

RED HERRING PROSPECTUS

Dated February 28 2007

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

**BHAGWATI BANQUETS AND HOTELS LTD**

(Originally incorporated as Bhagwati Banquets (P) Ltd on 1st November, 1999, the Company was subsequently converted into public limited Company and the fresh certificate of incorporation was granted to the Company on 13th April, 2000 in the name of Bhagwati Banquets And Hotels Ltd)

Regd Office: Plot No. 380, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad-380054.

The registered office of the Company was changed from 73, White House, Panchvati, Ellisbridge, C.G. Road, Ahmedabad-380006 to the present address w.e.f October 17, 2005.

Tel: +91 79 26841000, **Fax:** +91 79 26840915 **Email:** companysecretary@thegrandbhagwati.com, **Website:** www.thegrandbhagwati.com

Contact person: Mr. Nimesh Shah, Company Secretary and Compliance Officer.

PUBLIC ISSUE OF 2,30,00,000 EQUITY SHARES OF RS.10/- EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE) AGGREGATING Rs. [•] LACS BY BHAGWATI BANQUETS AND HOTELS LIMITED ("THE COMPANY" OR "ISSUER") (HEREINAFTER REFERRED TO AS THE "ISSUE") COMPRISING PROMOTERS CONTRIBUTION OF 45,44,600 EQUITY SHARES OF RS 10/- EACH AT A PRICE OF RS. [•] FOR CASH AGGREGATING TO RS [•] LACS (HEREINAFTER REFERRED TO AS THE "PROMOTERS CONTRIBUTION") AND A NET ISSUE TO THE PUBLIC OF 1,84,55,400 EQUITY SHARES OF RS.10/- EACH AT A PRICE OF RS [•] FOR CASH AGGREGATING TO RS [•] LACS (HEREINAFTER REFERRED TO AS THE NET ISSUE.) OF WHICH 18,45,540 EQUITY SHARES BEING 10% OF THE NET ISSUE TO BE COMPULSORILY ALLOTTED TO QIBS. THE NET ISSUE TO PUBLIC WOULD CONSTITUTE 63.02% OF THE POST ISSUE PAID UP CAPITAL OF THE COMPANY.

THE PROJECT HAS A PARTICIPATION OF RS. 1250 LACS AS TERM LOAN FROM INDIAN OVERSEAS BANK

PRICE BAND: Rs.36 TO Rs.40 PER EQUITY SHARE OF FACE VALUE Rs.10/-

THE ISSUE PRICE IS 3.6 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 4.0 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 days. Any revision in the Price band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to The National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Ltd. ("BSE"), by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager ("BRLM") and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 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 Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, at least 15% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the 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.

RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity shares of Bhagwati Banquets And Hotels Ltd there has been no formal market for the Equity Shares of the Company. **The face value of the Equity Shares is Rs 10 and issue price is [•] times of the face value.** The Issue price (as determined and justified by the Company in consultation with Book Running Lead Manager ("BRLM") as stated under para "Basis for issue price") 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 or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the 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 Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk factors" on page x of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this 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 offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd. We have received in-principle approval from the Stock Exchanges for the listing of the Equity Shares pursuant to letters dated November 28, 2006 and December 14, 2006 respectively. Bombay Stock Exchange Ltd shall be the Designated Stock Exchange.

IPO GRADING

The Company has opted for Grading from CARE and CRISIL. CARE has assigned "IPO GRADE 2" and CRISIL has assigned "IPO GRADE 1" to the initial public offering of the company. For more information on IPO gradings, please refer to page no. 11 of the Red Herring Prospectus.



BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
	Chartered Capital And Investment Limited 711, Mahakant Complex , Opp V.S. Hospital, Ellisbridge, Ahmedabad-380 006 Tel: +91-79-26575337, 2657 7571 Fax: +91-79-26575731 E-mail: bbhl.ipo@charteredcapital.net Website: www.charteredcapital.net	 INTIME SPECTRUM REGISTRY LIMITED	Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078 Tel: +91-22 - 2596 0320 (9 lines) Fax : +91-22 - 2596 0329 Email: bbhl@intimespectrum.com Website: www.intimespectrum.com
	ISSUE PROGRAMME		
BID / ISSUE OPENS ON : WEDNESDAY, APRIL 18, 2007		BID / ISSUE CLOSURES ON : WEDNESDAY, APRIL 25, 2007	

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
“Issuer” or “Company” or “BBHL” or “Bhagwati Banquets And Hotels Ltd.” “We” or “us” or “our”	Bhagwati Banquets And Hotels Ltd, a Company incorporated under the Companies Act, 1956. Unless otherwise specified, these references mean Bhagwati Banquets And Hotels Ltd and its subsidiaries.

Conventional and General Terms

Term	Description
Articles/ Articles of Association	The Articles of Association of Bhagwati Banquets and Hotels Limited.
Board	The Board of Directors of our Company or a Committee constituted thereof.
Book Value	Networth/ Number of outstanding shares
Companies Act	The Companies Act, 1956, as amended from time to time.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Director(s)	Director of our Company as may be changed 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.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed thereunder.
Financial Year /fiscal year/FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
FII's	Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 registered with SEBI and as defined under FEMA (Transfer or Issue of security by a person resident outside India) regulations, 2000 and under other applicable laws in India.
IT Act	The Income Tax Act, 1961, as amended from time to time
I. T Rules	The Income Tax Rules, 1962, as amended form time to time.
Insurance Act	Insurance Act, 1938 as amended form time to time.
Memorandum/Memorandum of Association	The Memorandum of Association of Bhagwati Banquets And Hotels Ltd.
Negotiable Instruments Act	The Negotiable Instruments Act, 1881
Non Residents	Non-Resident is a Person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

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NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Reserve Bank of India Act/RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI (DIP) Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI, on January 27, 2000 as amended from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended.
SICA	Sick Industries Companies (Special Provisions) Act, 1985
Stock Exchanges	BSE and/or NSE as the context may refer to.
Wealth Tax Act	Wealth Tax Act, 1957, as amended from time to time.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Allottee	The successful bidder to whom the shares are/have been issued.
Bankers to the Issue.	Indian Overseas Bank, HDFC Bank Ltd, UTI Bank Ltd and Standard Chartered Bank
Bid	An indication to make an offer during the Bidding/Issue Period by a Bidder to subscribe to the Company's 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 in the Issue.
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper with wide circulation.
Bid/Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati newspaper with a wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to the Equity Shares and which will be considered as the application for the Issue of the Equity Shares in terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form.
Bidding Period/Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
Book Running Lead Manager	Chartered Capital And Investment Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allotted Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the price band, above which the issue price will not be finalized and above which no bids will be accepted.
Cut off Price	Any price within the Price Band finalized by us in consultation with the BRLM. A Bid submitted at Cut-off is a valid bid at all price levels within the Price Band.
Designated date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders.
Designated Stock Exchange	Bombay Stock Exchange Ltd.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with the SEBI on July 22, 2006, 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 Rs.10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount while submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst the Company, the Registrar, the Escrow Collection Banks(s), the BRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders

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Escrow Collection Banks	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened.
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 finalized and below which no bids will be accepted.
Issue	Public Issue of 2,30,00,000 Equity Shares of Rs.10/- each at the issue price aggregating to Rs [.] Lacs.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Issue Period	The Issue period shall be from 18th April, 2007 to 25th April, 2007.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Mutual Fund	A fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instrument and registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000.
Non-Institutional Portion	The portion of the Issue being 27,68,310 Equity Shares of Rs. 10/- each available for allocation to Non Institutional Bidders.
Net Issue	Present issue less Promoters contribution i.e. 1,84,55,400 equity shares.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	Price band with a minimum price (floor of the price band) of Rs.36 and the maximum price (cap of the price band) of Rs.40 and includes revisions thereof.
Pricing Date	The date on which Company in consultation with the BRLM finalize the Issue Price.
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Financial information of Group Companies" on page 122 of this Red Herring Prospectus.



Promoters	Mr. Narendra Somani, Mr. Hemant Somani, Mr. Devanand Somani and Mr. Ramesh Motiani.
Prospectus	The Prospectus, filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Qualified QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, trilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Mn and pension funds with minimum corpus of Rs .250 Mn.
QIB Margin	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.
QIB Portion	The portion of this Issue being a upto of 50% of the Net Issue, i.e. 92,27,700 Equity Shares of Rs. 10 each aggregating Rs.[•] Lacs available for allocation to QIBs, of which 5% shall be reserved for Mutual Funds.
Registrar/Registrar to the Issue	Registrar & Transfer Agent, viz. Intime Spectrum Registry Limited
Red Herring Prospectus or RHP	Red Herring Prospectus is 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 issued and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing it with the Registrar of Companies after the pricing.
Retail Individual Bidder	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being at least 35% of the Net Issue to the Public i.e. 64,59,390 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Syndicate	The BRLM and the Syndicate Members
Syndicate Member	[•]
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of the Bids in the Issue.
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and Syndicate Members.
Underwriting Agreement	The Agreement between the members of the Syndicate and the Company, on its own behalf to be entered into on or before the Pricing Date.

BHAGWATI BANQUETS AND HOTELS LTD.**Company and Industry Related Terms.**

Term	Description
ARR	Average Room Rental calculated by dividing the total room revenue by the number of rooms occupied.
Auditors	The statutory auditors of the Company, being O P Bhandari & Co, Chartered Accountants.
F&B	Food and Beverage
FHRAI	Federation of Hotel and Restaurant Associations of India
HRACC	Hotel Restaurant Approval and Classification Committee
Occupancy	Total number of room days occupied divided by the total number of room days available
Project	The proposed project of the Company
Registered Office/ Registered office of the Company	The Registered Office of the Company being Plot No 380, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad-380054.
ROC	Registrar of Companies, Ahmedabad, Gujarat.

