have also gone up substantially due to higher demand and also bulk purchases from China. The increase in pulp and waste paper prices has escalated the cost of production of paper for many mills across the globe. However, the outlook for



certain segments in the paper industry especially Newsprint & Printing & Writing paper looks better due to its growing demand in the global market (Source: ITCOT Consultancy and Services).

A. Printing & Writing paper

The average literacy rate has grown from 66% in 2000-01 to nearly 72% presently. It is further projected, due to implementation of several schemes; the average literacy is expected to increase around 75% by 2012. Every 1% increase in literacy will increase the paper demand by 1 Lakh tones per year.

With economic recession, PWP price in the global market declined to a very low price of about USD 700-750 per MT since October 2008. The paper prices were ruling low for about 18 months. The sluggish market started showing signs of recovery since mid February 2010. There is a growth in demand for cut size papers, the copier production year on year registering a compounded average growth of 17-19% since 2000.

(Source: ITCOT Consultancy and Services).

Demand Drivers:

1. Growth in Service Sector leading to growth in consumption of copier paper.
2. Coated paper demand in India is only 10% of India's writing & printing demand compared to 40-50% in the developed countries.
3. The 'Sarva Shiksha Abhiyan' (Education for All) – A Government of India (GOI) initiative to make elementary education mandatory;
 - a. About 210 Million children between the age group of 6-14.
 - b. 13% of government budgeted expense is on primary education which amounts to approximately 3.6 USD/annum.
 - c. The GOI has introduced 'Right to have Education Act' which will have additional 10% rise in paper demand.
 - d. The GOI's initiative to achieve 70% literacy rate by 2010 has increased the educational enrollment by 4.1% per annum.

B. Newsprint

Newsprint segment demand comprises of 20% of total paper market. The demand for Newsprint has grown to 16.4 lakh tones and projected that the imports are almost 45 to 50% of total demand. Newsprint import is freely allowed.

Govt. of India has brought the Newsprint and Light weight coated (LWC) paper under zero duty effective from 11.02.2009. The domestic Newsprint price moves in tandem with the imported price as the major Newsprint consumers in the country source large quantity of their Newsprint requirement from abroad.

Currently, in the domestic market, Newsprint is sold at about Rs.27,000/MT. The production of Newsprint was reduced in USA, Canada and Europe due to recession and fluctuating global conditions. The Newsprint market demand has grown to 6%. The market is further looking at upward trend (Source: ITCOT Consultancy and Services).

Demand Drivers:

- a. Literacy rate in India is approximately 61%. The domestic demand is expected to rise by 7-8% with the rise in literacy rate.
- b. Over 150 million Indians read newspaper; however, the remaining literate population still do not read newspapers.
- c. Growing demand for business and financial news.



Industry Outlook

The outlook for the Indian Paper Sector looks stable for the year 2010 with secondary & tertiary sectors of the country's economy showing significant developments. Analysis show that India's Paper sector should benefit from the recovery in macro-economic factors such as industrial output, increase in corporate marketing spend and greater education and office activities (*Source: ITCOT Consultancy and Services*). Also, US and other developed European countries are looking at Indian printing industry as their outsourcing destination which will boost the demand for paper.

The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tons. With the continuous growth in the GDP and improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7 - 8%. The demand growth in the next three years is as follows:

Sr. No	Type of Paper	Growth Rate (%)
1	Newsprint	4-5
2	Printing & Writing Paper	
	- Non-Surfaced Sized Paper	6-7
	- Surface Sized Paper	7-8
	- Cut Size Copier Paper	15
3	Speciality Paper	5

(Source: Indian Agro & Recycled Paper Mills Association (IARPM)).



BUSINESS OVERVIEW

Our company 'Servalakshmi Paper Limited' was incorporated on 3rd November, 2005 vide Certificate of Incorporation issued by the Registrar of Companies, Coimbatore, Tamil Nadu. Our company belongs to the "Servall" Group. We are engaged in the business of manufacturing Printing & Writing Paper and Newsprint. We carry our production through our state-of-the-art production unit situated at Kodaganallur Village, Tirunelveli district, Tamil Nadu with total installed production capacity of 90000 MTPA making it one of the largest single location plants in India.

In printing and writing segment, we intend to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationary and text/note book papers. In newsprint segment we focus on high-end newsprint.

SERVALL GROUP

Servall is a Tamil Nadu based group having presence in paper industry for more than four decades. Servall is an accredited name in the paper industry with a strong presence in all verticals namely paper machinery manufacturing, paper manufacturing, project consultancy and turnkey project implementations. The group produces wide spectrum of papers such as printing & writing, newsprints, industrial paper and speciality papers.

Servall is proficient in handling turnkey projects, design, consultancy, erection & commissioning of paper machinery, machine rebuilding, unit equipment and spares with clientele base of more than 300 paper mills in Asia, Europe, Africa and Gulf Countries.

By establishing latest technology paper plant with large capacity, the group is now set to grow as a leading player in the industry by offering varieties of papers.

The Servall group has the following three closely held paper mills which are manufacturing newsprint and specialty papers like wax-match, tissue, OTC, base paper for fax and other grades of printing & writing:

- Danalakshmi Paper Mills Private Limited (DPMPL),
- Servalakshmi Paper and Boards (P) Limited (SPBPL)
- Vijayalakshmi Paper Mills (VPM)

The above three existing group mills together have a combined paper manufacturing capacity of 45000 tonnes per annum. Along with Servalakshmi Paper Limited, the group will have a market share of 2-3% in the paper industry.

Apart from the above, the following two companies also belong to the Servall Group:

- Servall Engineering Works Private Limited (SEWL) which is engaged in manufacturing of machineries and accessories for Paper Manufacturing Units.
- Techno Spin Private Limited (TSPL) which is engaged in the manufacturing of rolls and spares for paper industry.

SERVALAKSHMI PAPER LIMITED

Our company was incorporated in the year 2005 by Servall Group to setup Paper Plant at Kodaganallur Village, Tirunelveli district of Tamil Nadu. The plant is located in an area covering about 340 acres of land. The location of the plant is in close proximity to Tuticorin Port which is 72 km away. The plant is also nearer to the National Highway (NH7) and river Thaimrabarani which are just 5 km and 6 km away respectively. The paper mill has a total production capacity of 90,000 tonnes per annum, which is one of the largest single location plants in India and ranks within fifteen major plants in India.



To ensure consistent availability of power, the paper mill has installed a co-generation power plant with a capacity of 15 MW to supply uninterrupted power and steam for the paper plant. The commercial production of power has been synchronized with the paper plant.

We have employed latest technology and many of them are employed for the first time in India. The high level of automation introduced will provide higher productivity through uninterrupted operations and lower wastage there by providing better margins.

Servall group's expertise in paper industry has made it possible for us to save capital cost by more than Rs.100 Crores by adopting superior technology in our paper mill as compared to other paper mills being setup in India.

We plan to produce wide range of Printing & Writing Papers and high-end Newsprint under our own brand name of "LAKSHMI".

PRODUCTS

Printing & writing Paper:

Printing and writing papers include most papers used for publishing and advertising, with the exception of newsprint and papers generally referred to as office papers. Four main grades make up the printing and writing papers industry: uncoated mechanical, uncoated wood-free, coated wood-free and coated mechanical papers.

Uncoated mechanical papers are made of fibres produced by a mechanical pulping process. However, they are not classified as newsprint because they possess other properties, such as higher brightness or smoothness that enhance their value. Their main end users are directories, magazines, catalogues, inserts, flyers, coupons, as well as books.

Uncoated wood-free papers, includes almost all office papers and offset grades used for general commercial printing. The definition of "office papers" encompasses forms, envelopes, technical papers, stationery, and the all important office reprographic papers (paper for photocopiers and printers).

Coated papers, generally selected for their brightness, create a uniform surface on which one can print a higher quality product.

Coated mechanical papers are mostly used for magazines and catalogues, whereas **coated wood-free** papers, the highest quality of printing papers, are used for annual reports and high-end catalogues, magazines, and promotional material (Source: www.pppc.org, *Printing and Writing Paper Association*).

Newsprint:

Newsprint is low-cost, non-archival paper most commonly used to print newspapers, plus other publications and for advertising material. It usually has an off-white cast and distinctive feel. It is designed for use on printing presses that employ a long web of paper rather than individual sheets of paper. Newsprint is favored by publishers and printers for its combination of relatively low cost (compared with paper grades used to print such products as glossy magazines or sales brochures), high strength (to run through modern high-speed web printing presses) and the ability to accept four-color printing at qualities that meet the needs of typical newspaper advertisers.

COMPETITIVE STRENGTHS

Servalakshmi Paper Limited (SPL) is an ambitious project of leading Servall Group, who for more than four decades has established a strong presence in all the verticals of paper industry namely paper machinery manufacturing, paper manufacturing, project consultancy and turnkey project implementations.

We are into the business of manufacturing of printing & writing paper and newsprint. We believe that following are our principal competitive strengths:-

1. **Strong management Team:** Our Company is managed by a team of professionals led by the Chairman & Managing Director Mr. R. Ramswamy. The promoter and the senior management team of our Company have significant industry experience in the field of paper manufacturing and have been instrumental in company's operations.



2. **Relationship with established players in industry:** Our products have found acceptance by our wide customer base which includes a diverse set of industries. Our top clients based on the sales value of the products supplied to them are Times of India, Kerela Kaumudi Private Limited, Deccan Herald, Sakal Paper Limited, Perfect Coated India Private Limited, Manipal Press Limited, Mehra Computer system Limited, and Arunodaya. Our Company is well poised to benefit from this strong relationship with the industry players enabling us to provide better services to its customers.
3. **Wide product range:** We as a Company manufacture a wide range of products based on the customer specifications. This allows us to cater to the diverse demands of our customers and to consolidate and establish our presence across regions.
4. **New Products in pipeline:** We plan to foray into wide range of Printing & Writing Paper and high-end newsprint under the name 'Lakshmi'. We also intend to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationary and text/note book papers.
5. **Selling and Distribution network:** We have gradually developed our selling and distribution network over a period of time. We have successfully developed an extensive clientele. We are currently doing business through 38 dealer's network in domestic market and 12 agents for exports.
6. **Locational Advantages:** The location of the paper mill is in close proximity to Tuticorin Port, which is 72 Km away, also near to the National Highway NH7 which is just 5 Km away and 6 Km away from river Thaimrabarani. This facilitates efficient movement of raw materials and finished products. Our strategic location also helps us to service wide array of customers.
7. **Technological Advantages:** We have opted for high speed bigger machines, coupled with better automation, which will enable us to manufacture high end products with reduced cost per ton of paper. The details of which are as follows:
 - a. We are the first mill in India to go for POM Technology from Finland in Stock preparation. This saves energy and reduces cost of production.
 - b. We have introduced "Intelligent MCC" in complete plant which is maintenance free and the best communicating system for DCS (Distributor Control Systems) from YOKOGAWA and QCS (Quality Control Systems) from HONEYWELL for improving our productivity.
 - c. We have also introduced state-of-art technology, fully Automated Deinking plant with two stage bleaching supplied by METSO, Finland which provides best and consistent quality of pulp for paper manufacturing.
 - d. The high speed Paper Machine from VOITH installed in our mill is a swing machine which can produce Newsprint and high quality Printing & Writing Paper with 40 to 110 GSM range.
 - e. We are also supported by our promoter group company namely, Servall Engineering Works Private Limited, a reputed manufacturers of paper machinery in India, for technological upgradation of our machineries and also contingent engineering help, if required, which is a unique advantage to us compared to our competitors.



SUMMARY OF FINANCIAL DATA

Restated Summary Statement of Profits and Losses

(Rs. In Lacs)

Particulars	Year Ended March 31				
	2010	2009	2008	2007	2006 (5 month period)
Sales:					
Of Products manufactured by the Company	--	--	--	--	--
Of Products traded in by the Company	--	--	--	--	--
Other Income	1.73	11.37	5.44	--	--
Increase(Decrease in Inventories)	--	--	--	--	--
	1.73	11.37	5.44	--	--
Expenditure					
Raw Materials Consumed	--	--	--	--	--
Staff Costs	--	--	--	--	--
Other Manufacturing Expenses	--	--	--	--	--
Administration Expenses	2.46	11.53	6.81	--	--
Selling & Distribution Expenses	--	--	--	--	--
	2.46	11.53	6.81	--	--
Earnings Before Depreciation Interest & Tax	(0.72)	(0.16)	(1.36)	--	--
Depreciation	6.64	6.35	1.09	--	--
Interest	0.32	0.24	--	--	--
Net Profit before tax and Extraordinary items	(7.68)	(6.75)	(2.45)	--	--
Taxation					
Current tax	--	--	--	--	--
Fringe Benefit Tax	--	1.74	0.79	--	--
Income Tax for earlier year	1.10	--	0.05	--	--
Net Profit before Extraordinary Items	(8.78)	(8.49)	(3.30)	--	--
Extraordinary items	--	--	--	--	--
Net Profit after Extraordinary Items	(8.78)	(8.49)	(3.30)	--	--
Adjustments on account of Prior period Expenses	--	--	--	--	--
Adjusted Profit	(8.78)	(8.49)	(3.30)	--	--

The above statement should be read with Significant Accounting Policies and the Notes to the Restated Summary Statements as appearing in Annexure II respectively of Auditors Report as appearing on page. 115 of this Draft Red Herring Prospectus.



Restated Summary Statement of Assets and Liabilities

(Rs. In Lacs)

Particulars	Year Ended March 31				
	2010	2009	2008	2007	2006 (5 month period)
A. Fixed Assets					
Gross block	381.75	319.57	260.89	164.09	93.30
(Less) Depreciation	14.08	7.44	1.09	--	--
	367.67	312.13	259.80	--	--
Capital Work in Progress	21593.22	12917.81	2372.64	--	--
Net Block	21960.89	13229.94	2632.44	164.09	93.30
B. Pre-operative Expenses	4056.21	1131.07	142.44	--	--
C. Current Assets, Loans and Advances					
Inventories	2025.82	--	--	--	--
Sundry Debtors	48.80	--	--	--	--
Cash and Bank Balances	255.88	667.03	699.30	508.87	1.78
Loans and Advances	1863.95	2412.30	677.10	1036.46	0.81
	4194.45	3079.33	1376.40	1545.33	2.59
D. Liabilities and Provisions:					
Secured Loans	23051.44	12375.40	1776.81	--	--
Unsecured Loans	--	--	--	3.76	--
Current Liabilities and Provisions	1765.31	829.83	39.09	1.00	0.01
Deferred Tax Liability	--	--	--	--	--
	24816.75	13205.23	1815.90	4.76	0.01
E. Net Worth [A + B + C - D]	5394.80	4235.11	2335.38	1704.65	95.88
F. Represented by					
Share Capital	2138.80	800.80	420.80	211.00	1.00
Call Money Advance	--	--	244.03	--	--
Share Application Money	--	--	--	659.00	--
Advance for Share Capital	99.11	254.87	--	--	96.48
Reserves	3204.20	3199.20	1679.20	840.00	--
Less Revaluation Reserve	--	--	--	--	--
Reserves(Net of Revaluation Reserves)	3204.20	3199.20	1679.20	840.00	--
	5442.11	4254.87	2344.03	1710.00	97.48
G. Misc. Expenditure to the extent not written off or adjusted Profit and Loss Account	26.74	7.97	5.35	5.35	1.60
	20.57	11.79	3.30	--	--
	47.31	19.76	8.65	5.35	--
H. Net Worth (F-G)	5394.80	4235.11	2335.38	1704.65	95.88

The above statement should be read with Significant Accounting Policies and the Notes to the Restated Summary Statements as appearing in Annexure I respectively of the Auditors Report as appearing on page. 114 of this Draft Red Herring Prospectus.



THE ISSUE

Public Issue aggregating to Rs. 6000.00 lacs:	
Which comprises of fresh issue of	[●] Equity Shares of Rs. 10/- each
Of which:	
QIB Portion:	Upto [●] Equity Shares of Rs. 10/- each, constituting upto 50% of the Issue, of which at least 10% of the fresh issue size shall be allotted to QIBs.
<ul style="list-style-type: none"> Of which 5% is available for Allocation to Mutual Funds [the unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs] 	[●] Equity Shares of Rs. 10/- each
<ul style="list-style-type: none"> Balance for all QIBs including Mutual Funds 	[●] Equity Shares of Rs. 10/- each
Non- Institutional Portion:	Not less than [●] Equity Shares of Rs. 10/- each, constituting 15% of the fresh Issue that will be available for allocation to Non-Institutional Bidders.
Retail Portion:	Not less than [●] Equity Shares of Rs. 10/- each constituting 35% of the fresh Issue that will be available for allocation to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue:	2,24,24,000 Equity Shares of Rs. 10/- each
Equity Shares outstanding Post Issue:	[●] Equity Shares of Rs. 10/- each
Use of Proceeds	Please refer to chapter titled "Objects of the Issue" on page 27 of this Draft Red Herring Prospectus for additional information.

Allocation to all categories shall be made on a proportionate basis.

Notes:

- Under subscription, if any, in the Qualified Institutional Buyer, Non Institutional and Retail portion would be met with spill over from any other category, at the sole discretion of the Company in consultation with the BRLM and Co-BRLM.



GENERAL INFORMATION

INCORPORATION

Incorporated on November 3, 2005 under the Companies Act, 1956 as 'Sri Sai Shakthi Raam Papers Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Coimbatore, Tamil Nadu, India, the company's name was later changed to 'Servalakshmi Paper Private Limited' on January 31, 2007. The company was later converted into a public company and the name was changed to 'Servalakshmi Paper Limited', pursuant to a shareholders resolution dated April 30, 2010 and received a Certificate of Change of Name on June 17, 2010. The Corporate Identity Number (CIN) of the Company is U21012TZ2005PLC012260.

ADDRESS OF THE COMPANY

Registered & Corporate Office:

31 (Old No. 10-Z),
Bharathi Park, VII Cross,
Saibaba Colony, Coimbatore-641011,
Tamil Nadu, India.

Tel: 0422-4333344; **Fax:** 0422-4333355

Website: www.servalakshmi.in

Plant location:

I.C. Pettai, Vaduganpatti Post,
Tirunelveli - 627 010
Tamil Nadu, India.
Tel no: 0462-2568500

ADDRESS OF REGISTRAR OF COMPANIES

The Registrar of Companies,
Stock Exchange Building,
2nd Floor, 683, Trichy Road,
Singanallur, Coimbatore – 641 005
Tamil Nadu, India.

BOARD OF DIRECTORS

Our Board of Directors comprises of the following:

Sr. No	Name of the director	Designation	Status
1.	Mr. R. Ramswamy	Chairman & Managing Director	Executive – Promoter
2.	Mr. Y. Shivaram Prasad	Director	Non-Executive – Non-Independent
3.	Mr. B. Sriramulu	Director	Non-Executive – Non-Independent
4.	Mr. D. Muthusamy	Director	Non-Executive – Independent
5.	Mr. S. N. Inamdar	Director	Non-Executive – Independent
6.	Mr. S. Srinivasaragavan	Director	Non-Executive – Independent
7.	Mr. G. P. Muniappan	Director	Non-Executive – Independent

For further details on the Board of Directors of our Company, please refer to the section titled "Management" beginning on page 86 of this Draft Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mrs. Praveena Dhanagopal

Company Secretary

Servalakshmi Paper Limited

31 (Old No. 10-Z), Bharathi Park,

VII Cross, Saibaba Colony,

Coimbatore-641011, Tamil Nadu, India.

Tel No: 0422 4333344; **Fax No:** 0422 4333355

E-mail: secretarial@servalakshmi.in

LEGAL ADVISORS TO THE ISSUE

M/s. Ramani & Shankar, Advocates,

52, Kalidas Road, Ramnagar,

Coimbatore - 641 009, India.

Tel: 0422-2232179/2231955, **Fax:** 0422-2233175

E mail: ramanishankar@airtelmail.in

Contact Person: Mr. R Vidhya Shankar

BANKERS TO THE COMPANY

STATE BANK OF INDIA

Mid-Corporate Group,

Commercial Branch,

1443, Trichy Road,

P. B. No. 3902,

Coimbatore - 641018

Tel: +91-422-2302944,2303983

Fax: +91-422-2302811,2301823

Email: k.raghunathan@sbi.co.in

Contact Person: Mr. Muthuvel

INDIAN OVERSEAS BANK

125, D.B. Road,

R. S. Puram,

Coimbatore 641 002

Tel: +91-422-2554684

Fax: +91-422-2552448

Email: rspurbr@coisco.iobnet.co.in

Contact Person: Mr. K.V. Narasimhan

BANK OF INDIA

Coimbatore Corporate Banking Branch, 1st

Floor, 'Chamber Towers', 8/732 Avinashi

Road, Coimbatore 641018

Tel: +91- 422-2210868/872/874

Fax: +91- 422-2210869

Email: corporate.coimbatore@bankofindia.co.in

Contact Person: Mr. Raju

BOOK RUNNING LEAD MANAGER TO THE ISSUE

KEYNOTE

CORPORATE SERVICES LTD

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building,

5, J. N. Heredia Marg Ballard Estate,

Mumbai – 400 001.

Tel.: (022) 3026 6000; **Fax:** (022) 2269 4323

E-mail: mbd@keynoteindia.net

Website: www.keynoteindia.net

Contact person: Mr. Nikhil S. Patil

CO-BOOK RUNNING LEAD MANAGER TO THE ISSUE



INDIAN OVERSEAS BANK

Merchant Banking Division, Central Office,

6th Floor, Annex Building, 763 Anna Salai,

Chennai-2

Tel: (044) -28889367; **Fax:** (044) -28519548;

E-mail: mbd@iobnet.co.in;

Website: www.iob.in;

SEBI Registration No: INM 000001386;

Contact Person: R. Ramachandran

REGISTRAR TO THE ISSUE**LINK INTIME INDIA PRIVATE LIMITED**

C-13, Pannalal Silk Mills Compound, LBS Marg

Bhandup (West), Mumbai – 400 078, India

Tel: +91 22 2596 0320; **Fax:** +91 22 2596 0329**Website:** www.linkintime.co.in;**E-mail:** spl.ipo@linkintime.co.in;**SEBI Registration No.:** INR 000004058**Contact Person:** Mr. Sachin Achar

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

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

[•]

SYNDICATE MEMBER

[•]

SELF CERTIFIED SYNDICATE BANKS

As on date following banks are registered with SEBI for collection of ASBA forms:

1.	Axis Bank Ltd	17.	Andhra Bank
2.	State Bank of Hyderabad	18.	HSBC Ltd.
3.	Corporation Bank	19.	Kotak Mahindra Bank Ltd.
4.	State Bank of Travencore	20.	Bank of India
5.	IDBI Bank Ltd.	21.	CITI Bank
6.	State Bank of Bikaner and Jaipur	22.	IndusInd Bank
7.	YES Bank Ltd.	23.	Allahabad Bank
8.	Punjab National Bank	24.	Karur Vysya Bank Ltd.
9.	Deutsche Bank	25.	The Federal Bank
10.	Union Bank of India	26.	Indian Bank
11.	HDFC Bank Ltd.	27.	Central Bank of India
12.	Bank of Baroda	28.	Oriental Bank of Commerce
13.	ICICI Bank Ltd	29.	Standard Chartered Bank
14.	Vijaya Bank	30.	J. P. Morgan Chase Bank, N.A
15.	Bank of Maharashtra	31.	Nutan Nagrik Sahakari Bank Ltd.
16.	State Bank of India	32.	UCO Bank

For the details of list of controlling banks along with its branches for ASBA please visit the website of SEBI, BSE and NSE at www.sebi.gov.in, www.bseindia.com, www.nseindia.com respectively.



STATUTORY AUDITORS

M/s. S. Krishnamoorthy & Co.

Chartered Accountants

ICAI Registration No.01496S

"Kanapathy Towers", 3rd floor,

No. 1391/A-1, Sathy Road, Ganapathy

Coimbatore-641 006, Tamil Nadu

Tel: 0422-4349901-9; **Fax:** 0422-2536673

Email: skmcoca@skmcoca.com

M/s. S. Krishnamoorthy & Co. holds a Peer Review Certificate dated June 04, 2007 issued by the Institute of Chartered Accountants of India, New Delhi.

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

Keynote Corporate Services Limited being the Book Running Lead Manager to this Issue and Indian Overseas Bank being the Co-Book Running Lead Manager, their Inter-se allocation of responsibilities amongst themselves are as given below:

Sr. No.	Activity	Responsibility	Co-ordinator
1.	Capital Structuring with the relative components and formalities such as type of instruments, etc.	Keynote	Keynote
2.	Conducting a due diligence of the Company's operations/management/business plans/legal, etc. Drafting and designing the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus. Ensuring compliance with the SEBI (ICDR) Regulations 2009 and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI	Keynote & IOB	Keynote
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements	Keynote & IOB	Keynote
4.	Primary co-ordination of drafting/proofing of the design of the Red Herring Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	Keynote	Keynote
5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Keynote	Keynote
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz., printers and advertising agency	Keynote	Keynote



Sr. No.	Activity	Responsibility	Co-ordinator
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> ▪ Formulating marketing strategies, preparation of publicity budget, ▪ Finalising media & public relations strategy, ▪ Finalising centers for holding conferences for press and brokers etc, ▪ Finalising collection centers, ▪ Following-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material, ▪ Preparing all road show presentations, ▪ Appointment of brokers to the issue, and ▪ Appointment of underwriters and entering into underwriting agreement. 	Keynote	Keynote
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company	Keynote	Keynote
9.	Finalising the Prospectus and RoC filing	Keynote	Keynote
10.	Co-ordinating post bidding activities including management of Escrow accounts, coordinating with registrar and dispatch of refunds to Bidders, etc.	Keynote & IOB	Keynote
11.	Follow-up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	Keynote	IOB
12.	<p>The Post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business.</p> <p>The BRLM and Co-BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.</p>	Keynote & IOB	IOB

CREDIT RATING

As this is an Issue of Equity Shares, there is no requirement of credit rating for this Issue.

IPO GRADING

[•] Limited has been appointed for grading of the issue.

TRUSTEES

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



MONITORING AGENCY

No agency has been appointed to monitor the utilization of funds.

APPRAISING AGENCY

The Project has been appraised by:

Indian Overseas Bank

125, D.B. Road,

R. S. Puram,

Coimbatore 641 002

Tel: +91-422-2554684

Fax: +91-422-2552448

Email: rspurbr@coisco.iobnet.co.in

Contact Person: Mr. K.V. Narasimhan

BOOK BUILDING PROCESS

The Book Building Process, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- The Company;
- The Book Running Lead Manager, in this case being Keynote Corporate Services Limited and the Co-Book Running Lead Manager, in this case being Indian Overseas Bank;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member(s) are appointed by the Book Running Lead Manager;
- Registrar to the Issue;
- Escrow Collection Banks and
- Self Certified Syndicate Banks

The Issue is being made through the 100% Book Building Process where upto 50% of the Issue to the public shall be allocated on a proportionate basis to eligible Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all other eligible QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. QIBs are required to pay full Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see section "Terms of the Issue" on page no. 152 of this Draft Red Herring Prospectus.

The Company shall comply with the SEBI Regulations and any other directions issued by SEBI for this Issue. In this regard, we have appointed Keynote Corporate Services Limited as the Book Running Lead Manager and Indian Overseas Bank as the Co-Book Running Lead Manager to manage the Issue.



The process of Book Building under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue.)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 20/- to Rs. 24/- per share, issue size of 4,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as below. A graphical representation of the consolidated demand and price would be made available at the bidding centres' during the bidding period. The illustrative book as shown below indicates the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
700	24	700	17.50%
900	23	1,600	40.00%
1,400	22	3,000	75.00%
1,000	21	4,000	100.00%
800	20	4,800	120.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 21/- in the above example. The issuer, in consultation with the BRLM and Co-BRLM will finalize the issue price at or below such cut-off price i.e. at or below Rs. 21/-. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid?" on page no. 159 of this Draft Red Herring Prospectus);
2. Ensure that you have a dematerialised account and the dematerialised account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that you have mentioned your PAN (see "Issue Procedure – PAN" on page no. 171 of this Draft Red Herring Prospectus); and
4. Ensure that the Bid cum Application Form/ASBA Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form/ASBA Form;

Withdrawal of the Issue

The Company, in consultation with the BRLM and Co-BRLM, reserves the right not to proceed with the issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The stock exchanges where the specified securities were proposed to be listed shall also be informed promptly. If the Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, it shall file a fresh draft red herring prospectus with the SEBI.



Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non- Institutional Bidders and Eligible Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders bidding where the Bid Amount is up to Rs. 1,00,000. It is clarified that Bids not uploaded in the book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form submitted through the ASBA process, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing date, the bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/Issue Closing Date. All times are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLM and Co-BRLM and Syndicate member will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines provided that the Cap Price is less than or equal to 20% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date.

In case of revision of the Price Band, the Issue Period will be extended for three additional working days after revision of the Price Band subject to the total Bid /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the web sites of the BRLM and Co-BRLM and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with Registrar of Companies, Tamil Nadu, Coimbatore the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint, and are subject to certain conditions as specified in such agreement.



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

Name, address, telephone number, fax number and e-mail of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lacs)
[•]	[•]	[•]
[•]	[•]	[•]
Total	[•]	[•]

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with Registrar of Companies, Tamil Nadu, Coimbatore)

The above-mentioned amount is an indicative underwriting and would be finalized after pricing and actual allocation. The above underwriting agreement is dated [•]. In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI and are eligible to underwrite as per applicable guideline.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Member shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. For further details about allocation please refer to "Other Regulatory and Statutory Disclosures" on page 142 of this Offer Document.



CAPITAL STRUCTURE

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

Share Capital	Aggregate Value at Nominal Price. (Amount Rs. In Lacs)	Aggregate Value at Issue Price (Amount Rs. In Lacs)
A. Authorized Capital: 5,00,00,000 Equity Shares of Rs 10. each	5,000.00	--
B. Issued, Subscribed and Paid Up Capital before this Issue: 2,24,24,000 Equity Shares of the Face Value of Rs.10 /- each	2,242.40	--
C. Present Issue in terms of this Draft Red Herring Prospectus: [•] Equity Shares of the Face Value of Rs.10 /- each	[•]	6,000.00
Of which i) QIB portion of upto [•] Equity Shares* ⁽¹⁾ ii) Non Institutional Portion not less than [•] Equity Shares ⁽¹⁾ iii) Retail Portion of not less than [•] Equity Shares ⁽¹⁾	[•] [•] [•]	
E. Issued, Subscribed and Paid-Up Capital after this Issue [•] Equity Shares of the Face Value of Rs. 10/- each	[•]	
Securities Premium Account Before this Issue After this Issue	Rs. 3,204.20 Lacs [•]	

* Of which at least 10% of the fresh issue size shall be allotted to the QIBs.

⁽¹⁾ Balance Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLM and Co-BRLM.

Details of increase in the authorized share capital, since incorporation, are as follows:

Sr. No.	Details of increase in authorized share capital	Date of Resolution
1	Incorporation Rs. 1,00,00,000 divided into 10,00,000 equity shares of Rs.10/- each	Incorporation
2	Increased to Rs. 7,51,00,000 divided into 50,10,000 equity shares of Rs.10/- each and 2,50,000 Redeemable Preference Shares of 100/- each	26/02/2007
3	Increased to Rs. 12,50,00,000 divided into 1,00,00,000 equity shares of Rs.10/- each and 2,50,000 Redeemable Preference Shares of 100/- each	29/12/2007
4	Reclassification of 250000 Redeemable Preference shares of Rs. 100/- each to 2500000 of Rs. 10/- each	29/08/2009
5	Increased to Rs. 50,00,00,000 divided into 5,00,00,000 equity shares of Rs.10/- each	16/03/2010



Notes to capital structure

1. Equity Share Capital history of the company

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (bonus, swap etc.)	Cumulative Equity Share Capital (no. of shares)
03/11/2005	10,000	10	10	Cash	Allotment pursuant to Subscription of Memorandum	10,000
30/03/2007	21,00,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	21,10,000
10/10/2007	18,60,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	39,70,000
10/01/2008	38,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	40,08,000
10/01/2008	20,00,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	60,08,000
30/03/2009	20,00,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	80,08,000
09/09/2009	19,92,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	1,00,00,000
27/02/2010	6,94,000	10	50	Cash	Further Allotment to Promoter & Promoter Group	1,06,94,000
31/03/2010	1,06,94,000	10	0	Bonus	Bonus Issue (1 equity share for every one equity share held ie; @ 1:1)	2,13,88,000
24/04/2010	10,36,000	10	25	Cash	Further Allotment to Promoter & Promoter Group	2,24,24,000

As on date of filing of this Draft Red Herring Prospectus with SEBI, the issued capital is fully paid up.

2. Promoters Holding:

History of Share Capital held by the promoters:

Name of the Promoter	Date of Allotment/ Acquisition	Nature of the Issue (Allotment/ Transfer)	Consideration (Cash, bonus, kind, etc.)	No. of shares (of face value of Rs. 10 each)	Face Value (Rs.)	Issue Price (Rs.)	% of pre-Issue paid-up capital	% of Post-Issue paid-up capital
Mr. R. Ramswamy	03-11-2005	Allotment	Cash	5,000	10	10	4.89	[•]
	30-03-2007	Allotment	Cash	2,70,000	10	50		
	10-10-2007	Allotment	Cash	1,00,000	10	50		
	10-01-2008	Allotment	Cash	1,60,000	10	50		
	27-02-2010	Allotment	Cash	13,500	10	50		
	31-03-2010	Allotment	Bonus	5,48,500	10	00		
Total				10,97,000				



Name of the Promoter	Date of Allotment/ Acquisition	Nature of the Issue (Allotment/ Transfer)	Consideration (Cash, bonus, kind, etc.)	No. of shares (of face value of Rs. 10 each)	Face Value (Rs.)	Issue Price (Rs.)	% of pre- Issue paid-up capital	% of Post- Issue paid-up capital
Servall Engineering Works Private Ltd	10-10-2007	Allotment	Cash	4,40,000	10	50	21.56	[•]
	10-01-2008	Allotment	Cash	5,00,000	10	50		
	30-03-2009	Transfer*	Cash	1,36,460	10	50		
	30-03-2009	Allotment	Cash	1,16,215	10	50		
	09-09-2009	Allotment	Cash	8,00,000	10	50		
	27-02-2010	Allotment	Cash	54,840	10	50		
	31-03-2010	Allotment	Bonus	20,47,515	10	00		
	24-04-2010	Allotment	Cash	7,40,000	10	25		
Total				48,35,030				
Servalakshmi Paper & Boards Private Limited	30-03-2007	Allotment	Cash	8,00,000	10	50	36.73	[•]
	10-08-2007	Allotment	Cash	10,00,000	10	50		
	10-01-2008	Allotment	Cash	5,60,000	10	50		
	30-03-2009	Transfer **	Cash	2,20,340	10	50		
	30-03-2009	Allotment	Cash	9,76,723	10	50		
	09-09-2009	Allotment	Cash	1,92,000	10	50		
	27-02-2010	Allotment	Cash	3,02,560	10	00		
	31-03-2010	Allotment	Bonus	40,51,623	10	00		
	24-04-2010	Allotment	Cash	1,34,000	10	25		
Total				82,37,246				
Grand Total				1,41,69,276				

* on 30th March, 2009 1,36,460 equity shares of Ms. Shobana Prasad were transferred to Servall Engineering Works Private Limited.

** on 30th March, 2009 2,20,340 equity shares of Ms. R. Jeevanlatha were transferred to Servalakshmi Paper & Boards Private Limited

3. Details of Promoters contribution locked-in for three years:

The company does have Locked-In shares the details of which are given below:

Name of Promoter	Date of Allotment /Transfer	Allotment/ Transfer	Consideration	Number of Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	% age of Post Issue
Mr. R. Ramswamy	[•]	[•]	[•]	[•]	10	[•]	[•]
Servall Engineering & Works Private Limited	[•]	[•]	[•]	[•]	10	[•]	[•]
Servalakshmi Paper & Boards Private Limited	[•]	[•]	[•]	[•]	10	[•]	[•]
Total							20.00

Specific written consent has been obtained from the Promoters for inclusion of the Equity Shares for ensuring lock-in of three years to the extent of minimum 20% of post -Issue paid-up equity share capital from the date of allotment in the proposed public issue. Promoters' contribution does not consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.



Shares held by Promoter(s) which are locked in as per the relevant provisions of Regulation 36 of the SEBI Regulations, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock -in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable. As per Regulation 39 of SEBI (ICDR) Regulations, 2009, the locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan. Provided that if securities are locked in as minimum promoters' contribution under Regulation 36 of the SEBI Regulations, the same may be pledged, only if, in addition to fulfilling the requirements of this clause, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.

Other than those shares that are locked in as promoter's contribution for three years, the entire pre-issue share capital will be locked in for a period of one year from the date of allotment in this public issue.

Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per Regulation 37 of SEBI (ICDR) Regulations 2009, may be transferred to any other person holding shares which are locked in, subject to continuation of lock -in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

4. The shareholding pattern of the Company before and after the Issue is as follows:

Shareholder Category	Pre-Issue		Post-Issue	
	No. of Equity Shares	%	No. of Equity Shares	%
Shareholding of Promoter and Promoter Group				
Indian				
Individuals/ Hindu Undivided Family	39,51,588	17.62	39,51,588	[•]
Central Government/ State Government	--	--		
Bodies Corporate	1,84,72,412	82.38	1,84,72,412	[•]
Financial Institutions/ Banks	--	--		
Any Others (Specify)	--	--		
Sub Total (A)(1)	2,24,24,000	100.00	2,24,24,000	[•]
Foreign				
Individuals (Non-Resident Individuals/ Foreign Individuals)	--	--		-
Bodies Corporate	--	--		-
Institutions	--	--		-
Any Other (Specify)	--	--		-
Sub Total (A)(2)	--	--	--	-
Total Shareholding of Promoter and Promoter Group (A) =(A)(1)+(A)(2)	2,24,24,000	100.00	2,24,24,000	[•]
Public Shareholding				
Institutions				
Mutual Funds/ UTI	--	--	[•]	[•]
Financial Institutions/ Banks	--	--		
Central Government/ State Government	--	--		
Venture Capital Funds	--	--		
Insurance Companies	--	--		
Foreign Institutional Investors	--	--		
Foreign Venture Capital Investors	--	--		



Shareholder Category	Pre-Issue		Post-Issue	
	No. of Equity Shares	%	No. of Equity Shares	%
Any Others (Specify)	--	--		
Sub Total (B)(1)	--	--		
Non-Institutions				
Body Corporate	--	--		
Individuals:				
i. Individual shareholders holding nominal share capital up to Rs. 1 Lakh	--	--		
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	--	--		
Any Other (Specify)	--	--		
Non-Resident Indians	--	--		
(OCBs)	--	--		
Hindu Undivided Family	--	--		
Demat – Clearing Member	--	--		
Sub-Total (B)(2)	--	--		
Total Public Shareholding (B)=(B)(1)+(B)(2)	--	--		
TOTAL (A)+(B)	2,24,24,000	100.00	[•]	100.00
(C) Shares held by Custodians and against which Depository Receipts have been issued	--	--	--	--
GRAND TOTAL (A)+(B)+(C)	2,24,24,000	100.00	[•]	100.00

5. There are no transactions in the Company's Equity Shares by the Promoter & their relatives or the directors of the Company during a period of six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

6. Equity Shares held by the top ten shareholders:

6a. Top ten shareholders as on the date of filing this Draft Red Herring Prospectus with SEBI:

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (Face Value Rs. 10/-)
1	Servalakshmi Paper and Boards Private Ltd	82,37,246	36.73
2	Danalakshmi Paper Mills Private Ltd	53,46,056	23.84
3	Servall Engineering Works Private Ltd	48,35,030	21.56
4	Mrs. R.Jeevanlatha	12,74,588	5.68
5	Mr. R.Ramswamy	10,97,000	4.89
6	Mr. Y.Shivaram Prasad	6,00,000	2.68
7	Mrs. Nirupa Sriramulu	5,40,000	2.41
8	Mrs. Shobana S. Prasad	4,40,000	1.96
9	Techno Spin Private Ltd	54,080	0.24
	Total	2,24,24,000	100.00

6b. Top ten shareholders ten days prior to filing this Draft Red Herring Prospectus with SEBI:

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value Rs. 10/-)
1	Servalakshmi Paper and Boards Private Ltd	82,37,246	36.73
2	Danalakshmi Paper Mills Private Ltd	53,46,056	23.84



Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value Rs. 10/-)
3	Servall Engineering Works Private Ltd	48,35,030	21.56
4	Mrs. R.Jeevanlatha	12,74,588	5.68
5	Mr. R.Ramswamy	10,97,000	4.89
6	Mr. Y.Shivaram Prasad	6,00,000	2.68
7	Mrs. Nirupa Sriramulu	5,40,000	2.41
8	Mrs. Shobana S. Prasad	4,40,000	1.96
9	Techno Spin Private Ltd	54,080	0.24
	Total	2,24,24,000	100.00

6c. Top ten shareholders two years prior to filing this Draft Red Herring Prospectus with SEBI:

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value Rs. 10/-)
1	Servalakshmi Paper and Boards Private Ltd	23,60,000	39.28
2	Danalakshmi Paper Mills Private Ltd	13,22,540	22.01
3	Servall Engineering Works Private Ltd	9,40,000	15.65
4	Mr. R.Ramswamy	5,35,000	8.90
5	Mrs. R.Jeevanlatha	4,64,000	7.72
6	Mrs. Nirupa Sriramulu	2,30,000	3.83
7	Mrs. Shobana S. Prasad	1,56,460	2.60
	Total	60,08,000	100.00

7. Till date Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.
8. There is no "buy back" or "stand by" arrangement for purchase of Equity Shares by Servalakshmi Paper Limited, the Promoters, Directors, BRLM and Co-BRLM for the equity shares offered through this Draft Red Herring Prospectus.
9. The Company has not raised any bridge loan against the proceeds of the issue.
10. The company has 9 Shareholders as on the date of filing this Draft Red Herring Prospectus with SEBI.
11. An over-subscription to the extent of 10% of the net offer to public can be retained for purposes of rounding off to the nearest multiple of minimum allotment lot.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
13. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, if business needs of the Company so require, we may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this Draft Red Herring Prospectus or from the date the application moneys are refunded on account of failure.
14. We have not revalued our assets since incorporation.



15. We have not made any public issue since incorporation.
16. We undertake that at any given time, there shall be only one denomination for the Equity Shares of the Company and that we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
17. No payment, direct or indirect, in the nature of discount, commission allowance or otherwise shall be made either by the issuer company or the promoters in any public issue to the persons who receive firm allotment in the public issue.
18. As on the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into the Equity Shares.
19. As on date 18,00,000 equity shares of Rs.10 each allotted to Servall Engineering Works Private Ltd one of the promoter company have been pledged to the consortium bankers towards security for entire borrowings of the Company, details of which are given below:

Date of Allotment	Total no. Pledged Shares out of the allotted shares
10/10/2007	4,00,000
10/01/2008	5,00,000
30/03/2009	1,00,000
09/09/2009	8,00,000
Total	18,00,000



OBJECTS OF THE ISSUE

Our company has embarked upon setting up an integrated paper mill with a capacity to produce 300 tonnes per day (TPD) i.e. 90,000 MTPA, along with a 15 MW multi-fuel captive power plant at a single location. The total investment is estimated to be Rs. 34,000.00 lacs and the entire project is set to be completed in two phases. The company has already completed the Phase-I of the Project in all respects and has started the commercial production from 1st April, 2010. Having created the required manufacturing facilities through Phase-I we are in the process of implementing the Phase-II of the project which will add balancing equipments for improving productivity and producing value added products, along with augmenting our working capital needs.

The company intends to meet the requirements of Phase-II through the proposed IPO. The objects of the issue are to finance:

1. Purchase of equipments for producing value added products
2. Augmenting long term working capital requirement
3. Preliminary & Pre Operative expenses
4. Meet the issue expenses and
5. List the equity shares of the company on the stock exchanges.

The project has been appraised by Indian Overseas Bank, R. S. Puram Branch, Coimbatore, Tamil Nadu who is the leader of the consortium of banks from whom we have availed financial assistance to the extent of Rs. 11,370.00 lacs to part finance the project.

Techno Economic Appraisal of integrated paper mill project has been made by ITCOT Consultancy & Services Limited (Joint venture of ICICI Bank, SIDBI, IFCI, SIPCOT, TIIC, SIDCO and BANKS) vide their report dated 30/07/2010. In terms of the said report the integrated paper mill project including the proposed implementation of Phase-II for the manufacture of value added products is technically feasible and economically viable.

The main object clause of our Memorandum of Association and objects incidental to the attainment of the main objects enables us to undertake the existing activities and the activities for which funds are being raised by us through this Issue.

The net proceeds of the Issue after deducting the expenses for the Issue are estimated at Rs. [•] Lacs. The Fund requirement is based on the current business plan. In view of the competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently the fund requirement may change.

COST OF PROJECT AND MEANS OF FINANCE

The total cost of the project as per the appraisal report is estimated at Rs. 34,000.00 lacs brief details of which are as follows:

(Rs. in Lacs)				
Sr. No	Details	Project Cost of Phase-I	Project Cost of Phase-II	Total Project Cost
1	Project cost including pre-operative expenses	26,950.00	2,500.00	29,450.00
2	Working Capital Margin	1,050.00	--	1,050.00
3	Augmenting long-term working capital requirement	--	3,000.00	3,000.00
4	Preliminary & Preoperative expenses including expenses for the IPO	--	500.00	500.00
	Total Project Cost	28,000.00	6,000.00	34,000.00

We have already completed Phase-I of the project in all respects and have commenced commercial production. Brief details of Phase-I are as follows:

**PHASE-I****Cost of Project:**

The total cost of Phase-I of the project amounted to Rs. 28,000.00 lacs which included setting up of the Paper Plant and a Captive Power Plant of 15 MW. The details of cost of the project for Phase-I are given below:

(Rs. in lacs)

Particulars	Amount	Amount
Development of the manufacturing facility at Kodaganallur Village, Tirunelveli, Tamil Nadu		
Cost of the Paper Plant		
- Land	239.55	
- Factory Building & Civil Work	2,637.95	
- Plant & Machinery	13,094.31	
- Other Fixed Assets	880.78	
- Contingencies	400.00	
- Pre-operative Expenses	2,172.41	
- Start-Up Expenses	75.00	19,500.00
Working Capital Margin		1,000.00
(A) Total Cost of the Paper Plant		20,500.00
Cost of the Power Plant		
- Buildings & Civil Works	1,040.00	
- Plant & Machinery	5,610.00	
- Contingencies	200.00	
- Pre-operative Expenses	600.00	7,450.00
Working Capital Margin		50.00
(B) Total Cost of the Power Plant		7,500.00
Total Cost of the Project (A+B)		28,000.00

Means of Finance**(Rs. in lacs)**

Particulars	Amount	Amount
Equity share capital including premium (already brought in)		5,602.00
Term Loan from Banks:		
- Indian Overseas Bank	11,370.00	
- State Bank of India	5,120.00	
- Bank of India	5,908.00	22,398.00
Total means of finance		28,000.00

PAPER PLANT**Summary of Plant & Machinery:**

In paper industry the technology adopted and the level of high-end automation implemented in each and every area of process determines the quality of the product and the efficiency of the plant. Therefore, the company has opted for high speed bigger machines, coupled with better automation, which will enable it to manufacture high end products with reduced cost per ton of paper.



The details of the machinery installed in the manufacturing facility of the company are given below:

Sr. No	Type of Machinery /Technology	Description
1	Paper Machine	The company has installed the Paper Machine from VOITH, Germany, that has high operating speed of 900m/min having deckle width of 4.45 metres and also size press. This machine can produce high quality Newsprint and printing & writing Paper with 40 to 110 GSM range.
2	Automated Deinking Plant with two stage bleaching	The company has introduced this state of art technology, supplied by METSO, Finland. This technology provides the best and consistent quality of pulp for paper manufacturing. The system will include a de-inking line with an annual capacity of 108000 tonnes as well as key technologies for paper machine brake handling and approach systems.
3	POM Technology	The company has introduced POM Technology of Finland for stock preparation in its plant. This saves energy consumption, spaces, water and also eliminates multiple chests operation resulting faster grade changes in less than 10 minutes. This technology reduces "Off quality paper" production and offers products with lower cost of production compared to other plants.
4	Intelligent MCC (Motor Control Centers)	The company has also introduced first time in India, technologically superior & beneficially used to monitor and control power consumption of each motor. It is also the best communicating system for DCS (Distributor Control System) from YOKOGAWA and QCS (Quality control systems) from Honeywell used in the plant and is also maintenance free.
5	Quality control systems (QCS)	Two QCS (Quality control systems) are installed in two different places in paper machine to ensure consistent quality of end products. The wastages arising out of de-inking process are processed further and are utilized in boiler as spanning material and thus the pollution is avoided to the maximum level apart from cost reduction.

The wastages arising out of de-inking process are processed further and are utilized in boiler as spanning material and thus the pollution is avoided to the maximum level apart from cost reduction. The plant facilities are designed to meet the requirements of CREP (Corporate Responsibility for Environmental Protection) norms of India and well equipped with all safety standards. Considering the latest technology adopted and the level of automation implemented in each and every area of process, the quality of the product and plant efficiencies will provide significant competitive advantage for the plant.

Technology and its advantages:

Technology	Advantage
Automated Deinking Process	Provides quality Pulp
POM Technology	Save Energy, space, water & Quality stock preparation
Intelligent MCC	Improves productivity, offers best communication and maintenance
High Speed Machine	Produce high quality paper
A Two Scanner QCS	Offers better quality system

**POWER PLANT:**

The salient features of the power plant are:

- **Fuel:** Multi fuel including imported coal and bio mass.
- **Boiler:** Multi fuel 80 TPH/AFBC from Thermax.
- **Turbo Turbine:** Manufactured by Siemens

The installed 15 MW captive power plant provides uninterrupted power and steam supply to the paper plant. It maintains the efficiency of the paper plant by providing uniform load of power factor which results in better margin for the paper plant.

PHASE-II

We have successfully implemented Phase-I of the project and have completed the mechanical trials in December, 2009. The trial production is through and the commercial production was started on 1st April, 2010. However, we plan to invest further on the balancing equipment which will be added for improving productivity and producing value added products. . The details of cost of the project for Phase-II as per the appraisal report are given below:

Cost of Project:

The company intends to utilize Proceeds for financing the objects mentioned above. The details of utilization of Proceeds are as per the table set forth below:

(Rs. in Lacs)

Particulars	Amount	Amount
Purchase of equipments for value added products		
- Paper Machine	895.53	
- Finishing House	608.28	
- Value Added System	437.97	
- Raw Material Handling Area	72.98	
- Sundry Items	53.24	
- Civil Works	432.00	2,500.00
Working Capital		3,000.00
Preliminary & Pre Operative Expenses including expenses for IPO		500.00
Total Cost of Project		6,000.00

Means of Finance

(Rs. in lacs)

Particulars	Amount
Public issue of equity shares	6,000.00
Total means of finance	6,000.00



Summary of Plant & Machinery:

Sr. No	Type of Machinery /Technology	Description
1	Paper machine	
	- TOP FORMER	Top Former is required for better sheet formation, smoothness and to increase the production. This improves the marketability of the sheet and improves the machine speed, thus, in turn increasing the Production.
	- METERING SIZE PRESS	This provides improved sizing of the paper. Metering size press is used to meet market conditions by manufacturing improved copier paper.
	- FILLER PLANT	Filler plant is required for enhancing paper properties, reducing the fiber and obtaining of better paper formation, brightness etc. This also improves the production capacity.
	- STARCH PREPARATION PLANT	Oxidised starch is required for application on paper in size press to manufacture value added papers like Maplitho, Copier etc.
2	Finishing house	
	- SHEET CUTTERS	Sheet Cutters are used to convert the finished paper into required sizes of sheets for the market. 60% of P&W, Maplitho are to be converted into sheets. The price quoted by the market is 7 to 10% higher than the reel ordered cost.
	- A-4 SHEETING LINE	To convert the Copier reels into A-4 sheets, this unit is required.
	- REEL WRAPPING LINE	The Newsprint reels being produced by the parent machine is presently packed manually. The quality of packing does not meet the quality that is required by the leading printers. The cost of manual packing is higher than the reels packed by reel wrapping machine. This machine line also reduces the cost of packing, manpower etc.
	- GUILLotine MACHINE	This machine is used is to save the rejected/ damaged reels by cutting them into the required sheet sizes. This reduces the recycling of paper and improves the productivity.
3	Value added system	
	- NOTE BOOKS MAKING PLANT	The note books making plant manufacturers branded note books. Today all the leading manufacturers have entered into the market of branded note books with their own brand names considering the returns to be good for these products.
	- COMPUTER STATIONARY PLANT	The Computer Stationary Plant manufactures stationary that is related to the computer usage. The demand for such products is increasing with the growing demand and better returns to the manufacturers.
4	Raw Material Handling Area	
	TROMALPAPER SORTIN SYSTEM	Tromal sortin system is used to sort various types of raw materials such as sop, mixed grades etc, to get good quality of paper from it. This reduces the manpower and increases the efficiency of plant.



DETAILS OF THE OBJECTS OF THE ISSUE

1. Purchase of equipments for value added products:

In order to improve the overall profitability of paper mill operations, the company has proposed to install balancing equipments for producing value added products such as note books, computer stationery etc. representing the Phase-II of the project. These products will increase the sales realization on an average by about 5 % of the same for the printing & writing paper varieties. Total cost of capital expenditure has been estimated at Rs. 2,500.00 lacs, which includes civil works to an extent of Rs. 432.00 lacs as shown below:

Balancing Equipments:

The cost of equipments is estimated at Rs. 2,068.00 lacs as given hereunder:

(Rs. In lacs)				
Description	Name of the Supplier	Quantity (Units)	Amount	Date of Quotation/ Purchase Order
PAPER MACHINE				
Top Former	Servall Engineering Works Private Limited	1	419.17	22/07/2010
Metering Size Press	Servall Engineering Works Private Limited	1	396.57	22/07/2010
Filler Plant*	NA	1	48.66	NA
Starch Preparation Plant	Arjun Technologies (India) Limited	1	31.13	22/06/2010
Total			895.53	
FINISHING HOUSE				
Sheet Cutters	GEIN-Maskiner AB	1	194.65	16/08/2010
A-4 sheeting Line	GEIN-Maskiner AB	1	243.31	16/08/2010
Automatic Reel Wrapping Line	The Globe Radio Company	1	145.99	28/05/2010
Guillotine Machine	GEIN-Maskiner AB	1	24.33	16/08/2010
Total			608.28	
VALUE ADDED SYSTEM				
Note books Making Plant*	NA	1	194.65	NA
Computer Stationary Plant	Sud & Waren Private Limited	10	243.32	18/06/2010
Total			437.97	
RAW MATERIAL HANDLING AREA				
Tromal-Paper Sortin System*	NA	1	72.98	NA
Sundry Items*	NA	NA	53.24	NA
Grand Total			2068.00	

- The cost of the equipments mentioned above is inclusive of packaging, forwarding charges, Excise Duty & Sales Tax applicable at the time of delivery.
- *The cost of the equipments mentioned in the table above are company's estimates.

**Civil works:**

The cost civil works for the proposed expansion project works out to Rs. 432.00 lacs as certified by V build Constructions, Architect vide their certificate dated 15th July, 2010 is as given as follows:

(Rs. in lacs)

Area	Equipment	Cost of civil works
Paper machine	Top former	1.00
	Metering size press	1.00
	Filler plant	10.00
	Starch preparation plant	20.00
Finishing house	Sheet cutters-2nos	250.00
Value added system	Note books making plant	50.00
	Computer stationary plant	50.00
Raw material handling area	Tromal-paper sorting system	50.00
	Total	432.00

2. Working capital requirements

The working capital requirements for the business operations of paper mill along with the power plant have been calculated with appropriate norms as outlined below:

Particulars	Existing as on 31/03/2010 (Rs. in lacs)	Estimated as on 31/03/2011 (Rs. in lacs)
Current Assets		
Debtors	48.80	5,552.84
Inventory - Raw Material	1,115.05	3,353.83
- Stores & Spares	774.70	229.52
- Stock-in process	107.42	282.18
- Finished Goods	28.65	282.18
Total Current Assets	2,074.62	9,700.55
Less: Current Liabilities	--	2,236.34
Working capital	2,074.62	7,464.21
<i>Funded by Bank</i>	<i>1,589.64</i>	<i>3,450.00</i>
<i>W.C Margin /Internal accruals</i>	<i>484.98</i>	<i>1,064.21</i>
<i>Public Issue</i>	<i>Nil</i>	<i>3,000.00</i>

* Presently the Company is enjoying working capital facilities from the consortium of Banks comprising of Indian Overseas Bank, Bank of India and State bank of India details of which are given below:

Sr No.	Bank	Working Capital Sanctioned (Rs. In Lacs)
1	Indian Overseas Bank	1,725.00
2	Bank of India	930.00
3	State Bank of India	795.00
	Total	3,450.00

**Basis of estimation of working capital requirement:****Current Assets**

Indigenous Raw materials, chemicals & additives	2 months requirement
Imported raw materials	4 months requirement
Consumables & Stores	2 months requirement
Spares	3 % of inventory
Fuel for power plant	1 months requirement
Work in Progress & Finished goods	3 days operational cost
Finished Goods	15 days operational cost

Current Liabilities

Sundry Creditors – indigenous raw materials	1 months requirement
Imported raw materials (through LC)	5 months requirement
Consumables, chemicals & stores and packing materials	1 months requirement
Fuel for power plant	15 days requirement

As we plan to plough back the profits to strengthen our working capital limits. We have not envisaged additional borrowing of working capital as we have adequate margin to augment the additional working capital finance from the bank. However the same will be considered by us on need basis. The corresponding additional margin requirements will be met by surplus cash generated by us through operations.

3. Preliminary & Pre Operative Expenses including expenses for IPO

An amount of Rs. 500.00.00 lacs has been estimated towards financial and technical consultancy fees, travelling expenses, interest during construction period, processing fees, etc.

Schedule of implementation

SR. No	Activity	Date/Month of Commencement	Date/Month of Completion
1	Setting up of Manufacturing Facility at Kodaganallur Village, Tirunelveli, Tamil Nadu	Completed	
2	- Land & Site Development	Completed	
	- Factory Building	Completed	
	- Civil work for Phase-II	Oct 2010	December 2010
3	Plant & Machinery	October , 2010	February 2011
4	Utilities (Power, Water, Steam)	Already available	
5	Trial production of Phase-II	March, 2011	
6	Commercial production of value added products and conversion	April, 2011	



Year wise break-up of the proceeds to be used

The year wise break up of funds to be incurred on the project under various heads is as follows:

			(Rs. in lacs)
Particulars	Project Cost as on 31/03/2010 (Phase-I Completed)	Project Cost estimated during the year 2010-11 (Phase-II)	Total
Site Development	239.55	--	239.55
Factory Building & other civil work	3,677.95	--	3,677.95
Plant & Machinery	18,704.31	2,500.00	21,204.31
Other Fixed Assets	880.78	--	880.78
Contingencies	600.00	--	600.00
Preliminary & Preoperative Expenses including IPO expenses	2,772.41	500.00	500.00
Start-Up expenses	75.00	--	75.00
Working Capital	1,050.00	3,000.00	4,050.00
Total	28,000.00	6,000.00	34,000.00

Sources & Deployment of Funds

As per the Certificate dated 2nd September, 2010 from M/s. S. Krishnamoorthy & Co., Chartered Accountants our Company has upto 23rd August, 2010, deployed an amount aggregating Rs. 28,012.54 lacs towards the project in two different phases. Details of the sources and deployment of funds as per the certificate are as follows:

			(Rs. In Lacs)
SOURCES OF FUNDS			
Equity Capital Promoter's contribution			5,602.00
Term Loan			
1) From Indian Overseas bank	10,852.81		
2) From Bank of India	5,880.08		
3) From State Bank of India	5,190.43		21,923.32
Creditors For Capital Goods			474.68
Internal Accruals			12.54
TOTAL			28,012.54
DEPLOYMENT OF FUNDS			
Land and Site Development Expenses			233.99
Factory Buildings and Other Civil Work			4,157.80
Plant and Machinery			22,440.60
Other Fixed Assets			117.61
Pre Operative & IPO Expenses			12.54
Working Capital Margin			1,050.00
TOTAL			28,012.54

Interim Use of Funds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, the Company intends to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with



banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by the Board of Directors from time to time.

Monitoring of Utilization of Funds

The management of the Company will monitor the utilization of funds raised through this public issue. Pursuant to Clause 49 of the Listing Agreement, our Company shall on quarterly basis disclose to the Audit Committee the Applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

Our Company shall be required to inform the material deviations in the utilisation of the issue proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviation/ adverse comments of the Audit Committee public through advertisement in newspaper.

Basic terms of the issue

The Equity shares being offered are subject to the provision of the Companies Act, 1956, our Memorandum and Articles of Association, the terms of this offer document and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable.



BASIS OF ISSUE PRICE

QUALITATIVE FACTORS

- Our company is promoted by reputed 'Servall' Group well known to the paper industry for supplying paper machines of latest technology. It has also got expertise in rebuilding of machineries of various capacities and also board plants.
- The project is close to Tuticorin port (about 72 Km) which provides logistics advantage.
- The mill uses 90% waste paper pulp and 10% Virgin pulp for manufacturing paper, which makes the paper eligible to be an "Eco-Friendly Paper".
- First mill in India to use the POM Technology from Finland in stock preparation which helps in saving the energy and also reduces the cost of production.
- For the first time in India a company has introduced "Intelligent MCC (Motor Control Centers)" in complete plant, which is maintenance free and the best communicating system for DCS (Distributor Control System) from YOKOGAWA and QCS (Quality Control Systems) from HONEYWELL. These help in improving the productivity of the mill.
- The mill has got its Co-generation power plant which meets immediate requirement of power and steam.

QUANTITATIVE FACTORS

Information presented in this section is derived from the restated financial statements certified by the Statutory Auditors of the Company.

1. Earnings Per Share (EPS) (on Rs. 10 /- per share)

Year Ended	EPS (Rs.)	Weight
31 st March, 2008	(0.10)	1
31 st March, 2009	(0.14)	2
31 st March, 2010	(0.10)	3
Weighted Average EPS	(0.11)	

Figures in the bracket indicate negative

2. Price/ Earning (P/E) Ratio

Particulars	
P/E based on pre-issue weighted average EPS of Rs. (0.10)	[•]
P/E based on pre-issue EPS of FY 2009-10 of Rs. (0.04)	[•]

3. Return on Net Worth (RONW)

Year Ended	RONW (%)	Weight
31 st March, 2008	(0.14)	1
31 st March, 2009	(0.20)	2
31 st March, 2010	(0.16)	3
Weighted Average RONW	(0.17)	

Figures in the bracket indicate negative value

4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS: [•]



5. Net Asset Value (NAV) per share

Pre-Issue as on 31 st March, 2010 (Rs.)	24.76
Post Issue (Rs.)	[•]

6. Industry Average P/E

Particulars	Name of Company	P/E Multiple based on Price as on 03/09/2010
Highest	Emami Paper	48.18
Lowest	Rainbow Paper	03.76
Industry Average		25.97
Source: Capital Market: August 09, 2010 till August 22, 2010; Segment – Paper and www.bseindia.com.		

7. Comparison with Peer Group

Name of the Company	Equity Share Capital (Rs. In Cr.)	Face Value (Per equity shares)	Sales as on 31/03/2010 (Rs. In Cr.)	RONW (%)	Book Value (Rs.)	EPS (Rs.)	P/E Multiple based on Price as on 03/09/2010
Emami Paper Mills	12.10	10.00	397.9	4.60	25.10	1.10	48.18
Seshasayee Paper	11.25	10.00	509.30	19.20	199.60	34.50	6.38
Star Paper	15.61	10.00	251.30	8.30	88.0	5.30	6.88
Rainbow Paper	17.44	10.00	271.70	15.50	127.20	13.00	3.76
Sree Sakthi Papers	16.44	10.00	141.50	9.40	22.20	2.80	8.27
N R Agarwal Industries	20.75	10.00	376.40	19.00	34.60	7.30	10.18
Source: Capital Market: August 09, 2010 till August 22, 2010; Segment – Paper and www.bseindia.com.							
Servalakshmi Paper Limited	22.42	10.00	--	(0.16)	24.76	(0.10)	[•]

8. The face value of Equity Shares of Servalakshmi Paper Limited is Rs. 10 and the Issue Price is [•] time of the Face Value.

The Issue Price of Rs. [•] has been determined by us in consultation with the BRLM and Co-BRLM, on the basis of assessment of market demand from investors through the Book- Building Process and is justified based on the above factors. The face value of the Equity Shares is Rs. 10 each. The Issue Price is [•] times the face value at the lower end of the price band and [•] times the face value at the higher end of the Price Band.

On the basis of the above parameters the Issue Price of Rs. [•] per share is justified.



STATEMENT OF TAX BENEFITS

**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS
AS PER THE CERTIFICATE ISSUED BY STATUTORY AUDITORS OF THE COMPANY**

September 02, 2010

To,
The Board of Directors
Servalakshmi Paper Limited
31 (Old No. 10-Z),
Bharathi Park, VII Cross,
Saibaba Colony, Coimbatore-641011,
Tamil Nadu, India.

A. SPECIAL TAX BENEFITS TO THE COMPANY:

No special tax benefits are available to the Company.

However, part of the business of the Company viz. power generation can be grouped under the head 'Enterprises engaged in Infrastructure Development'. In accordance with and subject to the condition specified in section 80IA of the Income Tax Act, 1961, the Company would be entitled for a deduction of an amount equal to 100 per cent of profits or gains derived from industrial undertakings engaged in generation and / or distribution or transmission of power for any 10 consecutive assessment years out of 15 years beginning from the year in which the undertaking has started its operations

B. SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF OUR COMPANY:

No special tax benefits are available to the Shareholders of the Company.

C. GENERAL TAX BENEFITS, AVAILABLE TO ALL CATEGORIES OF COMPANIES OR TO THE SHAREHOLDERS OF ANY COMPANY, SUBJECT TO FULFILLING CERTAIN CONDITIONS AS REQUIRED UNDER THE RESPECTIVE ACTS: BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received by the Company from domestic companies is exempt from income tax.
2. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India after 1st October, 2004 and is liable to securities transaction tax.
4. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.



5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

- (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act ;
- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Deduction under Section 32: As per provisions of Section 32(1)(iia) of the Act, the company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after 31st March, 2005 subject to fulfillment of conditions prescribed therein.
7. Under section 115JAA (2A) of the Act tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 10 years immediately succeeding the year in which the MAT credit initially arose.

BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 48 of the IT Act, which prescribes the mode of computation of capital gains, 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, as per second proviso to section 48 of the IT Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the



Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

- (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act;
- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

- 6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- 7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
- 8. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

BENEFITS AVAILABLE TO MUTUAL FUNDS

- 1. As per the provisions of Section 10(23D) of the IT Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')

- 1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- 2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
- 3. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the



Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

- (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;
- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

- 4. Under section 115AD (1)(ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% and 10% (where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax). The above rates are to be increased by applicable surcharge and education cess.

Under section 115AD(1)(iii) of the Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

- 5. As per section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent they are more beneficial to the FII.
- 6. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

- 1. Under section 10(23FB) of the IT Act, any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per section 115U of the IT Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

- 1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- 2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.



3. Under the first proviso to section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the IT Act-discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
8. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.



10. As per Section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the Non-Resident/ Non-Resident India would prevail over the provisions of the IT Act to the extent they are more beneficial to the Non-Resident/ Non-Resident India.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company held by the shareholders would not be liable to wealth tax.

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2010 and will be available only to the sole/ first named holder in case the shares are held by joint holders.
2. The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares;
3. The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, including as laid down by the circular 4/2007 dated 15th June 2007 issued by CBDT concerning capital gain, for availing concessions in relation to capital gains tax;
4. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;
5. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
6. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.



SECTION III - ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

The information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by the Company, the Book Running Lead Manager, the Co-Book Running Lead Manager or their respective legal advisors, and no representation is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources.

PAPER INDUSTRY OVERVIEW

Paper as a product and commodity is known to man since olden times. It was until 1800, where most of the paper was made by hand, one sheet at a time from recycled cotton and linen. However, in mid-1800s Industrial-scale papermaking began and the development of the chemical pulping process started which enabled the conversion of trees into paper pulp.

Historically, paper consumption has been largely a function of economic activity, so as a country's gross domestic product (GDP) rises, so does its paper use. But even in developed countries where GDP has risen more slowly, paper use has continued growing.

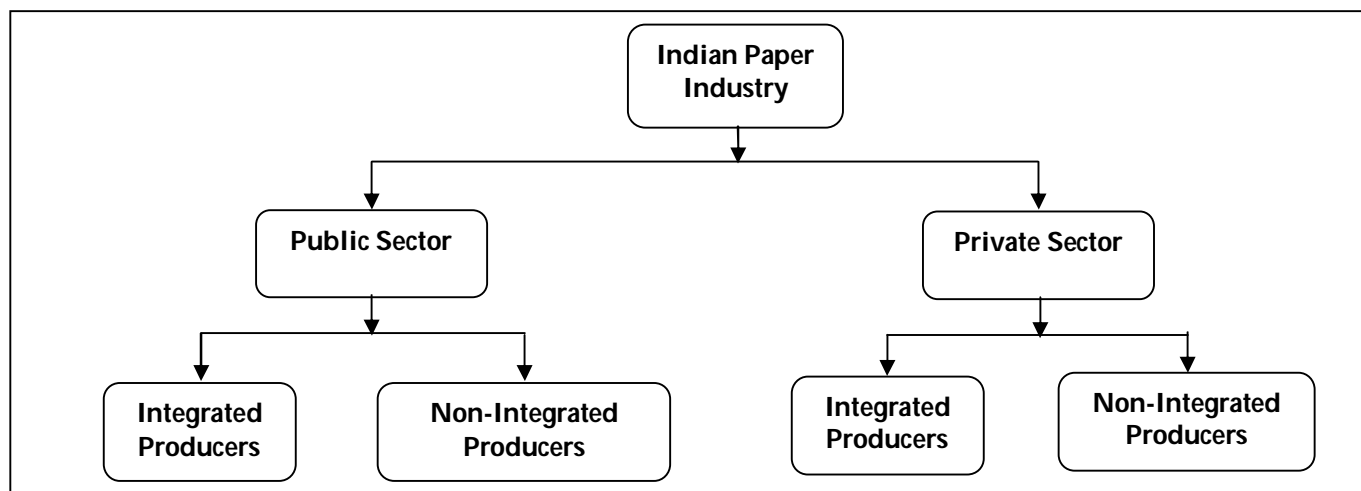
Today it has become hard to imagine going a day without seeing or touching something made from paper. Paper products are consumed everywhere in our society i.e. from newspapers, magazines, catalogs, office paper, packaging and tissue products.

The global paper consumption has also increased dramatically over the last decade, and will continue to rise, especially in developing countries in years to come (*Source: TAPPI.org*).

INDIAN PAPER INDUSTRY

The Indian Paper manufacturing Industry, which is highly power and capital intensive, is broadly divided into paper, paperboards, and newsprint. The Indian Paper Industry accounts for about 1.6% of the world's production of paper and paperboard. The estimated turnover of the industry is Rs 25,000 crore (USD 5.95 billion) approximately and its contribution to the nation is around Rs. 2918 crore (USD 0.69 billion). The industry provides employment to more than 0.12 million people directly and 0.34 million people indirectly. With increased consumer spending, improvement in conversion technology for production and increase in the literacy level in India, it is expected that the growth of the paper industry is set to improve with the rise in demand for paper. (*Source: Indian Papers Manufacturing Association, IPMA*)

Indian paper Industry can be divided into two main sectors Public sector and Private sector. Further on the basis of routes of production, the Indian paper industry can be divided into two types of producers.



(Source: Indian Paper & Manufacturing Association)

**Integrated producers**

A fully-integrated paper mill is one that receives forest logs or wood chips and processes them to the individual fiber level. The fully-integrated paper mill processes this fiber to pulp slurry, which is then made into a sheet of paper. There are few integrated paper players in India, namely J K Paper Ltd, TNPL Ltd, Ballarpur Industries Ltd and ITC Ltd.

Secondary producers

Non-integrated paper mills, on the other hand, purchase the pulp slurry after it has already been created at a pulp mill. When this is done, the pulp slurry is purchased and transported in a dried and baled form, which is called market pulp. These bales are rehydrated with into a solution before processed into sheets of paper. These companies are the largest producers of paper through the secondary route.

Industry Segmentation

The Indian Paper Industry has been historically segmented on a three dimensional matrix identified by:

a. Size:

- Large integrated mills using bamboo and hardwood and large mills using waste paper/ recycled fibre
- Medium mills using agricultural residues
- Small medium mills using waste paper/ recycled fibres

All the three sectors contribute equally to the total production of paper and paper board in the Country. The installed capacities of these mills range from 1000 tonnes per annum to 300000 tonnes per annum.

b. Grades Manufactured:

- Based on basis weight
- Based on Color
- Based on Usage
- Based on Raw Material
- Based on Surface Treatment
- Finish

c. Raw Materials Utilised:

- Wood
- Bamboo
- Recyclable Waste Paper
- Agro-Residues (Bagasse and Wheat Straw)

(Source: www.indiaonline.com, India Infoline Limited & IPMA)

Types of Paper Mills**a. Pulping Mills:**

The pulping mills are manufacturing facilities that convert wood chips or other plant fibre source into a thick fibre board which can be shipped to a paper mills for further processing. Pulp can be manufactured using mechanical, semi-chemical or fully chemical methods (Kraft and sulfite processes). The finished product may be either bleached or non-bleached, depending on the customer requirements.

b. Paper Making Mills:

A paper making mill is a factory devoted to making paper from vegetable fibres such as wood pulp, old rags and other ingredients using different types of paper machines. The paper making mills can be fully integrated



mills or nonintegrated mills. A fully-integrated paper mill is one that receives forest logs or wood chips and processes them to the individual fiber level. The fully-integrated paper mill processes this fiber to a pulp slurry, which is then made into a sheet of paper. Non-integrated paper mills, on the other hand, purchase the pulp slurry after it has already been created at a pulp mill. When this is done, the pulp slurry is purchased and transported in a dried and baled form, which is called market pulp. These bales are rehydrated with into a solution before processed into sheets of paper.

c. Composite/ Integrated Mills:

Many paper mills have facilities for both pulping and papermaking. Such mills are known as Composite Mills. For instance, in recycling, paper mills pulping are an inevitable part of the process of papermaking. They have the advantage of making eco-friendly paper as well as efficient collection and use of raw materials. They also satisfy the environmental norms of the government.

Capacity of Paper Mills:

In India the machine-made paper was first manufactured in India in 1812. At that time, there were 15 mills with a total production of lakh tonnes. Currently, over 1000 mills with installed capacities ranging from 1000 metric tons (MT) per annum to 300,000 MT per annum capacities operate in the country, making India the 15th largest paper producing country in the world. In India the relatively smaller capacity mills account to 95% of the total mills having production capacity of less than 50,000 MTPA.

Regional Distribution:

In India, almost all states except for a few have paper mills. Most of the paper mills are in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern. These paper mills are situated at places that have advantages of easy access to the raw materials specifically bamboo, that is why West Bengal has several paper mills that use bamboo from the forests of neighbouring states. Assam has huge inexhaustible reserves of bamboo and other woods also, which are suitable for the production of paper and paperboard. Demand for paper as well as paper products has increased considerably after the independence of the country which has resulted in the set up of few paper mills across the country *Source: (www.Indianetzone.com/Paper industry in India).*

Tamil Nadu accounts for about 12 per cent of India's paper production. There are 74 paper mills in operation in Tamil Nadu which can be categorized into large, medium and small scale paper mills. Government of Tamil Nadu had set up Tamil Nadu Newsprint and Papers Limited (TNPL) in 1979 as a Public Sector Company under the Companies Act, 1956 which now has become one of the largest paper mills in India. As the Country's forest cover is much below the desired level, the companies in Tamil Nadu manufacture newsprint and paper using bagasse (sugarcane waste) as the primary raw material. However, with the improvement in technology many companies now are diverting towards the use of recycled paper as inputs for their paper mills. Tamil Nadu contributes 40 per cent to south India's production of paper (*Source: Environmental Information Service Center, Department of Government, Government of Tamil Nadu*).