Abbreviations

Abbreviation	Full Form
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AY	Assessment year
BSE	Bombay Stock Exchange Limited earlier known as The Stock Exchange, Mumbai.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services Ltd.
DP	Depository Participant
EPS	Earnings per share.
EGM	Extraordinary General Meeting
EBITDA	Earning before Interest, tax, Depreciation and Amortization
ESIC	Employee's State Insurance Corporation
ETP	Effluent Treatment Plant
FDI	Foreign Direct Investment
FII(s)	Foreign Institutional investors
FY	Financial Year
FIPB	Foreign Investment Promotion Board.
FIs	Financial Institutions



FVCI	Foreign Venture Capital Investor
Government/ GOI	The Government of India.
GAAP	Generally Accepted Accounting Practices
GIR Number	General Index Registry Number
GDP	Gross Domestic Product
HVAC	Heavy Volume Air Conditioning
HUF	Hindu Undivided Family
HNI	High Networth Individual
IFSC	Indian Financial System Code
IPO	Initial Public Offering
ICAI	Institute of Chartered Accountants of India
MIS	Management Information System
Mn/Mn	Million
NAV	Net Asset Value
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
NRI	Non Resident Indian
NSDL	The National Securities Depository Services Ltd
NSE	The National Stock Exchange of India Ltd
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
P/E Ratio	Price Earnings Ratio
p.a	Per Annum
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PIO	Persons of Indian Origin
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RONW	Return on Networth
ROC	Registrar of Companies
Rs	Indian Rupees.
RTGS	Real time Gross Settlement
SEBI	The Securities and Exchange Board of India
SEZ	Special Economic Zone
Sec.	Section
SCRA	Securities Contracts Regulation Act, 1956, as amended form time to time.
SCRR	Securities Contracts Regulation Rules, 1957, as amended form time to time.
UOI	Union of India
USA	United States of America
USD or \$ or US \$	United States Dollar

CERTAIN CONVENTIONS - USE OF MARKET DATA.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our fiscal year commences on April 1 every year and closes on March 31 of the next year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

Neither the Company nor its Directors and officers, nor any Underwriter, nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the listing and commencement of trading on the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.



FORWARD LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward looking statements. These forward looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Red Herring Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

- General economic and business conditions in India and other countries;
- The ability to successfully implement the strategy, growth, new projects and expansion plans;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries or incidents caused by human error;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Government for the development of tourism sector;
- Social or civil unrest or hostilities with neighbouring countries or acts of international terrorism;
- Changes in laws and regulations that apply to hotel, tourism and hospitality industry, including laws that impact our ability to enforce our collateral.
- Changes in political conditions in India.

For further discussion of factors that could cause actual results to differ, please see the section entitled “Risk Factors” beginning on page x of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Book Running Lead Manager team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the 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 II- RISK FACTORS

An investment in equity shares or equity related securities involve a high degree of risk. One should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares or other securities of the Company. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Materiality

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

- a) Some events may not be material individually but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the outstanding litigations risk if any. Wherever possible, the financial impact of the risk factors has been quantified.

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

A. SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

1) One of our promoters is involved in few regulatory proceedings.

One of our Promoters Mr. Narendra Somani is involved in some regulatory proceedings under Income Tax Law which are currently pending against him. There are six disputes relating to Income Tax against our Promoter out of which five appeals are filed by our Promoter and one appeal is filed against him by the Income Tax department. The total amount involved in all these cases is Rs 121.18 Lacs. For further details please refer to Section Litigation on page no 138 of this Red Herring prospectus.

Management Perception

These are appeals filed against routine disallowance of expenses and do not materially affect the Company.

2) One of our group/associate Companies is involved in regulatory proceedings.

One of our group/associate companies namely Bhagwati Caterers Pvt Ltd is involved in some regulatory proceedings under Income Tax Law which are currently pending against them. There are nine disputes relating to Income tax against our Group Company out of which eight appeals are filed by the Company and one appeal is filed against the Company by the Income Tax department. The total amount involved in all these cases is Rs 84.20 Lacs. For further details please refer to Section Litigation on page no 138 of this Red Herring prospectus.

Management Perception

These are appeals filed against routine disallowance of expenses and do not materially affect the Company.

3) Our business has made losses in financial year 2002-03.

We have made losses of Rs 50.60 Lacs in the financial year 2002-03 as per our audited financial statements for the year ended on 31st March, 2003. Though our existing operations are profitable we cannot guarantee that we will not make losses in the future.



Management Perception

The Company was incorporated on 1st November 1999 and the operations were started in June 2002. The above amount of loss is the loss incurred for the first 9 months of operations and the Company started earning profits from the second year of operations itself.

4) Negative Cash flows of the Company in the financial years 2003-04 and 2005-06.

While our operating cash flows are positive for the year ended on 31st March 2004 and 31st March 2006 we are rapidly expanding and increasing our equity stake leading to negative Cash Flows. For details regarding our Cash Flow please refer to the section titled "Financial Statements" beginning on page 83 of this Red Herring Prospectus.

5) Some of our Group companies/associates have incurred losses in recent fiscal periods.

Some of our group/associate companies have incurred losses as per their financial statements in the recent fiscal period. The details of these losses are set out in the table below:

(Rs in Lacs)

Group Associates	Years			
	2005-06	30.09.2005	2004-05	2003-04
TGB Foods Pvt Ltd	-	-	(0.77)	-
Bhagwati Eateries Pvt Ltd	(6.76)	-	(23.53)	-
Bhagwati International	-	(0.73)	-	(6.49)
Bhagwati Caterers Pvt. Ltd.	(47.92)	-	-	-
Rising Hotel Ltd. (Formerly Akash Hotel Ltd.)	-	-	(59.46)	(47.38)

Management Perception

These are small operational losses. In case of first two Companies it is the first year of operations and operations too were for a part of the year only.

6) We have changed the method of depreciation which increased our profit and net block of fixed assets.

As per the Auditors Report of Bhagwati Banquets And Hotels Ltd for the financial year ended on 2003-04, the Company has changed the method of depreciation from Written down Value to Straight Line Method, consequent to which the net block of Fixed Assets and profit has increased by Rs 94.51 Lacs than reflected in Profit and Loss Account.

Management Perception

The above change was done with the intention to match with the normally prevailing accounting policies.

7) We have group Companies/ventures which have activities similar to our business.

Management Perception

As on the date, we have four Pvt Ltd Companies and one public limited Company as promoter group companies and four partnership firms/proprietorship concerns as associate concerns that have activities similar to those carried out by our Company. Out of that, the assets and business of Bhagwati Caterers Pvt Ltd which is involved in outdoor catering has been taken over by the Company with effect from October 2005. Moreover the Company namely TGB Foods Pvt Ltd is involved in the business of manufacturing Bakery products which is not exactly competitive to our business. The businesses of other group associates namely M/s TGB Resorts Karnavati and M/s Bhagwati International have already been taken over by Bhagwati Banquets And Hotels Ltd as part of its group reorganization and consolidation with effect from October 2005. Hence there is no conflict of interest between businesses carried on by our group Companies and that by us. M/s Bhagwati Marketing Co is a proprietorship concern. Further, one partnership firm namely, New Ramesh Kirana Stores is owned by one of the promoters and his family members and carries on the retail business of dry fruits and Kirana which is also not competitive to the existing business carried on by the Company.

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- 8) **The land on which the Company proposes to start Hotel at Surat is owned by the subsidiary Company.**

Management Perception

The land on which the Company proposes to construct the Hotel at Surat is owned by Lov Kush Properties Pvt Ltd, a 100% subsidiary of our Company Bhagwati Banquets And Hotels Ltd.

- 9) **The Company is yet to start Construction of Building for which Rs. 6000 lacs is allocated in the project cost.**

Management Perception

As soon as the SUDA (Surat Urban Development Authority) approves the plan, construction will start. The Company has already put up the plans to SUDA. There will be no difficulty in obtaining approvals and starting construction thereafter.

- 10) **Approval of plan alongwith NOC approval and building permission is yet to be received from SUDA by the Company for its Surat project.**

Management Perception

The Company has applied for the approval of the plan, NOC approval and building permission jointly to SUDA on 15/06/2006. The Company expects the above approvals very shortly after which the implementation of the project will start in full swing.

- 11) **We have planned capital expenditures, which may not yield the benefits intended.**

The Company has planned Rs 7775 Lacs Capital expenditure plans aimed at starting hotel operations in Surat. The capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/ development delays or defects; receipt of critical governmental approvals; and changes in management's views of the desirability of current plans, among others.

Management Perception

The project will be started on the land owned by its 100% subsidiary Company namely Lov Kush Properties Pvt Ltd. The Company has already incurred the amount of Rs 500 Lacs as an investment in Subsidiary Company and will soon start construction activities as soon as SUDA approval is in place. Hence the Company does not foresee any problem in starting and completion of the project.

- 12) **The present project is funded substantially from the proceeds of present public issue. And due to the delay in the public issue there has already been a delay in the schedule of implementation of the project that the company initially proposes to undertake.**

The cost of the present project is Rs.7775 Lacs out of which Rs [•] lacs are to be received through equity participation including promoter's contribution. Any delay in the public issue will have the adverse impact on the implementation schedule of the project.

Management Perception

In case of delay in the present IPO due to any reasons, we shall fund the Surat project, partly through the internal accruals and balance through debt funds after suitable adjustments to Company's business plans with respect to scaling up its activities so that project requirements are met without delay.

- 13) **The implementation of the proposed project is at a preliminary stage.**

The Company has deployed only Rs.781.30 Lacs towards the project cost. It has not yet placed orders for the equipments to be purchased from the proceeds of the issue. Further utilization of part of the issue proceeds may not be in the productive assets, which may not result in returns for the company in the short or medium term. The major time taken in this type of industry is construction and interiors.



Management Perception

The items for which the orders are not yet placed are readily available in the market and will be required at the time of trial run. The Company shall place order for the remaining capital items as and when required and therefore commercial operation shall not be affected for the same. The Company is in process of negotiations with various suppliers and has invited quotations from various suppliers. There would be no delay in further implementing due to this.

14) We have yet to apply for certain approvals with respect to Hotel project at Surat and there are certain approvals we have applied for but are pending.

For our expansion plans in Surat, Gujarat, we are yet to apply for and receive various approvals / permissions from jurisdictional, statutory and regulatory authorities, a summary of which is described in the section titled Licenses and Approvals on page 142. We shall be applying for such approvals and permissions at the appropriate time. Failure or delay in obtaining these approvals would adversely affect our business.

Management Perception

We have already applied for the key approvals which are to be received very shortly for commencing implementation of the project for which resources are being raised in this Issue. The pending approvals are to be received only after operation of the Hotel starts. These approvals are of routine nature and we see no difficulty in obtaining them in due course of time.

15) While we believe that our present facilities are in compliance with applicable laws and regulations, any changes in future may adversely affect working of the company. If we are not able to renew or maintain our statutory and regulatory permits and approvals required to operate our business it may have a material adverse effect on our business.

Management Perception

In the past, we have complied with the applicable laws and regulations, relevant to our business and propose the same in the future.

16) Time and Cost Overrun

In case, there is a delay in the implementation of the Project, it may adversely affect the future profitability of the Company. The increase in the cost of the equipment may result in cost overrun of the project, as they are subject to price variations and thus may adversely affect the productivity & profitability of the Company.

Management Perception

The entire process is streamlined and professionally managed by competent and experienced team of supervisors and engineers. As a result, the management does not foresee any failure in the timely implementation of the project. Moreover, the promoters have already set up the similar type of project at Ahmedabad and running its Hotel under the name "The Grand Bhagwati" very successfully; and therefore, they are confident of implementing the above project successfully as envisaged in the implementation schedule.

17) The success of the current project would be dependent upon the project management skills of the existing management of the Company.

The Company has embarked upon Rs.7775 Lacs project, which is large in comparison to its current size of operations of the Company. Although the promoters have an experience in the Hotel Industry, their competence in handling a project of this magnitude remains to be demonstrated.

Management Perception

The promoter directors of the Company are first generation entrepreneurs and have established a presence for the Group in the areas of Hotel management and catering. The Chairman and managing

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Director of the Company has vast experience in this field and is known as the successful businessman in the market in the Hotel Industry. Somani brothers have established themselves in the catering business for the past 15 years. Shri Narendra Somani's extensive experience in the food and catering industry is useful in BBHL, guiding the Hotel's Operations.

- 18) There could be any delay in the schedule of deployment of funds for the proposed growth plan and it may have an adverse impact on business.**

Management Perception

The Company has the requisite experience and capabilities to achieve growth plan. It has flexibility and options to realign its project activities as warranted by the changing situation.

- 19) Disbursement of term loans for the project is contingent upon the success of the Issue.**

One of the terms and conditions for disbursement of the term loans is contingent on the satisfaction of certain conditions such as raising of funds through Issue etc. In case there is a delay in complying with any of the conditions, the disbursement of funds may be delayed and in turn may adversely impact the project and the future profitability.

Management Perception

We do not foresee any difficulty for the success of the issue and in raising of funds from the bank.

- 20) Restrictive Covenants of Banks/lenders may affect shareholder's rights.**

The Company is subject to usual and customary restrictive covenants in agreements that it has entered into with its banks or short-term loans and long term borrowings. These restrictive covenants require the Company to seek the prior permission of the banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/restructuring, change in management etc. Accordingly, these restrictive covenants may affect some or all of the rights of its shareholders.

Management Perception

Most of the covenants are standard in nature. Moreover, Indian Overseas Bank, a public sector bank has appraised the project and participated in the funding, so it is not going to adversely affect the shareholders rights or interests.

- 21) Our revenues include revenues from catering contracts.**

We have entered into catering contracts for managing various hotels/clubs and party plots. Management contracts are based on the management of hotels/clubs and party plots owned by third parties. These contracts may not be renewed when they expire and in some events can be terminated prior to expiration. These management contracts expose us to the risk of disputes with the relevant property owners. We have entered into lease agreements in respect of certain hotels/clubs and party plots/ properties.

Management Perception

Due to the experience, performance and creditability of the promoters in such businesses and the arrangements, there is no likelihood of any such occurrences. Such contracts are based on mutual confidence and mutual benefits.

- 22) Appraiser of our Project, Indian Overseas Bank has mentioned certain Weaknesses and Threats in its Appraisal Report dated 10/02/2006.**

Our Project has been appraised by Indian Overseas Bank. Indian Overseas Bank has mentioned the following **Weaknesses and Threats** in its Appraisal Report:

Weaknesses

The key problem is trained and reliable manpower-cooks, waiters and helpers.



Threats

The most severe constraint in the context of hotel business at Surat is air connectivity. The textile-importers, diamond buyers and many others set up meetings at Mumbai because Surat does not have air connectivity.

Management Perception

With our experience and relations with staff, we do not foresee any difficulty in getting and retaining suitable manpower. Plans for developing Airport have already started at Surat and by the time we are ready the Airport should be in place.

- 23) Our existing business is confined to one city and we are now proposing to expand our operations in other city.**

Management Perception

We may not face difficulties in development and management of hotel properties in other cities as we already have presence in Surat through catering business for quite sometime and there is demand in Surat for good hotels and Banquet halls.

- 24) The hotel industry is cyclical and sensitive to changes in the economy and this could have a significant impact on our operations and financial results.**

The hotel business is cyclical and sensitive to changes in the economy in general. The hotel sector may be unfavourably affected by such factors as changes in the global and domestic economies, changes in local market conditions, excess hotel supply or reduced demand for hotel rooms and associated services, competition in the industry, changes in interest rates, the availability of finance and other natural and social factors. Since demand for hotels is affected by economic growth in India as well as globally, a global or domestic recession could lead to a downturn in the hotel industry. Such adverse developments in the hotel industry in India or in the cities where our hotels are located would have a negative impact on our profitability and financial condition.

- 25) We are subject to risks associated with the domestic and regional property markets.**

Management Perception

We have already acquired the property, so escalation in land cost is not going to affect our project.

- 26) We are subject to operating risks common in the hotel industry.**

Our financial results are affected by occupancy and room rate achieved by our hotel, our ability to control cost of developing and running additional rooms, the success of our food/beverage and catering operations. Further our operating margins would be adversely affected by increase in electricity, insurance and environmental compliance expenses. Our hotels would have to be renovated periodically to keep up with the changing trends and such renovation may involve significant development and maintenance costs. Our inability to manage the above operating risk would have a negative impact on our profitability and financial position.

- 27) Our business is seasonal in nature.**

Our revenues are generally higher during the second half (October to March) of each fiscal year as compared to the first half (April to September) of the fiscal year. Any disturbances / disruptions during this period may lead to reduction in our revenues and can have a material adverse impact on our financial performance. As a result of this, the quarter to quarter comparison of historical results may not be accurate or a meaningful indicator of our future performance.

Management Perception

The trend is fast changing and people are celebrating wedding functions as per convenience and holidays available. The business is gradually spreading to all months throughout the year.

28) Increased competition in the hotel sector may adversely affect the operation of our hotels.

Hotels owned, managed or operated by us compete for guests with other hotels in a highly competitive industry. Our success would be dependant on our ability to compete in areas such as room rates, quality of accommodation, service levels, and brand recognition among others. Most of our current operations are in Ahmedabad and proposed expansion in Surat-Gujarat where we face competition from existing hotel players and will also have to compete with any new hotel properties coming up in the city. We expect to face similar competition in the cities where we are expanding. There can be no assurance that new or existing competitors will not significantly lower rates or offer greater convenience, services or amenities or significantly expand or improve facilities in the market in which we operate. Such developments would affect our ability to compete with them and have a negative impact on our profitability and financial condition.

29) No previous track record of dividend.

The Company has not declared any dividend since inception.

Management Perception

We have not declared dividend on the paid up equity share capital of the Company as our Company is closely held and we preferred to plough back the profits into the business.

30) Our operations may be adversely affected if relations with employees were to deteriorate.

Relations with employees could deteriorate due to disputes related to, among other things, wage or benefit levels. Our operations rely heavily on employees and on the employee's ability to provide high-quality personal service to guests. Shortage of skilled labour or stoppage caused by disagreements with employees could adversely affect our ability to provide these services and could lead to reduced occupancy or potentially damage our reputation. In addition, we rely heavily on certain key employees please refer section titled "Our Management" on page 67 of this Red Herring Prospectus. If these particular employees should cease to be employed by us, this could adversely affect our operations.