Key Drivers for Paper Industry:

External Driving Factors	Change in Industry Structure	Change in competitive conduct	Change in industry performance
<ul style="list-style-type: none"> • GDP growth and increased standard of living • Development of export-led industry • Growth potential in India and South-East Asia • Development of human capital • Legislation and government regulations • Access to capital • Technology and process innovations driving efficiency and scale of production equipment 	<ul style="list-style-type: none"> • Industry size, consolidation and investment capacity • Access to raw material, recycled fibre, non-wood fibre and wood resources • Minimum efficient scale and asset quality • Quality improvements and standards • Environmental considerations and standards • Trade of fibre, pulp and paper products 	<ul style="list-style-type: none"> • Foreign investments and the attractiveness of Indian markets • Modernization of existing assets and capital needs • Development of pulp and paper industry in South East Asia • Consolidation and acquisitions as growth vehicle • Partnerships and alliances • Management of scale and scope through networked production 	<ul style="list-style-type: none"> • Global competitiveness • Improvement of profitability • Increased capital intensity • Tax incentives • Shareholder returns • Job creation opportunities • Improvement of paper and related products trade balance

(Source: Global Competitiveness of the Indian Paper Industry, Central Pulp & Paper Research Institute, India)

PAPER MANUFACTURING PROCESS:

Paper is a multi usage product, plays a key role in communication, education, packaging and industrial products. Consumption of paper is considered as an indicator of economic growth of the country. The

The basic process of making paper has not changed for the past many years. It involves three stages:

1. Pulping
2. The formation of sheet paper and
3. Drying.

The above three stages may have remained the same, but the processes had undergone lot of changes over the years with companies opting for improved technology and automation for attaining high efficiencies.

Pulp Making

The primary process include manufacturing pulps from wood and other cellulose fibers, and from rags; but the later developments include conversion (recycling) of the waste paper into pulp, thus specialising in the manufacture of pulp is one of the most important activities.



Paper Making

Manufacture of paper involves converting pulp into paper products such as coated paper, paper bags, paper boxes, and envelopes and other commodity grades of wood pulp, printing and writing papers, sanitary tissue, industrial-type papers, containerboard, and boxboard.

Drying

Drying involves using air and or heat to remove water from the paper sheet. Various forms of heated drying mechanisms are used for drying the paper. On the paper machine, the most common is the steam-heated 'Can' dryer. These dryers can heat to temperatures above 200°F (93°C) and are used in long sequences of more than 40 Cans. The heat produced by these can easily dry the paper to less than 6% moisture.

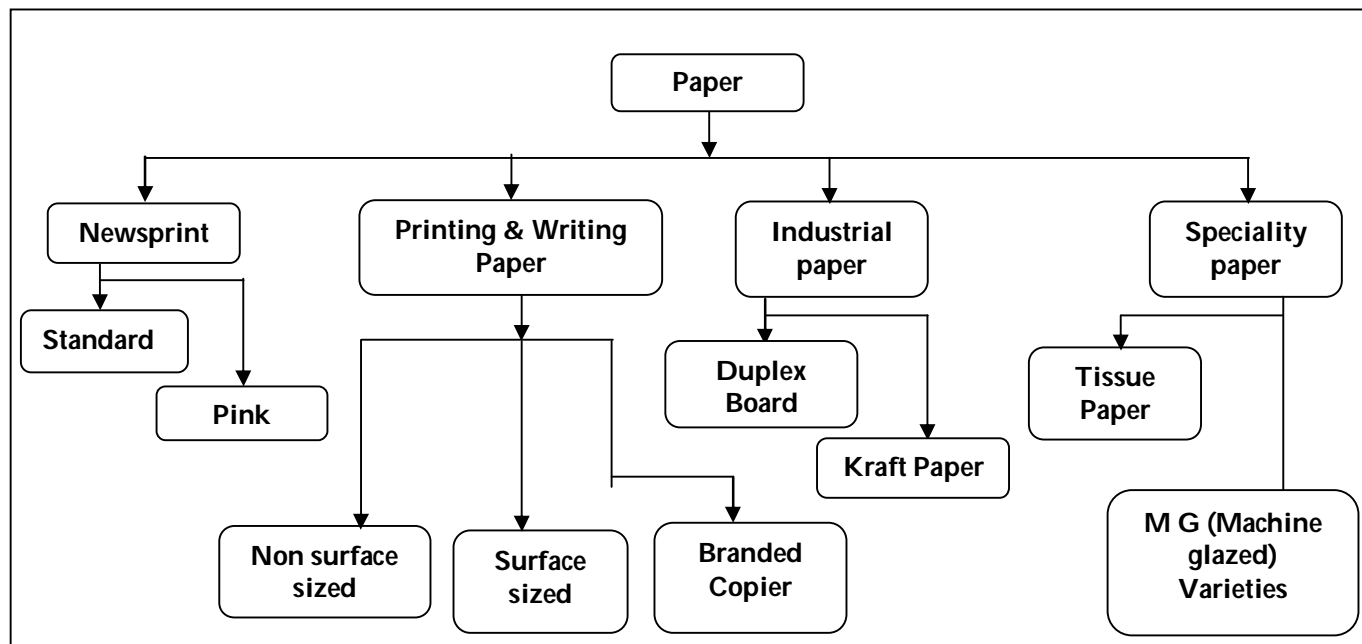
PAPER PRODUCTS & RAW MATERIAL UTILISED

In India, the paper industry is primarily rural based with close linkages with farming community. Over the years it has evolved into an agro-based industry from its earlier character of a forest-based industry.

Currently Indian paper industry is consuming only about 7 million MT or about 3% of the total wood consumed in India; about 90% is consumed as fuel wood. Additional raw material requirement by 2012-13 is anticipated to be about 8 million tons of wood which will be about 6% of total consumption of the country. This would require afforesting 2 million Ha of land mass to maintain proper ecological balance.

The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc. for the production of paper & paper products. Varieties of paper are produced and consumed by the end users in India. The geographical spread of the paper industry as well as market is mainly responsible for regional balance of production and consumption.

The product segments in the paper industry can be broadly classified as below:



The **Printing and Writing Paper** use forest based raw materials in integrated pulping facilities augmented by imported market pulp. This segment has been consistently taxed at higher rates due to its size and use of "conventional" forest based raw material. Investment in plant for these players has also been higher. With a relatively smaller number of players and high import tariff protection, prices of end products, generally perceived to be of higher quality, have been high. "Lower end Printing and Writing paper grades" manufactured by smaller



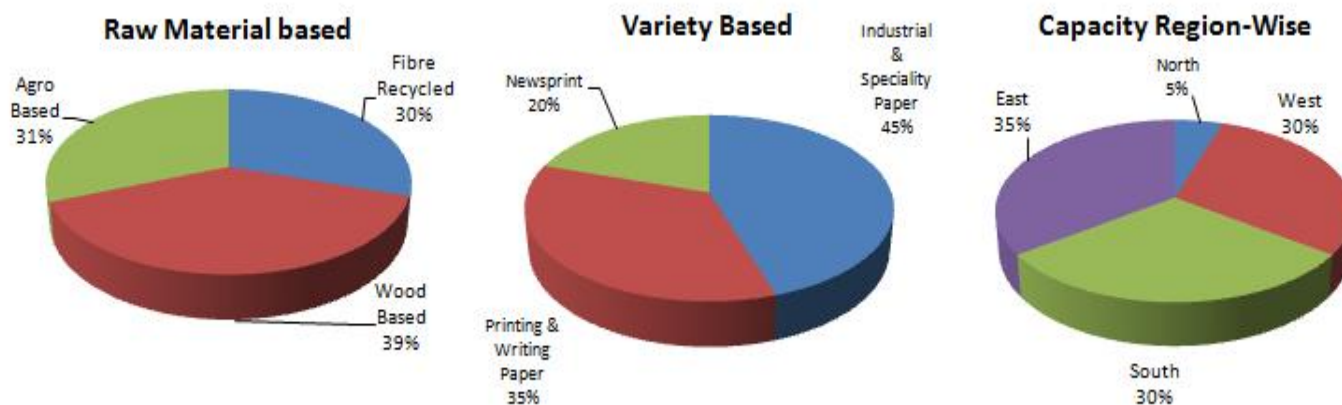
players using unconventional raw materials in low investment, low-tech plants cater to consumers in the price sensitive sub-segment of this market. This sub segment has historically depended heavily on the tariff differential based on size and raw material for its viability. Some of the mid-sized players in the Printing and Writing segment are in the process of expansion and modernization and are installing wider/faster machines with full fledged de-inking plants to produce the higher quality that is increasingly preferred by the consumers. Several of the "large-integrated" forest based producers have also recently increased forest based pulping capacities. The Printing and Writing paper segment contributes about 40% of the annual paper and paperboard production with a current demand growth rate of about 6 to 7% per annum. The high investment levels required and limited "conventional" fiber resources are the major deterrents to growth in this segment for both existing players as well as new entrants.

The **Industrial Paper** Segment of the paper market broadly comprises of Corrugated Case Materials, (CCM) and Duplex Boards -white lined and coated or uncoated. Fragmentation is severe in this segment which constitutes about 50% of the total output of Paper & Board. This segment entirely relies upon "unconventional" raw material such as waste paper (imported and domestically sourced) and, to a limited extent, on agricultural residues. The average size of units in this segment is about now about 15,000 MTPA and most units cater to local area demand from small semi-auto corrugated box factories and small printers. Although the other segments in the Indian paper industry are also fragmented by international standards, the degree of fragmentation is less severe there.

Newsprint is low-cost, non-archival paper most commonly used to print newspapers, plus other publications and advertising material. It usually has an off-white cast and distinctive feel. It is designed for use on printing presses that employ a long web of paper rather than individual sheets of paper. Newsprint segment demand comprises of 20% of total paper market. The demand for Newsprint has grown to 16.4 lakh tones and projected that the imports are almost 45 to 50% of total demand. This growth has relied mainly on De-inked waste paper as a source of raw material. The Newsprint market demand has grown to 6% and in future looking at an upward trend. The number of players in the newsprint segment is relatively limited and manufacturing capacities are larger than in the packaging grades segment. (Source: Websites of Indian Paper Manufacturers Association and ITCOT Consultancy and Services)

Based on the usage of raw material, companies in the Paper Industry can be divided into three categories namely, Wood-based, Agro-based and Waste paper based (Recycled fibre), where majority of the large mills are wood based mills with the raw materials sourced from Government forests, captive plantations and contract farming.

Of the total capacity, 39% is Wood based, 31% Agro based and the balance 30% Waste paper (recycled fibre) based. 35% of the capacity is located in North, 30% in West, 30% in South and 5% in East. Whereas, of the total consumption, Printing and Writing paper accounts for about 35%, Newsprint 20% and Industrial and Specialty Papers 45%. The per capita consumption of paper in India is about 8 Kg against the world average of 56 kg and Asian average of 45 kg. (Source: Indian Paper & Manufacturing Association)





COMPETITION:

India has emerged as the fastest growing market when it comes to consumption, posting 10.6% growth in per capita consumption of paper in 2009-10. Paper in India is made from 40 per cent of hardwood and bamboo fibre, 30 per cent from agro waste and 30 per cent from recycled fibre. Newsprint and publication paper account for 2 million tonnes, of which 1.2 million tonnes of newsprint paper is manufactured in India and the remaining 0.8 million tonne is imported.

The paper industry in India looks extremely positive as the demand for upstream market of paper products, like, tissue paper, tea bags, filter paper, light weight online coated paper, medical grade coated paper, etc., is growing up.

Major issues confronting India's pulp and paper industry with the increasing demand for paper are high cost of production caused by inadequate availability and high cost of raw materials, power cost and concentration of mills in one particular area, non-availability of good-quality fibre, uneconomical plant size, technological obsolescence and environmental challenges. Despite the fact that the Indian Paper Industry holds its importance to the national economy, unfortunately it stands fragmented (*Source: ASSOCHAM*).

Some of the major players in the Indian paper industry along with their capacity of production are as follows:

Company	Capacity (Tonnes Per Annum)
Ballarpur Industries Limited (BILT)	465000
Hindustan Paper Corporation (HPC)	300000
Indian Tobacco Corporation (ITC)	352500
Khanna Papers Limited (KPL)	231000
Tamil Nadu Paper Limited (TNPL)	230000

(*Source: IPMA, 2008*)

Paper sector is dominated by small and medium size units; number of mills of capacity 50000 tons per annum or more is not more than 25. Less than half a dozen mills account for almost 90% production of newsprint in the country. There is a growing need to modernize the Indian mills, improve productivity and build new capacities.

Industry Outlook

The outlook for the Indian Paper Sector looks stable for the year 2010. Analysis show that India's Paper sector should benefit from the recovery in macro-economic factors such as industrial output, increase in corporate marketing spend and greater education and office activities. (*Source: ITCOT Consultancy and Services*).

The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tons. With the continuous growth in the GDP and improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7 - 8%. The demand growth in the next three years is as follows:

Sr No.	Type of Paper	Growth Rate (%)
1	Newsprint	4-5
2	Printing & Writing Paper	
	- Non-Surfaced Sized Paper	6-7
	- Surface Sized Paper	7-8
	- Cut Size Copier Paper	15
3	Speciality Paper	5

(*Source: Indian Agro & Recycled Paper Mills Association (IARPMA)*).



Segment-wise Outlook

The export market is slated to be buoyancy for another 2 years. Similarly, the waste paper prices have also gone up substantially due to higher demand and also bulk purchases from China. The increase in pulp and waste paper prices has escalated the cost of production of paper for many mills across the globe. However, the outlook for certain segments in the paper industry especially Newsprint & Printing & Writing paper looks better due to its growing demand in the global market.

Newsprint

Newsprint segment demand comprises of 20% of total paper market. The demand for Newsprint has grown to 16.4 lakh tones and projected that the imports are almost 45 to 50% of total demand. Newsprint import is freely allowed.

Govt of India has brought the Newsprint and Light weight coated (LWC) paper under zero duty effective from 11.02.2009. The domestic Newsprint price moves in tandem with the imported price as the major Newsprint consumers in the country source large quantity of their Newsprint requirement from abroad.

Currently, in the domestic market, Newsprint is sold at about Rs.26000 MT. The production of Newsprint was reduced in USA, Canada and Europe due to recession and fluctuating global conditions. The Newsprint market demand has grown to 6%. The market is further looking at upward trend (*Source: ITCOT Consultancy and Services*).

Printing & Writing paper

The average literacy rate has grown from 66% in 2000-01 to nearly 72% presently. It is further projected, due to implementation of several schemes; the average literacy is expected to increase around 75% by 2012. Every 1% increase in literacy will increase the paper demand by 1 Lakh tones per year.

With economic recession, PWP price in the global market declined to a very low price of about USD 700-750 per MT since October 2008. The paper prices were ruling low for about 18 months. The sluggish market started showing signs of recovery since mid February 2010. There is a growth in demand for cut size papers, the copier production year on year registering a compounded average growth of 17-19% since 2000.

(*Source: ITCOT Consultancy and Services*).

Growth Constraints

Issues & Concerns

The Indian paper and paperboards industry has potential and also capabilities to service the growing demand in domestic and international market and also to create huge employment avenues in the rural-India through agro/production – forestry and at mills, provided the competitiveness of the value chain is encouraged by the government. However, there are certain issues which might affect the paper industry in a major way, some of which are explained below:

Major Deterrent – Fibre Deficiency

2. **Wood:** India's wood resources are limited therefore; cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favouring industrial/production plantation, securing future wood supplies will be Industry's biggest challenge. Wood based segment of the paper industry meets its current wood requirements mainly through social/farm forestry and supplements with purchases made from the State Forest Development Corporations.
3. **Bagasse/ Straw:** Though annual availability of agro residues is large yet, this may not be able to sustain the future growth of the Industry, taking due account of quality of paper required, environmental issues involved, etc. Moreover, bagasse is increasingly used by sugar mills for co-generation of power and no more easily available to the paper mills as raw material.
4. **Waste Paper:** Recovered fibre consumption is going up globally. In India about 850,000-1,000,000 tons of waste paper is being currently recovered annually. The recovery rate works out to about 20% which is much lower in



comparison with 65% recovery achieved by many global players. Low recovery is on account of alternate use of paper in wrapping, packing, etc. The utilization rate of recovered fibre is only 47%. Paper mills are heavily dependent on imported waste paper which commands exorbitant price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization recyclable waste paper to contain imports.

5. **Energy Cost:** The Government of India has recently withdrawn core sector status hitherto enjoyed by the paper industry. Cost of coal is escalating and prospect of availability of quality coal is diminishing. The imported coal price (Indonesian Origin – GCV 6000Kcal/Kg) had crossed USD 100/MT; such steep price rise had resulted in escalation of cost of production of those mills which happened to be dependent on imported coal for generation of steam/power. Also, power purchased from the grid is proving expensive for the industry.
6. **Certification:** Forest stewardship council certification is becoming a non-trade barrier for Indian paper companies. As bulk of the raw material is obtained from farm and agro- forestry, it would not be practical for huge number of farmers involved in social/farm forestry to group and obtain the FSC certificate for their produce. Though the farm forestry is a sustainable model promoted by the paper industry, the FSC principles and criterions are difficult to satisfy.

(Source: Indian Paper Manufacturers Association)



BUSINESS OVERVIEW

Our company 'Servalakshmi Paper Limited' was incorporated on 3rd November, 2005 vide Certificate of Incorporation issued by the Registrar of Companies, Coimbatore, Tamil Nadu. Our company belongs to the Servall Group. We are engaged in the business of manufacturing Printing & Writing Paper and Newsprint. We carry our production through our state-of-the-art production unit situated at Kodaganallur Village, Tirunelveli district, Tamil Nadu with total installed production capacity of 90000 MTPA making it one of the largest single location plants in India.

In printing and writing segment, we intend to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationary and text/note book papers. In newsprint segment we focus on high-end newsprint.

SERVALL GROUP

Servall is a Tamil Nadu based group having presence in paper industry for more than four decades. Servall is an accredited name in the paper industry with a strong presence in all verticals namely paper machinery manufacturing, paper manufacturing, project consultancy and turnkey project implementations. The group produces wide spectrum of papers such as printing & writing, newsprints, industrial paper and speciality papers.

Servall is proficient in handling turnkey projects, design, consultancy, erection & commissioning of paper machinery, machine rebuilding, unit equipment and spares with clientele base of more than 300 paper mills in Asia, Europe, Africa and Gulf Countries.

By establishing latest technology paper plant with large capacity, the group is now set to grow as a leading player in the industry by offering varieties of papers.

The Servall group has the following three closely held paper mills which are manufacturing newsprint and specialty papers like wax-match, tissue, OTC, base paper for fax and other grades of printing & writing:

- Danalakshmi Paper Mills Private Limited (DPMPL),
- Servalakshmi Paper and Boards (P) Limited (SPBPL)
- Vijayalakshmi Paper Mills (VPM)

The above three existing group mills together have a combined paper manufacturing capacity of 45000 tonnes per annum. Along with Servalakshmi Paper Limited, the group will have a market share of 2-3% in the paper industry.

Apart from the above, the following two companies also belong to the Servall Group:

- Servall Engineering Works Private Limited (SEWL) which is engaged in manufacturing of machineries and accessories for Paper Manufacturing Units.
- Techno Spin Private Limited (TSPL) which is engaged in the manufacturing of rolls and spares for paper industry.

SERVALAKSHMI PAPER LIMITED

Our company was incorporated in the year 2005 by Servall Group to setup paper plant at Kodaganallur Village, Tirunelveli district of Tamil Nadu. The plant is located in an area covering about 340 acres of land. The location of the mill is in close proximity to Tuticorin Port, which is 72 km away, also near to National Highway (NH7) which is just 5 km away and 6 km away from river Thaimrabarani. The paper mill has a total production capacity of 90,000 tonnes per annum, which is one of the largest single location plants in India and ranks within fifteen major plants in India.

To ensure consistent availability of power, the paper mill has installed a co-generation power plant with a capacity of 15 MW to supply uninterrupted power and steam for the paper plant. The commercial production of power has been synchronized with the paper plant.



We have employed latest technology and many of them are employed for the first time in India. The high level of automation introduced will provide higher productivity through uninterrupted operations and lower wastage there by providing better margins.

Servall group's expertise in paper industry has made it possible for us to save capital cost by more than Rs.100 Crores by adopting superior technology in our paper mill as compared to other paper mills being setup in India.

We plan to produce wide range of Printing & Writing Papers and high-end Newsprint under our own brand name of "LAKSHMI".

PRODUCTS

Printing & writing Paper:

Printing and writing papers include most papers used for publishing and advertising, with the exception of newsprint and papers generally referred to as office papers. Four main grades make up the printing and writing papers industry: uncoated mechanical, uncoated wood-free, coated wood-free and coated mechanical papers.

Uncoated mechanical papers are made of fibres produced by a mechanical pulping process. However, they are not classified as newsprint because they possess other properties, such as higher brightness or smoothness that enhance their value. Their main end users are directories, magazines, catalogues, inserts, flyers, coupons, as well as books.

Uncoated wood-free papers, includes almost all office papers and offset grades used for general commercial printing. The definition of "office papers" encompasses forms, envelopes, technical papers, stationery, and the all important office reprographic papers (paper for photocopiers and printers).

Coated papers, generally selected for their brightness, create a uniform surface on which one can print a higher quality product.

Coated mechanical papers are mostly used for magazines and catalogues, whereas **coated wood-free** papers, the highest quality of printing papers, are used for annual reports and high-end catalogues, magazines, and promotional material (*Source: www.pppc.org, Printing and Writing Paper Association*).

Newsprint:

Newsprint is low-cost, non-archival paper most commonly used to print newspapers, plus other publications and for advertising material. It usually has an off-white cast and distinctive feel. It is designed for use on printing presses that employ a long web of paper rather than individual sheets of paper. Newsprint is favored by publishers and printers for its combination of relatively low cost (compared with paper grades used to print such products as glossy magazines or sales brochures), high strength (to run through modern high-speed web printing presses) and the ability to accept four-color printing at qualities that meet the needs of typical newspaper advertisers.

COMPETITIVE STRENGTHS

Servalakshmi Paper Limited (SPL) is an ambitious project of leading Servall Group, who for more than four decades has a strong presence in all the verticals of paper industry namely paper machinery manufacturing, paper manufacturing, project consultancy and turnkey project implementations.

SPL is into the business of manufacturing of printing & writing paper and newsprint. We believe that following are our principal competitive strengths:-

1. **Strong management Team:** Our Company is managed by a team of professionals led by the Chairman & Managing Director Mr. R. Ramswamy. The promoter and the senior management team of our Company have significant industry experience in the field of paper manufacturing and have been instrumental in company's operations. For further details on education, experience and other details of our Management and our Key Managerial Personnel please refer page no 95, respectively.
2. **Relationship with established players in industry:** Our products have found acceptance by our wide customer base which includes a diverse set of industries. Our Top client base based on the sales value of the products



supplied to them for the year ended March 31, 2010 are Times of India, Kerela Kaumudi Private Limited, Deccan Herald, Sakal Paper Limited, Perfect Coated India Private Limited, Manipal Press Limited, Mehra Computer system Limited, and Arunodaya. The Company is well poised to benefit from this strong relationship with the industry players enabling the Company to provide better services to its customers.

3. **Wide product range:** We as a Company manufacture a wide range of products based on the customer specifications. This allows us to cater to the diverse demands of its customers and to consolidate and establish its presence across regions.
4. **New Products in pipeline:** We plan to foray into wide range of Printing & Writing Paper and high-end newsprint under the name 'Lakshmi'. We also intend to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationery and text/note book papers.
5. **Selling and Distribution network:** We have gradually developed our selling and distribution network over a period of time. We have successfully developed an extensive clientele. We have currently doing business through 38 dealer's network in domestic market and 12 agents for exports.
6. **Locational Advantages:** The location of the paper mill is in close proximity to Tuticorin Port, which is 72 Km away, also near to the National Highway NH7 which is just 5 Km away and 6 Km away from river Thaimrabarani. This facilitates efficient movement of raw materials and finished products. Our location also helps us to service wide array of customers.
7. **Technological Advantages:** We have opted for high speed bigger machines, coupled with better automation, which will enable us to manufacture high end products with reduced cost per ton of paper. The details of which are as follows:
 - We are the first mill in India to go for POM Technology from Finland in Stock preparation. This saves energy and reduces cost of production.
 - We have introduced "Intelligent MCC" in complete plant which is maintenance free and the best communicating system for DCS (Distributor Control Systems) from YOKOGAWA and QCS (Quality Control Systems) from HONEYWELL for improving our productivity.
 - We have also introduced state-of-art technology, fully Automated Deinking plant with two stage bleaching supplied by METSO, Finland which provides best and consistent quality of pulp for paper manufacturing.
 - The high speed Paper Machine from VOITH installed in our mill is a swing machine which can produce Newsprint and high quality Printing & Writing Paper with 40 to 110 GSM range.
 - We are also supported by our promoter group company namely, Servall Engineering Works Private Limited, a reputed manufacturers of paper machinery in India, for technological upgradation of our machineries and also contingent engineering help, if required, which is a unique advantage to us compared to our competitors.

Application of the products

Printing and Writing paper is most commonly used in the following segments:

- (a) Publisher Segment
- (b) Note Book Segment
- (c) Computer stationery Segment
- (d) Newsprinting Segment
- (e) Copier segment
- (f) Examination papers

Our company has already started delivering products to the different segment in the market namely computer stationery, publications and notebook manufacturers.



Product Range

We have Printing & Writing paper and Newsprint products of all the ranges of quality similar to our competitors and our products are comparable or provide good quality in comparison to our competitors. The entire infrastructure of paper production is planned for PWP as well as NP. Our company has an added advantage compared to competitors, due to flexibility in production and capacity to produce Newsprint of International quality alongwith PWP for all the segments. The product range of our company is as follows:

A) Newsprint

Sr. No.	Products	GSM
1	Lakshmi Newsprint	45-48.80
2	Lakshmi Spectrum Newsprint	42-52

B) Printing and Writing Paper

Sr. No.	Products	GSM
1	Lakshmi Bright wove	45-90
2	Lakshmi Offset Printing	45-90
3	Lakshmi Pearl SS Maplitho	45-90
4	Lakshmi Silver SS Maplitho	45-90
5	Lakshmi Gold SS Maplitho	45-90
6	Lakshmi Copier	45-90

Client

Our major clients based on the present order book are as follows:

1. Times of India
2. Kerela Kaumudi Private Limited
3. Deccan Herald
4. Sakal Paper Limited
5. Perfect Coated India Private Limited
6. Manipal Press Limited
7. Mehra Computer system Limited
8. Arunodaya

Our major clients in the export market include:

Our clients in the export market based on the present order book are as follows:

1. Saifi Trading, Sri Lanka
2. Vital Solutions, Singapore
3. Newthought Investments, Zimbabwe

Research and Development

The company has full-fledged R&D centre to meet the requirements of existing products improvement also new product development. R&D efforts are also made to reduce the cost of production through usage of alternative inputs. Feedback from the end users is becoming vital input for R&D activities. The state-of-art facilities enable the company to maintain the consistency in quality. Paper machine is equipped with two QCS system supplied by HONEYWELL AUTOMATION to conform the products to 3-Sigma (Standard deviation) conformity.

SPL uses recycled fibre as the main raw material for making different varieties of papers, since there is a spurt in demand of recycled paper due to huge volumes purchased from China; the quality of different grades has deteriorated and needs continuous monitoring and also some research work to get a consistent quality of paper.



Since, the printer's requirements are very much varying, generic paper grades are no more in demand and hence, applied research to suit the end requirements has become a order of the day. Imbibing qualities, by using the speciality chemicals/additives involves lots of applied research. Quality assurance on sustained basis throughout the processes requires skilled and qualified manpower in R&D and SPL has the same to take care of the entire quality. Process and new product development are the main focus areas in applied R&D.

Export

Our company intends to market around 20% of the production as exports initially and then increase the same to 30-40% within 2 years of period. The mill is having geographical advantage for exports since it is located 72 km away from Tuticorin Port, India; thereby, reducing the inland transportation cost compared to competitors. The countries that the company targets for its exports are Middle East, South Africa, Europe, USA and South East Asia. Since the company is in the process of obtaining FSC certification and also Eco-friendly Recycled paper as input raw material for making of Newsprint, Wood-free PWP grades, this would improve our product demand in international market. Since there is an advanced DAF (Dissolved Air Flotation) technological infrastructure at our facility, we can provide papers of international standards.

Business strategy

The main products of the company are Printing & Writing papers and Newsprint. In writing and printing segment, the company intends to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationery and text/note book papers. The company focuses on high-end newsprint.

During initial period, the product mix between Printing & Writing papers and Newsprint is 30:70. After stabilization, the company is primarily focusing on Printing & Writing segment and share of Newsprint will be reduced. As the plant is enabled with highly flexible production of different product mix, the production plan will change depending on market demand & higher realisations.

The company markets its products with a special brand name of "LAKSHMI". Company plans to enter retail segments after establishing market network.

The other strategic advantages of the company include:

1. Captive power plant

We have installed a 15 MW captive power plant for the following reasons:

- Uninterrupted power and steam supply for the paper plant.
- Improving efficiency of the paper plant by providing uniform load of power factor.
- Saving in input cost of steam and power which will result in better margin for the paper plant.

The installed capacity is 25% more than the present requirement which will take care of future expansion needs. Till we go for expansion, the excess power will be sold to the TNEB grid.

2. Nearness to Tuticorin port

We are geographically located on the NH-7 and also 72 Km away from Tuticorin port. This saves the Logistics costs of Export of paper. We have planned around 20% of production for exports which will prove to be profitable to us.

3. ECF (Elemental Chlorine-Free) bleaching

The wastages arising out of de-inking process in our factory are processed further and are utilized in boiler as spanning material and thus the pollution is avoided to the maximum level apart from cost reduction. Our plant facility is designed to meet the requirements of CREP (Corporate Responsibility for Environmental Protection) norms of India and is well equipped with all safety standards necessary.



Considering the latest technology adopted and the level of automation implemented in each and every area of process, the quality of the product and plant efficiencies will provide significant competitive advantage to our plant.

Marketing Set up

We have a well established marketing setup that has strong and professionally well experienced personnel. The marketing department is headed by Chief Executive Officer (Marketing) supported by two Deputy General Managers (Marketing) along with 12 executives who handle clients from different market segments.

Marketing Strategy

The company produces Printing & Writing papers and Newsprint. In writing and printing segment, the company intends to produce coated, uncoated, copier, cream wove, SS Maplitho, computer stationery and text/note book papers. In the newsprint segment the company focuses on high-end newsprint.

During initial period, the product mix between Printing & Writing papers and Newsprint is 70:30. After stabilization, the Company proposes to focus on writing & printing segment and share of newsprint will gradually reduce.

As the plant is enabled with highly flexible production of different product mix, the production plan can be changed based on market demand & higher realizations.

The Company markets its products with a special brand name of "LAKSHMI". Company plans to enter retail segments after establishing market network.

The company has evolved a marketing strategy of distributing products to Channel Sale Partner(s) (CSP) and then to the retailers. Company has identified 38 CSPs in India for domestic sales and 12 CSP also called as agents for exports. Each CSP will have monthly quota allocated based on market potential and also credit worthiness of CSP. SPL will review the sales performances monthly and firm commitments are obtained for 6 months based on the strategic forecasting.

Company also plans to target bigger individual clients like Publishers, Big Printers, Note book manufacturers etc and to develop retail market over a period of years.

The company is having well knitted organization structure with highly qualified and experienced professionals in place to sell and market the paper varieties produced and the team is competent to market the products in domestic as well as in International Markets.

Short term Marketing strategy

The short term market strategic plan covers production and sale of 7500 MT per month of PWP and NP (70:30) for first 6 months and then 8000 MT per month of PWP and NP (75:25) for the rest of the year. The products are a mix of Non surface sized and also Surface Sized paper varieties. The market plan covers 90% domestic sales and 10% export sales.

Long term Marketing strategy

The long term marketing strategic plan covers production and sale of 8250 MT per month of PWP and NP (80:20) for the second year. An additional investment of Rs.3000 lacs is being planned to upgrade the paper machine with Top former and Auto Cut size Copier machine branded Copier conversion to introduce Branded Photo Copier paper to increase overall realization and this may constitute around 20% of printing and writing paper. In the long term, the market plan covers 75% Domestic sales and 25% export sales.