Management Perception

The Company has skilled and experienced personnel who have expertise in their chosen fields. The Company provides a challenging, open and professionally satisfying work environment to its employees. The Company does not foresee any problem in hiring and retaining competent manpower. Besides the promoters themselves experienced in the Company's business understand the importance of retaining competent manpower. Moreover, if there arises any such problem, the Company would try to replace them by other competent persons or promote the second-line by providing for higher responsibilities to them.

31) Inability to retain/attract senior management personnel may lead to sub-optimal performance.

The success of the Company depends upon its senior management and key personnel. The future performance of the Company will depend upon the continued services of these persons. In the event, the Company is not able to retain its senior management personnel or attract and retain new senior management personnel in the future; it may lead to an adverse impact on its business and results of operations.

Management Perception

Human capital management is a key focus area in our Company. The competitive compensation and perquisites offered to our personnel, challenging roles to steer a growing integrated hotel company will enable us to attract and retain new senior management personnel.

32) The post issue shareholding of promoters and promoter group is low.

After the completion of this Issue, the Promoters and the Promoter Group will own 35.59% of post issue Equity Share Capital.



33) Outstanding amount of debtors.

The Company has an outstanding amount of Rs 222.91 Lacs as debtors out of which Rs 77.76 Lacs is the amount exceeding for more than six months for the year ended on 31st March 2006. The Company has not made any provisions for the same. In case of non-recovery the profitability of the Company will get affected.

Management Perception

The above amount of debtors is the amount under the head of debtors considered as good. The Company does not foresee any difficulty in the collection of the above amount of debts.

34) Our financials for the year ended on March 31, 2006, March 31, 2005 and March 31, 2004 have been qualified.

The Auditors report for the year ended on March 31, 2006, March 31, 2005 and March 31, 2004 included certain qualifications which are as below:

FY 2006-The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth tax, Custom duty, Excise duty or Cess and any other statutory dues as applicable **except Service Tax** with appropriate authorities. As on March 31, 2006 Service Tax Liability of Rs 36.82 Lacs was due to be paid by the Company.

FY 2005-The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth tax, Custom duty, Excise duty or Cess and any other statutory dues as applicable **except Service Tax** with appropriate authorities.

FY 2004- The Company is generally regular in depositing undisputed statutory dues with the appropriate authorities, **except irregular in depositing Income Tax dues.**

35) The promoters/promoter group has been allotted shares at a price in the last 12 months that may be lower than the issue price of the shares. The details of the same are as under:

Allottees	Date of Allotment/ Transfer	No. of Shares	Issue Price (Rs) (Face Value of Rs 10 Each)	Nature of Payment	Reason of allotment
Mr. Narendra Somani	30/03/2006	7,45,000	30 Rs	Cash	Further Issue
Bhagwati Caterers Pvt Ltd	30/03/2006	2,33,000	30 Rs	Cash	Further Issue
Mr. Inder K Motiani	30/03/2006	50,000	30 Rs	Cash	Further Issue
Mr. Ramesh K Motiani	30/03/2006	83,300	30 Rs	Cash	Further Issue

36) Significant increase in the Share Capital of the Company

The company proposes to significantly raise its share capital after the issue from Rs. 628.64 Lacs to Rs 2928.64Lacs. This will lead to a significant increase in the shareholding and servicing of enhanced equity.

Management Perception

The Company's management is confident of servicing the expanded equity as we are increasing revenues by expansion and earning better.

37) Any future equity offerings or implementation of an employee stock option scheme by us may lead to dilution of your shareholding in the Company.

Purchasers of Equity Shares in this Offer may experience dilution of their shareholding to the extent we make future equity offerings and to the extent stock options are issued under any employee stock option scheme that we may put into place.

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- 38) **CRISIL has assigned a CRISIL IPO Grade “1/5” (pronounced “one on five”) grade to the proposed initial public offer of Bhagwati Banquets and Hotels Ltd. (BBHL). This grade indicates that the fundamentals of the issue are poor relative to other listed equity securities in India. For details regarding grading, please refer page no. 11 of the Red Herring Prospectus.**

- 39) **Deployment of funds is at the discretion of the issuer Company and is not subject to any monitoring by any independent agency**

The Company has not appointed any outside monitoring agency for monitoring the utilization of issue proceeds. The deployment of funds arising from the proceeds of the issue will be monitored by the Board of Directors of the Company.

- 40) **We have entered into certain transactions in which our promoters are interested parties. For details of the Related Party Transaction, please refer to page no. 80 of RHP.**

Management Perception

The Related Party Transactions have been entered at the prevailing market rates and they are not prejudicial to the interest of the company. The mode of transaction is through cheque in all the transactions. Except disclosed in Related Party Transactions, the company has not entered into any transactions/contract in which promoters are interested parties.

B. EXTERNAL RISK FACTORS

- 1) **Our profitability could decrease if the Government of India or the applicable state governments reduced or withdrew tax benefits and other incentives provided to us.**

There are certain incentives and concessions granted or provided by the Government of India or the applicable state governments that are currently being enjoyed by the hotel industry. There is no guarantee that such incentives or concessions will continue or will not be withdrawn by the Government of India or the applicable state governments in the future.

- 2) **The hotel industry is subject to significant regulations.**

We are subject to numerous laws and regulations in all of the jurisdictions in which we operate, including those relating to the preparation and sale of food and beverages, such as health and liquor licensing laws. Our properties are also subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees and work permits. Furthermore, the success of our strategy to expand our existing properties, acquire new properties or to open newly-constructed properties is contingent upon, amongst other things, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits, environmental, health and safety permits and liquor licenses. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a project or could result in the loss of an existing license.

- 3) **Disruptions or lack of basic infrastructure such as our electricity supply and water supply could adversely affect our operations.**

The hotel industry is a service industry. Any disruption in basic infrastructure such as supply of electricity and water could affect the operations of our hotels and the services to our guests and hence could have an adverse effect on our business, results of operations and financial condition.

- 4) **Acts of violence or war, in India or other neighbouring countries, may affect Indian and worldwide economic markets.**

Terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect Indian and worldwide economic markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, profitability and financial condition through reduction in business activity and business travel. Increased volatility in the economic markets can have an adverse impact on the economies of India and other countries.



5) Our operations could be effected by natural calamities at or in the vicinity of such facility.

Our operations are dependent on our ability to protect our properties from any natural calamity like fire, earthquakes, floods, power losses and similar events. The occurrence of a natural disaster or other unanticipated problems at our hotels can cause interruptions in our operations. Any damage or failure that causes interruptions in our operations could have a negative impact on our profitability and financial condition.

6) Our performance is linked to the stability of Government policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The current Government in India, which was formed in June 2004, has continued policies and taken initiatives that support the continued economic liberalization policies that had been pursued by the previous governments. We cannot assure you that these liberalization policies will continue in the future. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting hotels, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

7) There has been no public market for Company's equity Shares and the prices of the equity Shares may fluctuate after this offer.

There can be no assurance that an active trading market for company's equity Shares will develop or be sustained after this Offer or that the Offer price or the price at which its equity shares are initially traded will correspond to the prices at which its equity shares will trade in the market subsequent to this offering.

8) After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop.

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

- Volatility in the Indian and global securities market or in the Rupees value relative to the U.S. dollar, the Euro and other foreign currencies;
 - Our profitability and performance;
 - Perceptions about our future performance or the performance of Indian hospitality companies in general; Performance of our competitors in the Indian hotel industry and the perception in the market about investments in the hotel industry;
 - Adverse media reports on the Company or the Indian hotel industry;
 - Changes in the estimates of our performance or recommendations by financial analysts;
 - Significant developments in India's economic liberalization and deregulation policies; and
 - Significant developments in India's fiscal and environmental regulations.
 - There has been no public market for our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares will trade in the market subsequent to this issue. Our share price is likely to be volatile and may decline post listing.
- 9) The Company is subject to risk rising from changes in interest rates and banking policy. The Company is dependent on the bank for arranging the Company's working capital requirements, term loans, etc. Accordingly, any change in the extent banking policy or increase in interest rates may have an adverse impact on the Company's profitability.**

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- 10) **Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and could materially affect our future financial performance and the trading price of our equity shares.**

Notes to risk factors

- 1) Public Issue of 2,30,00,000 Equity Shares of Rs. 10/- each for Cash at a Price of Rs [•] per Equity Share aggregating Rs. [•] Lacs. Out of this Issue 45,44,600 Equity Shares of Rs. 10/- each is the Promoter's Contribution in the Issue and net offer to public is 1,84,55,400 Equity Shares of Rs.10/- each out of which 18,45,540 Equity Shares being 10% of the Net Offer to the Public to be compulsorily allotted to QIBs. The net issue would constitute 63.02% post issue paid up capital of the Company.
- 2) Net worth of the Company as on 31st December 2006 is Rs. 2417.66 lacs (based on unconsolidated financial statements). The book value of the Equity Shares of the Company as on 31st December 2006 is Rs.38.46 per Equity Share.
- 3) Investors are advised to refer the paragraph on "Basis for the Issue Price" on page 36 of this Red Herring Prospectus before making an investment in the Issue.
- 4) The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue will be allocated to Qualified Institutional Buyers ("QIBs") on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation on a proportionate basis to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 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.
- 5) In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders (Refer to the paragraph entitled "Basis of Allotment" on page 175 of this Red Herring Prospectus).
- 6) Investors are free to contact Book Running Lead Manager for any clarification or information pertaining to the Issue.
- 7) Investors may note that allotment and trading in shares of our Company shall be done only in dematerialized form.
- 8) All information shall be made available by the Book Running Lead Manager and the Company 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.
- 9) The average cost of acquisition of Equity Shares of face value of Rs. 10 each by our promoters is given below:

Sr. No.	Name of Promoter	Avg. Cost of Acquisition (Rs)
1	Mr. Narendra G Somani	21.81
2	Mr. Devanand G Somani	20.00
3	Mr. Hemant G Somani	20.00
4	Mr. Ramesh K Motiani	22.34

- 10) There are no transactions in Equity shares by the promoters during the period of six months preceding to the date of filing the Red Herring Prospectus with SEBI.
- 11) For Related party transactions, please refer page 80 under heading "Related Party transactions" of the Red Herring Prospectus.



SECTION III-INTRODUCTION

SUMMARY

SUMMARY OF THE INDUSTRY AND BUSINESS OF THE ISSUER COMPANY

The Investor should read the following summary with the Risk Factors included from page numbers x to xx and the more detailed information about the Company and the financial statements included in the Red Herring Prospectus.

Indian Hotel Industry

The liberalization of Indian economy in 1991 and the integration of India into the Global Economy have given impetus to business travellers and tourist travelers. As a result the hotel industry in India has recorded a healthy growth since 1991. In the late 1990s major hotel chains, new entrants and international chains entered the Indian market. However, over the past five years the growth in hotel rooms has been relatively low across all categories of hotels. The data relating to hotels which are members of FHRAI shows that the number of hotel rooms has increased from 91,294 in year 2000 to 98,515 in year 2004, a CAGR increase of 1.92%. This slow growth led to an increase in occupancy rates in hotels in main cities.

The clientele for the hotels mainly comprises Domestic and International Tourists and Business travellers and Airline crew. Domestic and international tourist travel is seasonal in nature and it increases during the period of October to March and decreases during April to September. However, the business travel is less seasonal.

The following figure represents the Average occupancy and Average Room Rentals in major Indian cities.

City	Average Occupancy				Average rate per Room			
	2001-02	2002-03	2003-04	2004-05	2001-02	2002-03	2003-04	2004-05
New Delhi	55.90%	58.30%	69.10%	76.60%	3,434	2,918	4,247	5498
Mumbai	63.80%	62.60%	66.30%	74.90%	2,075	1,822	3,063	4307
Kolkatta	61.70%	63.60%	64.60%	67.10%	1,417	1,342	2,520	2210
Chennai	65.00%	63.90%	61.60%	73.30%	1,936	2,048	2,061	2384
Bangalore	62.80%	72.40%	78.90%	79.80%	1,921	2,149	4,109	6762
Pune	58.00%	59.90%	62.10%	77.20%	1,044	1,141	1,820	1295
Goa	56.10%	60.20%	65.30%	60.10%	1,756	1,982	2,147	2704
Hyderabad	67.20%	71.00%	72.80%	75.20%	1,131	2,049	2,406	2729
All India Average	53.20%	54.80%	59.70%	63.60%	2,058	2,004	2,689	3413

Source: FHRAI

The above figures indicate that Bangalore and Hyderabad are the cities with relatively higher occupancy rates and provide opportunities for further expansion to cater to the increasing demand.

Overview of the Business of the Company

The Company Bhagwati Banquets And Hotels Ltd was initially incorporated as Pvt Ltd Company on 1st November, 1999 and its name was Bhagwati Banquets Pvt Ltd. The Company was subsequently converted into public Limited Company and its name was changed to Bhagwati Banquets And Hotels Ltd (BBHL) on 13th April 2000. BBHL has been incorporated with the main object to carry on the business of banquet halls, marriage halls, party halls and plots, hotels, restaurants, catering and cafe, taveran, refreshment room, entertainments, amusements, club, bath, grounds and places of recreation, sports, picnic places and hotel related services. W.e.f 17th October 2005 its registered office was shifted from "73, white House, Panchvati, Ellisbridge, C.G Road, Ahmedabad-380006" to "Plot No 380, S.G. Highway, Bodakdev, Ahmedabad-380054".

At present we operate and manage one Hotel under the name "The Grand Bhagwati" and a chain of Restaurants at various locations in Ahmedabad.

We have one 100% subsidiary named Lov Kush Properties Pvt Ltd, four group Companies namely TGB Foods Pvt Ltd, Bhagwati Caterers Pvt Ltd, Bhagwati Eateries Pvt Ltd and Rising Hotel Ltd (Formerly known as Akash Hotel Ltd)

BHAGWATI BANQUETS AND HOTELS LTD.

We are expanding our presence in Ahmedabad through the opening and acquisition of new restaurants and starting a new five star hotel at Surat.

The group's first venture was a genuine "Delhi chat" outlet at Ahmedabad in 1990. The TGB Group diversified into outdoor catering in the mid nineties and met with instant success on account of their mouth watering preparations in Punjabi and Chinese cuisine which became popular with the non-Gujarati clientele of Surat and Ahmedabad. With a view to cope up with the increased business which involved organizing catering at 5to 6 locations simultaneously both at Ahmedabad and other towns like Baroda, Surat, Bhavnagar, Rajkot etc. and streamlining the operations, Bhagwati established a centralized kitchen (food factory) in 1998 at Changodar, about 15 kms from Ahmedabad city. This revolutionary concept was brought under the banner of Bhagwati Caterers Pvt Ltd which was incorporated on 03/10/1997.

The outdoor catering success led to a pioneering venture in indoor catering. The TGB group opened a hotel at Ahmedabad namely "The Grand Bhagwati", a three star deluxe hotel located at the Sarkhej Gandhinagar Highway which started its operations from June 2002. While there are 37 rooms, a restaurant and a coffee shop, its core competency and facility is banqueting. It possesses three banquet halls which can hold 5400 persons on two shift basis, all in air-conditioned comfort. It has a large lounge and a captive, easy parking facility to match the size of its banquet facility.

In the first full working year of 2003-04, the Company notched up a turnover of Rs. 1232.11 Lacs. In the year 2004-05, the turnover of the Company was increased upto Rs. 1335.15 Lacs and it earned the net profit before tax of Rs. 167.52 Lacs. In the year 2005-06 the turnover of the Company further increased to Rs 2312.94 Lacs and its net profit before tax also increased to Rs 249.06 Lacs.

Further to expand the business, the TGB Group entered into agreement with Karnavati Club Ltd to maintain the rooms and restaurants in Karnavati Club. The promoters formed a partnership venture namely M/s TGB Resorts Karnavati on 01/10/2003 Similarly another partnership venture with the name M/s Bhagwati International was formed on 01/10/2003 to carry on the business of running restaurants and Food Courts. The TGB Group incorporated two other small closely held private Companies namely Bhagwati Eateries Pvt Ltd and TGB Foods Pvt Ltd on 12/04/2004 and 27/07/2004 respectively. Both the Companies were incorporated basically with the same objects to carry on the business as caterers and consultants of all kinds, types and description of food products in liquid, solid and powders including spices, kiranans, tea, fruits, dry fruits, milk products, bakery products etc and to carry on the business of preservation, dehydration, freezing, freeze-drying, canning, etc. TGB Foods Pvt Ltd is presently involved in the business of manufacturing Bakery Products and Bhagwati Eateries Pvt Ltd is involved in the business of maintaining Banquet Halls and indoor catering. BBHL is the flagship company. Bhagwati Caterers Pvt Ltd, TGB Foods Pvt Ltd and Bhagwati Eateries Pvt Ltd are the associate/group companies of Bhagwati Banquets And Hotels Ltd and are closely held private companies. M/s TGB Resorts Karnavati and M/s Bhagwati International are partnership firms. Promoters decided to consolidate their whole business under one banner and transferred the businesses of M/s TGB Resorts Karnavati and Bhagwati International as part of group reorganization and consolidation of Bhagwati Banquets And Hotels Ltd with effect from October 2005. Moreover BBHL also took over the assets of Bhagwati Caterers pvt Ltd and its business of outdoor catering from the same date. Valuation of the businesses of Bhagwati Caterers pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International was entrusted to M/s Fourth Vision, a consultancy firm and they submitted their report on May 2005. Based on this report, BBHL bought the businesses of Bhagwati Caterers Pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International w.e.f. 1st Oct. 2005. Consolidating the business qualified BBHL to participate in national level banqueting contracts like of Railway. With synergies of all the companies, BBHL was able to utilize their manpower at optimum level and the brand image was also enhanced. With better branding and affordability of regular training programme helped in securing and retaining motivated and qualified manpower. As on 1st May, 2006 the promoters of the Company and their relatives together hold 50% shares of a public limited Company namely Rising Hotel Ltd (Formerly Akash Hotel Ltd). Rising Hotel Ltd (Formerly Akash Hotel Ltd), one of the associate concerns of the Bhagwati Banquets And Hotels Ltd was originally incorporated on 29/11/1991 and is presently involved in the activities of maintaining Hotel Rooms, Restaurants and Banquet Halls.



ACHIEVEMENTS AND AWARDS

The following is the short summary of the achievements/awards won by the Company Bhagwati Banquets And Hotels Ltd and our promoter Mr. Narendra Somani.

- 1) Emerging India Award-2006 as “THE MOST PROMISING SMALL ENTERPRISE OF THE YEAR” given by CNBC TV-18, ICICI Bank- powered by Crisil.
- 2) National Award for Excellence in Hotel Management to our promoter Mr. Narendra G Somani on 24th April 2005 by UNO 2005.
- 3) Certificate of honour by appreciating efforts towards excellence in building the future Ahmedabad and dedication in teaming up for THE GIHED MOTTO to the Hotel “The Grand Bhagwati” by Gujarat Institute of Housing and estate developers in 2005.
- 4) Certificate of honour to Mr. Narendra Somani as “Young Entrepreneur” for his exemplary Services, Achievements and Contributions in the fields of Hospitality/ Catering.
- 5) AMA-Zyduz Cadila “The marketing man of the year award – 2006” to Mr. Narendra Somani – by Ahmedabad Management Association.