Properties

Owned Property:

The details of the immovable properties which are registered in the name of the Company are given below:

Sr.No.	ORIGINAL DOCUMENT No.	LOCATION	SURVEY NOS.	EXTENT IN ACRES	
1	2819/05 14.11.05	Kodaganallur	537/1 536/1 536/3	15.17 7.11 3.44	25.72
2	2820/05 14.11.05	Kodaganallur	528/1A		0.86
3	2823/05 14.11.05	Kodaganallur	528/1B		3
4	2824/05 14.11.05	Kodaganallur	532/3C		2.99
5	2877/05 17.11.05	Kodaganallur	528/2A 529/3A	2.27 1.51	3.78
6	2995/05 18.11.05	Kodaganallur	70/4B		0.12
7	2901/05 21.11.05	Kodaganallur	535/3 541/2	1.36 1.01	2.37
8	2905/05 21.11.05	Kodaganallur	535/1		6.63
9	2906/05 21.11.05	Kodaganallur	543		7.79
10	2925/05 23.11.05	Kodaganallur	565/1 565/3 572/4	0.93 6.64 3.75	11.32
11	492/06 24.02.06	Kodaganallur	559 550/2 544/1B 537/4B 545/1 546/1	11.65 0.35 0.80	12.8
12	855/06 30.03.06	Kodaganallur	528/2B2 528/2B3 569/1 569/3 570/1 570/3 529/1A 529/3B3 530/3 530/1B 530/1C 529/3B2	2.93 2.93 1.03 4.7 3.55 0.07 0.6 2.47 1.25 2.00 2.7 1.92	



Sr.No.	ORIGINAL DOCUMENT No.	LOCATION	SURVEY NOS.	EXTENT IN ACRES	
			531/2 531/4 531/1 531/3 532/1A 532/1B 532/1D 532/3A 529/3B4 532/3B	1.75 2.20 1.75 1.49 1.75 1.75 3.00 1.70 2.51 3.00	 47.05
13	857/06 31.03.06	Kodaganallur	533/1 533/3 560 561 562 563/1A	15.08 0.08 4.77 2.05 10.44 0.74	 33.16
14	1745/06 10.07.06	Kodaganallur Kodaganallur Kodaganallur Vaduganpatti Kodaganallur	 573/2 573/4 550/2 550/1 172 172 172 565/1 565/3 572/4	0.77 0.77 0.77 0.77 0.37 0.33 0.77 0.77 0.77 0.4 2.76 1.56	 11.60
15	2902/05 21.11.05	Vettuvankulam	54/3 54/4 54/5 54/7	3.60 3.00 3.00 5.00	 14.60
16	2974/05 24.11.05	Vaduganpatti	159 165/5 166/1 157/1A	1.00 0.03 0.51 0.63	 2.16
17	2973/05	Kodaganallur Kodaganallur	70/5 527/2 528/2B1	0.22 3.53 0.67	



Sr.No.	ORIGINAL DOCUMENT No.	LOCATION	SURVEY NOS.	EXTENT IN ACRES	
			529/1B	0.04	
			529/3B1	1.96	
		Kodaganallur	532/21C	3.00	
		Vaduganpatti	174	5.52	
		Vaduganpatti	157/2	0.46	
			160	1.06	
			165/1	0.35	
			159	0.50	
			165/5	0.01	
			166/1	0.25	
		Vaduganpatti	181/2	0.25	
			182/4	0.49	
			180/2C	0.42	
			181/3	0.73	
			182/2	1.10	
			162/1	2.52	
					17.30
					23.07
18	2903/05 2903/05 21.11.05	Vaduganpatti	180/2C	0.43	
			181/1	0.50	
			180/3	0.20	
			181/4	0.88	
			182/3	0.91	
			180/2A2	2.12	
			180/2B	0.45	
			178/1B	1.13	
			180/6	0.14	
			180/1	0.21	
			181/2	0.25	
			182/4	0.64	
					7.86
19	489/06 24.02.06	Vaduganpatti	116/1A	0.16	
			116/1C	1.02	
			159	0.50	
			165/5	0.01	
			166/1	0.25	
			157/2	0.46	
			160	1.06	
			165/1	0.35	
					3.81
20	2897/05 21.11.05	Vaduganpatti	155	4.72	
			1571B	2.49	
			158	4.76	
			162/2A	0.22	
			162/2B	0.22	
			164/1	0.76	
			165/2	0.65	
			165/4	0.33	



Sr.No.	ORIGINAL DOCUMENT No.	LOCATION	SURVEY NOS.	EXTENT IN ACRES	
			164/2 163/2 163/1 168/2 168/1	3.98 1.09 1.09 0.53 0.51	21.35
21	490/06 24.02.06	Vaduganpatti Vaduganpatti Kodaganallur	156 162/2C 163/3 168/3 180/4 180/5 528/3	3.00 0.42 2.20 1.12 0.14 0.19 0.70	7.770
22	2899/05 21.11.05	Vaduganpatti	179/1	5.89	5.890
23	2900/05 21.11.05	Vaduganpatti	170 171/1A 171/2 173/1 173/3	3.89 1.00 3.18 1.50 1.64	11.21
24	2904/05 21.11.05	Vettuvankulam	54/6	5.00	5.00
25	2821/05 14.11.05	Vaduganpatti	179/2	1.10	1.10
26	2822/05 14.11.05	Vaduganpatti	175 176	4.40 1.97	6.37
27	2825/05 14.11.05	Vaduganpatti Vaduganpatti	169/2 171/1B 166/2 172 165/3 181/1 182/4 157/A1	2.47 1.25 0.40 0.77 0.19 0.35 0.15 0.21	5.79
28	2898/05 21.11.05	Vaduganpatti	167	1.63	1.63
29	225/06 06.02.06	Kodaganallur Kodaganallur Kodaganallur Vaduganpatti	573/5 544/2B 527/1 530/1A 161	1.19 2.00 0.95 2.00 4.53	10.670
30	491/06 24.02.06	Vaduganpatti	173/2	1.50	



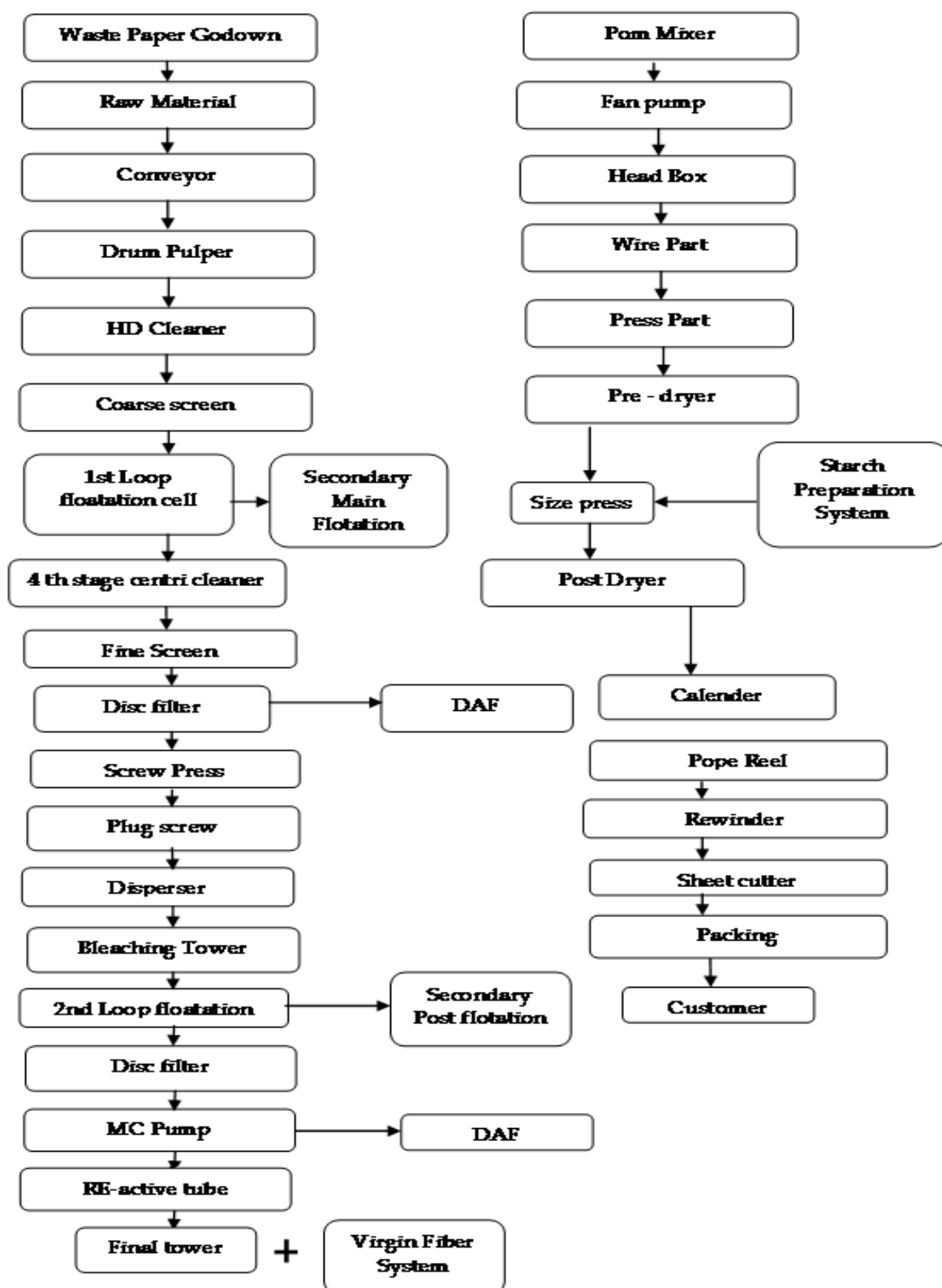
Sr.No.	ORIGINAL DOCUMENT No.	LOCATION	SURVEY NOS.	EXTENT IN ACRES	
		Vaduganpatti	116/1A 116/1C	0.16 1.03	2.68
31	856/06 31.3.06	Vaduganpatti	178/A	1.13	1.13
32	174/06 10.07.06	Vaduganpatti	177		3.69
33	2617/06 29.9.06	Vaduganpatti	168/4 169/1	1.00 0.80	1.80
34	507\07 2.3.07	Vaduganpatti	563/2A 563/1B2 567 568	1.80 3.90 10.00 0.42	16.12
35	508/07 2.3.07	Vaduganpatti	568/2A 568/2B 569/2C	1.45 2.00 2.00	5.45
36	1284/07 12.10.07	Vaduganpatti	180/2A 182	10.00 2.06	12.06
			Total		340.385

Leased properties:

Sr. No.	Location	Licensor	Rent (Rs. in lacs)	Deposit (Rs. in lacs)	Area (Sq. ft)	Period of Agreement
Residential Premises						
1	Door no. 60, 4 th Street, Gandhi Nagar, Tirunelveli, Tamil Nadu	Mrs. R. Florence	0.15	0.75	3600	Upto 31/12/2010
2	Door No.9/F, Thilak Nagar, Madurai Road, Tirunelveli, Tamil Nadu	Mrs. S. Dhanalakshmi	0.11	0.23	3000	Upto 16/06/2011

MANUFACTURING PROCESS

PAPER PLANT



**Process Description:****Raw Material & Pulping**

Raw material namely recycled paper is disintegrated by adding water and chemicals in the Pulper. During the pulping process the paper will be converted in to pulp in the drum pulper and rejects like bale wire, heavy materials, Pins, Plastics etc will be removed. The same will be pumped to the Dump chest.

Screening and Cleaning & Deinking

The partly cleaned pulp will be passed to a Metso High-density cleaner to clean heavy particles like Sand; Pin etc., centrifugal force and the pulp is also cleaned further by removing the small size contaminants like plastics, gum materials etc. Then pulp will be fed de-inking process with help of Metso De inking system where the ink particles in the paper will be removed. Then the de inked pulp will be passes through GL&V centri-cleaning and Metso fine screening for further cleaning.

Thickeneing, Dispersing and Oxiditaive Bleaching

After screening the pulp will be thickened up to 10-12% by a GL&V Disc filter for further processing. The thickened pulp will fed to Metso screw press for further thickening up to 28-30% and necessary bleaching chemicals and steam will be added in screw press outlet.

The Metso disperser will mix the pulp homogenize and also micronized the residual ink (if any) and fine sticky material to get uniform quality pulp. Disperser outlet pulp will be fed in bleaching tower for chemicals reaction and for bleaching through reductive bleaching process. Finally the pulp will be stored in the storage tower. Depending upon the requirement of the quality of the product, required percentages of the virgin pulp will also be added.

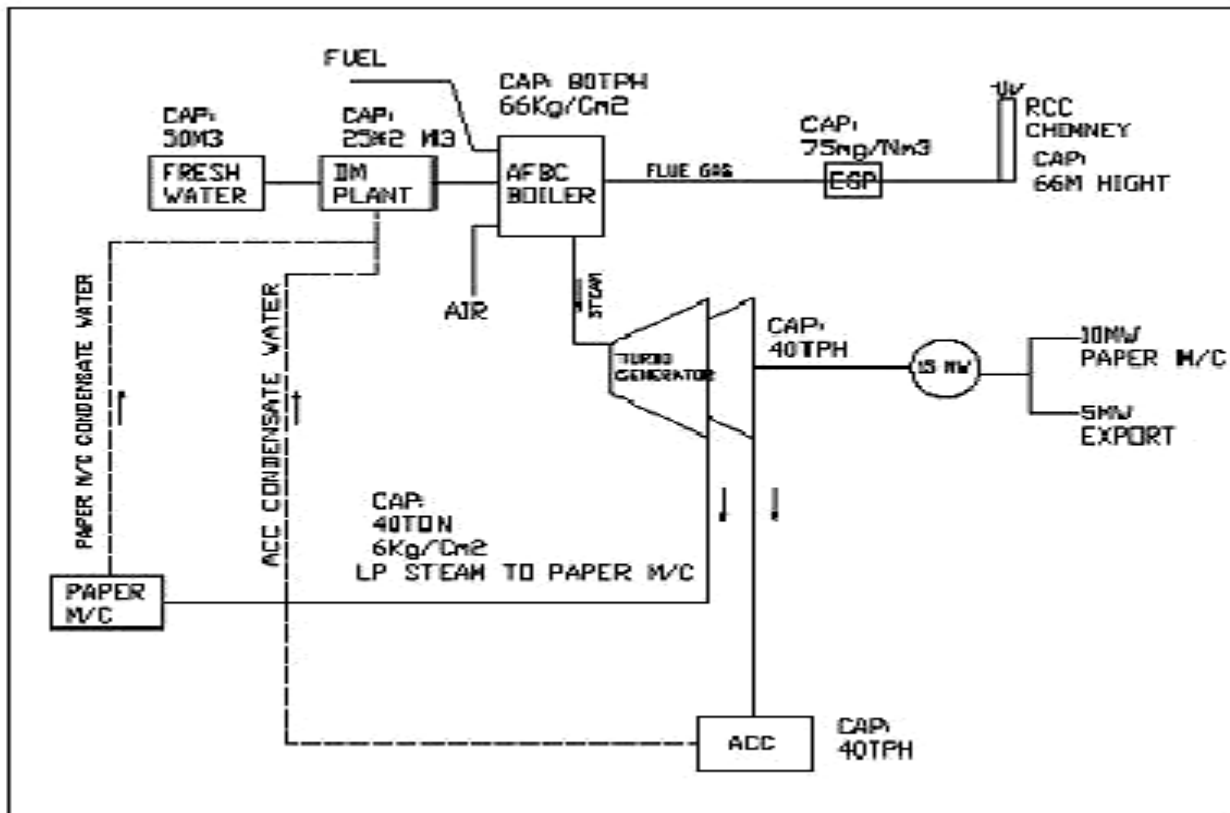
Paper Making Process

The de inked pulp from storage tower will be pump to POM mix and also chemicals like optical brightening agents, fillers, dye etc., will be dosed in POM mix for proper mixing. The pulp received from the POM mix will be passed in to the constant level Head box and then it will be taken to the head box through high-pressure screening. The fine slurry of pulp is injected over the running wire part for paper forming and Dewatering. The dewatering takes place by gravity and vacuum in wire section before the paper web is transferred to press section. In press section the web will be passes through the running rollers to squeeze out the water from the web. This is carried out in press stages with the help of supporting medium press felts. To manufacture map litho and other surface sized papers, size press has also incorporated. Starch solution will also be from starch preparation unit to get a better quality and surface finish. After the pressing section the paper web transfer to drying section where the moisture in the Paper web is evaporated by using steam heated drying cylinders. After the drying the paper it is calendared in the calendaring section to get the smoothness, gloss in the paper and the paper reeled in the pope reel section.

Finishing and Converting

The paper roll in the pope section will be taken to the Reel cutting machine called as Re winder. In this re winder, the big roll is being cut in the form of small reels of various sizes based on the requirement of the customer. Some reels are cut in to Sheet form, and it is packed in ream forms and then bundled for marketing.

POWER PLANT



For power generation the following equipments are essential:

1. Boiler
 2. Turbine
 3. Alternator
 4. Condensing system.
 5. DM (De-Mineralisation) Plant
 6. Fuel
 7. Start Up power.
 8. Export feeder (TNEB).
- Our boiler (Make: Thermax India Ltd.) has a capacity of 80 tons per hour at 485 degree Celsius and 66 kg pressure. For generating of steam we have used coal as a fuel. Apart from coal we have additional provision for using of bio mass fuel like saw dust, wood chips and paper sludge.
 - For generating steam we require quality water, for that purpose we have installed one DM plant having the capacity of 25 Cubic meters per hour.
 - For converting heat energy to mechanical energy we have installed one 15 MW turbine (Make: Siemens) and for converting mechanical energy back to electrical energy we have installed one 15 MW alternator (Make: T D Power Systems Pvt Ltd).
 - The steam path is closed recirculation system i.e. the water is converted to steam and the steam is then made to pass through turbine then the exhaust of turbine is condensed in ACC (Make: Paharpur) and in paper plant after this process the condensation is feed to the boiler.



Capacity

Existing Installed Capacity

Particulars	For the Financial Year 2009-10*
Installed Capacity (MT)	90000
Capacity Utilisation (MT)	-
Capacity Utilisation (%)	-

*The company has started its commercial production from 1st April, 2010.

Proposed Capacity (As Per Company's Estimate)

Particulars	For Financial Year		
	2010-11	2011-12	2012-13
Installed Capacity (MT)	90000	108000	108000
Capacity Utilization (MT)	70620	88275	97103
Capacity Utilization (%)	78.46%	81.74%	89.91%

Competitors

Just like any other industry there is competition in our industry also, we mainly compete with paper manufacturers on the basis of availability of product range, capacity of production, and product quality. Some of our competitors in the domestic market are as follows:

1. Tamil Nadu Newsprint and Papers Limited (TNPL)
2. Star Paper Mills Limited
3. Seshasayee Paper & Boards Limited
4. West Coast Paper Mills Limited
5. Emami Paper Mills Limited

Company Trade Mark Registration:

We at present do not have registered our trademark under the Trade Marks Act 1999. However, our company proposes to apply for the same in the near future.

Quality Certification

We are in the process of obtaining "Forest Stewardship Council (FSC) certification", which is very unique requirement from Europe and USA markets. It is a mandatory requirement for the books printed / note books manufactured in the developing countries like India; which are supplied to the developed countries. Since our unit utilizes more than 90% Recycled fiber in paper manufacturing, we are eligible for the FSC certification for all of our products. We can thus export to potential Southern & Eastern European markets, and also USA and fetch better value for our products.

Quality Assurance:

Quality assurance activity is carried out in SPL from input of raw materials to final products. Supply Chain Management's entire activities are guided by Quality Assurance Department. At SPL, we have full-fledged Quality Assurance department with all technically skilled and professionally qualified members. We have full-fledge R&D and Quality Assurance Department equipped with internationally reputed equipments pertaining to Pulp & Paper Industry. In the entire processes of SPL, we have Quality Assurance Specifications laid / defined clearly so that end product quality is assured in a sustained way. We have fully automated Deinking Plant supplied by Metso, Finland to give a consistent quality of pulp for paper making. Quality of the pulp manufacturing is monitored by world reputed NALCO speciality chemical division experts on regular basis.

We have Voith, Germany make Paper Machine with all kinds of automation to assure the quality of end product like Newsprint and Printing & Writing Paper. We have two online "Quality Assurance Scanners" supplied by



Honeywell, connected to the main server: before Size Press and another after the calendar to monitor process parameters and also final paper properties like Substance, Thickness, Moisture and Ash content across the deckle. This system can assure the paper quality required as per the international standards.

Utilities

Fuel

The boiler of the power plant is designed to operate with different types of fuels i.e coal/biomass. The requirement of coal/biomass at full capacity is estimated at 12.12 MT/hour.

The company has entered into contracts with suppliers for the coal & lignite for the power plant. Fuel like saw dust, wood chips, paddy husk, coir pith and coconut shells are easily available and can be procured without any difficulty.

Water

The water requirement for the process is sourced from river Thamirabarani, which is a perennial river in Southern part of Tamil Nadu. The mill uses sophisticated technology which requires less quantity of water. The company has obtained Government Order for drawing of sub surface water from the river for 6210 KL per day by erecting 5 infiltration wells. Hence, no problem is envisaged in getting required water.

Power

The total power requirement of the paper mill is estimated at 12 MW at its full capacity of operation. The company has established 15 MW captive power plant. The company envisages to export the surplus power of about 3 MW to TNEB grid. Further, the company has installed 4155 KVA diesel generators to meet start up power required for the power plant and emergency requirements.

Manpower

We have already recruited manpower for key functions in paper mill and power plant. We are also maintaining very cordial relationship with the workforce. As such, we do not have any problem with regard to manpower.

We have total staff strength of 244 employees, the breakup of which is given below:

Sr. No	Category	No. of employees
A.	Staff	
	<i>Managers and above</i>	13
	<i>Middle Management</i>	20
	<i>Lower Management</i>	86
	Total	119
B.	Workers	
	<i>Skilled</i>	47
	<i>Unskilled</i>	8
	Total	55
C.	Casual Workers	
	<i>Semi skilled</i>	47
	<i>Unskilled</i>	23
	Total	70
	Total (A +B + C)	244

We propose to add the following staff after completion of Phase-II of the project. Our company shall take the necessary steps for recruitment of additional manpower shortly:

Sr. no	Category	No. of employees
1.	Staff	05
2.	Workers	25
	Total	30

Recruitment strategy, training programs & retention strategy

Objective

To establish recruitment and training facilities by our company for personnel at all levels.

Policy

All recruitments shall be in accordance with the approved manpower plan for each department, which will be finalized and yearly updated. Due consideration will be made in identifying right candidates within the company for any position, either as promotion or as a process of job rotation.

All recruitment activities such as preliminary interviewing, screening of applicants, communicating with applicants, arranging for medical checkup, salary fixation, preparing and sending letter of offer/appointment will be handled by HR Department.

Every effort will be made to simplify the above process, recruit and fill in the vacancies at the earliest. In any score, this time should not exceed more than eight weeks, to fill a position.

In case of any need for new vacancy to be created, respective Functional Heads shall review the requirement and put up justification thro PRF(Personnel Requisition Form) to Head HR/ Head Mills to get final approval from management.

Procedure

Departmental Heads shall prepare job specifications and job descriptions to recruit right candidates matching the requirement.

HR Departments shall explore the possibility of Job rotation from within the company, in consultation with the Departmental Heads.

In case such adjustment is not feasible, existing Data Bank, Advertisement, External consultants and Campus recruitments will be resorted to for selection by the HR Department. However it shall be ensured that a large data bank is built for all competencies required in the HR Dept for filling in vacancies. Various portals available on the internet must be fully utilised. At least one popular portal must be subscribed to and own data bank must be constantly updated. Head hunters and external consultants must be used as a last resort during emergency caused by an urgent requirement.

An efficient Resume Management system (RMS) exists as a part of the ERP system of the Company. Using this system will be an important professional competency for HR Department and they will train themselves to use it as an important HR tool.

Recruitment Panel

Consist of Three members:

- One Executive / HOD from Functional Dept.
- One Executive / HOD from Support Dept.
- One Executive / HOD from HRD.



Position to be Filled Initial Screening Interview (incl. Tests) Final Approval

W1 to W3 and S1 to S7 - HR & Functional Head and Head Mills
E1 and above - HR, Functional Head & Head Mills and MD.

An open hiring policy will be adopted and whomsoever matches the background and exposure shall be given a fair chance. Interview assessment will be documented in the prescribed form which will be prepared by the HR Dept.

Candidates who have not been selected in the interview will be informed suitably.

Salary Negotiation and Fixation

The Head of HR will negotiate salary fitment in accordance with the compensation policy and finalize the appointment in consultation with the Head – Mill. Taking into consideration all relevant factors such as existing people's qualification, experience, age, market rate of the position, candidates existing salary, etc the compensation shall be negotiated with the candidate.

Salary fixation and other condition, if any, will be recorded in the candidate's interview evaluation sheet. Maximum efforts will be taken to offer the candidate an appropriate salary, giving due merits to his qualification(s), experience and expertise. However it will be done without disturbing the existing compensation structure in the organisation.

Offer of Appointment

HEAD-HR will issue offer of appointment. Two copies of the offer of appointment shall be enclosed. One copy of the same is to be retained by the candidate and other returned to the HR department, duly signed, indicating the date on which he / she is to join the organisation.

The offer of appointment shall contain details pertaining to his salary, designation, enclosures pertaining to various allowances and fringe benefits the candidates will be eligible to and the general terms and conditions of service applicable to employee in the organisation.

Appointment

All workmen are initially taken as Company Trainees for a prescribed period. On satisfactory completion of the training period, subject to the manpower requirement, they are appointed in the regular roll of the company on probation for a period of 6\12 months.

Executives and Managers are initially appointed on Probation for a period of six months and on satisfactory completion of the probation period, are absorbed in the regular roll of the company.

Fresh Engineering graduates as well as fresh professionally qualified Postgraduates will be appointed as Trainees for a prescribed period. On successful completion of the training period, they will be appointed on probation in the executive cadre of the company subject to the manpower requirement.

All appointees, whether as trainees or in the regular establishment are given an official offer of appointment for formal acceptance of the terms and conditions specified therein.

JOINING FORMALITIES AND INDUCTION

Objective

To establish the induction and orientation programmes for new Employees and to familiarise the new employees with the organisation, its business, working and culture.

Policy

The HR Department will co-ordinate with Heads of Departments to provide an orientation/induction to the new employee. All new employees shall undergo a structured induction to apprise themselves about the policies,



procedures and get oriented with the functioning of all departments. An induction programme will be given to the new entrant and duly circulated to all concerned for effective orientation.

Procedure

The HR Department shall ensure completion of all joining formalities. A checklist as in Annexure will be prepared and duly cross checked. All required forms will be completed and submitted by the new employee at the time of joining. The HR Department shall arrange for a plant tour and introduce the employee to all the department heads. They in turn shall introduce the new employee to rest of the personnel in their respective department. On completion of the programme as planned, the new employee will prepare an induction report, giving the details off his learning points, feedback and suggestions for improvement. This report will be submitted to the HR Department, through their respective heads of department. The induction programme and the report will be placed in the personal file of the employee.

All new entrants to the company shall before being put on the job, he required to go through a formal induction appropriate to their level.

INDUCTION GUIDE

On joining the duty, a guide/ Mentor will be detailed to help the new entrant get over the initial hesitation/ fear and apprehension of joining the new organization as well as giving a feeling of being wanted. This guide will be carefully chosen by the Head of Dept whose Dept the new inductee is joining. The guide will be chosen based on exemplary conduct. A defaulter will never be detailed to be a guide to the inductee due to obvious reasons. This guide will help the inductee fill up the required forms, take him to various Depts and acquaint him/ her with the history, customs, traditions, rules and regulations of the company. Head of Dept will officially communicate the Induction Guide's name to the HR before the induction program is made.

Objective of Induction Programme

- To welcome and motivate new members.
- To get them familiarized with other employees, systems, procedures and locations.
- To explain our vision / mission statement.

Therefore, all new recruits undergo basic Orientation for Three Days to Five Days. The Employee Hand Book is given to every new employee at the time of joining. Detailed On Job / Skill Training is imparted wherever necessary.

Raw Materials

The main raw material used for the manufacturing process is waste paper. The mill uses 90% waste paper pulp and the balance 10% will be virgin pulp. About 80% waste paper is met by imports and the rest from domestic sources. The total requirement of good quality Waste Paper of different grades for producing wide range of products is around 1,20,000 TPA. The Company has established firm tie up for sourcing of waste paper both for import as well as domestic sources.

The List of the domestic and international suppliers to our company is given below:

Raw Material	SUPPLIER NAME
WASTE PAPER:	Vipa Lausanned S.A, Galerise Benjamin - Constant 1, Case Postale 7700, CH-1002 Lausanned (Switzerland)
Sorted Office Paper	Loumbos Pty Ltd., ABN 95 001 258 073, 25, Forrester Street, Kingsgrove, NSW 2209, Australia
Coated Book Stock	Paper Chase International Inc., Po Box 17651, Jebel Ali Free Zone, Dubai – UAE
First White	Transpacific Cleanaway Pty Ltd., 45A, Rookwood Road, Yatoona, NSW-2199, Australia
Multi Grade	
Magazine	
Printers off cut	



Raw Material	SUPPLIER NAME
Old News Paper Over issue News paper	Navanara International Trading, Level 1, 147 Ward Street, North Adelaide, South Australia - 5006, Australia
	The Torgun Corporatiojn, 565, Taxter Rd., Elmsford NY 10523, USA
	Reliance Fibres Ltd., 5th Floor, Hyde House, The Hyde, Edgware Road, London, NW9 6LH, UK
	Metro Waste Paper Recovery Inc., MMG, 66, Shomcliffe Road, Toronto ON M&Z 5K1
	Northwest Fibers, 2600, 94th Street SW, Suite 100, Everett, WA 98204, USA
	Belsun Corp., 236 West 27th Street, Suite # 1300RE, New York, NY 10001
FUEL:	
Coal	Coastal Energy Pvt. Ltd., Chennai
CHEMICALS: Hydrogen Peroxide 50%	PonPure Chems Pvt Ltd - Asian Peroxide Ltd, Karur
	Chemi Colour Co. - National Peroxide Ltd
	Gem Enterprises - Hindustan Organic Ltd, Chennai
Sodium Silicate	Kiran Global Chems Ltd
	Kuttuva Silicate, Madurai
	Madras Chemicals & Polymers [Chemplast], Chennai
De-Inking Chemicals	NIC Nalco India Ltd (Dpm Trial)
Akd	NIC Nalco India Ltd (Dpm Trial)
Sodium Hydro Sulphite	TCP Limited
Defoamer	NLC Nalco India Ltd , Chennai
Dyes:	
Rhodamine	Atulya Dyestuf Pvt Ltd, Mumbai
PACKING MATERIALS:	
Corrugated Side Disc	Veepak, 307 Saranga Nagar, Coimbatore
	Sai Ram Packaging, Coimbatore
Paper Core/Edge Protector	Bharat Paper Conversion, Mumbai
	SRI RAM TUBES, Udumalpet
2" Gum Tape Roll, Ld Bag	S.M.S.Enterprises, Coimbatore
Double Side Tape	Venkatesa Traders
HDPE Flange & Tube End	SMB Tube Syndicate, Coimbatore
HDPE Sheets	Klene Packs, Bangalore
	Jai Marketing, Coimbatore
	Deepak Extrusion Pvt Ltd, Bangalore

Plant & Machinery

The major plant and machinery installed at the factory site are as detailed hereunder:

Sr No.	Description	Type	Quantity
PAPER PLANT			
1	Paper Machine	Automatic	1
2	Paper Machine Steam & Condensate System	Automatic	1
3	Paper Machine Dryer	Electrical	53
4	Plant & Machinery Sheet Cutter	Automatic	8
5	Plant & Machinery Sheet Cutter	Automatic	1
6	Salvage Winder	Automatic	1
7	PM Vacuum Pump	Electrical	9
8	Material Handling Equipments	Electrical	2
POWER PLANT			
1	Boiler	Automatic(AFBC)	1
2	Turbine	Rolling(SST300VE32A)	1
3	Air Cooled Condenser	Automatic(Air Cooled)	3 Cells
4	Coal Handling Ystem	Semiautomatic	1
5	Ash Handling System	Automatic	1
6	Steam Header	Manual(Stationary)	1 High Pressure & 1 Low Pressure
7	Compressors	Automatic(E75-8)	5
8	De-mineralised (Dm) Plant	Semiautomatic	1
9	Cooling Tower	Manual-Rolling	3 Cells
10	Generator	Rolling-Electrical	4

For more details on Plant & Machinery installed in the factory site please refer the section 'Objects of the Issue' on page no 27 of this DRHP.



SWOT ANALYSIS

Indian Paper Industry

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> a. Large and growing domestic paper market b. Use of competitive paper manufacturing process in newsprint, carton board and coated woodfree paper c. Relatively low personnel and fuel costs (although personnel productivity is lower than in many competing countries and the quality of coal varies) d. Availability of state-of-the-art research institute Central Pulp & Paper Research Institute (CPPRI) e. Expertise in non wood pulping and applications f. Well developed printing industry g. Local market knowledge 	<ul style="list-style-type: none"> a. Fibre shortage, especially virgin wood fibre b. Small and fragmented industry structure, many non competitive mills/machines (both quality and cost wise) + fragmented market c. Highly skilled and job specific manpower is not available d. Quality and availability of some of the domestic pigments and chemicals e. Environmental problems of most of the small pulp mills and also some big mills. f. Lack of Infrastructure, and proper transportation g. High cost of raw material including wood, non wood and waste paper, high energy costs (from grid) and high cost of financing h. Lack of capability for design and development and machinery manufacture + process control systems by local manufacturers. i. Obsolescence of technology, quality targets are not met by many mills (eg. newsprint produced by small mills) j. Low input into mill level R&D
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> a. Enormous domestic market potential b. Modern, world scale paper machine would be cost competitive in most grades c. Forest plantation potential d. Development of the industry cluster on broader basis (including paper industry and related industries: machinery + chemicals) based on FDI and use of local personnel e. Mix of wood and agro based papermaking f. Increasing use of recycled paper for paper manufacturing g. Government literacy program – increasing demand for printing/writing papers h. WTO: foreign participation/FDI would speed up restructuring i. Low labor costs are low compare to the international standards j. Huge export potential 	<ul style="list-style-type: none"> a. Unprepared mills (especially small & medium size) for international competition both on price and quality b. Decline in capacity due to environmental pressures c. Decline in capacity as some of the segments/group of mills are unable to compete at national and international levels with respect to quality and cost of products d. Short term planning for raw material e. Fragmented market makes entry for a world scale (larger) unit difficult f. Delayed forest plantations, deficit of wood fibres g. Lack of international perspective in project development and implementation h. Capacity of announced projects is small considering market growth – will speed up import growth i. Weakening competitiveness of domestic industry due to shortage and cost of basic inputs J. Perceived difficulty of operating environment reduces the speed of FDI



Our Company

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> a. SPL products are eco-friendly as the input raw material is 100% recycled. This will fetch additional money in Exports. Availability of raw material is good throughout the year and we can plan the products as per demand. b. The plant is located at Tirunelveli, Tamil Nadu which is around 72 km away from Tuticorin port. Import of coal and raw material, Recycled paper or Export of finished goods will have more advantage because of the proximity to port. More exports can be planned accordingly. c. The promoters of the company are the leading paper machine manufacturers in India and they have wide experience in de-inking and paper making. d. We have surplus captive power for paper manufacturing and also we are exporting the power to state grid (TNEB). e. Highly skilled and experienced professionals from paper industry are present in all functions and hence good competency. 	<ul style="list-style-type: none"> a. Since this plant is located down south, catering to the northern region in the domestic market will be limited due to higher freight cost and geographical disadvantage. b. The products from SPL have to compete with the products of virgin pulp papers. c. Due to forex and demand-supply fluctuations in the Indian market and the company being a new entrant, establishing its products may not be an easy task.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> a. While a majority of the large mills are wood based mills with the raw materials sourced from Government forests, captive plantations and contract farming, SPL uses Recycled fiber for manufacturing both Newsprint and Printing & Writing Paper. Hence Paper produced will qualify for "Eco-Friendly Paper" (EFP). b. The impending norms on ECF is not going to be a deterrent for SPL but an opportunity as it is basically from recycled paper and it is expected that the products would fetch better rate when exported to developed countries. 	<ul style="list-style-type: none"> a. A great threat to the entire gamut of Indian industry is the government's huge responsibility in the global warming arena. b. The parity between demand and supply of recycled raw materials pose a threat to the industry with spiraling input costs in short term forecasts affecting the bottom line of the industry. This is generally offset in the longer term by increased finished product realizations and the demand met by higher supply due to efflux of time.



INSURANCE

Details of insurance taken by the Company are as given below:

Sr. No.	Name of the Insurance Company	Policy No	Period		Location STORAGE YARD	Nature of Goods	Details	Sum Insured (Rs. in Lacs)	Premium (In Rs.)
			Begin Date	End Date					
1	M/s. Oriental Insurance Company Limited	454400/11/2011/6	07.04.10	06.04.11	Office	Furniture, Fixtures & Fittings, Plant & Machinery & Others	Standard Fire & Special Perils Policy	32.72	2075.00
2	M/s. Oriental Insurance Company Limited	454400/11/2010/171	30.11.09	29.11.10	Storage Yard	Stock (RM)	Standard Fire & Special Perils Policy	300.00	26307.00
3	M/s. Oriental Insurance Company Limited	454400/11/2010/172	05.01.10	29.11.10	Godown	Stock (RM)	Standard Fire & Special Perils Policy	250	14124.00
4	M/s. Oriental Insurance Company Limited	454400/11/2010/172	30.03.10	29.11.10	Godown	Stock (RM)	Standard Fire & Special Perils Policy	750	31523.00
5	M/s. Oriental Insurance Company Limited	454400/11/2010/172	30.11.09	29.11.10	Godown	Stock (RM)	Standard Fire & Special Perils Policy	1000	62871.00
6	M/s. Oriental Insurance Company Limited	454400/11/2010/172	25.06.10	29.11.10	Godown	Stock (RM)	Standard Fire & Special Perils Policy	1500	40563.00
7	M/s. Oriental Insurance Company Limited	454400/11/2010/173	30.11.09	29.11.10	Open Yard Godown	Stock (RM)	Standard Fire & Special Perils Policy	200.00	30167.00
8	M/s. Oriental Insurance Company Limited	454400/11/2011/78	25.06.10	29.11.10	Godown & Thired Party Godown	Stock On Paper Rolls & Finished Papers	Standard Fire & Special Perils Policy	500.00	30967.00



Sr. No.	Name of the Insurance Company	Policy No	Period		Location STORAGE YARD	Nature of Goods	Details	Sum Insured (Rs. in Lacs)	Premium (In Rs.)
			Begin Date	End Date					
9	M/s. Oriental Insurance Company Limited	454400/44/2011/2	07.04.10	06.04.11	Project Office	Computer & Accessories	Electronic Equipment Insurance Policy	6.61	9042.00
10	M/s. Oriental Insurance Company Limited	454400/44/2011/1	07.04.10	06.04.11	Project Office	Air Conditioner /Weighbridges/Invertors	Machinery Breakdown Insurance Policy	18.53	16089.00
11	M/s. Oriental Insurance Company Limited	454400/48/2011/10	08.04.10	07.04.11	--	Television Sets & Dish	TV/VCR Insurance Policy	0.93	1029.00
12	M/s. Oriental Insurance Company Limited	454400/31/2011/1752	21.05.10	20.05.11	--	Tata Indica Lxi-V2 (Tn 72ab 6760)	Motor Insurance Certificate Cum Policy Private Car Package Policy	3.14	9380.00
13	M/s. Oriental Insurance Company Limited	454400/11/2011/31	17.05.10	16.05.11	Paper Mill & Power Plant	Building, Plant & Machinery	Fire Industrial All Risk Policy	26,713.89	1890270.00
14	M/s. Oriental Insurance Company Limited	454400/21/2011/3	06.07.10	05.07.11	Paper Plant	On Transit Of Finished Paper Rolls & Waste Paper Raw Materials	Marine Cargo - Open Policy	200.00	71696.00
15	M/s. Oriental Insurance Company Limited	454400/44/2011/13	20.08.10	19.08.2011	Paper Plant	Machinery	Machinery Breakdown	165.99	121896.00
		Total						31,641.81	23,57,999.00



REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the central / state governments that are applicable to our Company in India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

The Companies Act, 1956

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

Regulation of Foreign Investment in India

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and the rules and regulations promulgated there under. The RBI, in exercise of its powers under FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") which prohibit, restrict and regulate, transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the RBI for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI. Further, FIIs may purchase shares and convertible debentures of an Indian company under the portfolio investment scheme through registered brokers on recognized stock exchanges in India. Regulation 1 (4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or SEBI approved sub-account of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the Indian company concerned passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 was enacted as a general legislation to safeguard the environment from all sources of pollution by enabling coordination of the activities of the various regulatory agencies concerned, to enable creation of an authority with powers for environmental protection, regulation of discharge of environmental pollutants etc. The purpose of the Act is to act as an "umbrella" legislation designed to provide a frame work for Central government co-ordination of the activities of various central and state authorities established under previous laws, such as Water Act & Air Act. It includes water, air and land and the inter-relationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

Consent for operation of the plant under the Air (Prevention and Control of Pollution) Act 1981 ("Air Act")

The Air (Prevention and Control of Pollution) Act 1981 has been enacted to provide for the prevention, control and abatement of air pollution. The statute was enacted with a view to protect the environment and surroundings from any adverse effects of the pollutants that may emanate from any factory or manufacturing operation or activity. It lays down the limits with regard to emissions and pollutants that are a direct result of any operation or activity.



Periodic checks on the factories are mandated in the form of yearly approvals and consents from the corresponding Pollution Control Boards in the state.

Consent for operation of the plant under the Water (Prevention and Control of Pollution) Act, 1974 ("Water Act")

The Water Act was enacted in 1974 in order to provide for the prevention and control of water pollution by factories and manufacturing industries and for maintaining or restoring the wholesomeness of water. In respect to an Industrial Undertaking it applies to the (i) Occupier (the owner and management of the undertaking) (ii) Outlet (iii) Pollution and (iv) Trade effluents. The Act requires that approvals be obtained from the corresponding Pollution Control Boards in the state.

Water (Prevention and Control of Pollution) Cess Act, 1977

The Water Cess Act is a legislation providing for the levy and collection of a cess on local authorities and industries based on the consumption of water by such local authorities and industries so as to enable implementation of the Water Act by the regulatory agencies concerned.

Trade Marks Act, 1999

The Indian law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

Copyright Act, 1957

The Copyright Act, 1957 came into effect from January 1958. Copyright is an exclusive right. The statutory definition of Copyright is the exclusive right to do or authorizes others to do certain acts in relation to Literary, dramatic or musical works, Artistic work Cinematograph film; and Sound recording. The purpose of recognizing & protecting the copyright of an author is to statutorily protect his work & inspire him to exercise his creative faculties. Copyright is granted for a specific period of time. Whether an act is an infringement or not would depend on the fact whether copyright is subsisting in the work or not. In case the copyright has expired, the work falls in the public domain & any act of reproduction of the work by any person other than then the author would not amount to infringement.