Present Project

Bhagwati Banquets And Hotels Ltd proposes to set up a five star 100 room hotel at Surat which would be situated adjacent to a landmark site-City Plus, 5 kms from Athwa Lines (Posh Locality), 2.5 kms from the airport. The Hotel site is 2 kms away from Hazira and 12 kms from Railway Station. It is an ideal location. The Hotel will be spread over an area of 16167 sq. yards. BBHL is to set up a five star hotel with banquet Halls. Its facility configuration will be as follows.

- | | | |
|----------------------------------|---|------------------|
| • Rooms | : | 100 |
| • Multi-cuisine Restaurant | : | 100 pax |
| • Specialty Restaurant | : | 60 pax |
| • Coffeeshop | : | 80 pax |
| • Large banquet/conference units | : | 3000 pax (total) |
| • Outdoor Catering | : | 500 pax |
| • Indoor sport facility | | |
| • Swimming pool | | |
| • Business centre | | |
| • Gym, Beauty, Saloon | | |

Our primary competitive strengths are as under:

Strong Value Proposition

We believe that we provide our customers with a superior experience during their stay in our hotel. We provide various amenities required by business and leisure travelers at what we believe to be competitive prices. We seek to continually identify and develop services which we believe will enhance value to our customers, strategies to help us allocate resources efficiently and ways to strengthen our reputation in the Indian hotel industry.

Management Expertise

The Company is managed by a team of experienced and professional managers. We believe that our management team has been able to identify attractive acquisition opportunities that, combined with management's turn-around expertise, will continue to yield positive results for the Company.

BHAGWATI BANQUETS AND HOTELS LTD.

Strategies

The Company's business strategy is to focus on its core business to enhance profitability and optimize returns to its shareholders. The principal components of the Company's strategy are as follows:

Build Strength and Awareness of "tgb" Brand

Our portfolio of restaurants and party plots is operated under our umbrella brand; "tgb". The Company's brand vision is to build long-term loyalty and competitive advantage in the global marketplace by positioning "tgb" as a luxury and lifestyle brand leader. We plan to leverage this exposure to further develop the "tgb" name as a prestige brand on the national level. We are working to accomplish this vision by delivering a consistent level of product and service that aims to be excellent, innovative and customer-driven. We also intend to maintain a high standard of quality for our guest facilities and services with regular renovation and refurbishment of our existing properties.

Expand Presence to Other Major Cities

We intend to establish our presence with hotels, resorts and palaces in key travel and business destinations in India. As the present issue is to establish a five star hotel at Surat, we also plan to expand our presence in other major cities of India.

Build Upon Customer Loyalty

The Company has been making efforts to increase customer loyalty through frequent customer programs. We intend to further grow our loyalty program base by developing a guest loyalty program. To support these efforts to build customer loyalty, we will continue to seek to ensure that the personalized elements that draw customers back to our hotels remain strong.

Focus on Developing and Offering Distinctive Products to our Guests

The Company will continue to focus on providing premium and distinctive products and services to our guests, as the demand for these products within the hotel industry continues to grow, particularly in the premium market. The Company will continue to seek out and develop distinctive products intended to enhance customer experiences.

Our other competitive strengths include the following

- A low set up cost for developing our properties which enables us to have a lower pay back period.
- All our existing properties are located in prime locations in Ahmedabad with easy access to airport, railway station and main shopping destinations.
- Easy access to a talented pool of human resources.
- Presence of popular food and beverage outlets.



THE ISSUE

Issue of Equity Shares	2,30,00,000 Equity Shares
Of which	
Promoter's Contribution in the Issue	45,44,600 Equity Shares
Net Issue to the Public	1,84,55,400 Equity Shares
Of which	
QIB Portion	Upto 92,27,700 Equity Shares (Allocation on proportionate basis) (Minimum 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs. In case of under subscription in this minimum Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded.)
Out of Which	
Reservation for Mutual Funds	4,61,385 Equity Shares (Allocation on proportionate basis)
Balance for all QIBs including Mutual Funds	87,66,315 Equity Shares (Allocation on proportionate basis)
Non Institutional Portion	Atleast 27,68,310 Equity Shares (Allocation on proportionate basis)
Retail Portion	Atleast 64,59,390 Equity Shares (Allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	62,86,400 Equity shares of Rs 10 each.
Equity Shares outstanding after the Issue	2,92,86,400 Equity shares of Rs 10 each.
Objects of the Issue	Please see the section entitled "Objects of the Issue" on page 22 of this Red Herring Prospectus.

Under-subscription, if any, in the QIBs portion, Non- institutional portion or Retail Individual Investors shall be allowed to be met with spillover from the other categories, at the sole discretion of the Company and BRLM.

As per the amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this RHP. 5% of the QIB Portion shall be available for allocation to 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 Company is proposing issue through 100% Book Building Process and at least 10% of the net issue to the public shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

BHAGWATI BANQUETS AND HOTELS LTD.**SUMMARY FINANCIAL INFORMATION**

The tables sets forth selected financial information of our Company derived from its consolidated audited financial statements for nine months ended on 31/12/2006 and as on 31/03/2006, 31/03/2005, 31/03/2004, 31/03/2003 and 31/03/2002 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and as described in the Auditor's report of M/s O P Bhandari & Co, Chartered Accountants included in the section titled "Financial Statements" on page 83 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto. For further discussion on our financial statements, please see "Management Discussion and Analysis" on page 131 and "Our Business" on page 52 of this Red Herring Prospectus.

STATEMENT OF CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**(Rs in Lacs)**

PARTICULARS	31/12/2006	31/03/2006	31/03/2005	31/03/2004	31/03/2003	31/03/2002
APPLICATION OF FUNDS						
FIXED ASSETS						
a) Gross Block	3327.83	3236.49	2277.19	2247.31	2207.49	1182.83
b) Less : Depreciation	465.28	386.57	226.30	140.83	134.17	-
c) Net Block	2862.55	2849.92	2050.89	2106.48	2073.32	1182.83
Work in progress	-	-	10.40	-	-	-
INVESTMENTS	500.00	400.00	-	-	-	-
CURRENT ASSETS, LOANS & ADVANCES						
a) Inventories	190.99	76.31	26.35	23.73	23.11	-
b) Sundry Debtors	493.39	222.91	45.60	42.98	43.43	-
c) Cash & Bank Balance	182.97	48.08	61.61	39.55	85.85	32.13
d) Loans & Advances	432.51	105.12	48.84	22.34	28.73	65.97
	1299.86	452.42	182.40	128.60	181.12	98.10
LESS : CURRENT LIABILITIES	598.26	423.44	154.05	165.41	188.12	154.27
PROVISIONS	122.85	-	25.88	19.28	-	8.32
TOTAL	721.11	423.44	179.93	184.69	188.12	162.59
NET CURRENT ASSETS	578.75	28.99	2.47	(56.09)	(7.00)	(64.48)
Miscellaneous Expenditure	32.21	21.21	1.47	2.21	2.95	97.53
Profit & loss account	-	-	-	-	50.61	-
TOTAL :	3973.51	3300.12	2065.23	2052.60	2119.87	1215.87
SOURCES OF FUNDS :						
SHARE HOLDER FUNDS						
a) Share Capital	628.64	628.64	406.01	406.01	406.01	303.51
b) Share Application Money	462.24	3.44	254.23	-	-	-
c) Reserve & Surplus	1358.99	1037.94	567.49	476.79	405.99	303.50
	2449.87	1670.02	1227.73	882.80	812.00	607.01
LOAN FUNDS						
Secured Loan	1333.09	1439.54	736.82	901.37	1002.13	608.86
Unsecured Loan	-	-	0.47	231.55	305.74	-
	1333.09	1439.54	737.29	1132.91	1307.87	608.86
DEFERRED TAX LIABILITIES	190.55	190.55	100.21	36.88	-	-
TOTAL :	3973.51	3300.11	2065.23	2052.60	2119.87	1215.87



CONSOLIDATED PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs in Lacs)

PARTICULARS	31/12/2006	31/03/2006	31/03/2005	31/03/2004	31/03/2003
INCOME FROM SALES					
Banquets, Rooms, Restaurant & Other Services	2455.55	2305.97	1335.15	1232.11	675.05
Other Income	7.72	6.97	0.45	0.72	0.52
TOTAL	2463.27	2312.94	1335.60	1232.83	675.57
EXPENDITURE					
Food & Beverages Consumed	897.37	972.89	498.67	446.80	202.02
Employees' Emoluments	233.87	172.91	85.63	74.06	42.89
Upkeep & Service Cost	304.08	289.32	211.09	200.08	113.49
Administrative & Selling Expenses	476.92	359.66	208.00	187.28	116.98
Financial Charges	115.96	108.84	79.22	152.62	116.62
TOTAL	2028.20	1903.62	1082.60	1060.83	592.00
PROFIT BEFORE DEPRECIATION	435.07	409.32	253.00	171.99	83.57
Depreciation	79.02	160.26	85.47	83.31	134.18
PROFIT/(LOSS) BEFORE TAX	356.05	249.06	167.52	88.69	(50.61)
Provision for Current tax	35.00	20.96	13.15	6.71	-
Provision for deferred tax	0.00	90.34	63.32	36.89	-
Income Tax for earlier years	0.00	1.07	0.35	-	-
PROFIT/ (LOSS) AFTER TAX	321.05	136.69	90.70	45.09	(50.61)
Depreciation written back	0.00		-	76.32	-
PROFIT/ (LOSS) AFTER TAX	321.05	136.69	90.70	121.41	(50.61)
Profit / (loss) b/f	298.19	161.50	70.80	(50.61)	-
PROFIT /(LOSS) CARRIED TO BALANCE SHEET	619.24	298.19	161.50	70.80	(50.61)

GENERAL INFORMATION

Registered Office of the Company

Bhagwati Banquets And Hotels Ltd
Plot No 380, Sarkhej Gandhinagar Highway,
Bodakdev, Ahmedabad-380054

Registration Number of the Company: 04-36830

Regional Registrar of Companies Office

Registrar of Companies, Ahmedabad, Gujarat
ROC Bhavan, Opp Rupal Park,
Nr. Ankur Bus Stop, Naranpura,
Ahmedabad, Gujarat

Present Board of Directors

Name	Designation
Mr. Narendra G Somani	Chairman & Managing Director
Mr. Ramesh K Motiani	Whole time Director
Mr. Devanand G Somani	Whole time Director
Mr. Hemant G Somani	Whole time Director
Mr. Ganesh Krishnamoorthy	Independent Director
Mr. Raj Ratan Singhvi	Independent Director
Mr. Mangha Ram Sumani	Independent Director
Mr. Bakul R. Parikh	Independent Director

BRIEF DETAILS OF THE CHAIRMAN AND THE MANAGING DIRECTOR AND OTHER EXECUTIVE DIRECTORS

Mr. Narendra Somani, Chairman and Managing Director

Narendra Somani, Chairman and Managing Director, aged about 40 years is a young and dynamic entrepreneur and is the main promoter of the company. He had started his career 20 years ago in the food and catering industry and is known as a successful entrepreneur of Hotel industry in Gujarat. He is having number of proprietary and partnership concerns in the food processing and catering business.

Mr. Ramesh Motiani- Whole time Director

Mr. Ramesh Motiani, Whole time director, aged about 57 years having varied experience of retail/wholesale business of dry fruit, food grain, etc.

Mr. Devanand Somani- Whole time Director

Mr. Devanand Somani, Whole time director aged about 35 years has joined the business at a very young age and is being in the current business for 15 years.

Mr. Hemant Somani- Whole time Director

Mr. Hemant Somani, Whole time director aged about 30 years is in the business for the last 10 years.

For more details regarding our Directors please refer to section titled “Our Management” on page 67 of this Red Herring Prospectus.



Compliance Officer

Mr. Nimesh Shah, Company Secretary
Plot No 380, Sarkhej Gandhinagar Highway,
Bodakdev, Ahmedabad-380054
Tel: +91-79-26841000
Fax: +91-79-26840915
E-mail: companysecretary@thegrandbhagwati.com
Website: www.thegrandbhagwati.com

Investors can contact the Compliance Officer in case of any pre-Issue and post-Issue related problems such as non receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders etc.

ISSUE MANAGEMENT TEAM**Legal Advisors to the Issue**

Bhargav M Joshi, Advocate
7- Vasu-Kanan, Opp. Gujarat Vidyapith,
Nr. Lotus Flats, Ashram Road,
Ahmedabad 380 014
Tel: +91-79-079-27545369, 27545297, 09426082326
E-mail: bmjoshi236@yahoo.com

Book Running Lead Manager to the Issue**Chartered Capital And Investment Ltd**

711, Mahakant,
Opp V S Hospital, Ellisbridge,
Ahmedabad 380 006,
Tel: +91-79-26575337/7571
Fax: +91-79-26575731
Email: bbhl.ipo@charteredcapital.net
Website: www.charteredcapital.net
Contact person: Mr. Manoj Kumar Ramrakhyani,

Syndicate Members**Chartered Capital And Investment Ltd**

711, Mahakant,
Opp V S Hospital, Ellisbridge,
Ahmedabad 380 006,
Tel: +91-79-26575337/7571
Fax: +91-79-26575731
Email: bbhl.ipo@charteredcapital.net
Website: www.charteredcapital.net
Contact person: Mr. Manoj Kumar Ramrakhyani,

BHAGWATI BANQUETS AND HOTELS LTD.

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup West, Mumbai 400 078
Tel: +91-22-2596 0320 (9 lines)
Fax :+91-22-2596 0329
Email: bbhl@intimespectrum.com
Website: www.intimespectrum.com
Contact person: Mr. Salim Shaikh

Bankers to the Company

Indian Overseas Bank

Sharad Shopping Centre, Opp Handloom House
Ashram Road, Ahmedabad-380009
Tel:+91-79-26586969, 26589242
Fax: +91-79-26587979
Email:ashrambr@ahmsco.iobnet.co.in
Website: www.iobnet.co.in
Contact person: Mr. P.V. Rangnathan

Auditors to the Company

M/s O P Bhandari &Co, Chartered Accountants

30, Omkar House, C. G. Road,
Nr Swastik Char Rasta,
Navrangpura, Ahmedabad-380009
Tel:+91-079- 26462539
Fax: +91-79-26563388
E-mail: opbca30@yahoo.co.in
Contact person: Mr. O.P.Bhandari

Bankers to the Issue and Escrow Collection Banks

Indian Overseas Bank

Sharad Shopping Centre, Opp Handloom House
Ashram Road, Ahmedabad-380009
Tel: +91-79-26586969, 26589242
Fax: +91-79-26587979
Email:ashrambr@ahmsco.iobnet.co.in
Website: www.iobnet.co.in
Contact person: Mr. P.V. Rangnathan

HDFC Bank Ltd.

26-A, Narayan Properties,
Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (Ease)
Mumbai - 400 072
Tel. : +91-22-2856 9009 Extn : 1639,
Fax : +91-22-2656 9256
E-mail : viral.kothari@hdfcbank.com
Contact Person : Mr. Viral Kothari



UTI Bank Limited

“TRISHUL”. Opp. Samartheshwar Temple,
Law Garden, Ellisbridge,
Ahmedabad - 380006
Tel. : +91-79-6630 6102 / 6630 6116,
Fax : +91-79-6630 6109
E-mail : pratik.shah@utibank.co.in
Contact Person : Mr. Pratik Shah

Standard Chartered Bank,

270 D. N. Road
Fort, Mumbai – 400 001
Tel: +91-22-2268 3831 / 2268 3832
Fax: +91-22-2209 6069
Email: Rajesh.Malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajesh Malwade

Credit Rating

This being an Issue of Equity Shares, credit rating is not required.

IPO Grading

The Company has obtained IPO Grading from Credit Analysis and Research Limited (CARE) and Credit Rating Information Services of India Limited (CRISIL). CARE has assigned an “IPO Grade 2” and CRISIL has assigned and “IPO Grade 1” to the proposed initial public offering of the company.

About “CARE IPO Grade 2”

CARE has assigned a ‘**CARE IPO Grade 2**’ to the proposed initial public offer of Bhagwati Banquets and Hotels Ltd. (BBHL). ‘**CARE IPO Grade 2**’ indicates **Below Average Fundamentals**. CARE assigns IPO Grade on a scale of 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE’s IPO Grading is an opinion on the fundamentals of the issuer. The Grade assigned to any individual issue represents a relative assessment of the “fundamentals” of the issuer.

The grading takes into account BBHL’s well established operations in the hospitality industry at Ahmedabad, its strong position in banqueting and Food & Beverages (F&B) segments which contribute significantly to the income and satisfactory debt servicing track record. The grading is, however, constrained by significantly large size of the proposed hotel project at Surat as compared to existing operations, relatively short track record of operations and modest corporate governance practices.

DISCLAIMER BY CARE, THE GRADING AGENCY

CARE’s IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE’s IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/ violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

BHAGWATI BANQUETS AND HOTELS LTD.

About “CRISIL IPO Grade 1”

CRISIL has assigned a **CRISIL IPO Grade “1/5”** (pronounced “one on five”) grade to the proposed initial public offer of Bhagwati Banquets and Hotels Ltd. (BBHL). This grade indicates that the fundamentals of the issue are poor relative to other listed equity securities in India.

A CRISIL IPO grade represents CRISIL’s overall assessment of the fundamentals of the issue graded in relation to other listed equity securities in India. CRISIL IPO gradings are assigned on a five-point scale from 1 to 5, with a CRISIL IPO grade 5/5 indicating strong fundamentals and a CRISIL IPO grade 1/5 indicating poor fundamentals.

The grading reflects CRISIL’s opinion that the business prospects of the company’s planned 5-star hotel in Surat are significantly sub-par. The grade also reflects the underdeveloped corporate governance system in the company, the fact that other promoter owned entities operate in similar lines of business and that the current management team may need to be strengthened to carry out the company’s plan of entering the 5-star hotel business. However, CRISIL notes the exceptionally successful track record of the promoters in the catering business in Ahmedabad aided by its large centralized kitchen and large banqueting facilities at ‘The Grand Bhagwati’.

DISCLAIMER BY CRISIL, THE GRADING AGENCY

A CRISIL IPO grading is a one time exercise and reflects CRISIL’s current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy/ sell or hold the graded instrument; it does not comment on the current market price, future market price or suitability for a particular investor. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of CRISIL IPO gradings.

Trustees

This being an Issue of Equity Shares, appointment of Trustees is not required.

Monitoring Agency

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

Appraising Entity

The project for which the present public issue is being made has been appraised by Indian Overseas Bank.