Income-tax Act, 1961

The Income Tax Act, 1961 deals with the taxation of individuals, corporates, partnership firms and others. As per the provisions of this Act the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions and concessions accorded under the Act. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Act. Filing of returns of Income is compulsory for all assesses.

Service Tax

Chapter V of the Finance Act 1994 (as amended), and Chapter V-A of the Finance Act 2003 requires that where provision of certain listed services, whole taxable services exceeds Rs. 400,000, a service tax with respect to the same must be paid. Every person who is liable to pay service tax must register himself for the same

**Central Sales Tax Act (CST)**

The main object of this act is to formulate principles for determining (a) when a sale or purchase takes place in the course of trade or commerce (b) When a sale or purchase takes place outside a State (c) When a sale or purchase takes place in the course of imports into or export from India, to provide for levy, collection and distribution of taxes on sales of goods in the course of trade or commerce, to declare certain goods to be of special importance trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. CST Act imposes the tax on inter-state sales and states the principles and restrictions as per the powers conferred by Constitution.

Electricity Act, 2003

The Electricity Act, 2003 has been recently introduced with a view to rationalise electricity tariff, and to bring about transparent policies in the sector. The Act provides for private sector participation in generation, transmission and distribution of electricity, and provides for the corporatisation of the state electricity boards. The related Electricity Regulatory Commissions Act, 1998 has been enacted with a view to confer on these statutory Commissions the responsibility of regulating this sector.

Value Added Tax ("VAT")

VAT is a system of multi-point levy on each of the purchases in the supply chain with the facility of set-off input tax on sales whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each state that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register and obtain a registration number from Sales Tax Officer of the respective State.

Approvals from Local Authorities

Setting up of a Factory or Manufacturing/Housing unit entails the requisite Planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents from the state Pollution Control Board(s), the relevant state Electricity Board(s), the State Excise Authorities, Sales Tax, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

Industrial (Development and Regulation) Act, 1955

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

Foreign Trade (Development and Regulation) Act, 1992

This statute seeks to increase foreign trade by regulating the imports and exports to and from India. This legislation read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

**The Factories Act, 1948**

The Factories Act, 1948 is a social legislation which has been enacted to regulate the occupational safety, health and welfare of workers at work places. This legislation is being enforced by the Government through officers appointed under the Act i.e. Inspectors of Factories, Deputy Chief Inspectors of Factories who work under the control of the Chief Inspector of Factories and overall control of the Labour Commissioner. The ambit of operation of this Act includes the approval of Factory Building Plans before construction/extension, investigation of complaints with regard to health, safety, welfare and working conditions of the workers employed in a factory, the maintenance of registers and the submission of yearly and half-yearly returns.

Payment of Wages Act, 1936 ("Wages Act")

Wages Act applies to the persons employed in the factories and to persons employed in industrial or other establishments where the monthly wages payable to such persons is less than Rs 10,000/-. The Act confers on the person(s) responsible for payment of wages certain obligations with respect to the maintenance of registers and the display in such factory/establishment, of the abstracts of this Act and Rules made there under.

The Minimum Wages Act, 1948 ("Minimum Wages Act")

Minimum Wages Act was enacted to provide for minimum wages in certain employments. Under this Act, the Central and the State Governments are the authorities to stipulate the scheduled employment and to fix minimum wages. The Act contains list of Agricultural and Non Agricultural employment where the prescribed minimum rate of wages is to be paid to the workers. The minimum wages are calculated and fixed based on the basic requirement of food, clothing, housing required by an average Indian adult.

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952

The Act is applicable to factories employing more than 20 employees and may also apply to such establishments and industrial undertakings as notified by the Government from time to time. All the establishments under the Act are required to be registered with the Provident Fund Commissioners of the State. Also, in accordance with the provisions of the Act the employers are required to contribute to the Employees' Provident Fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees. A monthly return in Form 12 A is required to be submitted to the commissioner in addition to the maintenance of registers by the employers.

Payment of Gratuity Act, 1972

A terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for the employer for a prescribed minimum number of years is referred to as "gratuity". The provisions of the Act are applicable to all the factories. The Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment a notice in Form B has to be filed with the authority. The Employer is also required to display an abstract of the Act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made under Payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 is applicable to every establishment employing 20 or more employees. The said Act provides for payment of the minimum bonus to the employees specified under the Act. It further requires the maintenance of certain books and registers such as the register showing computation of the allocable surplus; the register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also require for the submission of Annual Return in the prescribed form



(FORM D) to be submitted by the employer within 30 days of payment of the bonus to the Inspector appointed under the Act.

Contract Labour (Regulation and Abolition) Act, 1970

The purpose of Contract Labour (Regulation and Abolition) Act 1970, is to regulate the employment and protect the interests of the workers who are hired on the basis of individual contracts in certain establishments. In the event that any activity is outsourced, and is carried out by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund etc.

Employment (Standing Orders) Act, 1950

The Industrial Employment (standing orders) Act requires employers in industrial establishments to formally define conditions of employment under them. It applies to every industrial establishment wherein 100 (reduced to 50 by the Central Government in respect of the establishments for which it is the Appropriate Government) or more workmen are employed. The Act calls for the submission of such conditions of work to the relevant authorities for their approval.

The Equal Remuneration Act, 1976 ("Equal Remuneration Act") and Equal Remuneration Rules, 1976

The Constitution of India provides for equal pay for equal work for both men and women. To give effect to this provision, the Equal Remuneration Act, 1976 was implemented. The Act provides that no discrimination shall be shown on the basis of sex for performing similar works and that equal remuneration shall be paid to both men and women when the same work is being done.

Employees State Insurance Act, 1948

All the establishments to which the Employees State Insurance (ESI) Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act applies to those establishments where 20 or more persons are employed. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

The Maternity Benefit Act, 1961 ("Maternity Act")

The purpose of Maternity Act 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter-alia for payment of maternity benefits, medical bonus and enacts prohibition on dismissal, reduction of wages paid to pregnant women etc.

Registrations under the applicable Shops & Commercial Establishments Acts of the respective States in which our company has an established place of business/ office ("Shops Act")

The Shops Act provides for the regulation of conditions of work in shops, commercial establishments, restaurants, theatres and other establishments. The Act is enforced by the Chief Inspector of Shops (CIS) and various inspectors under the supervision and control of Deputy/Assistant Labour Commissioners of the concerned District, who in turn functions under the supervision of Labour Commissioner.



HISTORY AND OTHER CORPORATE MATTERS

Incorporated on 3rd November, 2005 under the Companies Act, 1956 as 'Sri Sai Shakthi Raam Papers Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Coimbatore, Tamil Nadu, India, the company's name was later changed to 'Servalakshmi Paper Private Limited' on 31st January, 2007. The company was later converted into a public company and the name was changed to 'Servalakshmi Paper Limited', pursuant to a shareholders resolution dated 30th April, 2010 and received a Certificate of Change of Name on 17th June, 2010. The Corporate Identity Number (CIN) of the Company is U21012TZ2005PLC012260. The Registered Office of the Company is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore -641011, Tamil Nadu, India.

We are an integrated paper mill with facilities to manufacture Printing & Writing Paper and Newsprint (NP). We started our manufacturing unit at I.C. Pettai, Vaduganpatti Post, Tirunelveli with a capacity of 300 tonnes per day (90,000 MTPA) which is one of the largest single location plants in India and ranks within 15 major plants in India (Source: ITCOT Consultancy and Services Ltd., and Paper Mart Magazine; Edition: April – May 2010). The Commercial production for our plant commenced on April 01, 2010. We also established a multi-fuel captive power plant with a capacity of 15 MW of which 12 MW will be used for captive consumption and the surplus of 3 MW is being exported to the grid of Tamil Nadu Electricity Board (TNEB).

Major events in the History of the Company:

Year	Event
2005	Incorporation of the Company
2010	Starting of commercial production at our manufacturing unit in Tirunelveli having a capacity of 90,000 MTPA
2010	Converted into a public limited company
2010	Started our own Captive power plant of 15 MW
2010	Awarded and categorized amongst top 15 companies in Indian paper industry by Paper Mart Magazine; Edition: April – May 2010

Main Objects of the Company:

The main objects of the Company are as follows:

"To carry on the business of manufacturers of and dealers in all kinds and classes of Paper, Board, pulp including pulp board, writing paper, printing paper, kraft paper, absorbent paper, newsprint paper, wrapping paper, tissue paper, cover paper, blotting paper, filter paper, antique paper, xerox copying paper, ivory finish paper, coated paper, art paper, bank or bond paper, badami brown or buff paper, bible paper, cartridge paper, cloth lined paper, grease-proof paper, gummed paper, handmade paper, parchment paper, water proof paper, carbon paper, chemically treated paper, litmus paper, photographic paper, glass paper, emery paper, card board, straw-board, pulp board, paste boards, leather board, mill board, corrugated paper, duplex and triplex boards, hardboard, plywood board, post cards, visiting cards, soda pulp, mechanical pulp, sulphite pulp, semi-chemical pulp, and all kinds of articles in the manufacture of which in any form paper, board or pulp is used.

To carry on the business of generating, selling, leasing, dealing, supplying, distributing, transmitting electric power produced by co-generation, turbine, bio-mass, coal, gas, lignite, oil, thermal, waste, wind, solar, hydel, geo-hydel, atomic and / or other means in all its+ branches and to erect, construct, lay down, establish and fix plant and machineries, wind mills, thermal stations, solar and hydro gensets for the purpose of generating power and distribution and to carry out such other allied activities.

To distribute energy/electricity, hydrogen, steam and any other residue products and by-products coming out of power generation process."

Changes in Registered Office of the Company

There is no change in the registered office of the company since its inception.

Changes in the Memorandum of Association

Date of shareholders' approval	Type of change/ Reasons for change
26/02/ 2007	Raising Authorized Capital from Rs.10 Lacs to Rs.751 Lacs consisting of Rs. 501 Lacs of Equity shares and 250 Lacs of Preference shares
29/12/ 2007	Raising Authorized Capital from Rs.751 Lacs to Rs.1250 Lacs
29/08/ 2009	Converting Preference share capital of Rs.250 lacs to Equity share capital
16/ 03/2010	Raising Authorized Capital from Rs.1250 Lacs to Rs.5000 Lacs
31/03/2010	Change of object clause for inclusion of power generation activity.

Subsidiaries of the Issuer Company

The company does not have any subsidiary

Shareholders' Agreement

There are no Shareholders' Agreements existing as on date.

Other Agreements

Except the contracts/agreements entered in the ordinary course of the business carried on or intended to be carried on by SPL, we have not entered into any other agreement/contract.

Financial Partners

There are no financial partnership agreements entered into by the Company.

Strategic Partners

There are no strategic partnership agreements entered into by the Company.



MANAGEMENT

Name, Age, Qualification, Residential Address, Designation, Occupation, DIN	Date of Appointment / Re-appointment, Term	Other Directorships held
Name: Mr. R. RAMSWAMY S/o: Mr. P. Rangasamy Naidu Age: 70 Years Qualification: B.E (Mechanical) Residential Address: 210 (Old No.247 B), Alagesan Road, Saibaba Colony, Coimbatore-641 011. Designation: Chairman & Managing Director Occupation: Industrialist DIN No.: 00010572	Re-Appointment Term: 01/04/2010 upto 31/03/2015 i.e. 5 years	- Servalakshmi Paper and Boards Pvt. Ltd. - Danalakshmi Paper Mills Pvt. Ltd. - Servall Engineering Works Pvt. Ltd. - Monarch Machine Tools Pvt. Ltd. - Servall Properties Pvt Ltd
Name: Mr. Y. SHIVARAM PRASAD S/o: Mr. Mallikarjuna Prasad Age: 45 Years Qualification: B.E. Residential Address: 22, West Club Road, Race Course, Coimbatore-641 018. Designation: Director Occupation: Industrialist DIN No.: 00010734	Re-Appointment Term: 07/06/2010 upto Next retirement by rotation	- Servall Engineering Works Pvt. Ltd. - Servalakshmi Paper and Boards Pvt. Ltd. - Danalakshmi Paper Mills Pvt. Ltd - Techno Spin Pvt. Ltd.
Name: Mr. B. SRIRAMULU S/o: Mr. K.G. Balakrishnan Age: 42 Years Qualification: B.E., M.S (Textile Technology) Residential Address: KG House, 126, Arts College Road, Coimbatore-641 018 Designation: Director Occupation: Industrialist DIN No.: 00002560	Re-Appointment Term: 07/06/2010 upto Next retirement by rotation	- Servall Engineering Works Pvt. Ltd. - Servalakshmi Paper and Boards Pvt. Ltd. - Danalakshmi Paper Mills Pvt. Ltd. - K G Denim Ltd. - K G Fabriks Ltd - Enterprise Telesys Ltd - Sri. Kannapiran Mills Ltd. - Ganapathy Kumaran Investments Pvt Ltd. - Kumaran Ganapathy Investments Pvt Ltd. - KGB Securities and Investments Pvt Ltd. - K G Textile Processors Pvt Ltd. - Texworld.Com Pvt Ltd.



Name, Age, Qualification, Residential Address, Designation, Occupation, DIN	Date of Appointment / Re-appointment, Term	Other Directorships held
Name: Mr. D. MUTHUSAMY S/o: Mr. Duraisamy Naidu Age: 60 Years Qualification: B. A Residential Address: Danalakshmi Paper Mills Private Ltd., Nilakottai Taluk, Vilampatti – 624 219 Dindigul Dist. Designation: Director Occupation: Industrialist DIN No.: 00010588	Appointment Term: 12/02/2007 upto Next retirement by rotation	- Danalakshmi Paper Mills Pvt. Ltd. - Servall Engineering Works Pvt. Ltd. - Servalakshmi Paper And Boards Pvt Ltd.
Name: Mr. G P MUNIAPPAN S/o: Mr. Periasamy Age: 69 Years Qualification: M.A., C.A.I.I.B., P.G.D.M. Residential Address: B-189, Sreevatsa Gardens, Mettupalayam Road, Thudiallur, Coimbatore - 641 034. Designation: Director Occupation: Retired Deputy Governor RBI DIN No.: 01653599	Re-Appointment Term: 07/06/2010 upto Next retirement by rotation	- K G Denim Ltd. - K P R Mill Ltd.
Name: Mr. S N INAMDAR S/o: Mr. Narhar Laxman Inamdar Age: 65 Years Qualification: B.Com. L.L.B., Residential Address: 2-A, Ameya Apartments, Near Kirti College, 1193-B, K. Dhuru Marg, Dadar, Bombay - 400 028. Designation: Director Occupation: Advocate DIN No.: 00025180	Re-Appointment Term: 07/06/2010 upto Next retirement by rotation	- Kirloskar Brothers Ltd. - Kirloskar Ferrous Industries Ltd. - Kirloskar Proprietary Ltd. - Finolex Industries Ltd. - Finolex Infrastructure Ltd. - Sudarshan Chemical Industries Ltd. - Force Motors Ltd. - The Ugar Sugar Works Ltd. - Kulkarni Power Tools Ltd. - Sakal Papers Ltd. - Manforce Trucks Pvt Ltd.



Name, Age, Qualification, Residential Address, Designation, Occupation, DIN	Date of Appointment / Re-appointment, Term	Other Directorships held
Name: Mr.S SRINIVASARAGAVAN S/o: Mr. V S Srinivasan Age: 60 Years Qualification: B.E., M.Tech., MS. Residential Address: No.1B, Ayyar Thottam, K K Nagar, Tiruchirapalli - 620 021 Designation: Director Occupation: Industrialist DIN No.: 00233784	Re-Appointment Term: 07/06/2010 upto Next retirement by rotation	- Harihar Alloy Castings Pvt Ltd. - Harihar Forging Pvt Ltd. - Wellshine Investments & Financial Services Ltd. - Wellshine Chit Funds Pvt Ltd. - Harihar Dwellings Pvt Ltd. - Harisai Realities Pvt Ltd. - Doyen Systems Pvt Ltd. - Jaya Anand Spinning Mills Pvt Ltd.

There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any of the above mentioned Directors were selected as a Director of our Company.

As on date of filing of the Offer Document there is no service agreement entered into by the Directors with the Company providing for benefits upon termination of employment.

Remuneration and shareholding of Directors in the Company

Particulars	Remuneration per annum (Rs. in lacs)	No. of Shares held
Mr. R. Ramswamy	NIL	1097000
Mr. Y. Shivaram Prasad	NIL	600000

**BRIEF PROFILE OF THE DIRECTORS OF SERVALAKSHMI PAPER LIMITED**

A brief profile of the Board Members is given below:

Mr. R. Ramswamy (Age: 70 years) - Chairman and Managing Director: Mr. R. Ramswamy is the founder of the Servall Group of companies. He is a qualified Mechanical Engineer with B.E degree from Coimbatore Institute of Technology (CIT). He is a renowned paper technologist and has over 40 years of experience in the industry. Mr. R. Ramswamy has been conferred with Udyog Patra award for his achievements in paper Industry and many other awards in India and Abroad. His sound technical knowledge of paper making, coupled with constant technology up gradation, has helped the Company to accrue performance consistently above par in comparison to others in the Paper Industry. His strong market understanding, quick response with various product mixes have ensured the Company a strong presence in all the segments like, newsprint, writing, printing paper, wax match tissue, carbon paper, test liner etc.

The Indian Industry, Government of India and other National and International bodies recognized Mr. R. Ramswamy's role as an entrepreneur and has awarded him:

- All India Paper Maker's Association Award
- International Award for Excellence'90
- Udyog Patra Award
- Paperx' 93 Award for Excellence
- Capexil Award for Exports in 2004-05
- Outstanding Alumnus of CIT in 2006

Mr. R. Ramswamy was recently nominated as Ex-Officio Member in the reconstituted Development Council for Pulp, Paper & Allied Industries under the Order of the Government of India, Ministry of Commerce & Industry.

Mr. Y.Shivaram Prasad (Age: 45 years) - Director: Mr. Prasad is the Director in the company and is associated with group for the last 20 years. He is son-in-law of Mr. Ramswamy. He brings a vast experience of the paper industry specially in Paper Machine building technology and management of paper mills. He is qualified Mechanical Engineer. He provides valuable technical guidance to the paper mills in the country.

Mr. B. Sriramulu (Age: 42 years) – Director: Mr. Sriramulu is a qualified Textile technologist with B.Tech in Textile Technology and MS from UK. He is having more than 20 years of experience in Business administration and Finance. He lends valuable knowledge and expertise in the field of Finance and Marketing.

Mr. D. Muthusamy (Age: 60) – Director: Mr. D. Muthusamy is the Director in the company and is associated with group for the last 35 years. He is qualified as a graduate in Arts & Science. He brings a vast experience of the paper industry especially in Paper Mill process.

Mr. S N Inamdar (Age: 65) – Director: Mr. S.N.Inamdar is a B.Com, L.L.B graduate. He is a leading advocate of the Bombay High Court and an expert in Income Tax and also in the Board of several companies. He has well experience in income tax and argued many cases for the tax payers both in Supreme Court and Bombay High Court. He is residing at 2A, Ameya Apartment, Kashinath Dhuru Marg, Dadar, Mumbai – 400 028. He lends valuable knowledge and expertise in the field of accounts, finance and statutory compliance.

Mr. G. P. Muniappan (Age: 69) – Director: Mr. P Muniappan is a Retd. Deputy-Governor of RBI. He has vast experience in finance and banking matters and his association will be useful to the Company in its pursuit for progress.



Mr. S Srinivasaragavan (Age: 60) -- Director: Mr. S Srinivasaragavan is a B.E graduate. He is a leading technocrat and also expert in boiler, castings and forging technology. He is in the Board of several Companies and his expertise will be useful to the Company in its efforts to generate power and steam.

BORROWING POWERS OF DIRECTORS

The Memorandum and Articles of Association of the Company clothe the Company with requisite powers to borrow monies and create charges towards security for such borrowings. The Company has passed Resolution u/s. 293(1)(d) of Companies Act at the duly convened General Meeting of the Company held on 7-6-2010 and has enabled the Board of Directors of the Company to borrow not exceeding the sum of Rs.700 crores (Rupees Seven hundred crores) at any one time.

RELATIONSHIPS BETWEEN DIRECTORS

Name of the Director	Relationship between Directors
Mr. Y.Shivaram Prasad	Son-in-Law of Mr. R. Ramswamy (Promoter)
Mr. B. Sriramulu	Son-in-Law of Mr. R. Ramswamy (Promoter)

QUALIFICATION SHARES REQUIRED TO BE HELD BY OUR DIRECTORS

Our directors are not required to hold any qualification shares.

INTEREST OF PROMOTERS, DIRECTORS

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

COMPENSATION TO MANAGING DIRECTOR / DIRECTORS

The managing director and the directors till are not paid any remuneration by the company, except sitting fees for attending board meetings.

CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Sr. No.	Name of the Director	Date of Change	Reasons
1.	Mrs. R. Jeevanlatha	31/03/2010	Resignation
2.	Mrs. Shobana S. Prasad	31/03/2010	Resignation
3.	Mrs. Nirupa Sriramulu	31/03/2010	Resignation
4.	Mr. S.N.Inamdar	31/03/2010	Appointment
5.	Mr. S. Srinivasaragavan	31/03/2010	Appointment
6.	Mr. G.P. Muniappan	31/03/2010	Appointment



Compliance with Corporate Governance Requirements:

The provisions of the Listing Agreement to be entered into with the Stock Exchange(s) will be applicable to our Company immediately upon the listing of our Equity Shares with the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 to the extent applicable. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

In terms of the Clause 49 of the Listing Agreement, our Company has already constituted the following committees.

Audit Committee

The Audit Committee was constituted at the Board meeting held on 31st March, 2010. The Audit Committee comprises of the following members

Name of Director	Status in Committee	Nature of Directorship
1. Mr. G.P. Muniappan	Chairman	Non-Executive Independent
2. Mr. S.N. Inamdar	Member	Non-Executive Independent
3. Mr. B. Sriramulu	Member	Non-Executive Non-Independent

The role of the Committee has been defined to include the following activities:

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (b) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fee.
- (c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (d) Reviewing with the management the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
- (e) Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- (f) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.



- (g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (h) Discussion with internal auditors any significant findings and follow up there on.
- (i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (l) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (m) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee was constituted on 31st March, 2010 and comprises the following directors of the Board.

Name of Director	Status in Committee	Nature of Directorship
1. Mr. G.P. Muniappan	Chairman	Non-Executive Independent
2. Mr. S. Srinivasaragavan	Member	Non-Executive Independent
3. Mr. Y. Shivaram Prasad	Member	Non-Executive Non Independent

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

- (a) The Remuneration Committee recommends to the board the compensation terms of the executive directors.
- (b) Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOP, Pension Rights and any compensation payment.
- (c) Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors.
- (d) Ensuring the remuneration policy is good enough to attract, retain and motivate directors.
- (e) Bringing about objectivity in deeming the remuneration package while striking a balance between the interest of our Company and the shareholders.

**Shareholders' / Investor relations Committee**

The Shareholders and Investors Grievances Committee was constituted at the Board meeting held on 31st March, 2010. The Committee consists of the following Directors.

Name of Director	Status in Committee	Nature of Directorship
1. Mr.S.Srinivasaragavan	Chairman	Non-Executive Independent
2. Mr.G.P.Muniappan	Member	Non-Executive Independent
3. Mr.B.Sriramulu	Member	Non-Executive Non-Independent

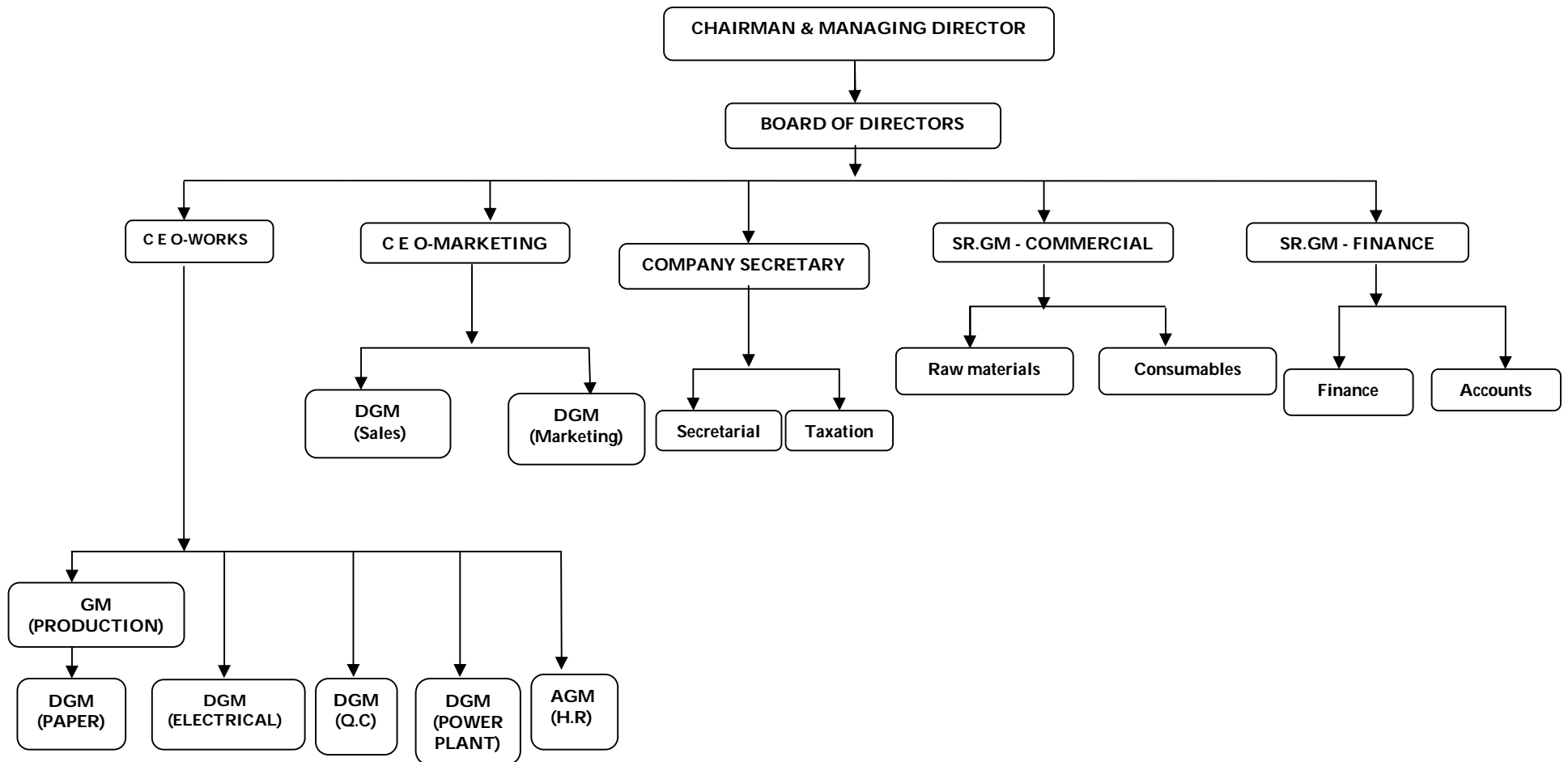
The scope and function of this committee is to consider and review shareholders' / investors' grievances and complaints and ensure that all shareholders' / investors' grievances and correspondence are attended to expeditiously and satisfactorily unless constrained by incomplete documentation and/ or legal impediments.

Shareholders / Investors Relations Committee be and is empowered to deal with all matters connected with

- a. Transfer of shares
- b. Transmission of shares
- c. Dematerialisation of shares
- d. Rematerialisation of Shares
- e. Issue of duplicate share certificates
- f. Issue of New share certificates consolidation / sub-division
- g. Issue of share certificates on mutilation or completion of boxes on the reverse
- h. Transposition of Joint Holders
- i. Deletion of Joint Holders Names
- j. Endorsement of Minor's name on his/her attaining the age of majority
- k. Change of name consequent upon marriage or any other reason, etc
- l. Affixation of common seal of the company to share certificates and
- m. To do all other acts and deeds as may be necessary or incidental to the above.



ORGANISATION CHART





KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel of Servalakshmi Paper Limited other than the Directors are as follows:

Sr. No	Name, Designation, Age, Qualification,	Functions and Areas of experience	Remuneration Per annum (Rs. in lacs)	Date of Appointment & Experience in the Company/Total Experience	Previous Company and Total Experience
1.	Name: Mr. K. Padmanabha Reddy Designation: CEO (Marketing) Age: 56 years Qualification: M.Sc., MBA	Job: Heading Marketing function of Paper Division 	21.00	DOA: 29/09/2009 Exp: 11 months Total Experience: 32.5 years	Abhishek Industries Ltd., Paper Division, Ludhiana. Tamil Nadu Newsprint & Papers Ltd., Hindustan Paper Corporation Sree Rayalaseema Paper Mills Ltd.
2.	Name: Mr. Raghu Reganti Designation: CEO (Works) Age: 56 years Qualification: B.Tech (Mech)	Job: Joined as Chief Executive Officer (Works) and responsible for commissioning of the project and operation and profitability of the plant. To make sure the plant produce is 300 MTPD and to meet the market requirement.	18.00	DOA: 24/08/2009 Exp: 1 year Total Experience: 33 Years	A.P. Rayous Ltd, Unit of BILT. Khanna Paper Mills Ltd, Amritsar, Punjab
3.	Name : Mr. S. P. Guptha Designation : Sr. GM (Commerical) Age : 57 Years Qualification: B.Com	Job : Head of Purchase department	7.35	DOA : 01/01/2010 Exp : 8 Months Total Experience : 35 Years	Servall Engineering Works (P) Limited Servall Paper & Boards (P) Limited Servalakshmi Paper & Boards (P) Limited
4.	Name : Mr. M. Ganesan Designation : Sr. GM – Finance & Accounts Age : 53 Years Qualification : B.Com, DTP	Job: Heading the finance and accounts department of the Company.	7.00	DOA : 01/01/2010 Exp : 8 Months Total Experience : 30 Years	Eltex Super Castings Limited Servall Engineering Works (P) Limited Servalakshmi Paper & Boards (P) Limited



Sr. No	Name, Designation, Age, Qualification,	Functions and Areas of experience	Remuneration Per annum (Rs. in lacs)	Date of Appointment & Experience in the Company/Total Experience	Previous Company and Total Experience
5.	Name: Mr. N. Srinivasan Designation: General Manager - Process Age: 48 years Qualification: B.Sc - Chemistry	Job: Handling production process	6.00	DOA: 29/05/2006 Exp: 4 years & 3 months Total Experience: 25 years	Rajalakshmi Paper Mills V.G Paper & Boards Ltd United Paper Industries, Kuwait
6.	Name: Mr. P. Athinarayanasamy Designation: DGM(Power Plant) Age: 48 years Qualification: B.E.	Job: Head of Functions and administration Department of the power plant	8.04	DOA: 28/05/2010 Exp: 3 Months Total Experience: 28 years	Kothari Sugars and Chemicals Ltd.
7.	Name: Ms. Praveena Dhanagopal Designation: Company Secretary and Compliance officer Age: 28 years Qualification: M.Com. ACS	Job: Company Secretary	5.50	DOA: 02/06/2010 Exp: 3 months Total Experience: 7 years	Pricol Limited, Coimbatore

- The above persons are on the rolls of the company as permanent employees
- There is no specific tenure of any of our key managerial personnel.

NUMBER OF SHARES HELD BY THE KEY MANAGERIAL PERSONNEL

None of the Key Managerial Personnel are holding any equity share in the Company.

CHANGES IN THE KEY MANAGERIAL PERSONNEL OF THE COMPANY DURING LAST THREE YEARS

Sr. No	Name	Designation	Date of Change	Reasons
1	Mr. N. Srinivasan	General Manager - Process	29/05/2006	Appointment
2	Mr. Raghu Reganti	CEO (Works)	24/08/2009	Appointment
3	Mr. K. Padmanabha Reddy	CEO (Marketing)	29/09/2009	Appointment
4	Mr. M. Ganesan	Sr.GM – Finance & Accounts	01/01/2010	Appointment
5	Mr. S. P. Guptha	Sr.GM (Commercial)	01/01/2010	Appointment
6	Mr. P. Athinarayanasamy	DGM-(Power Plant)	28/05/2010	Appointment
7	Ms. Praveena Dhanagopal	Company Secretary	02/06/2010	Appointment



BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL

Currently, we do not have a performance-linked bonus or a profit sharing scheme for key managerial personnel. However, key managerial personnel are entitled to bonus payable annually. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration of benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them, if any in our Company.

RELATIONSHIP AMONGST THE KEY MANAGERIAL PERSONNEL

None of the Key Managerial Personnel are related to each other.

ARRANGEMENTS AND UNDERSTANDING WITH MAJOR SHAREHOLDERS

None of our key managerial personnel have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

LOANS TO KEY MANAGERIAL PERSONNEL

The Company has not given any loan to its Key Managerial Personnel.

EMPLOYEE STOCK OPTION SCHEMES

Till date Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.

INTEREST OF KEY MANAGERIAL PERSONNEL

No amount or benefit has been paid or given within the two preceding years or intended to be given to any of the directors or key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.


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

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

PROMOTERS/ PRINCIPAL SHAREHOLDERS

Details of Promoter being Individuals

A. Mr. R. Ramswamy

	<p>Mr. R. Ramswamy (Age: 70 years) - Chairman and Managing Director: Mr. R. Ramswamy is the founder of the Servall Group of companies. He is a qualified Mechanical Engineer with B.E degree from Coimbatore Institute of Technology (CIT). He is a renowned paper technologist and has over 40 years of experience in the industry. Mr. Ramswamy has been conferred with Udhog Patra award for his achievements in paper Industry and many other awards in India and Abroad. His sound technical knowledge of paper making coupled with constant technology upgradation has helped the Company to accrue performance consistently above par in comparison to others in the Paper Industry. His strong market understanding, quick response with various product mixes have ensured the Company a strong presence in all the segments like, newsprint, writing, printing paper, wax match tissue, carbon paper, test liner etc.</p> <p>The Indian Industry, Government of India and other National and International bodies recognized Mr. R. Ramswamy's role as an entrepreneur and has awarded him:</p> <ul style="list-style-type: none"> • All India Paper Maker's Association Award • International Award for Excellence'90 • Udyog Patra Award • Paperx' 93 Award for Excellence • Capexil Award for Exports in 2004-05 • Outstanding Alumnus of CIT in 2006
Identification Details	
Voter ID Number	HBW3218591
Driving License Number	Nil

The Permanent Account Number, Bank Account Number and Passport Number of the individual promoter have been submitted to BSE and NSE.


Details of Promoter being A Company
A. Servall Engineering Works Private Limited (SEWL):

Identification Particulars	Details
Permanent Account Number	AAECS2949H
CIN No.	U52110TZ1989PTC002498
<p>Originally incorporated as "Serwell Reihansal Private Limited "on August 17, 1989 under the Indian Companies Act 1956, the name of the company was changed to "Servall Engineering Works Private Limited" on April 16, 1998. The company was then converted into a public limited company and the name of the company was changed to "Servall Engineering Works Limited " on March 26, 1999 through a fresh certificate of incorporation consequent on conversion from the Registrar of Companies, Coimbatore, Tamil Nadu, India. The company subsequently was converted to private limited and the name was changed back to "Servall Engineering Works Private Limited" on July 3, 2002 through a fresh certificate of incorporation consequent on conversion was obtained from the Registrar of Companies, Coimbatore, Tamil Nadu, India.</p> <p>The Registration Number of the company is TZ-2498 of 1989 and the CIN Number is U52110TZ1989PTC002498. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in the business of designing, fabricating and manufacturing company plant, equipment, accessories, apparatus, parts and machinery required for Paper, Textile, Sugar, Chemical and Cement industries. The company also provides technical knowledge, renders services in connection using technical skills, assists in the manufacture of goods or processing of materials or in the installation or erection of plant or machinery for Paper, Textiles, Sugar, Chemical, and Cement industries.</p> <p>The customers of SEWL include companies such as ITC Limited, JK Paper, Bindal Paper Limited, The South India Paper Mills Limited, Seshasayee Paper and Boards Private Limited, Century Pulp and Paper.</p>	

Achievements & Recognition

Since inception, Servall Engineering Works Private Limited has produced about 30 to 35 New Paper Machines of various capacities and various speed range starting from 250 MPM to 800 MPM and also capacity wise from 20 TPD to 500 TPD.

SEWL has also executed 4 paper machines to Co-operative Sugar Mills with bagasse as raw-material from concept to commissioning.

SEWL's engineering division has its own Foundry, Machine Shop, Fabrication Shop and Assembly lines. SEWPL's foundry is an internationally recognized foundry having accreditation of RWTUV, Germany and The American Society of Mechanical Engineers (ASME), a fitting recognition to its quality standards.

The company is rated No. 1 in India as far as Drying Cylinders are concerned. It is the only company in India exporting Drying Cylinders and Food Dryers suitable for an operating steam pressure upto max. 12 bar (gauge) to the whole of Europe with inspection conducted and certified by TUV and to North America and Canada with the most coveted ASME 'U' stamp and certification.

SEWL has executed Rebuild Projects for more than 30 Mills, of various capacities and has also executed rebuild projects in Germany for 'Kraft Core Board' and in South Africa. In addition, the company has executed the major rebuilding projects for some prestigious Clients like ITC, JK Paper Mills and Ballarpur Industries etc.

The company is capable of producing Finishing House Equipments; it has also got technical tie-up with Walmsleys Limited, U.K. for Paper Machine state of art of technologies.


Capital Structure:

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital: 25,46,450 Equity Shares of Face Value of Rs. 10 each	254.65

Board of Directors:

Mr. R. Ramswamy Mr. Y. Shivaram Prasad Mr. B. Sriramulu Mr. D. Muthusamy Mrs. Shobana S. Prasad Mrs. Nirupa Sriramulu
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Shareholding Pattern of the Company:

The Shareholding pattern of SEWL as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1.	Mrs. Shobana S. Prasad	1076647	42.28
2.	Mr. Sriman Ram Prasad	456948	17.94
3.	Jagenberg Papiertechnik GmbH	351829	13.82
4.	Mrs. R. Jeevanlatha	250440	9.83
5.	Mr. R. Ramswamy (HUF)	250060	9.82
6.	Mr. R. Ramswamy	113809	4.47
7.	Mr. Y. Shivaram Prasad	46517	1.83
8.	Mr. B. Sriramulu	100	0.00
9.	Mrs. Nirupa Sriramulu	100	0.00
	Grand Total	2546450	100.00

Financials

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	254.65	254.65	254.65
Reserves & Surplus	1173.19	1197.13	1251.75
Total Income	2936.79	3451.22	5322.45
Profit After Tax	128.95	33.38	50.19
Earnings Per Share (Rs.) (Face Value Rs. 10/-)	5.06	1.31	1.97
Net Asset Value (NAV)	56.07	57.01	59.15

SEWL has not made any capital issue during last three years. SEWL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.


B. Servalakshmi Paper & Boards Private Limited (SPBL):

Identification Particulars	Details
Permanent Account Number	AACCS7202H
CIN No.	U02102TZ1984PTC001432
<p>Originally incorporated as 'Servall Engineering Industries Private Limited' on June 28, 1984 under the Indian Companies Act of 1956, the company was later converted into public limited company and the name was changed to 'Servall Engineering Industries Limited' on July 1, 1989. On September 27, 2000 through a fresh certificate of incorporation with Registrar of Companies, Coimbatore, Tamil Nadu, India, the name of the company was changed to 'Servalakshmi Paper and Boards Limited', which was then converted into private limited company as 'Servalakshmi Paper and Boards Private Limited' on July 3, 2002.</p> <p>The Registration Number of the company is TZ-1432 of 1984. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in the business of manufacture and trade in all kinds of board and paper like card board, straw board, pulp board, leather board, paste boards, mill boards, and other kind of boards, pulp including pulp board. Also the company is engaged in the manufacturing of printing paper, writing paper, newsprint paper, bank or bond paper, and other kind of papers.</p> <p>The customers of SPBL includes companies such as Daily Thanthi, Dinamalar Group, Dinakaran, Kerala Kaumudi – Trivandrum, Daily Punyanagori – Aurangabad, Veekshanam – Ernakulam, Metrovartha – Ernakulam Janayougam, Pudari Publications, Dhakshin Bharat – Bangalore.</p>	

- The company has Lamort two stage bleaching mechanism for removal of ink and other foreign patches and KRIMA Hot Melt dispensing unit for better cleanliness of the paper being manufactured.
- SPBL has a co-generation power plant of 5.5 MW capacity and an Oil Extraction Plant located at its factory site, which meets the complete requirement of the plant.

Capital Structure:

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital:	
52,06,158 Equity Shares of Face Value of Rs. 10 each	520.62
1,60,000 – 9% Redeemable Preference Shares of Face Value of Rs. 100 each	160.00

Board of Directors:

Mr. R. Ramswamy Mr. Y. Shivaram Prasad Mr. B. Sriramulu Mr. D. Muthusamy Mrs. Shobana S. Prasad Mrs. Nirupa Sriramulu
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Share Holding Pattern of the Company:

The Shareholding pattern of SPBL as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1.	Mrs. Shobana S. Prasad	25,08,735	48.19
2.	Mr. Y. Shivaram Prasad	10,57,994	20.32
3.	Mr. R. Ramswamy (HUF)	5,87,993	11.29
4.	Mr. Sriman Ram Prasad	3,24,082	6.22
5.	Mr. R. Ramswamy	3,00,000	5.76
6.	Jagenberg Papiertechnik GmbH	249,546	4.79
7.	Mrs. R. Jeevanlatha	1,77,608	3.41
8.	Mr. B. Sriramulu	100	0.00
9.	Mrs. Nirupa Sriramulu	100	0.00
	Grand Total	52,06,158	100.00

Financials:

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	520.62	520.62	520.62
Preference Share Capital (Face Value Rs.100/-)	160.00	160.00	160.00
Reserves & Surplus	1865.20	2197.64	2493.98
Total Income	7456.59	7049.15	8159.56
Profit After Tax	687.27	357.58	313.07
Balance Carried to Balance Sheet	676.64	332.45	296.34
Earnings Per Share (Rs.) (Face Value Rs. 10/-)	13.20	6.88	6.01
Net Asset Value (NAV)*	45.83	52.21	57.90

*Preference Share Capital is not considered while calculating NAV of SPBL

SPBL has not made any capital issue during last three years. SPBL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.

We confirm, that the Permanent Account Number and Bank Account Number of the promoter companies have been submitted to the Stock Exchanges at the time of filing of the Draft Red Herring Prospectus. Further, the promoters have not been detained as a wilful defaulter by the Reserve Bank of India or any other Government Authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters except as discussed in section titled "Legal and Regulatory Information" on page no.131 of this Draft Red Herring Prospectus.



PROMOTER GROUP

The following natural persons (being the immediate relatives of our Promoters), HUFs, partnerships, companies and other entities shall form part of our Promoter Group:

Mr. R. Ramswamy	Relationship with Mr. R Ramswamy
Mrs. R Jeevanlatha	Wife
Mrs. Shobana S. Prasad	Daughter
Mrs. Nirupa Sriramulu	Daughter
Mr. Y Shivaram Prasad	Daughter's husband
Mr. B Sriramulu	Daughter's husband

Our Promoter Group Companies and Entities

The companies that are part of the Promoter Group are as follows:

Sr. No	Name
1	Servalakshmi Paper & Boards Private Limited
2	Danalakshmi Paper Mills Private Limited
3	Servall Engineering Works Private Limited
4	Techno Spin Private Limited
5	Monarch Machine Tools Private Limited
6	Servall Properties Private Limited

The partnership firms, HUFs, proprietary concern that form part of our Promoter Group are as follows:

Sr. No	Name
1.	Vijayalakshmi Paper Mills

The details of Group companies, other than Promoter Companies are as provided below:

1. DANALAKSHMI PAPER MILLS (PVT) LTD (DPML)

Originally incorporated as "Danalakshmi Paper Mills Private Limited "on January 23, 1980 under the Indian Companies Act 1956, the company was then converted to public limited and the name was changed to "Danalakshmi Paper Mills Limited "on October 1, 1988. The Company was again converted into a private limited company and the name of the company was changed to "Danalakshmi Paper Mills Private Limited " on November 27, 1991 and subsequently to "Danalakshmi Paper Mills Limited" on July 1, 1993. The Company's name was then changed to "Danalakshmi Paper Mills Private Limited " on 5th July, 2002 and fresh certificate of incorporation consequent to change of name was obtained from the Registrar of Companies, Coimbatore, Tamil Nadu, India.

The Registration Number of the company mentioned in certificate is 8096 of 1980 and the mentioned on MCA is U21012TZ1980PTC000899. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in the business of manufacturing and trading in all kinds of pulps, papers and boards.

**Capital Structure:**

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital: 29,48,400 Equity Shares of Face Value of Rs. 10 each	294.84

Board of Directors:

Mr. R. Ramswamy
Mrs. R. Jeevanlatha
Mr. Y. Shivaram Prasad
Mr. B. Sriramulu
Mr. D. Muthusamy
Mrs. Shobana S. Prasad
Mrs. Nirupa Sriramulu

Share Holding Pattern of the Company:

The Shareholding pattern of DPML as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1.	Mrs. Nirupa Sriramulu	1670930	56.67
2.	Mrs. R. Jeevanlatha	757520	25.69
3.	Master Pranav Ram	185650	6.30
4.	Mr. R. Ramswamy (HUF)	100000	3.39
5.	Mr. G. Venkatesh	84000	2.85
6.	Mrs. G. Jayanthi	56400	1.91
7.	Mrs. V. Sujini	56400	1.91
8.	Mr. R. Dhamodherun	19200	0.65
9.	Mrs. D. Srivalli	18000	0.61
10.	Mrs. Shobana S. Prasad	100	0.00
11.	Mr. Y. Shivaram Prasad	100	0.00
12.	Mr. B. Sriramulu	100	0.00
	Grand Total	2948400	100.00

Financials:

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	294.84	294.84	294.84
Reserves & Surplus	782.54	911.88	1007.03
Total Income	5264.60	4862.61	5156.36
Profit After Tax	314.26	129.41	57.55
Earnings Per Share (Rs.) (Face Value Rs. 10/-)	10.66	4.39	1.95
Net Asset Value (NAV)	36.54	40.93	44.15

DPML has not made any capital issue during last three years. DPML is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.



2. TECHNO SPIN PRIVATE LIMITED (TSPL)

TSPL was incorporated as "Techno Spin Private Limited" on August 7, 1989 with Registrar of Companies Tamil Nadu, India. The Registration Number of the company is 18-17850 of 1989 and the CIN Number is U29230TZ1989PTC002499. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in designing, fabricating and manufacturing of plant, equipments, accessories, apparatus, parts and certain machinery required for textiles, pulp, paper, paper & board conversion, sugar, and steel industries. The company also through its technical knowledge renders services in connection and assists in the manufacture of goods or processing of materials or in the installation or erection of plant or machinery for Paper, Textiles, Sugar, Chemical, and Cement industries in India and abroad.

Share Capital:

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital:	
9,500 Equity Shares of Face Value of Rs. 100 each	9.50

Board of Directors:

Mr. Y. Shivaram Prasad
Mrs. Shobana S. Prasad

Shareholding Pattern of the Company:

The Shareholding pattern of TSPL as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1	Mr. Y. Shivaram Prasad	6000	63.16
2	Mrs. Shobana S. Prasad	3500	36.84
	Grand Total	9500	100.00

Financials

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	9.5	9.5	9.5
Reserves & Surplus	22.33	24.56	31.33
Total Income	61.11	66.07	61.11
Profit After Tax	(8.75)	0.37	6.77
Earnings Per Share (Rs.) (Face Value Rs. 100/-)	(92.13)	3.90	71.24
Net Asset Value (NAV)	335.08	358.56	429.80

TSPL has not made any capital issue during last three years. TSPL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.



3. MONARCH MACHINE TOOLS PRIVATE LIMITED (MMTPL)

MMTPL was incorporated as "Monarch Machine Tools Private Limited." on June 5, 1981 with Registrar of Companies Tamil Nadu, India. The Registration Number of the company is 8801of 1981 and the CIN Number is U27310TZ1981PTC001063. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in designing, fabricating and manufacturing of plant, equipments, accessories, apparatus, parts and certain machinery required for textiles, pulp, paper, paper & board conversion, sugar, and steel industries. The company also through its technical knowledge renders services in connection and assists in the manufacture of goods or processing of materials or in the installation or erection of plant or machinery for Paper, Textiles, Sugar, Chemical, and Cement industries in India and abroad.

Share Capital:

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital: 3,000 Equity Shares of Face Value of Rs. 100 each	3.00

Board of Directors:

Mr. R. Ramswamy Mrs. Shobana S. Prasad

Shareholding of the Company:

The Shareholding pattern of MMTPL as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1	Mr. R. Ramswamy (HUF)	1530	51.00
2	Mrs. R. Jeevanlatha	1470	49.00
	Grand Total	3000	100.00

Financials

Particulars	(Rs. In Lacs)		
	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	3.00	3.00	3.00
Reserves & Surplus	25.47	25.46	26.26
Total Income	2.40	1.98	2.03
Profit After Tax	0.51	(0.02)	0.80
Earnings Per Share (Rs.) (Face Value Rs. 100/-)	17.11	(0.67)	26.73
Net Asset Value (NAV)	949.03	948.51	975.24

MMTPL has not made any capital issue during last three years. MMTPL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.



4. SERVALL PROPERTIES PRIVATE LIMITED (SPPL)

Originally incorporated as "Servall Leasing Private Limited "on July 4, 1984 under the Indian Companies Act 1956, the name of the company was changed to "Servall Properties Private Limited" on November 6, 2000 through a fresh certificate of incorporation consequent on change of name was obtained from the Registrar of Companies, Coimbatore, Tamil Nadu, India.

The Registration Number of the company is 181-1435 of 2000 and the CIN Number is U45201TZ1984PTC001435. The registered office is situated at 31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore-641011, Tamil Nadu, India. The company is engaged in the business of Real Estate, as builders, contractors, dealers and manufacturers of prefabricated and precast houses, buildings and erections. The company is also into the business of construction and maintenance of houses, and apartments, along with purchase of land or otherwise and making layouts of sites for residential, industrial, commercial and other purposes.

Share Capital:

Share Capital	Aggregate Value (Rs. in Lacs)
Issued, Subscribed and Paid-Up Capital: 10,000 Equity Shares of Face Value of Rs. 100 each	10.00

Board of Directors:

Mr. R. Ramswamy Mrs. R. Jeevanlatha
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Shareholding Pattern of the Company:

The Shareholding pattern of SPPL as on March 31, 2010 is as follows:

Sr. No.	Category	No. of shares held of Rs. 10/- each	% of total share capital
1	Mrs. R. Jeevanlatha	5000	50.00
2	Mrs. Shobana S. Prasad	2500	25.00
3	Mrs. Nirupa Sriramulu	2500	25.00
	Grand Total	10000	100.00

Financials

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Equity Share Capital	10.00	10.00	10.00
Reserves & Surplus	4.38	3.14	2.80
Total Income	2.40	2.40	2.40
Profit After Tax	0.15	(1.24)	(0.34)
Earnings Per Share (Rs.) (Face Value Rs. 100/-)	1.51	(12.40)	(3.40)
Net Asset Value (NAV)	143.81	131.40	128.00

SPPL has not made any capital issue during last three years. SPPL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.



The details of our partnership firms, HUFs, proprietary concern that form part of our Promoter Group are as follows:

VIJAYALAKSHMI PAPER MILLS (VJPM)

Vijayalakshmi Paper Mills is a proprietary concern was established by Mr. R. Ramswamy in the year 1993 to manufacture industrial variety of papers. The mill has its manufacturing facility set up at Vilampatti, Nialakottai Taluk, Dindugul district, Tamil Nadu with an installed capacity of 7500 tonnes per annum.

It caters to a different market like calender paper, kraft paper, poster of different colours which are required by printing industry in Sivakasi. It also has a very good market for its paper required for match box industry.

The unit was transferred to Smt R. Jeevanlatha on 22.01.1999 vide registered document number 289/1999.

Shareholding Pattern of the Company:

Mrs.R. Jeevanlatha is the sole proprietor of Vijayalakshmi Paper Mills.

Financials

(Rs. In Lacs)

Particulars	Financial Year Ended 31 st March		
	2006-2007	2007-2008	2008-09
Capital A/c	101.90	101.90	101.90
Reserves & Surplus	118.08	138.24	(6.17)
Total Income	1702.53	1738.20	1916.15
Profit After Tax	6.21	29.76	(87.60)

VPPL has not made any capital issue during last three years. VPPL is not a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.

Common Pursuits

We have total four paper mills within our group details of which are given below:

1. Servalakshmi Paper Limited (SPL)
2. Danalakshmi Paper Mills Limited (DPM)
3. Servalakshmi Paper & Boards Pvt Limited (SPBL)
4. Vijiyalakshmi Paper Mills (VJPM)

The main raw material used as an input in all the mills is "Recycled Waste Paper", however, the Deinking technology is different for all the mills. The processes are selected to produce different varieties of paper for different segments and the product positioning is done in such a way that no single product will compete with any other product of other mill. In general all the products from SPL are targeted and positioned to the customers requiring Grade-A paper only, where as DPM & SPBL products are targeted for markets which demand Grade-B quality of paper. The quality of Deinked pulp produced and also paper produced are designed and selected accordingly. The following are the products from different mills of the group:


DEATAILS OF PRODUCTS BEING PRODUCED IN SERVALL GROUP

SERVALAKSHMI PAPER LIMITED	DHANALAKSHMI PAPER MILS PVT LTD	SERVALAKSHMI PAPER BOARD PVT LTD	VIJAYALAKSHMI PAPER MILLS PVT LTD
LAKSHMI NEWSPRINT	DELUX NEWSPRINT	DELUX NEWSPRINT	MG COLOUR POSTER
SPECTRUM NEWSPRINT	PRIME NEWSPRINT	PRIME NEWSPRINT	MG COLOUR KRAFT
LAKSHMI OFFSET PRINTING	CREAMWOVE	CREAMWOVE	MG WHITE POSTER
LAKSHMI PEARL SSML	SUPER CREAMWOVE	SUPER CREAMWOVE	MG DELUX POSTER
LAKSHMI SILVER SSML	--	--	MG CALENDER POSTER
LAKSHMI GOLD SSML	--	--	MG KRAFT
LAKSHMI COPIER	--	--	--
A-grade MF quality markets	B-grade MF quality markets	B-grade MF quality markets	B-grade MG quality markets

1. All products of SPL are produced with latest technology to produce the paper quality of A-grade for the markets that demand higher quality. The products of SPL have higher "Net Sales Realisation" and the products that are manufactured here are comparable to any other mill producing A-grade quality of paper. The products of SPL do not compete with the products of DPM, SPBL and VJPM. PWP produced from SPL are Surface Sized, where as this facility is not there in SPBL, DPM and VJPM.
2. DPM and SPBL products are of slightly lesser quality and are positioned against mills producing only B-grade quality of products. Comparing the quality of paper we do not foresee competition between the mills within the group.
3. VJPM produces only MG varieties of paper and its products are meant for separate segment and are not competing with any other mill products.

Business interest amongst group companies

Some of our Companies have trading relations with us. For further details please refer related party transactions appearing on page no. 122 of the Offer Document.

Interest of Promoters

All the Promoters who are on the Board of Company may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Promoters may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively. For further details please refer Related Party Transaction appearing on page no 122 of this Offer Document.

Except as mentioned above the promoters do not have any interest in the business of the company.

Payment or benefit to Promoters of the Issuer Company

Our company currently is not paying salary and remuneration to the Promoter/ Directors. Dividend, if any, declared by the Company on shares held by them will be paid. There are no other payments or benefit to promoters of the Company.



Company/firm from which the promoters have disassociated themselves during preceding three years

No promoter of our company has been disassociated with any other company.

Related Party Transactions as per Financial Statements

For the details of related party transactions please refer the page no. 122 of this Draft Red Herring Prospectus.

CURRENCY OF PRESENTATION

In this DRHP, all references to “Rupees” “Rs.” are to the legal currency of India and all references to “U.S. Dollars”, and “US\$” are to the legal currency of the United States.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” etc. in the DRHP, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Restated Financial Statements prepared as per Indian GAAP.

For the convenience of the Shareholders, as far as possible the reporting unit has been maintained as Rupees in Lacs (Rupees in Hundred Thousands).

DIVIDEND POLICY

The Board of Directors of the company may, at its discretion, recommend dividend to be paid to the members of the company. The factors that may be considered by the Board before making any recommendations for the dividend includes but not limited to profits/earnings during the financial year, liquidity of the company, need for reserving resources for future growth, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time etc.

Dividend will be declared and approved at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may also from time to time pay to the members interim dividend if it considers justified by the profits generated by the company.



PART III

SECTION IV: FINANCIAL STATEMENTS

AUDITORS' REPORT

(As required by Part II of Schedule II to the Companies Act, 1956)

To
The Board of Directors
Servalakshmi Paper Limited
31, Bharathi Park VII Cross,
Saibaba Colony,
Coimbatore – 641 011.
Tamil Nadu, India

Dear Sirs,

We M/s. S. Krishnamoorthy & Co., Chartered Accountants, Coimbatore, Tamil Nadu, having ICAI Registration No.01496S, have examined the Financial Information of Servalakshmi Paper Limited (the Company) annexed to this report for the purpose of inclusion in the Draft Red Herring Prospectus (DRHP)/ Red Herring Prospectus (RHP)/ Prospectus. The said Financial Information has been prepared by the Company in accordance with the requirements of paragraph B (1) of Part-II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India ("SEBI")-(Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time, issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarification and in accordance with the terms of our engagement letter dated 11th May 2010 issued in connection with its Proposed Initial Public Offering (IPO) of equity shares. Servalakshmi Paper Limited was incorporated on 3rd November, 2005 hence the financial information for the year ended 31st March, 2006 has been prepared for a period of five months (The Financial Information has been prepared by the Company and approved by the Board of Directors.)

1. Financial Information as per Audited Financial Statement:

We have examined the attached 'Summary Statement of Assets and Liabilities' as restated of the Company as at 31st March 2010, 31st March 2009, 31st March, 2008, 31st March, 2007 and 31st March, 2006 (**Annexure I**) and the attached 'Statement of Profit and Loss' as restated (**Annexure II**) and the attached 'Statement of Cash Flows' as restated (**Annexure III**) for the years ended on 31st March 2010, 2009, 2008, 2007 and 2006 together referred to as 'Restated Summary Statement'. These Summary Statements have been extracted from the annual financial statements for the years ended on 31st March 2010, 2009, 2008, 2007 and 2006 audited by us for those periods and have been adopted by the Board of Directors/ Members and examined by us based on our examination of these summary statements, we state that:

- i) The 'Restated Summary Statements' have to be read in conjunction with the notes given in **Annexure IV** and with the Notes to Accounts to this report.
- ii) The 'Restated Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as on 31st March, 2010.
- iii) The restated profit/loss have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate in the year/period to which they are related.



- iv) There are no extra ordinary items that need to be disclosed separately in the Restated Summary Statements.
- v) There are no qualifications in the auditors' report on the non-consolidated financial statements that require adjustments to the Restated Summary Statements.

2. Other Financial Information

We have examined the following information relating to Servalakshmi Paper Limited as at and for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 of the Company, proposed to be included in the DRHP/ RHP/ Prospectus, as approved by the Board of Directors and annexed to this report:

- i. Significant Accounting Policies and Notes on Restated Summary Statements (Annexure IV)
 - ii. Schedule of Secured Loans for the years ended 31st March 2010 (Annexure V)
 - iii. Schedule of Unsecured Loans for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure VI)
 - iv. Age-wise Schedule of Sundry Debtors as at 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure VII)
 - v. Schedule of Loans and Advances for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure VIII)
 - vi. Schedule of Investments for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure IX)
 - vii. Schedule of Other Income for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure X)
 - viii. Details of Dividends Paid for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure XI)
 - ix. Statement of Tax Shelter (Annexure XII)
 - x. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value and return on net worth (Annexure XIII)
 - xi. Statement of Capitalisation as at March 31, 2010 (Annexure XIV)
 - xii. Related Party Disclosure for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure XV)
 - xiii. Schedule of Contingent Liabilities for the years ended 31st March 2010, 2009, 2008, 2007 and 2006 (Annexure XVI)
3. In our opinion, the 'Financial Information as per Audited Financial Statements' and 'Other Financial Information' mentioned above for the years ended 31st March 2010 2009, 2008, 2007 and 2006 have been prepared in accordance with Part IIB of schedule II of the Act and the Regulations, 2009.
4. This report should not in any way be construed as a re-drafting of any of the previous audit report given by us nor should this be construed as a new opinion on any of the financial statements referred to herein.
5. This report is intended solely for your information and for inclusion in the DRHP/ RHP/ Prospectus in connection with the proposed IPO of the Company and not to be used, referred to or distributed for any other purpose without our prior written consent.



6. We confirm that our firm M/s. S. Krishnamoorthy & Co., has been subjected to Peer Review Process of Institute of Chartered Accountants of India (ICAI) and firm holds a valid certificate no. 000974 dated 4th June 2007 issued by "Peer Review Board" of ICAI.

Yours Faithfully

**For S. KRISHNAMOORTHY & CO.,
Chartered Accountants**

Sd/-

Partner

Membership No: 11178

Place: COIMBATORE

Date: 02/09/2010



ANNEXURE I

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in Lacs)

Particulars		Year Ended 31 st March				
		2010	2009	2008	2007	2006
A. Fixed Assets						
Gross block		381.75	319.57	260.89	164.09	93.30
Less Depreciation		14.08	7.44	1.09	--	--
		367.67	312.13	259.80	--	--
Capital Work in progress		21593.22	12917.81	2372.64	--	--
Net Block		21960.89	13229.94	2632.44	164.09	93.30
B. Pre-operative Expenses		4056.21	1131.07	142.44	--	--
C. Current Assets, Loans and Advances						
Inventories		2025.82	--	--	--	--
Sundry Debtors		48.80	--	--	--	--
Cash and Bank Balances		255.88	667.03	699.30	508.87	1.78
Loans and Advances		1863.95	2412.30	677.10	1036.46	0.81
		4194.45	3079.33	1376.40	1545.33	2.59
D. Liabilities and Provisions:						
Secured Loans		23051.44	12375.40	1776.81	--	--
Unsecured Loans		--	--	--	3.76	--
Current Liabilities and Provisions		1765.31	829.83	39.09	1.00	0.01
Deferred Tax Liability		--	--	--	--	--
		24816.75	13205.23	1815.90	4.76	0.01
E. Net Worth [A + B + C – D]		5394.80	4235.11	2335.38	1704.65	95.88
F. Represented by						
Share Capital		2138.80	800.80	420.80	211.00	1.00
Call Money Advance		--	--	244.03	--	--
Share Application Money		--	--	--	659.00	--
Advance for Share Capital		99.11	254.87	--	--	96.48
Reserves		3204.20	3199.20	1679.20	840.00	--
Less Revaluation Reserve		--	--	--	--	--
Reserves(Net of Revaluation Reserves)		3204.20	3199.20	1679.20	840.00	--
		5442.11	4254.87	2344.03	1710.00	97.48
G. Misc. Expenditure to the extent not written off or adjusted Profit and Loss Account		26.74	7.97	5.35	5.35	1.60
		20.57	11.79	3.30	--	--
		(47.31)	(19.76)	(8.65)	(5.35)	--
H. Net Worth (F-G)		5394.80	4235.11	2335.38	1704.65	95.88



ANNEXURE II

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Lacs)

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Sales:					
Of Products manufactured by the Company	--	--	--	--	--
Of Products traded in by the Company	--	--	--	--	--
Other Income	1.73	11.37	5.44	--	--
Increase(Decrease in Inventories)	--	--	--	--	--
	1.73	11.37	5.44	--	--
Expenditure					
Raw Materials Consumed	--	--	--	--	--
Staff Costs	--	--	--	--	--
Other Manufacturing Expenses	--	--	--	--	--
Administration Expenses	2.46	11.53	6.81	--	--
Selling & Distribution Expenses	--	--	--	--	--
	2.46	11.53	6.81	--	--
Earning Before Depreciation Interest & Tax	(0.72)	(0.16)	(1.36)	--	--
Depreciation	6.64	6.35	1.09	--	--
Interest	0.32	0.24	--	--	--
Net Profit before tax and Extraordinary items	(7.68)	(6.75)	(2.45)	--	--
Taxation					
Current tax	--	--	--	--	--
Fringe Benefit Tax	--	1.74	0.79	--	--
Income Tax for earlier year	1.10	--	0.05	--	--
Net Profit before Extraordinary Items	(8.78)	(8.49)	(3.30)	--	--
Extraordinary items	--	--	--	--	--
Net Profit after Extraordinary Items	(8.78)	(8.49)	(3.30)	--	--
Adjustments on account of Prior period Expenses	--	--	--	--	--
Adjusted Profit	(8.78)	(8.49)	(3.30)	--	--



ANNEXURE III

STATEMENT OF RESTATED CASH FLOW

(Rs. In Lacs)

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit/(Loss) before Tax and Extra Ordinary Items	(7.68)	(6.75)	(2.45)	--	--
Adjustments for :					
- Depreciation	6.64	6.35	1.09	--	--
- Interest Received	(1.73)	(11.30)	(5.44)	--	--
- Interest Paid	0.32	0.23	--	--	--
Operating Profit before Working Capital Changes:	(2.46)	(11.46)	(6.81)	0.00	0.00
Adjustments for :					
- Trade and Other Receivables	(48.79)	--	--	--	--
- Inventories	(2025.82)	--	--	--	--
- Loans and Advances	548.33	(1735.18)	359.36	(1035.65)	(0.80)
- Current Liabilities etc	935.48	790.74	38.09	1.00	0.01
Cash Generated from Operations before Extraordinary Items	(593.26)	(955.90)	390.64	(1034.65)	(0.79)
Prior year income	--	--	--	--	--
Income Tax at Earlier Year	(1.10)	(1.74)	(0.84)	--	--
NET CASH FROM OPERATING ACTIVITIES Total A	(594.36)	(957.64)	389.80	(1034.65)	(0.79)
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	(8737.58)	(10603.85)	(2469.44)	(70.79)	(93.30)
Interest Received	1.73	11.30	5.44	--	--
Advance for Capital Goods	--	--	--	--	(0.01)
Expenses Capitalised	(760.26)	(211.37)	(142.44)	(3.74)	(1.60)
NET CASH USED IN INVESTING ACTIVITIES Total B	(9496.11)	(10803.93)	(2606.44)	(74.54)	(94.91)
C. CASH FLOW FROM FINANCING ACTIVITIES					
Share Capital and Share Premium	1187.24	1900.00	1049.00	1050.00	1.00
Share application money received	--	10.84	--	--	--
Advance for Share Capital	--	--	(659.00)	562.52	96.48
Advance Call money received	--	--	244.03	--	--
Proceeds from Bank Borrowing	10676.05	10598.58	1776.81	--	--
Proceeds from Unsecured Loans	--	--	(3.76)	3.76	--
Interest Paid	(2183.97)	(780.12)	--	--	--
NET CASH USED IN FINANCING ACTIVITIES Total C	9679.32	11729.30	2407.07	1616.28	97.48
NET INCREASE IN CASH OR CASH EQUIVALENTS	(411.15)	(32.27)	190.43	507.09	1.78



Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Cash and Cash Equivalents [Opening Balance]	667.03	699.30	508.87	1.78	--
Cash and Cash Equivalents [Closing Balance]	255.88	667.03	699.30	508.87	1.78

ANNEXURE IV

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Basis for preparation of financial statements

The Accounts of the Company are prepared under the historical cost convention and on mercantile basis as a going concern in accordance with the applicable accounting standards referred to in Section 211 (3c) of the Companies Act, 1956.

2. Fixed Assets

- Fixed Assets are stated at cost net of Cenvat including all direct and indirect expenses and allocable borrowing costs relating thereto.
- Depreciation has been provided under Written Down Value Method at the rates described in Schedule XIV to the Companies Act, 1956 prorated to the number of days used during the year in accordance with the provisions of Section of 205(2)(b) of Act.
- Individual assets whose actual costs do not exceed Rs 5000/- are fully depreciated in the year of purchase.
- Assets other than furniture and vehicles are yet to be capitalised and shown under Capital Work In Process (WIP) in view of trials.

3. Valuation of Inventories

- Finished Goods has been valued at lower of cost of production and net realisable value inclusive of excise duty wherever applicable.
- Semi Finished Goods has been valued at cost of Raw Materials and other Manufacturing Cost on historical basis.
- Raw-materials, components and stores & spares are valued at cost by weighted average method.

4. Foreign Exchange Transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of respective transactions. Resultant gain/loss at the time of realisation/payment is recognised separately. Carrying value of Foreign Currency, Assets and liabilities are restated at the year-end rates.

5. Revenue Recognition

Sales are accounted net of Sales Tax. Other receipts are accounted on accrual basis. Material Consumption is net of Cenvat. Excise Duty in respect of Goods manufactured other than what is in Stock at the close of the year is accounted at the time of removal of goods from the factory for sale.

6. Employees Retirement Benefits

Retirement Benefit: No provision has been made towards Gratuity liability, which will arise as and when employees complete five years of service as per the provisions of Gratuity Act. Other Schemes of Benefits are not applicable to the Company at this stage.



7. Miscellaneous Expenditure

Preliminary Expenses like Filing Fee for authorised Capital and enhancement of authorized share capital are to be amortized equally over a period of 20 Years

8. Investments:

The Company has not made any investments till date.

ANNEXURE V

SCHEDULE OF SECURED LOANS

(Rs. in Lacs)

Sr .No	Name of the Lender	Principal Outstanding as on 31 st March , 2010 (Rs.)	Rate of Interest	Repayment Schedule	Details of Security (if applicable)
I.	Term Loans from Banks				
a)	Indian overseas Bank:				
	TL-280700002	4554.64	11.75%	Quarterly repayment from October 2011 onwards	1(a). Pari Pasu 1st charge on the Entire Block of Assets of the company including Equitable Mortgage of Land. 1(b). Pari Pasu 2nd charge on the Entire Current Assets of the Company. 1(c). Pledge of Promoter's Share Holding Worth Rs. 9.00 Crores till such time the Promoters bring in such extent of amount as an additional equity
	TL-280800004	1811.05	12.00%		
	TL-280800005	3002.07	12.00%		
	TL-280900004	1120.18	11.00%		
b)	Bank of India				
	TL - 8233654100000006	4000.00	11.50%		
	TL - 8233654100000008	1778.84	11.50%		
c)	State Bank of India				
	TL-30286918566	4066.89	12.25%	Monthly repayment from October 2011 onwards	
	TL-30617241310	1121.39	12.25%		
	Total	21455.06			
	Cash Credit Facilities:				
	Indian Overseas Bank	1034.17	11.00%		2(a). 1st Charge on entire Current Assets of the company on pari pasu basis. 2(b). 2 nd Charge on entire Fixed Assets of the company on pari pasu basis.
	Bank of India	555.47	11.00%		
	Total	1589.64			
	Hire Purchase Loans				
	HDFC Car Loan	1.44	8.50%	Monthly repayment	Exclusive charge on the vehicle purchased on hire purchase
	TATA Capital Ltd	6.02	8.50%		
		7.47			
	Less : Unmatured finance charges	0.73			
	Total	6.74			
	Grand Total	23051.44			

**ANNEXURE VI****SCHEDULE OF UNSECURED LOANS****(Rs. in Lacs)**

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Fixed Deposits	--	--	--	--	--
From Directors	--	--	--	3.76	--
From Others	--	--	--	--	--
Trade Deposit	--	--	--	--	--
Sales Tax Loan under Sales Tax incentive scheme	--	--	--	--	--
Total	--	--	--	3.76	--

ANNEXURE VII**SCHEDULE OF SUNDRY DEBTORS****(Rs. in Lacs)**

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
(Unsecured, considered doubtful)					
- Outstanding for a period less than six months	48.80	--	--	--	--
- Outstanding for a period Exceeding six months	--	--	--	--	--
(Unsecured, considered good)					
- Outstanding for a period less than six months	--	--	--	--	--
- Outstanding for a period Exceeding six months	--	--	--	--	--
	48.80	--	--	--	--

Note: The sundry debtors do not include any amount receivable from promoter(s)/promoter group and directors of the Company.

ANNEXURE VIII**SCHEDULE OF LOANS AND ADVANCES****(Rs. in Lacs)**

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Advances for Capital Goods	538.50	1,828.39	648.66	1,034.81	0.01
Other Advances	2.67	1.61	1.43	0.35	0.80
Cenvat and Service Tax Credit	1,032.26	492.24	22.90	-	-
VAT Credit	276.82	69.13	0.54	-	-
Sundry Deposits	6.09	3.05	0.42	-	-
Tax Deducted at Source	3.74	3.63	1.37	-	-
Interest Receivable	0.60	0.22	1.79	1.30	-
Prepaid Expenses	3.27	14.00	-	-	-
	1,863.95	2,412.27	677.10	1,036.46	0.81

Note: There are no beneficiaries of loans and advances of the Company who are in any way related to the Promoters / directors/ Company as on March 31, 2010.



ANNEXURE IX

SCHEDULE OF INVESTMENTS

(Rs. in lacs)

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
EQUITY SHARES	---	---	---	---	---
QUOTED	---	---	---	---	---
UNQUOTED	---	---	---	---	---
TOTAL	---	---	---	---	---

ANNEXURE X

SCHEDULE OF OTHER INCOME

(Rs. in Lacs)

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Other Income	1.73	11.37	5.44	--	--
Net Profit before tax as restated	--	--	--	--	--
Percentage	N.A	N.A	N.A	N.A	N.A

ANNEXURE XI

SCHEDULE OF DIVIDEND PAID

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Class of Shares					
Equity					
- Interim	--	--	--	--	--
- Final	--	--	--	--	--

ANNEXURE XII

STATEMENT OF TAX SHELTER

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Profit Before Current and Deferred taxes	(1.04)	10.90	4.10	1.30	--
Tax rate %					
- Normal rate	30.90%	30.90%	30.90%	30.60%	30.60%
- MAT	16.995%	11.33%	11.33%	11.22%	8.415%
Tax impact at applicable tax rate on restated profits	--	3.37	1.27	0.40	--
Permanent Differences :					
Profit/(Loss) on sale of investment, exempt u/s 10 (23 G)	--	--	--	--	--
Dividend exempt u/s 10 (33)(34)(35)	--	--	--	--	--
Disallowance for Donation	--	--	--	--	--



Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
TOTAL [A]	--	--	--	--	--
Temporary Difference :					
Difference between Book Depreciation & Tax Depreciation	6.64	6.35	1.09	--	--
TOTAL [B]	6.64	6.35	1.09	--	--
Net Adjustments [A + B]	6.64	6.35	1.09	--	--
Tax saving thereon [C]	2.05	1.96	0.34	--	--
Net Tax payable as per MAT	--	1.23	0.46	0.15	--
Tax as per Income Tax Returns [MAT]	--	--	--	--	--

Note: Return of Income for the asst. year 2010 - 11 has not yet filed.

ANNEXURE XIII

ACCOUNTING RATIOS

(Rs. in Lacs)

Particulars	Year Ended 31 st March				
	2010	2009	2008	2007	2006
Net Profit Before extraordinary items but after tax	(8.78)	(8.49)	(3.30)	--	--
Net Worth excluding revaluation reserve & Share Application Money at the end on the year	5295.69	3980.24	2091.35	1045.65	1.00
Total Number of Equity Shares Outstanding at the end of the year [in nos.]	213.88	80.08	42.08	21.10	0.10
Weighted average Number of Equity Shares Outstanding during the year [in nos.]	213.88	80.08	60.08	21.10	0.10
Earnings Per Share:	(0.10)	(0.14)	(0.10)	--	--
Return of Net Worth [%]	-0.16%	-0.20%	-0.14%	--	--
Net Assets Value or Book Value per Share [Rs.]	24.76	49.70	49.70	49.56	10.00

Formula:

- Earnings per share(Rs.) =
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$$
- Net Asset Value per share (Rs.) =
$$\frac{\text{Net Worth (excluding revaluation reserve and Share Advance) at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$$
- Return on Net Worth (%) =
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth (excluding revaluation reserve and Share Advance) at the end of the period/year}}$$



ANNEXURE XIV

STATEMENT OF CAPITALISATION

(Rs. in Lacs)

Particulars	Pre-issue as on 31.03.2010	As adjusted for issue
Short Term Debts	1,589.64	1,589.64
Long Term Debts	21,455.06	21,455.06
Share Holders' Fund		
Share Capital	2,138.80	[•]
Reserves and Surplus	3,255.99	[•]
Total Shareholders' Fund	5,394.79	[•]
Long Term Debt/Equity	4.00	[•]

* Share Capital and reserves and total shareholders' Funds would be calculated on conclusion of the Book Building process.

** Short-term Debts are debts maturing within the next one year from the date of above statement.

ANNEXURE XV

STATEMENT OF RELATED PARTY TRANSACTION

1. Key Management Personnel: Mr. R. Ramswamy, Chairman and Managing Director.
2. Relatives of Key Management Personnel
 - Mrs. R. Jeevanlatha, Wife of Mr. R. Ramswamy
 - Mrs. Shobana S Prasad, Daughter of Mr. R. Ramswamy
 - Mrs. Nirupa Sriramulu, Daughter of Mr. R. Ramswamy
3. Other related parties Servalakshmi Paper & Boards Private Limited, Danalakshmi Paper Mills Private Limited, Vijayalakshmi Paper Mills, Servall Engineering Works Private Limited, Monarch Machine Tools Private Limited, and Techno Spin Private Limited, and Servall Properties Private Limited.

(Rs. in lacs)

Nature of transaction	31.03.2010			31.3.2009			31.3.2008		
	Key management personnel	Relatives of Key Management personnel	Other Related parties	Key management personnel	Relatives of Key Management personnel	Other Related parties	Key management personnel	Relatives of Key Management personnel	Other Related parties
Equity	6.75	356.39	979.86	72.00	135.33	1692.67	--	--	--
Purchases	--	--	948.01	--	--	284.60	--	--	--
Receiving of services	--	--	7.21	--	--	254.46	--	--	--
Advance paid for machinery	--	--	27.50	--	--	269.70	--	--	--
Amount payable	--	--	--	--	--	2.00	--	--	--



Nature of transaction	31.03.2007			31.3.2006		
	Key management personnel	Relatives of Key Management personnel	Other Related parties	Key management personnel	Relatives of Key Management personnel	Other Related parties
Equity	--	--	--	--	--	--
Purchases	--	--	--	--	--	--
Receiving of services	--	--	--	--	--	--
Advance paid for machinery	--	--	--	--	--	--
Amount payable	--	--	--	--	--	--

ANNEXURE XVI

SCHEDULE OF CONTINGENT LIABILITIES

(Rs. in Lacs)

Particulars	Year Ended March 31				
	2010	2009	2008	2007	2006
Unexpired Letter of Credit	478.89	--	--	--	--
Export Obligation under Export Promotion of Capital Goods Scheme (EPCG)	10726.00	10726.00	--	--	--
	11204.89	10726.00	--	--	--



CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

There are no changes in accounting policies of the Company in the last three years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements

a. Overview of our Business:

Our company was incorporated in the year 2005 and the manufacturing unit was setup at Kodaganallur Village, Tirunelveli district of Tamil Nadu. The plant is located in an area of land covering about 340 acres. The location of the mill is in close proximity to Tuticorin port, which is 72 km away, also near to National Highway NH7 which is just 5 km away and 6 km away from river Thaimrabarani. The paper mill has a total production capacity of 90,000 tonnes per annum, which is one of the largest single location plants in India.

We plan to produce wide range of Printing & Writing papers and high-end newsprint under our own brand name of "LAKSHMI". As the main raw material used in our plant is waste paper, it is producing environment friendly recycled paper, which has strong potential to be exported to Europe and US.

b. Quality and ISO certification

We have a full-fledged R&D centre to meet the requirements of existing product improvement and also for new product development. R&D efforts are also made to reduce the cost of production through usage of alternative inputs. Feedback from the end users is becoming vital input for R&D activities. The state-of-art facilities enable us to maintain the consistency in quality. Paper machine is equipped with two QCS system supplied by HONEYWELL AUTOMATION to conform our products to the 3 Sigma (Standard deviation) conformity.

We have applied for "Forest Stewardship Council (FSC) certification, which is expected to facilitate us to get easy access to export market in developed economies such as USA & Europe.

c. Capacity Expansion

The capacity production of the company is 90000 TPA. The configuration enables switchover from production of Printing and Writing Paper to News Print and vice-versa in no time. Also we intend to keep on increasing capacity in our endeavour to increase our market share.

d. Significant Development Subsequent to Last Financial Period

The Directors of our company confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the DRHP which materially or adversely affect or is likely to affect the manufacturing or profitability of our company, or the value of our assets, or our ability to pay liabilities within next twelve months.

e. Environment Efforts

Waste Paper Management

We use waste paper for manufacturing wide range of products. Our requirement is around 1,20,000 MT of good quality waste paper of different grades which is being out sourced from different countries. We have long term strategies in place to find out the alternate / substitutes for the existing waste paper varieties.

**Water and Waste water management**

We source water from river Thaimrabarani, which is a perennial river in Southern part of Tamil Nadu, for process uses. The specific consumption of water per ton is very minimal and is of comparable International standards since we have installed very efficient machineries in our factory. The entire process is having 90% closed loop system so that water consumption is minimal.

The waste water is treated in full fledged "Activated Sludge Process" from EIMCO KCP which can handle delta quality of effluents discharged. The quality of treated effluents is conformed to the TNPCB norms and entire treated effluents are being used for social forestry development and no water is let into any fresh water streams. Primary sludge obtained from Effluent Treatment Plant is being used for making board. Secondary sludge generated is being treated for "Organic Composting" and the generated organic manure is being used for social forestry.

Energy Management

The power generation capacity is 15 MW. We are self sufficient in energy requirement and our energy consumption is 10.5 MW (Max). The surplus power is exported to State Grid and accordingly we have a tie up with Government of Tamil Nadu.

We have installed energy efficient motors throughout the plant, POM technology in paper making to conserve the energy. We are taking steps to go for bio-methanation generation from the secondary sludge generated in Effluent Treatment Plant as this can replace the some quantity of coal.

f. Corporate Social Responsibility

We are giving priority to the engagement of labour from the villages in Tirunelveli town particularly for the area related to packaging. We are also contributing to the health care activities taken up by the local authorities in Tirunelveli and are also providing suitable drinking water facilities to the local residents. Our company has formulated a plan for the upliftment of the backward people in the villages nearer to the plant.

As a part of our social responsibility towards 'Green Coverage of our Mother Nature' we use recycled paper and its components to an extent of 90% with the rest 10% in the form of virgin fibre for manufacturing the products.

g. Industry structure and development

The global paper industry has been witnessing a churn in the global market place. And, this has more to do with economic maturity, end usage behaviour and technology penetration after the economic slowdown seen in 2008-2009. In fact, it is structural shift that is gradually pervading the global paper markets. As a result Asian markets, with higher growth in paper consumption, are rapidly increasing their market shares. It has increased to around 35% in the past few years and is expected to grow further in the near future. India, whose consumption is as low as 8.5 million tonnes per annum, has the distinction of being the fastest growing nation in the paper sector at 7.4% per annum.

h. Internal Control Systems and Their Adequacy

We have in place effective system for internal control ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interest of our company and ensuring compliance with law and regulations. We have proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are



authorized, recorded and reported correctly. However, efforts are always continued to further strengthened the Internal Control Procedures.

i. Human Resource Development / Industrial Relation

The company values and understands the need for continuous growth and development of its people in order to have greater productivity and provide job satisfaction and also equip them to meet growing organizational challenges. We have an excellent harmonious industrial relation at our plant. Our company has genuine concern and top priority for safety and welfare of its employees.

j. Promoters experience & their Shareholding

Our promoters have been involved in the paper manufacturing business for over two decades. Our promoters & promoters group currently holds around 63.19% of our equity capital.

k. Factors that may affect Results of Operations

Except as otherwise stated in this Offer Document, the Risk Factors given in this Offer Document and the following important factors could cause actual results to differ materially from the expectations include, among others:

- **General economic and business conditions;**

As we are operating in India, we are affected by the general economic conditions in the country. The Indian economy has grown steadily over the past several years. This improved performance was propelled by the growth in industrial activity and robust services sector. The overall economic growth will therefore impact the results of its operations. The growth prospects of the business of our Company and our ability to implement the strategies will be influenced by macroeconomic growth.

- **Our ability to successfully implement its strategy and its growth and expansion plans;**

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of its strategy and its growth and expansion plans could impact the Company's roll out schedules and cause cost and time over runs.

- **Factors affecting industrial activity;**

Any change in the factors such as industrial policies, tariffs, excise duties etc which may affect the activities of the Pulp & Paper industry which may affect our results of operation.

- **Increasing competition in the industry;**

The competition is inevitable in any line of business. Our presence in south India puts us in competition with some of the major players who already exist here. We are coping with competitions by focusing on our products, channelising our sales through dedicated dealers, managing raw materials, fuel and technological changes.

- **Cyclical or seasonal fluctuations in the operating results;**

Cyclical or seasonal fluctuations in the operating results of the Company may affect the enduring financial performance at large.



- **Changes in laws and regulations that apply to the industry;**

There are some laws and regulations applicable to the industry in which we operate, which we have to comply/ follow. In case of a failure to comply with these laws and regulations or to obtain or renew the necessary permits and approvals our business may be affected.

- **Changes in fiscal, economic or political conditions in India;**

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business, increase the costs and negatively affect our financial performance.

- **Changes in the foreign exchange control regulations, interest rates and tax laws in India.**

Any change in the foreign exchange control regulation, mainly interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy.

I. Outlook

The outlook for the Indian Paper Sector looks stable for the year 2010. Analysis show that India's Paper sector should benefit from the recovery in macro-economic factors such as industrial output, increase in corporate marketing spend and greater education and office activities. (Source: ITCOT Consultancy and Services).

India's paper consumption of 8 kgs per capita, one of the lowest in the world compared to the paper consumption in other developing countries. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tons. With the continuous growth in the GDP and improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7 - 8%. The demand growth in the next three years is as follows:

Sr. No	Type of Paper	Growth Rate (%)
1	Newsprint	4-5
2	Printing & Writing Paper	
	- Non-Surfaced Sized Paper	6-7
	- Surface Sized Paper	7-8
	- Cut Size Copier Paper	15
3	Speciality Paper	5

(Source: Indian Agro & Recycled Paper Mills Association (IARPMIA)).

m. Overview of Our Results of Operations

The following discussion of the financial condition and results of operations for the financial year ending March 31, 2009-10, 2008-09, 2007-08 and 2006-07 including the notes thereto and the reports thereon which appear in this Offer Document.

The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards are given below:

	(Rs. In Lacs)			
Particulars	2009-10	2008-09	2007-08	2006-07
Net Sales	--	--	--	--
Other Income	1.73	11.37	5.44	--
Total Income	1.73	11.37	5.44	--
Total expenses	2.46	11.53	6.81	--
Total Expenses as a % of Net Sales	--	--	--	--



Particulars	2009-10	2008-09	2007-08	2006-07
Depreciation	6.64	6.35	1.09	--
Depreciation as % of Sales	--	--	--	--
Finance Cost	0.32	0.24	--	--
Finance Cost as % of Net Sales	--	--	--	--
Profit / (loss) before Tax	(7.68)	(6.75)	(2.45)	--
Profit / (loss) before Tax as % of Net Sales	--	--	--	--
Profit / (loss) after tax and extra ordinary items	(8.78)	(8.49)	(3.30)	--
Profit / (loss) after tax as % of Net Sales	--	--	--	--

Note: Figures have been regrouped wherever necessary to make the data comparable

n. Comparison of Recent Financial Years / Periods with Previous Financial Years / Periods

FISCAL 2009-10 AS COMPARED TO 2008-09

Revenues:

Since the company had not commenced commercial production, the company's non-operating income mainly from interest earned on deposits maintained with banks decreased from Rs11.30 lacs to Rs 1.73 lacs as the deposits with bank were deployed for investment in fixed assets.

As the company undertook trial production, the revenue from sale of trial production was there in Fiscal 2010 only

Expenditure

Salaries wages and welfare expenses:

The expenditure on increased substantially due to addition of new employees.

a. Interest expense

Interest expenses went up due to substantial withdrawal of loans from banks.

b. Electricity expenses

There has been steep increase in Electricity due to lighting and trial run.

c. Travelling expenses

There has been steep increase in travelling expenses due to Inspection of equipments and constant travel of employees for follow up of all the project implementation activities.

Insurance

Insurance charges on erection policy increased due to increased value of machinery erected.

Trial run expenses

In Fiscal 2010 the company undertook trial run of the entire paper plant and power plant which has contributed to the increase in the expenditure.

Share Capital

The Share Capital and premium contribution for Fiscal 2010 is Rs1187 lacs as against Rs 1900 lacs in Fiscal 2009.

Term Loans

In Fiscal 2010 the company drew Rs.10676 lacs of term loan as against Rs 10598 in Fiscal 2009.

Fixed Assets

The company invested Rs 9498 lacs in Fiscal 2010 as against Rs 10814 lacs in 2009.

Inventories

The Company built up inventory levels to the extent of Rs 2025 lacs in Fiscal 2010.

FISCAL 2008-09 AS COMPARED TO 2007-08**Revenues**

Since the company had not commenced commercial production, the company's non-operating income being interest earned on deposits maintained with banks increased from Rs 5.44 lacs to Rs 11.30 lacs as fresh deposits with bank were made mainly for keeping Letter of Credit margin.

Expenditure**a. Salaries Wages and Welfare expenses**

The expenditure on employees increased substantially due to addition of new employees.

b. Interest expense

Interest expenses went up due to substantial withdrawal of loans from banks.

c. Electricity expenses

There has been steep increase in Electricity due to lighting and air-conditioning.

d. Travelling expenses

There has been steep increase in travelling expenses due to Inspection of equipments and constant travel of employees for follow up of all the project implementation activities.

e. Insurance

Insurance charges on erection policy increased due to increased value of machinery erected.

Share Capital

The Share Capital and premium contribution for Fiscal 2009 is Rs1900 lacs as against Rs 634 lacs in Fiscal 2008.

Term Loans

In Fiscal 2010 the company drew Rs.10598 lacs of term loan as against Rs 1777 lacs in Fiscal 2008.

Fixed Assets:

The company invested Rs 10814 lacs in Fiscal 2009 as against Rs 2611 lacs in 2008.



An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events, other than as described in this Offer Document, which may be called "unusual" or "infrequent".

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

3. Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

There are no known trends or uncertainties that may have material adverse impact on the income, costs and profits of the company from continuing operations.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

Increase in the cost of the products in which the Company deals, will affect the profitability of the company. Further, the company is not able to pass on the increase in prices of the product to the customers in full. This can be offset through cost reduction.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The increase / decrease in turnover is only on account of increase in sales prices and volume.

6. Status of any publicly announced new product

We have not publicly announced any new products. However we plan to foray into coated, uncoated, copier, cream wove, SS Maplitho, computer stationary and text/note book papers and high-end newsprint.

7. The extent to which the business is Seasonal

Our business is to a certain extent is seasonal and however, there are no major cyclical trends that are observed in this industry.

8. Competitive conditions

We face competition from few companies like Star Paper Mills Ltd, Emami Paper Mills Ltd, Seshasayee Paper limited, etc. in the Domestic market.

9. Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the company's objective, expectations or predictions may be forward looking statements within the meaning of applicable security law and regulations. These statements are based on certain assumption and expectation of future events. Actual results could however differ materially from those expressed or implied.



SECTION V - LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATION, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

I. CONTINGENT LIABILITIES NOT PROVIDED FOR:

The contingent liabilities not provided for as per the audited financials on 31st March, 2010 are as follows:

(Rs. in lacs)	
Particulars	Year Ended 31 st March, 2010
Unexpired Letter of Credit	478.89
Export Obligation under Export Promotion of Capital Goods (EPCG)	10726.00
Total	11204.89

II. OUTSTANDING LITIGATIONS INVOLVING SERVALAKSHMI PAPER LIMITED:

The Issuer Company certifies that except as stated herein there are no:

- Pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India(SEBI)/ Stock Exchanges against the Company, its directors , promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigation, disputes, defaults, non-payment of statutory dues, proceedings initiated for offences (including past cases and irrespective of whether specified in paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against the promoters and there business ventures.
- Pending litigations, defaults, non-payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Prospectus and that no litigations have arisen and the Company and its Directors take full responsibility of the information mentioned in the Prospectus.

III. OUTSTANDING LITIGATIONS INVOLVING DIRECTORS OF COMPANY

There are no outstanding litigations, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the Company except the following:



IV. OUTSTANDING LITIGATIONS INVOLVING PROMOTERS AND GROUP COMPANIES

Except those mentioned hereinafter there are no outstanding litigation, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoter group companies.



Legal proceedings against the promoters/group entities

A) SERVALL ENGINEERING WORKS PRIVATE LIMITED (SEWL)

AGAINST THE COMPANY

Sr. No	Case No.	Subject	Court	Amount Involved	Details of Payment (if any)	Facts of the Case	Status
1	C.No.V/84/15/121/89 CX Adj.dt.04.10.89	Cast Iron Castings dispute of Paper Machine Parts – classification dispute year (1988-1989)	CEGAT	Rs. 3,46,059/- (Penalty) Rs. 3,000/-	Rs.125000/- Pre Deposit paid on 29.05.92 for STAY order. Rs.70000/- Pre Deposit paid on 15.02.06 for STAY order (total amount paid Rs.195000/-)	We had received an original order vide letter no V/84/15/121/89 dt 27.11.90 levying a duty of Rs. 3,46,059 and also penalty of Rs. 3,000 for the goods cleared during the period 01/03/1988 to 20/06/1988 which were exempted from duty against which we had filed an appeal with CEGAT vide our letter no 3007/803/91 dt 08/03/1991. We have received a stay order no. E/SD/STAY/986/91 dt 18.2.92 and order no. SB/S/ORDER/NO/40/92 with precondition of Rs 1,25,000/- and was granted the stay order for the balance duty and penalty till the disposal of pending issues. Accordingly, the company had paid a pre-deposit of Rs 1,25,000/- on 29/05/1992. Considering the merit of the case, we had filed a writ petition in the High Court of Chennai on 14/10/2005 for stay and further review of the case. We also approached Assistant Commissioner (AC) and requested him to grant time till 30/11/2005 to file the stay order. In reply, the AC had advised us to pay Rs 12,229/- under protest which related to other appeals pending before CEGAT for wrong availment of credit. A tax petition was filed on 14.10.2005. with High Court , Chennai against appeal no E/1377/1991 for which a stay order was received on 13/02/2006 and amount of	Case remains pending with CESTAT (Originally CEGAT).



Sr. No	Case No.	Subject	Court	Amount Involved	Details of Payment (if any)	Facts of the Case	Status
						Rs 70000 was paid as pre-deposit for stay order. Above case remains pending with CESTAT (Originally CEGAT).	
2	Show Cause Notice (SCN) 1829/95 dt.4.8.95	Accrued Interest on Advance (Year 1995-96)	CEGAT	Rs. 81,175/-	NIL	SCN no 1829/25 dated 04/08/1995 issued by Central Excise Range office Karamadai for Rs.81,175/- on account of accrued interest on advances. Order in original passed by Asst. Commissioner, Central Excise confirmed demand vide order no 116/96 dated 31/10/1996. We have filed appeal on 16/12/1996 to Commisioner Appeals Trichy. Our appeal is allowed. The dept has gone to CEGAT on 07/1/2003. We have filed cross objection on 03/02/2003. Above case remains pending with CEGAT although similar issues have already been closed in our favour.	Case remains pending with CEGAT although similar issues have already been closed in our favour.



Sr. No	Case No.	Subject	Court	Amount Involved	Details of Payment (if any)	Facts of the Case	Status
3	V/84/30/19/2004 Adj dated. 24/06/04	Imported Paper Machinery CVD wrongly credit taken (Year 2000-01)	CEGAT	Rs. 40,457 /- (Interest) Rs. 20,000/- (Penalty)	NIL	Demand of interest for Rs 4,457/- and penalty Rs. 20,000/- issued by Central Excise, Karamadai. The case dropped by AC, Central Excise, Metupalayam vide order 51/2004 dt 21.7.04. Above case was referred by Central Excise to Salem Appeals vide appeal no 56/2005 dt 28.4.05. We have approached CEGAT on 5.5.05. Stay order has been received vide stay no 268/2006 dt 16.3.06. Now above case is pending before CESTAT	Case is pending before CESTAT (earlier CEGAT)
4	IV/16/100/2006 Service Tax Adj.SCN Sl.No.04 dated 26/03/07	Interest on delayed payment on GTA-ST (from Jan05 to Feb06) (Yr 2005-06)	CEGAT	Rs. 37,756/- (Interest) Rs. 44,000/- (Penalty)	NIL	SCN no 10/2006 dated 24/08/2006 issued by Central Excise Karamadai demanding interest for Rs.37,756/- and penalty Rs.44,000/-. Order in original no 07/2007 dated 30/08/2007 confirming demand. We had filed appeal on 19/11/2007 vide appeal no 253/2007/SLM(ST) dated 22/11/2007. Our appeal has been allowed in Commissioner Appeals vide order no 115 dated 09/09/2008. Central Excise has appealed with CESTAT vide appeal no S/259/2008 dt 24.11.08. The above case is now pending before CESTAT.	Case is now pending before CESTAT
5	IV/16/77/2006 Service Tax Adj.SCN Sl.No.04 dt. 26/03/07	Consulting Fees paid to Foreign Company – Service Tax applicable regarding (Year 2006-07)	HIGH COURT	Rs. 1,54,798/-	Rs. 89,588/- paid on 28/12/2008	The case was filed by Central Excise, Coonoor, Mettupalayam. We had received High Court Chennai stay order no 3122 of 2006 (WP 3000 of 2006). No action has so far been initiated by Central Excise.	No action has been initiated by Central Excise



Sr. No	Case No.	Subject	Court	Amount Involved	Details of Payment (if any)	Facts of the Case	Status
6	V/BAS/15/37/2007 Adj. Sr No. 07/2007 (JC) dated. 09/04/2007	Commission paid to Foreign agent on sales – Service Tax applicable (Year 2007-08)	HIGH COURT	Rs. 6,22,396/-	Rs. 1,57,945/- paid on 28/12/2008	The case was filed by Central Excise, Coonoor, Mettupalayam. We had received High Court Chennai stay order no 3122 of 2006 (WP 3000 of 2006). No action has so far been initiated by Central Excise.	No action has been initiated by Central Excise.
7	V/BAS/30/19/2007 Service Tax Adj.Sl.No.20/2007 dated. 28/08/2007	Commission paid to Foreign agent on sales – Service Tax applicable (Year 2007-08)	HIGH COURT	Rs. 1,75,394/-	1,75,394 paid on 31/12/2008	The case was filed by Central Excise, Coonoor, Mettupalayam. We had received High Court Chennai stay order no 3122 of 2006 (WP 3000 of 2006). No action has so far been initiated by Central Excise.	No action has been initiated by Central Excise.
8	V/BAS/1587/2008 Service Tax Adj. dated. 17/10/1998 (SI No.63/2008)	Commission paid to Foreign agent on Sales – Service Tax applicable (Year 2007-08)	HIGH COURT	Rs. 34,28,383	Rs. 34,28,383/- paid on 30/01/2009	The case was filed by Central Excise, Coonoor, Mettupalayam. We had received High Court Chennai stay order no 3122 of 2006 (WP 3000 of 2006). No action has so far been initiated by Central Excise.	No action has been initiated by Central Excise.
9	V/Ch.84/30/17/2009 C. Ex. Adj dated. 21/08/2009 (Sl.No.11/2009)	Cenvat Availd Excess Credit on inputs (coating items) (Year 2009-10)	Salem Commissioner Office	Rs. 1,26,975/- (Interest) Rs. 1,26,975/- (Penalty)	Rs. 1,26,975/-	SCN issued by Central Excise Karamadai involving an interest of Rs.1,26,975/- and equivalent penalty. Order issued by AC Coonoor confirming demand. We had filed appeal and stay petition vide appeal no 306/2009 dt 10.12.09. Our appeal was allowed by Commssioner Appeals vide order no 25/2010 dt 28.5.10.	Further action awaited by Authorities



Sr. No	Case No.	Subject	Court	Amount Involved	Details of Payment (if any)	Facts of the Case	Status
10	V/Ch.84/30/04/2010 C.Ex.Adj. dated 26/02/10 (Sl.No.06/2009)	Cenvat Availed Excess Credit on Inputs (coating items)	Salem Commissioner Office	Rs. 43,318/-	NIL	Order issued by AC demanding amount and penalty. We had appealed against the above order vide appeal no 161/2010/CEX dt 20.7.10. The Central Excise Officials physically verified the above foundry chemical for further action.	Further action awaited by Authorities
11	AP.CST 43/2005	For Non filing of foreign buyers orders.	Tamilnadu Sales Tax Appellate Tribunal	Rs. 26,712/- (Interest) Rs. 7,692/- (Penalty)	Rs. 7,692/-	Local buyers, export sales invoices and bill of lading and only Form H filed for pre export sales claim of exemption disallowed and assessed to tax @ 12.6% for Rs.2,12,000	Further action awaited by Authorities
		Total		52,85,090	41,80,977		

**B) SERVALALKSHMI PAPER AND BOARDS PRIVATE LTD (SPBL)****AGAINST THE COMPANY**

Sr. No	Case No	Subject	Court	Value	Paid Details	Facts of the Case	Status
1	10/2002	Entry Tax	High Court, Chennai	Rs. 3,20,135/- (Penalty)	NIL	JCB loader purchase entry tax paid for which penalty of Rs. 3,20,135/- is imposed. Stay order received but case is still pending with High Court, Chennai	Pending with High Court, Chennai

BY GROUP COMPANY**CHEQUES RETURNED AND CRIMINAL CASE FILED****CASE PENDING DETAILS WITH JUDICIAL MAGISTRATE COURT - NILAKOTTAI**

Sr.No.	Case No	Company Name	Name of the Party	Amount (Rs.)	Status
1	23/2006	Krishna Trading Co - Cuttack	Mr. Rajendra Kumar Modi	6,48,693	WRITTEN OFF
2	CRMC 335	Star Systems (Desamalar - Madurai)	Mrs. Senkathir Selvi (Lakshmi Paper Ag)	6,50,844	PENDING
			Total	12,99,537	

C) DANALAKSHMI PAPER MILLS P LTD**CHEQUES RETURNED AND CRIMINAL CASE FILED****CASE PENDING DETAILS WITH JUDICIAL MAGISTRATE COURT - NILAKOTTAI**

Sr. No	CASE NO	Company Name	Name of the Party	Amount (Rs.)	Status*
1	340/2004	Samuyia Business Forms - Bangalore	Mr. Prep Nambiar	1,73,773	Written Off
2	321/2004	Samuyia Business Forms - Bangalore	Mr. Pradeep Nambiar	53,493	Written Off
3	341/2004	Coimbatore Note Books - Coimbatore	Mrs. Mythili	1,53,873	Written Off
4	332/2005	Crystal Note Books - Coimbatore	Mr. Suresh	3,22,809	Written Off
5	10/2004	Sastha Rolls - Coimbatore	Mr. Selvakumar	58,334	Written Off



Sr. No	CASE NO	Company Name	Name of the Party	Amount (Rs.)	Status*
6	1877/2003	R.G.Computer Forms - Coimbatore	Mrs. Rajini	90,000	Written Off
7	320/2005	R.G.Computer Forms - Coimbatore	Mrs. Rajini	61,581	Written Off
8	333/2005	Daily Surajya - Solapur	Mr. Harish Krishnaji Kenchi (Mr. Sechani)	50,000	Adj Dealer
10	16/2000	Manirathinam Paper Mart - Chennai	Mr. Karuppiah & Mr. Thiagarajan	5,95,763	Written Off
12	CRMC 335	Star Systems (Desamalar - Madurai)	Mrs. Senkathir Selvi (Lakshmi Paper Agency)	65,166	Pending
			TOTAL AMOUNT	16,24,792	

* The company has written off certain cases, however, the same are still pending at Judicial Magistrate Court – Nilakottai.



MATERIAL DEVELOPMENTS

Significant development since the last audited Balance Sheet as on 31st March, 2010 till the date of Draft Red Herring Prospectus

No circumstances have arisen since the date of last financial statement until the date of filing of this Draft Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months.

There is no subsequent development after the date of the Auditor's Report, which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of our Company.

**GOVERNMENT/STATUTORY AND BUSINESS APPROVALS**

On the basis of the indicative list of approvals below, we are permitted to carry on business activities and no further major approvals from any Government authorities or regulatory authority or any other entity are required by us to undertake the Issue or continue these business activities. It must be understood that, in granting these licenses, Government of India and/ or Reserve Bank of India does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinion expressed in this behalf.

We require various approvals to carry on its business in India. We have received the following Government approvals/licenses/permissions:

1. Certificate of Incorporation No 012260 dated November 03, 2005 issued by the Registrar of Companies, Coimbatore, Tamil Nadu, in the name of 'Sri Sai Shakthi Raam Papers Private Limited'.
2. Fresh Certificate of Incorporation Consequent upon Change of Name from 'Sri Sai Shakthi Raam Papers Private Limited' to 'Servalakshmi Paper Private Limited' dated January 31, 2007 issued by the Registrar of Companies, Coimbatore, Tamil Nadu.
3. Fresh Certificate of Incorporation dated June 17, 2010 issued by the Registrar of Company, Coimbatore, Tamil Nadu, consequent to the conversion of the Company into a public company.
4. The Corporate Identity Number of the Company issued by the Registrar of Companies, Coimbatore, Tamil Nadu, is U21012TZ2005PLC012260.
5. The Permanent Account Number (PAN) AAKCS2187H issued by the Income-Tax Department.
6. The Value Added Tax license no: 33602026237 issued by the Commercial Tax Department (Tamil Nadu).
7. The CST license no: 860856 issued by the Central Sales Tax Department.
8. The Import Export Code: 3206021782 issued by the Ministry of Commerce, India.
9. Consent Order No: 163/2007 under the Section 21 of the Air (Prevention & Control of Pollution) and Consent Order No: 164/2007 under Section 25 of the Water (Prevention & Control of Pollution) issued by the Tamil Nadu Pollution Control Board.
10. The Central Excise Registration No: AAKCS2187HXM001 issued by the Central Excise Department.
11. Service Tax Registration No: AAKCS2187HST001 issued by the Central Excise Department.
12. Secretariat of Industrial Assistance (SIA) License No: 476/SIA/IMO/2007 issued by the Ministry of Commerce & Industry.
13. Factory Registration No: TV 3134 issued by the Factory License Authority.
14. Import & Storage of Petroleum License No: P/HQ/TN/15/4790 (P223768)
15. SEIAA/TN/EC/1(d)/008/F-87/2009 issued by the State Level Environment Impact Assessment Authority.
16. Provisional order no. 54 / BC / 2010 – 2011 issued by the Inspector of Boilers for usage of water tube boiler.
17. No objection from Fire Service Department dated 09.08.2010.
18. Approval B.P. (Ch.) No. 83 dated 23.03.2010 for power evacuation from 15 MW captive power plant from the Chairman, Tamil Nadu Electricity Board.



THE REGULATORY AND STATUTORY DISCLOSURES

A) AUTHORITY FOR THE PRESENT ISSUE

Our Board has, pursuant to resolution passed at its meeting held on 11th May, 2010, authorised the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act. The shareholders of our Company have authorised the Issue by a special resolution passed pursuant to Section 81, 81(1A) of the Companies Act 1956, at Annual General Meeting held on 7th June, 2010.

B) PROHIBITION BY SEBI, RBI or government authorities

The Company, its Promoters, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control, of the promoting Company, are currently not prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

The Promoters, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

None of the Directors of the Company are associated with any entities which are engaged in securities market related business and are registered with SEBI.

C) Eligibility for the Issue

The Company is eligible for the Issue as per regulation 26 (2) a(ii) & 26 (2) b(i) of the SEBI (Issue of Capital and Disclosure Requirements, 2009) Regulations which is stated as under :-

26 (2) (a) (ii): The "project" has at least 15% participation by Public Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this the company undertakes to allot, at least 10% of the net offer to public to qualified institutional buyers, failing which the full subscription monies shall be refunded

26 (2) (b) (i): The minimum post-issue face value capital of the Company shall be Rs. 10 Crores.

Indian Overseas Bank (IOB) has appraised the project cost of Rs. 34000.00 lacs & has participated in the same by sanctioning term loan to the extent of Rs. 11370.00 lacs which is more than 15% of the "Project" cost. The company undertakes to allot at least 10% of issue to QIBs failing which full subscription money will be refunded.

The post issue face value of capital is more than Rs. 10.00 Crores.

The Company satisfies the above eligibility criterias, laid down in regulation 26 (2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulation. However, the Company is doing a "voluntary book-building issue" wherein the Company proposes to allot upto 50% of the Issue to QIBs and under-subscription, if any, in the QIB portion will be added back to the Issue to public.

The promoters, the company, and directors are not detained as willful defaulters by the RBI/ GOI authorities and there are no violations of securities laws committed by them in the past or pending against them other than those disclosed in this Offer Document.

No penalty has been imposed by SEBI and other regulatory bodies against the company, its directors, its promoters and companies promoted by their directors.



The company undertakes that the number of allottees in the Issue shall be at least 1,000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

D) DISCLAIMER CLAUSE (SEBI)

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED AND THE CO-RUNNING LEAD MANAGER, INDIAN OVERSEAS BANK HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGER AND THE CO- BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED & THE CO-BOOK RUNNING LEAD MANAGER, INDIAN OVERSEAS BANK HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 06/09/2010 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION, 1992, WHICH READS AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
 - (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH**



DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
- (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
- (7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT



ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

- (10) WE CERTIFY THAT SINCE THE PROPOSED ISSUE SIZE IS MORE THAN RS.10 CRORES, THE PROVISION RELATING TO OPTION TO THE INVESTORS TO GET THE SHARES IN PHYSICAL MODE IS NOT APPLICABLE IN TERMS OF SECTION 68B OF THE COMPANIES ACT, 1956.
- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS/ DRAFT LETTER OF OFFER:
 - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- (13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
- (14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.
- (15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER ANY IRREGULARITIES OR LAPSES IN OFFER DOCUMENT."

The promoter(s) / director(s) of Servalakshmi Paper Limited, Mr. R. Ramswamy, Mr. Y. Shivaram Prasad, Mr. B. Sriramulu, Mr. D. Muthusamy, Mr. S.N.Inamdar, Mr. G. P. Muniappan, and Mr. S. Srinivasaragavan confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Red Herring Prospectus has been suppressed withheld and / or incorporated in the manner that would amount to mis-statement/misrepresentation and in the event of its



transpiring at any point in time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/ or amounts to a mis-statement/ misrepresentation, the promoters/directors undertake to refund the entire application monies to all subscribers within 7 days thereafter without prejudice to the provisions of section 63 of the companies act.

E) DISCLAIMER STATEMENT FROM THE COMPANY AND THE BRLM and Co-BRLM

The Company, the Directors, and the BRLM and Co-BRLM accept no responsibility for statements made otherwise than in this DRHP or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone depending on any other source of information, including our website, www.servalakshmi.in, would be doing so at his or her own risk.

The BRLM and Co-BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and Co-BRLM, Keynote Corporate Services Limited and Indian Overseas Bank and us dated 9th August, 2010 and 31st August, 2010 respectively the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLM and Co-BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Neither we nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

F) DISCLAIMER WITH RESPECT TO JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds). This DRHP does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this DRHP comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, Maharashtra only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this DRHP has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

G) DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

Disclaimer Clause of Bombay Stock Exchange Limited (BSE):

"Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated [●] permission to the Company to use the Exchange's name in this Offer Document as one of the stock exchanges on which this



Company's securities are proposed to be listed. The Exchange has scrutinized this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
- ii. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

Disclaimer Clause of the NSE

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: [●] dated [●] permission to the Issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of [●] IPO Grading Agency

[●]

H) FILING

A copy of this DRHP has been filed with SEBI at Mumbai.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with the ROC, Coimbatore, Tamil Nadu.

**I) LISTING**

Applications will be made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this DRHP. If such money is not repaid within eight days after the Company becomes liable to repay it from the date of refusal or within 70 days from the date of Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

J) Impersonation

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

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

K) CONSENTS

Consents in writing of the Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisor, Bankers to the Company, BRLM and Co-BRLM and the Registrar to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the RHP with the ROC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration with the ROC.

M/s. Krishnamoorthy & Co., Statutory Auditor of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which appears in this DRHP and also of the tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of signing this DRHP.

L) EXPERT OPINION OBTAINED, IF ANY

Except as stated in "Statement of Tax Benefits", the Company has not obtained any expert opinion.

M) EXPENSES OF THE ISSUE

The Management estimates an expense of Rs. [●] Lacs towards issue expense. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution

expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

(Rs. in Lacs)				
Sr. No.	Nature of Expenses	Amount*	% to the Total Expenses	% to the Issue
1.	Lead Management Fee, Underwriting Commissions and Selling Commissions	[•]	[•]	[•]
2.	Advertising and Marketing Expenses	[•]	[•]	[•]
3.	Printing and Stationery	[•]	[•]	[•]
4.	Others (Registrar's Fee, Legal Fee, etc.)	[•]	[•]	[•]
	Total	[•]	[•]	[•]

* Will be incorporated after finalisation of Issue Price

N) DETAILS OF FEE PAYABLE

Book Running Lead Manager to the Issue

The total fees payable to the Book Running Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, a copy of which is available for inspection at the Registered Office of the Company. The Lead Manager will be reimbursed for all relevant out-of-pocket expenses such as cost of travel, stationery, postage and communication expenses.

Co- Book Running Lead Manager to the Issue

The total fees payable to the Co-Book Running Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, a copy of which is available for inspection at the Registered Office of the Company. The Lead Manager will be reimbursed for all relevant out-of-pocket expenses such as cost of travel, stationery, postage and communication expenses.

Fees Payable to the Registrar to the Issue

The fees payable by the Company to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with the Company dated 23rd July, 2010.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by the Company to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

O) UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst the Company, the BRLM and Co-BRLM and the Syndicate Member. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page no. 18 of this DRHP.

**P) PREVIOUS PUBLIC OR RIGHTS ISSUE**

The Company has not made any public or rights issue of shares either in India or abroad in the ten years preceding the date of this DRHP.

Q) PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

We have issued 1,06,94,000 equity shares of Rs. 10 each as bonus in the ratio of 1 shares for every 1 share on 31/03/2010 by capitalizing free reserves, other than this we have not issued any equity shares for consideration otherwise than for cash.

R) COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

Since this is the initial public offer of the Company, 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 inception of the Company.

S) CAPITAL ISSUE DURING THE LAST THREE YEARS

Servalakshmi Paper Limited and its group companies have not made any capital issue during the last three years.

T) PROMISE VIS-A-VIS PERFORMANCE

This is a first issue of the Company and none of its group companies are listed on any stock exchanges in India.

U) OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS

There are no outstanding debentures or bonds or redeemable preference shares and other instruments issued by the company as on the date of this DRHP.

V) STOCK MARKET DATA

This being an initial public offering of the Company, the Equity Shares are not listed on any stock exchange.

W) INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The company has appointed the registrar to the issue, to handle the investor grievances in co-ordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and branch. The Company would monitor the work of the registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue, namely, Link Intime Private Limited, will handle investor's grievances pertaining to the issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the company. The Company would also be co-ordinating with the registrar to the issue in attending to the grievances to the investor. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:



Sr. No.	Nature of complaint	Time Table
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Non Receipt of Share Certificate/Demat Credit	Within 7 days of receipt of complaint subject to production of satisfactory evidence
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

Redressals of investors' grievance are given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialisation/ rematerialisation are handled by well equipped professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

We have appointed Mrs. Praveena Dhanagopal, Company Secretary as the Compliance Officer and she may be contacted in case of any pre-issue or post-issue problems. She can be contacted at the following address:

Mrs. Praveena Dhanagopal
 Company Secretary & Compliance Officer
Servalakshmi Paper Limited
 31 (Old 10-Z), Bharathi Park 7th Cross;
 Coimbatore-641011;
 Tamil Nadu.
Tel.: +0422-4333344;
Fax : +0422-4333355
Website : www.servalakshmi.in
E-mail: secretarial@servalakshmi.in

X) CHANGES IN AUDITORS

There has been no change in the auditor of the Company since past three years.

Y) CAPITALIZATION OF RESERVES OR PROFITS DURING LAST 5 YEARS

Our company has issued 1,06,94,000 Equity Shares in the ratio of 1 equity shares for every 1 equity share held (1:1), on 31/03/2010 by capitalizing reserves or profits.

Z) REVALUATION OF ASSETS DURING THE LAST 5 YEARS

We have not revalued our assets in the past.



SECTION VI - OFFERING INFORMATION

A) TERMS OF THE ISSUE

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

RANKING OF EQUITY SHARES

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of allotment.

MODE OF PAYMENT OF DIVIDEND

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

FACE VALUE AND ISSUE PRICE

The face value of the Equity Shares is Rs. 10/- each and the Floor Price is Rs. [●] and the Cap Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares subject to the applicable laws.

RIGHTS OF THE EQUITY SHAREHOLDERS

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

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and the Memorandum and Articles of Association of the Company.

MARKET LOT

In terms of Section 68B of the Companies Act, 1956, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Regulations, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share. Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.



NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of the sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

MINIMUM SUBSCRIPTION

If we do not receive the minimum subscription of 90% of the Net Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

The Company has not made any arrangements for the disposal of odd lots.

RESTRICTIONS ON TRANSFER OF SHARES

Except for lock-in of the pre-Issue Equity Shares, Promoter's minimum contribution as detailed in 'Capital Structure' on page 20, and except as provided in the Articles, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting.

B) ISSUE STRUCTURE

Public Issue of [●] Equity Shares of face value Rs.10/- each for cash by the company issued at a price of Rs. [●] per Equity Share, aggregating Rs. 6000.00 Lacs (hereinafter referred to as the "Issue"). The Issue would constitute [●] % of the post Issue paid-up capital of the Company and the Net Issue will constitute [●]% of the post Issue paid up capital of the Company. The Issue is being made through the 100% Book Building Process:

Particulars	QIBs #	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto [●] Equity Shares will be allotted to QIBs.	Not less than [●] Equity Shares shall be available for allocation.	Not less than [●] Equity Shares shall be available for allocation.
Percentage of Issue Size available for allocation	Upto 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds) Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net Issue or Net Issue less allocation to QIBs and Retail Portion*	Not less than 35% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Portion.*
Basis of allocation if respective category is oversubscribed	Proportionate (a) [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter.
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs.100,000.



Particulars	QIBs #	Non-Institutional Bidders	Retail Individual Bidders
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions specified in Section 4A of the Companies Act, FII (and their subaccounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, FVCIs registered with SEBI (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority), venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India and insurance funds set up and managed by the Army, Navy or Air Force of the Union of India	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual	Individuals (including HUFs in the name of karta) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs.100,000 in value.



Particulars	QIBs #	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	Amount shall be payable at the time of submission of Bid-cum-Application Form to the Member of Syndicate or the Application Supported by Blocked Amount to SCSBs.	Amount shall be payable at the time of submission of Bid-cum-Application Form to the Member of Syndicate or the Application Supported by Blocked Amount to SCSBs.	Amount shall be payable at the time of submission of Bid - cum - Application Form to the Member of Syndicate or the Application Supported by Blocked Amount to SCSBs.
Margin Amount	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

at least 10% of the issue size shall be allotted to QIB's failing which the full monies shall be refunded.

* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of the Company, the BRLM and Co-BRLM and subject to applicable provisions of the SEBI Regulations.

** In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

Note: If the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Withdrawal of this Issue

The Company, in consultation with the BRLM and Co-BRLM, reserves the right not to proceed with the issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The stock exchanges where the specified securities were proposed to be listed shall also be informed promptly. If the Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, it shall file a fresh draft red herring prospectus with the SEBI.

Bidding/Issue Programme

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non- Institutional Bidders and Eligible Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. It is clarified that Bids not uploaded in the book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.



In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form submitted through the ASBA process, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing date, the bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/Issue Closing Date. All times are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLM and Co-BRLM and Syndicate member will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Regulations provided that the Cap Price is less than or equal to 20% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the Book Runners at the terminals of the Syndicate.



C) ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form.

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein at upto 50% of the Net Issue shall be allocated to QIBs on a proportionate basis. Out of the QIB Portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs. Bids by QIBs shall be submitted only to the BRLM and Co-BRLM, other than Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical

BID CUM APPLICATION FORM

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians, Eligible NRIs applying on a non-repatriation basis	[•]
Eligible NRIs and FIIs applying on a repatriation basis	[•]
Resident ASBA Bidders	[•]
Non-Resident ASBA Bidders	[•]

Bidders (other than ASBA Bidders) are required to submit their Bids through the Syndicate. Such Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids.

ASBA Bidders shall submit an ASBA Bid cum Application Form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form only.

Upon the filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completion and submission of the Bid cum Application Form to a Syndicate or the SCSB, the Bidder or the ASBA Bidder is deemed to have authorised the Company to make the necessary changes in the



Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder.

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis, subject to applicable laws. NRIs other than Eligible NRIs are not eligible to participate in this issue;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI and the SEBI Regulations and regulations, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, only under the Non Institutional Bidders Category.
- FIIs registered with SEBI;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI,
- Multilateral and Bilateral development financial institutions
- State Industrial Development Corporations;
- Trusts/ societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/ societies and who are authorized under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organizations authorized to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares; and
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India; and

As per the existing regulations, OCBs cannot participate in this Issue.

**Participation by associates of BRLM and Co-BRLM and Syndicate Member**

The BRLM and Co-BRLM and Syndicate Member shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Co-BRLM and Syndicate Member may subscribe for Equity Shares in the Issue, either in the QIB Portion and Non-Institutional Portion where the allotment is on a proportionate basis.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLM and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at the registered office of the Company and with members of the Syndicate and the Registrar to the Issue.

Eligible NRI applicants should note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue paid-up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital of the Company or 5% of the total issued capital, in case such sub-account is a foreign corporate or an individual.



Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by Sebi Registered Venture Capital Funds And Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for Sebi registered venture capital funds and foreign venture capital investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund; a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the funds available for investment by way of subscription to an initial public offer.

The above information is given for the benefit of the Bidders. The Company and the Book Runners are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under the existing SEBI Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin Amount upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allotment under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-Off’.



Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidders:

- (a) The Company and the BRLM and Co-BRLM shall declare the Bid/ Issue Opening Date, Bid/ Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in three widely circulated newspapers (one each in English and Hindi). The Company may not disclose the floor price or price band in the Red Herring Prospectus if the same is disclosed at least two working days before the opening of the bid, by way of an announcement in all the newspapers in which the pre-issue advertisement was released by the Company or the BRLM and Co-BRLM.
- (b) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- (c) Copies of the Bid cum Application Form and copies of the Red Herring Prospectus will be available with the Syndicate. The SCSBs shall ensure that the abridged prospectus is made available on their websites.
- (d) Any Bidders (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the Registered Office or from any member of the Syndicate or the SCSBs.
- (e) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the BRLM and Co-BRLM or Syndicate Members or their authorised agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA Bid cum Application Forms) should bear the stamp of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.

The applicants may note that in case the DP ID and Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID and Client ID and PAN available in the Settlement Depository database, the application is liable to be rejected.

Method and Process of Bidding

- (a) Our Company in consultation with the BRLM and Co-BRLM will decide the Price Band and the minimum Bid lot size for the Issue. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.
- (b) The Bid/Issue Period shall be for a minimum of three Working Days and shall not exceed 10 Working Days. The Bid/ Issue Period may be extended, if required, by an additional three Working Days, subject to the total Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Tamil newspaper with wide circulation and also by indicating the change on the websites of the BRLM and Co-BRLM and at the terminals of the Syndicate.
- (c) During the Bid/Issue Period, Bidders, other than QIBs, who are interested in subscribing for the Equity Shares should approach the Syndicate or their authorised agents to register their Bids. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.



- (d) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph entitled — “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (e) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled — “Build up of the Book and Revision of Bids”.
- (f) Except in relation to the Bids received from the Syndicate/the SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (‘TRS’), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in — “Payment into Escrow Account for Bidders other than ASBA Bidders” on page 173.
- (h) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- (i) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- (j) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.
- (k) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

Bids at Different Price Levels and Revision of Bids

1. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-Off Price. However, bidding at Cut-Off Price is prohibited for QIB, Non-Institutional Bidders or Bidders in the Employee Reservation Portion bidding in excess of Rs. 100,000 and such bids shall be rejected.



2. Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
3. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non- Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
4. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
5. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
6. During the Bidding/ Issue Period, any bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
7. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. The Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must complete all the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
8. The Bidder can make this revision any number of times during the Bidding/ Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had place the original Bid.
9. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
10. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of the QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
11. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of revision of the original bid.**

Electronic Registration of Bids

- (a) The Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges.
- (b) The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date.
- (c) There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLM and Co-BRLM, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the Syndicate and/or the SCSBs shall be responsible for any error in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (d) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bid/ Issue Period. The Syndicate Members and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis. On the Bid/ Issue Closing Date, the Syndicate and the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM and Co-BRLM on a regular basis.
- (e) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges would be made available at the Bidding centres during the Bid/Issue Period.
- (f) At the time of registering each Bid other than ASBA Bids, the Syndicate shall enter the following details of the Bidders in the on-line system:
 - Name of the Bidder: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.
 - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
 - Numbers of Equity Shares Bid for.
 - Bid Amount.
 - Cheque Details.
 - Bid cum Application Form number.
 - DP ID and client identification number of the beneficiary account of the Bidder.
 - PAN.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the online system:

- Name of the Bidder(s);
- Application Number;
- PAN (of First Bidder, in case of more than one Bidder);
- Investor Category and Sub-Category;



Retail	Non- Institutional	QIB
(No sub category)	<ul style="list-style-type: none"> Individual corporate other 	<ul style="list-style-type: none"> Mutual Funds Financial Institutions Insurance companies Foreign Institutional Investors other than corporate and individual sub-accounts

- Shareholder (if reservation);
 - DP ID and client identification number;
 - Beneficiary account number of Equity Shares Bid for;
 - Quantity;
 - Bid Amount and
 - Bank account number;
- (g) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated/Allotted either by the Syndicate or our Company.
- (h) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (i) In case of QIB Bidders, only the BRLM and Co-BRLM and their Affiliate Syndicate Members have the right to accept the Bid or reject it. However, such rejection shall be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders will be rejected on technical grounds listed on page 176. The Members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.
- (j) The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM and Co-BRLM are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the Promoter, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (k) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify the information uploaded in the online IPO system during the Bid/Issue Period after which the date will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of any discrepancy of data between the BSE or the NSE and the Members of the Syndicate or the Designated Branches of the SCSBs, the decision of our Company, in consultation with the BRLM and Co-BRLM and the Registrar, based on the physical records of Bid Cum Application Forms shall be final and binding on all concerned. If the Syndicate Member finds any discrepancy in the DP name, DP Id and the Client Id, the Syndicate Member will correct the same and send the data to the Registrar for reconciliation and Allotment of Equity Shares.

**Build up of the book and revision of Bids:**

- (a) Bids received from various Bidders through the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- (b) The Book gets built up at various price levels. This information will be available with the BRLM and Co-BRLM on a regular basis at the end of the Bid/Issue Period.
- (c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (h) Our Company, in consultation with the BRLM and Co-BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.
- (i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid Amount. In case of Bids, other than ASBA Bids, the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders. In such cases, the Syndicate will revise the earlier Bids details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.



- (j) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the Syndicate or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Price Discovery and Allocation

- (a) Based on the demand generated at various price levels, our Company in consultation with the BRLM and Co-BRLM shall finalise the Issue Price.
- (b) Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spillover from any other category or combination of categories at the sole discretion of our Company in consultation with the BRLM and Co-BRLM.
- (c) Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.
- (d) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (e) The Basis of Allotment shall be put up on the website of the Registrar.

Signing of the Underwriting Agreement and the RoC Filing

- (a) Our Company, the BRLM and Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one English language national daily newspaper, one Hindi language national daily newspaper and one Marathi language daily newspaper, each with wide circulation.

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allotment Note ("CAN")

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Syndicate a list of the Bidders who have been Allotted Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the Basis of Allotment for the Retail and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that (i) the Allotment of the Equity Shares and (ii) the instructions by the Company for the demat credit of the Equity Shares, to all Bidders in this Issue shall be done on the same date.
- (b) The Registrar will then dispatch a CAN to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder.



- (c) The Issuance of CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) Our Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depository account will be completed within 12 Working Days of the Bid/Issue Closing Date.
- (b) In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS**Do's:**

- a) Check if you are eligible to apply;
- b) Ensure that you have Bid within the Price Band;
- c) Read all the instructions carefully and complete the Bid cum Application Form;
- d) Ensure that the details about the Depository Participant and the beneficiary account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account;
- f) With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- g) Ensure that you request for and receive a TRS for all your Bid options;
- h) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;
- i) Ensure that the full Bid Amount is paid for the Bids submitted to the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs.
- j) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- k) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- l) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court, all Bidders should mention their PAN allotted under the IT Act;
- m) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- n) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

**Don'ts:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid Amount to less than the Floor Price or higher than the Cap Price;
- c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the Syndicate or the SCSBs, as applicable;
- d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;
- e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs only;
- f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for Bid Amount in excess of Rs. 100,000);
- g) Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual Bidders);
- h) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- j) Do not submit the Bids without the full Bid Amount.

Instructions for Completing the Bid cum Application Form

Bids must be:

- a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- c) Information provided by the Bidders will be uploaded in the online IPO system by the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. The Bidders should ensure that the details are correct and legible.
- d) For Retail Individual Bidders, the Bid must be for a minimum of [] Equity Shares and in multiples of [] thereafter subject to a maximum Bid Amount of Rs. 100,000.
- e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100,000 and in multiples of [] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**Bidder's PAN, Depository Account and Bank Account Details**

Bidders should note that on the basis of PAN of the Bidders, DP ID and beneficiary account number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) or unblocking of ASBA Account. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders or unblocking of ASBA Account at the Bidders sole risk and neither the BRLM and Co-BRLM or the Registrar or the Escrow Collection Banks or the SCSBs nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allotment Advice and printing of Bank particulars on the refund orders. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue. By signing the Bid cum Application Form, the Bidder would have deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders not receiving refunds through electronic transfer of funds, delivery of refund orders/ allocation advice/ CANs may get delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank, the Registrar, Escrow Collection Bank(s) nor the BRLM and Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay. In case of Bidders receiving refunds through electronic modes, Bidders may note that refunds may get delayed if Bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the prevailing exchange rate and net of bank charges and/or commission. In case of Bidders who remit money



through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or bye laws must be along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserves the right to relax the above condition of simultaneous submission of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLM and Co-BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company and the Syndicate shall open Escrow Account(s) with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the



Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to facilitate collections from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Payment into Escrow Account for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
2. The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid of the Bidder shall be rejected.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (a) In case of Resident QIB Bidders: [●]
 - (b) In case of Non-Resident QIB Bidders: [●]
 - (c) In case of Resident Retail and Non-Institutional Bidders: [●]
 - (d) In case of Non-Resident Retail and Non-Institutional Bidders: [●]
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign



Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

6. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders (other than ASBA Bidders) till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and no later than 10 Working Days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on bidding, if any, after adjusting for allocation/Allotment to such Bidders.
10. Payments should be made by cheque, or a demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/postal orders will not be accepted.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.



In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to detect multiple Bids are given below:

1. All Bids will be checked for common PAN and will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid data and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The Bids with same name and same address will be treated as multiple Bids.
5. The Bids will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

Permanent Account Number or PAN

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the Bidders, should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Therefore, MAPIN is not required to be quoted with the Bids.

Our Right to Reject Bids

In case of QIB Bidders, our Company in consultation with the BRLM and Co-BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company has a right to reject Bids based on technical grounds. Consequent



refunds shall be made by RTGS/NEFT/NES/Direct Credit/cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Bids for number of Equity Shares which are not in multiples of [.];
- Category not ticked;
- Multiple Bids as defined in the Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stock invest/money order/postal order/cash;
- Bid cum Application Forms does not have the stamp of the BRLM and Co-BRLM or Syndicate Members or the SCSB;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by QIBs not submitted through the BRLM and Co-BRLM or in case of ASBA Bids for QIBs not intimated to the BRLM and Co-BRLM;
- Bids by persons in the United States excluding —qualified institutional buyers as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;



- Bids not uploaded on the terminals of the Stock Exchanges; and Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

IN CASE THE DP ID, CLIENT ID AND PAN ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES OR THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar:

- Agreement dated [●], between NSDL, our Company and the Registrar;
- Agreement dated [●], between CDSL, our Company and the Registrar.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- (g) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares of our Company would be in dematerialised form only for all Bidders in the demat segment of the respective Stock Exchanges.



Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Bidders can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, beneficiary account number provided by them in the Bid cum Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue, the BRLM and Co-BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. **NECS** – Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
2. **Direct Credit** – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.
3. **RTGS** – Applicants having a bank account at any of the abovementioned centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. **NEFT** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the



website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 15 days of the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 10 Working days of the Bid/Issue Closing Date.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 9 Working days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 10 Working days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 Working Days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 9 Working Days of the Bid/Issue Closing Date; and
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 9 working days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 10 days from the Bid/Issue Closing Date.



Our Company shall pay interest at 15% p.a. for any delay beyond the 15 days from the Bid/Issue Closing Date as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 days prescribed above.

IMPERSONATION

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

“Any person who:

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

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non- Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail shall be available for Allotment to Non- Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.



- The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Bids by Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;
 - (b) In the second instance Allotment to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, our Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and Co-BRLM and the Registrar shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner. The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorised according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:



- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of Allotment or Refund Orders or instructions to the SCSBs

The Company shall credit each beneficiary account with its depository participant within 11 days of the Bid/Issue Closing Date. Applicants those who are residents of the 68 cities notified by SEBI through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008 will receive refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is eligible to receive refunds through direct credit, NEFT or RTGS. In the case of other applicants, the Company shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's, sole risk within 10 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund, within 10 days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 10 days of the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

We shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) or instructions to Self Certified Syndicate Banks by the Registrar to the Issue, in Application Supported by Blocked Amount process and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 10 working days of the Bid/ Issue Closing Date.

In case of applicants who receive refunds through ECS, direct credit, RTGS or through unblocking the relevant bank accounts, the refund instructions will be given to the clearing system within 10 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 10 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of Allotment. In accordance with the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that:



- Allotment of Equity Shares shall be made only in DEMATERIALIZED form within 9 (nine) working days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 10 (ten) working days of the Bid/Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% (fifteen) per annum for any delay beyond the 10 (ten) day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/ or demat credits are not made to investors within the 10 (ten) days time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI ICDR Regulations.

Interest on refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders /instruction to Self Certified Syndicate Banks by the Registrar are not dispatched within 10 working days from the Bid/Issue Closing Date.

UNDERTAKINGS BY THE COMPANY

We undertake that:

- The complaints received in respect of the captioned Public Issue shall be attended to by the Company expeditiously and satisfactorily
- All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalisation of basis of allotment
- The funds required for making refund to unsuccessful applicants as per the modes disclosed shall be made available to the registrar to the captioned Public Issue.
- Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 10 working days of closure of the issue, giving details of the bank where refund shall be credited along with amount and expected date of electronic credit of refund.
- The promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro-rata basis before the calls are made on public.
- The certificates of the shares/ refund orders to the Non-Resident Indians shall be dispatched within the specified time.
- No further issue of securities shall be made till the shares offered through the prospectus are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc
- That at any given time there shall be only one denomination for the shares of the company,
- That the company shall comply with such disclosure and accounting norms specified by the Board (SEBI) from time to time and
- That the adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Withdrawal of the Issue

Our Company, in consultation with the BRLM and Co-BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event, our



Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed. Any further issue of Equity Shares by our Company shall be in compliance with applicable laws.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certify that:

- (a) all monies received out of the issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956.
- (b) details of all monies utilised out of the issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies had been utilised, and
- (c) details of all unutilised monies out of the issue, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and FEMA and circulars and notifications issued there under. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allotment.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in



compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each subaccount shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company incase such sub account is a foreign corporate or an individual.

The above information is given for the benefit of the Bidders. The Company and the BRLM and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.



SECTION VII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

SHARE CAPITAL AND VARIATION OF RIGHTS

4. The Authorised Share capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) Equity Shares of Re.10/- (Rupee Ten) each. The Company shall have power to issue Equity shares or Preference shares in the Capital, original or increased, in accordance with the provisions of the Companies Act, 1956, and Directors may, subject to the provisions of the Act, exercise such powers in any manner they think fit, and provide for redemption of the preference shares on such terms including right to redeem at a premium or otherwise.

CAPITALISATION OF PROFITS

5. The Board of Directors of the Company may, from time to time and at any time at its discretion and subject to the provisions of the Companies Act, 1956 capitalise any amount from reserve account.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

6. Notwithstanding anything contained in this Article and subject to the Provisions of the Act, the company may from time to time repurchase or buy back its own shares and / or securities issued by the company and outstanding for the time being, on such terms and in such manner as may be permitted under the Act and rules made thereunder.

CERTIFICATES

7. a. The Certificate of title to shares will be issued sealed and signed in conformity with the provisions of the Companies (issue of Share Certificate) Rules, 1960 or any statutory modification or enactment thereof for the time being in force. Any two or more joint allottees or owners of share shall, for the purpose of this Article, be treated as a single member and the certificate of any shares may be delivered to first named joint allottees or owners on behalf of all of them. The Company shall comply with provisions of section 113 of the Act.
- b. Every member shall be entitled, without payment, to one or more Certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division consolidation or renewal of any of its shares as the case may be. Every Certificates of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint-holders shall be a sufficient delivery to all such holder.
- c. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then, upon proof thereof to the satisfaction of the company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.



Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the Company.

DEMATERIALISATION OF SHARES

7. a. Definitions

For the purpose of this article,

“Beneficial Owner” means a person (s) whose name is recorded as such with a depository;

“Depository” means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a Depository under the SEBI Act, 1992;

“Depository Act” means the Depositories Act, 1996 or any statutory modification or re-enactment thereof;

“Registered Owner” means a person whose name is entered as such in the records of the Company;

“SEBI” means The Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992;

“Security” means such Security, as may be specified by the SEBI from time to time.

b. Dematerialization / Rematerialization of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in the dematerialized form pursuant to the Depositories Act.

c. Options for investors

Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository, such a person who is the beneficial owner of the securities can opt out of depository, if permitted by law, in respect of any security in the manner provided by the Depository Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository, the details of allotment of the security, and on receipt of information, the depository shall enter in the records, the name of the allottee as the beneficial owner of the securities.

d. Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. No Certificate shall be issued for the securities held by the depository. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

**e. Service of Documents**

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

f. Transfer of Securities

Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee, both of whom are entered as beneficial owners in the records of a depository.

g. Allotment of Securities dealt within a Depository

Notwithstanding anything contained in the Act, or these Articles, where a depository deals within or the securities, the Company shall intimate the details of allotment of relevant securities to the depository immediately on allotment of such securities.

h. Distinctive Nos. of Securities held in a Depository

Notwithstanding in the Act, or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall not apply to securities held with a depository.

i. Register and Index of beneficial owners

The Register and index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of members and other security holders for the purpose of these Articles.

j. Right of Depositories and beneficial owners

- a. Notwithstanding anything contained in the Provisions of the Companies Act, 1956 and these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- b. Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be member of the company. The beneficial owners of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of their securities, which are held by the depository.

CALL ON SHARES

12. The Board may from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. Provided that no call shall exceed one-fourth of the nominal amount of share or be payable at less than one month from date fixed for the payment of the preceding call.

A call may be revoked or postponed at the discretion of the Board.

The Joint holders of shares shall be jointly and severally liable to pay all calls in respect thereof.



Provided that an option or right to call of shares shall not be given to any person(s) except with the sanction of the Company in general Meeting.

13. i. If a sum called in respect of a share is not paid before or on the date appointed for payment thereof, the person from whom the same is due shall pay an interest thereon from the date appointed for payment thereof to the time of actual payment at 21% per annum or at such lower rate, if any, as the Board may determine.
ii. The Board shall be at liberty to waive payment of any such interest wholly or in part.
14. Payment of call moneys shall be accepted from the beneficial holders on production of subdivided or duplicate call notices without insisting that the shares in respect of which these call monies are paid shall be transferred into the names of the beneficial holders.
15. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

VOTE OF MEMBERS

16. No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which the company has exercised any right of lien.

The Form of Proxy shall be in two way proxy form as prescribed in Schedule IX of the companies Act, 1956 to enable the shareholders to vote for or against any resolution at their discretion.

Subject to the provisions of the Section 192A of the Companies Act, 1956 and any other rules and regulations which may be framed by the Central Government from time to time the company may transact such business as may be notified by the Central Government from time to time or which the company may consider necessary through postal ballot.

TRANSFER AND TRANSMISSION OF SHARES

19. a. Shares in the Company shall be transferred in the form prescribed by the Companies (Central Government's) General Rules and forms, 1956. The Company shall not charge fees for registration of transfer. The provisions of Section 108 and any amendments thereof for the time being in force, shall be complied with in respect of all Transfer of shares and registration thereof.

b. No shares of the Company shall be transferred without the approval of the Board of Directors or a Committee of the Board constituted therein for the purpose by a resolution passed at its meeting.
20. The Board shall comply with the Rules, regulations and requirements of the Stock Exchange or the Rules made under the Act or the Rules made under the Securities Contracts (Regulation) Act, 1956 or any other law or Rules applicable relative to the transfer or transmission of shares or debentures.



21. Subject to the provisions of Section 111A of the Act, and relevant provisions of the Securities Contracts (Regulations) Act, 1956 and the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, the shares of the Company shall be freely transferable EXCEPT WHEN
- i. the instrument of transfer is not proper or has not been duly stamped and executed or the certificate relating to the security has not been delivered to the Company or any other requirement under the law relating to registration of such transfer has not been complied with.
 - ii. the transfer of the securities in contravention of any law or rules made thereunder or any administrative instructions or conditions of listing agreement laid down in pursuance of such laws or rules.
 - iii. the transfer of the security is prohibited by any order of any Court, Tribunal or other authority under any law for the time being in force and
 - iv. that there is a lien on the shares.
22. The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.
23. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, Certificate of death or Marriage, power of attorney or other similar documents.
24. On the death of a member, the survivors where the member was a joint holder, and his legal representative where he was a sole holder, shall be the persons recognized by the Company as having any title to his interest in the shares.
25. No transfer of shares shall be made to a minor, except represented by a guardian.

NOMINATION OF SHARES AND TRANSMISSION BY A NOMINEE

26. Subject to the provision of Sections 109A and 109B of the Act, every holder of shares or debentures may at any time nominate a person to whom shares or debentures shall vest in the event of his death and such nominee may either register himself as a holder of the shares or debentures as the case may be or make such transfer of such shares or debentures as the deceased shareholder or debenture holder could have made.

NOMINATION IN RESPECT OF DEPOSITS

27. A depositor may at any time make a nomination subject to and in accordance with the provisions of Sections 109A of the Act and such nominee may make a transfer of the deposit subject to and in accordance with the provisions of Sections 109B of the Act.

FURTHER ISSUE OF SHARES

28. (1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares whether out of the unissued capital or out of the increased share capital then.
- a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.



- c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reasons to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and of such person(s) as they may think, in their sole discretion, fit.
- (2) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether, or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the Company in General Meeting, or
 - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed.
- (a) To extend the time within which the offer should be accepted;
or
 - (b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
- (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term.

- a. Either has been approved by the Central Government before the issue of the debentures of the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
 - b. In the case of debentures of loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.
29. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the



same or any of them to such person, in such proportion and on such terms and conditions and either at a premium at a par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

PROCEEDING AT GENERAL MEETINGS

30. (i) No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business.
(ii) Save as herein otherwise provided, five members present in person shall be a quorum.
31. The Chairman, if any, of the Board shall preside as Chairman at every General Meeting of the Company.
32. If there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman of the Meeting the members present shall elect one of Members to be chairman of the Meeting.

BORROWING POWERS

47. The Board of Directors for the Company may, from time to time, at its discretion and subject to the provisions of the Companies Act, 1956 or any modifications thereof, borrow, or secure the payment of, any sum or sums of money for the purpose of the Company, provided that the Board of Directors shall not, except with the consent of the company in general meeting, borrow monies, 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, not set apart for any specific purpose.
48. Subject to the provisions of Article 47 Supra, the Board of Directors of the Company may raise or secure the repayment of such sum or sums in such manner, and upon such terms and conditions in all respects as it thinks fit, by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage or charge, or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being, any bonds, debentures, debenture stock, or other securities issued or to be issued by the Company shall be under the control of the Board of Directors, which may issue them upon such terms and conditions and in such manner and for such consideration as it shall consider to be for the benefit of the Company. The Board of Directors may upon the issue of any bonds, debentures, debenture-stock or other securities, confer on the creditors of the Company holding the same or any trustee or other persons acting on their behalf a voice in the Managing of the Company whether by giving to them the right of attending, but not voting at General Meeting of Company or by empowering them to appoint a person to be a Director of the Company or otherwise as may be agreed.
49. Any Debentures, debenture – stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

**DIVIDEND**

50. Any dividend, interest or other moneys payable in cash in respect of shares may be paid by Electronic Credit Service (ECS) to the bank accounts of the shareholders through any banker as may be decided by the Board of Directors from time to time or by cheque or warrant, drawn on Company's Bankers or on the Company itself and sent through post directly to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of the members, or to such person and to such address as the holder or joint holders may in writing direct.

51. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called "Servalakshmi Paper Limited unpaid Dividend Account".

The Company shall transfer any money transferred to the unpaid dividend account of the a Company that remains unpaid or unclaimed for a period of seven years from the date of such transfer, to the Fund known as Investor Education and Protection Fund established under Section 205C of the Act.

The Board shall not forfeit the unclaimed or unpaid dividend.

52. The Board may, from time to time, pay to the members such interim dividend as in their judgement the position of the Company justifies.

53. Dividend on fully paid shares shall be free of any charge and in respect of partly paid shares, dividends can be adjusted only to the extent of call presently payable on the shares.

COMMON SEAL

54. The Company shall have a Common Seal and the Directors shall provide for the safe custody thereof. The Common seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors or of a Committee of the Board authorized by it in that behalf and in the presence of at least two Directors or one Director and the Company Secretary who shall sign every instrument to which the seal shall be affixed in his presence. Such signature shall be conclusive evidence of the fact that the Seal has been properly affixed. As regards affixing the seal to share certificates the same shall be affixed in accordance with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 or any other statutory regulations.

WARRANTS

55. The Company may issue warrants attaching a right to the holder to apply for Equity shares on predetermined terms and conditions as may be stipulated by the Board of Directors of the Company.

INDEMNITY

56. Subject to the provisions of Section 201 of the Act, every Director, Agent, Trustee, Administrator, shall be indemnified by the Company against all losses, costs and expenses which any such officer or servant may incur or become liable by reason of any contract entered into, or any act or thing done by him as such officer or servant or any way in or about the discharge of his duties.

WINDING UP

57. Subject to the provisions of the Act, if the Company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up, or which ought to have been paid-up, at the commencement of the winding up, on the shares held by them respectively.



SECTION VIII - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this DRHP), which are or may be deemed material to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under Material Documents below all of which have been attached to the copy of this DRHP and have been delivered to the Stock Exchanges and may be inspected at the Registered Office of the Company between 9:30 am to 5:30 pm on any working day from the date of this DRHP until the date of closure of the subscription List.

Material contracts

1. Memorandum of Understanding dated 09/08/2010, entered into between the Company and Keynote Corporate Services Limited, Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated 31/08/2010, entered into between the Company and Indian Overseas Bank, Co-Book Running Lead Manager to the Issue.
3. Memorandum of Understanding dated 23/07/2010 entered into between the Company and Link Intime India Private Limited, Registrar to the Issue.
4. Escrow Agreement dated [●], between the Company, the BRLM and Co-BRLM, the Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between the Company, BRLM and Co-BRLM and Syndicate Members.
6. Underwriting Agreement dated [●] between the Company, BRLM and Co-BRLM and Syndicate Members.
7. Copy of Tripartite agreement dated [●] entered into between the Company, CDSL and Registrar to the Issue.
8. Copy of Tripartite agreement dated [●] entered into between the Company, NSDL and Registrar to the Issue.

Material Documents

1. Memorandum of Association and Articles of Association of the Company, as amended from time to time.
2. Shareholders' resolution in accordance with the provisions under section 81, 81 (1A) of the Company's Act 1956, dated 07th June, 2010 in relation to this Issue.
3. Copy of appraisal note dated 30/07/2010 by ITCOT Consultancy and Services Ltd. for the Techno Economic Viability (TEV) of the Company for its future expansion.
4. Copy of project appraisal note dated 10/08/2010 by Indian Overseas Bank.
5. Audited Balance sheets and Profit and Loss Accounts of the Company for the financial years ending on March 31, 2010, 2009, 2008, 2007 and 2006.
6. Consents of Auditors, Bankers to the Company, BRLM and Co-BRLM, Registrar to the Issue, Directors of our Company, Company Secretary & Compliance Officer, Legal Advisor to the Issue as referred to, in their respective capacities.
7. Legal Due Diligence Report dated 03/09/2010 by M/s. Ramani & Shankar, Advocates, Legal Advisor to the Issue.



8. Copy of certificate dated 02/09/2010 issued by the Statutory Auditors of the Company, M/s. S. Krishnamoorthy & Co., Chartered Accountants in terms of Part II Schedule II of the Companies Act 1956 including capitalisation statement, taxation statement and accounting ratio.
9. Copy of certificate dated 02/09/2010 issued by M/s. S. Krishnamoorthy & Co., Chartered Accountant and Statutory Auditors of the Company regarding tax benefits accruing to the company and its shareholders.
10. Copy of certificate dated 02/09/2010 received from M/s. S. Krishnamoorthy & Co., Chartered Accountant and Statutory Auditors of the Company regarding sources and deployment of funds.
11. Undertakings by the Company.
12. Copy of lease Agreement dated 19/08/2010 between the Company and Mrs. Danalakshmi pertaining to the residential premises for its executives at Door No.9/F, Thilak Nagar, Madurai Road, Tirunelveli, Tamil Nadu.
13. Copy of lease Agreement dated 30/12/2009 between the Company and Mrs. Florence pertaining to the residential premises for its executives at Door no. 60, 4th Street, Gandhi Nagar, Tirunelveli, Tamil Nadu.
14. Copy of In-principle approval received from BSE vide their letter no. [●] dated [●] for listing of the securities offered through this Offer Document at BSE.
15. Copy of In-principle approval received from NSE vide their letter no. [●] dated [●] for listing of the securities offered through this Offer Document at NSE.
16. SEBI Observation Letter No. [●] dated [●] issued by the Securities and Exchange Board of India and reply to the observation by Keynote Corporate Services Limited (Book Running Lead Manager) vide their letter no. [●] dated [●].

Any of the contracts or documents mentioned in the DRHP may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

**PART III****DECLARATION**

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or regulations issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

Signed by all Directors

Sd/-

R. Ramswamy

Sd/-

Y. Shivaram Prasad

Sd/-

B. Sriramulu

Sd/-

D. Muthusamy

Sd/-

S. N. Inamdar

Sd/-

S. Srinivasaragavan

Sd/-

G. P. Muniappan

Signed by the Company Secretary and Compliance Officer

Sd/-

Praveena Dhanagopal

Date: 03/09/2010**Place:** Coimbatore