Indian Overseas Bank

Sharad Shopping Centre, Opp Handloom House
Ashram Road, Ahmedabad-380009
Tel: +91-79-26586969, 26589242
Fax: +91-79-26587979
Email: ashrambr@ahmsco.iobnet.co.in

Book Building Process

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

- The Company;
- Book Running Lead Manager
- Syndicate Member(s), who are intermediaries registered with SEBI or registered as brokers with NSE/



BSE and eligible to act as underwriters. Syndicate Member is appointed by the Book Running Lead Manager.

- Escrow Collection Banks; and
- Registrar to the Issue

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs. 5% of 50% portion of QIBs shall be specifically available for Mutual Funds registered with SEBI. However, these Mutual Funds participating in QIB category will also be eligible for allotment in the remaining portion available for other QIBs. Further, atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. For further details refer to the section titled “Terms of the Issue” on page 153 of this Red Herring Prospectus.

Our Company shall comply with the Guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Book Running Lead Manager to manage the Issue and to procure subscription for the Issue. The process of book building, under SEBI Guidelines is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in this Issue.

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

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

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

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

Steps to be taken by the Bidders for bidding

- Check eligibility for bidding (refer section titled “Issue Procedure – Who can Bid?” on page 159 of this Red Herring Prospectus);
- Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

BHAGWATI BANQUETS AND HOTELS LTD.

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs in lacs)
Chartered Capital And Investment Ltd 711, Mahakant, Opp V S Hospital, Ellisbridge, Ahmedabad 380 006, Tel: +91-79-26575337/7571, Fax: +91-79-26575731 Email: bbhl.ipo@charteredcapital.net Website: www.charteredcapital.net Contact person: Mr. Manoj Kumar Ramrakhyani,	[•]	[•]
[•]	[•]	[•]

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

In the opinion of our Board of Directors (based on a certificate dated [•] given by the Underwriters), the resources of 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 under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors acting through our Chairman and Managing Director, at their meeting held on [•], and we have issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is on the proportionate basis as per the terms of this Red Herring Prospectus and SEBI (Disclosure and Investor Protection) Guidelines, 2000.



CAPITAL STRUCTURE

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

Our Share Capital as the date of filing this Red Herring prospectus with ROC is set forth below:

Particulars	Aggregate Value At Nominal Price	Aggregate Value (Rs in Lacs)
(A) Authorised Capital* 3,00,00,000 Equity shares of Rs 10/-each	3000.00	
(B) Issued, Subscribed and Paid-up Capital before the Issue 62,86,400 Equity Shares of Rs 10/- each.	628.64	1368.39
(C) Present Issue in terms of Red Herring Prospectus 2,30,00,000 Equity Shares of Rs 10 each fully paid up Of Which: Promoter's Contribution 45,44,600 Equity Shares of Rs 10 each fully paid up Net Issue to Public 1,84,55400 Equity Shares of Rs 10 each fully paid up <i>Of which</i> QIB Portion of upto 92,27,700 Equity Shares (Minimum 10% to be compulsorily allotted to QIBs i.e. 18,45,540 Equity shares. In case of under subscription in this QIB portion the same shall not be available to other categories and the full subscription money shall be refunded.) Non-Institutional Portion of atleast 27,68,310 Equity Shares Retail Portion of atleast 64,59,390 Equity Shares	2300.00	[•]
(D) Equity Share Capital After the Issue 2,92,86,400 Equity Shares of Rs 10/- each fully paid up	2928.64	[•]
(E) Share Premium Account Before the Issue After the Issue**		739.75 [•]

****The Share premium account shall be determined after the Book Building Process.**

BHAGWATI BANQUETS AND HOTELS LTD.*** Details of increase in Authorised Capital**

Sr. No.	Increased from	Increased to	Remarks
1	Rs. 10,00,000	Rs. 4,10,00,000	Resolution passed at the Extra Ordinary General Meeting held on 01-08-2001.
2	Rs. 4,10,00,000	Rs. 5,40,00,000	Resolution passed at Extra Ordinary General Meeting held on 29-08-2005
3	Rs. 5,40,00,000	Rs. 30,00,00,000	Resolution passed at adjourned Annual General Meeting held on 30-11-2005

Notes to Capital Structure**1) Share Capital history of the Company.**

The current capital structure of the Company is built up as under.

Date of Allotment of Equity Shares	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment	Reasons for allotment	Cumulative Total Shares	Cumulative paid up capital (Rs)	Cumulative Share Premium (Rs)
01/11/1999	200	10	10	Cash	Subscription to Memorandum	200	2000	Nil
18/08/2001	2323400	10	20	Cash	Further Issue.	2323600	23236000	23234000
30/03/2002	711550	10	20	Cash	Further Issue.	3035150	30351500	30349500
15/06/2002	1024950	10	20	Cash	Further Issue.	4060100	40601000	40599000
12/09/2005	1115000	10	20	Cash	Further Issue.	5175100	51751000	51749000
30/03/2006	1111300	10	30	Cash	Further Issue.	6286400	62864000	73975000

2) Promoters Contribution and Lock-In period.

The details of promoter's contribution to be locked for the period of three years will be as under:

Name of Promoter/ Promoter Group	Date of Allotment	Consideration	No of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	% of post Issue paid up Capital	Lock in period
1. Narendra G Somani	18/08/2001	Cash	3,40,780	10	20	1.16%	
	30/03/2002	Cash	2,54,050	10	20	0.87%	
	15/06/2002	Cash	3,79,050	10	20	1.29%	
	17/11/2003	Cash	33,750	10	20	0.12%	
	12/09/2005	Cash	11,15,000	10	20	3.81%	
	01/10/2005	Cash	4,30,000	10	20	1.47%	
	Promoters contribution in Public Issue	Cash	11,36,700	10	[•]	3.88%	
Sub-Total			36,89,330			12.60%	3 years
2. Ramesh K Motiani	18/08/2001	Cash	1,30,000	10	20	0.44%	
	30/03/2002	Cash	50,000	10	20	0.17%	
	15/06/2002	Cash	45,000	10	20	0.15%	
	01/10/2005	Cash	47,500	10	20	0.16%	
	Promoters contribution in Public Issue	Cash	1,35,700	10	[•]	0.46%	
	Sub-Total		4,08,200			1.39%	3 years
3. Hemant G Somani	05/09/2003	Cash	100	10	10	0.00%	
	05/09/2003	Cash	1,10,000	10	20	0.38%	
	01/10/2005	Cash	1,16,250	10	20	0.40%	
	Promoters contribution in Public Issue	Cash	5,00,000	10	[•]	1.71%	
	Sub-Total		7,26,350			2.48%	3 years



4. Devanand G Somani	15/06/2002	Cash	5,33,400	10	20	1.82%	
	Promoters contribution in Public Issue	Cash	5,00,000	10	[•]	1.71%	
Sub-Total			10,33,400			3.53%	3 years
TOTAL			58,57,280			20.00%	

The Equity Shares will be locked-in for the periods specified above from the date of allotment of Equity Shares in this Issue. The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue. The Promoter vide letter dated 01/02/2007 has given his consent for lock-in as stated above. The Promoter's contribution has been brought in to the extent of not less than the specified minimum lot.

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of the Company held by the Promoters for three years, as specified above, the entire pre-Issue issued equity share capital of the Company will be locked in for a period of one year from the date of Allotment in this Issue.

The following Equity Shares of the Promoter Group shall be locked-in for a period of one year as a part of promoters' contribution:

Name	Date of Allotment/Transfer & Made fully paid up	Consideration	No. of Shares	Face Value (Rs.)	Issue/Transfer Price (Rs.)	% of post Issue paid up Capital	Lock in period
Promoters							
Narendra G Somani	01/11/1999	Cash	100	10	10	0.00%	1 Year
	18/08/2001	Cash	4,76,720	10	20	1.63%	1 Year
	30/03/2006	Cash	7,45,000	10	30	2.54%	1 Year
Ramesh K Motiani	30/03/2006	Cash	83,300	10	30	0.28%	1 Year
Promoters Total (A)			13,05,120			4.46%	
Promoters Group							
Bhagwati Caterers Pvt Ltd.	18/08/2001	Cash	1,90,000	10	20	0.65%	1 Year
	30/03/2006	Cash	2,33,000	10	30	0.80%	1 Year
Sunita N Somani	Promoters contribution in Public Issue	Cash	3,33,000	10	[•]	1.14%	1 Year
Neeta H Somani	Promoters contribution in Public Issue	Cash	1,66,600	10	[•]	0.57%	1 Year
Harshita D Somani	Promoters contribution in Public Issue	Cash	1,66,600	10	[•]	0.57%	1 Year
Inder K Motiani	30/03/2002	Cash	1,40,000	10	20	0.48%	1 Year
	18/08/2001	Cash	50,000	10	20	0.17%	1 Year
	15/06/2002	Cash	67,500	10	20	0.23%	1 Year
	30/03/2006	Cash	50,000	10	30	0.17%	1 Year
	Promoters contribution in Public Issue	Cash	1,78,000	10	[•]	0.61%	1 Year
Suresh K Motiani	18/08/2001	Cash	30,000	10	20	0.10%	1 Year
	30/03/2002	Cash	1,02,500	10	20	0.35%	1 Year
	Promoters contribution in Public Issue	Cash	3,11,500	10	[•]	1.06%	1 Year
Girdhar K Motiani	18/08/2001	Cash	10,000	10	20	0.03%	1 Year
	30/03/2002	Cash	1,15,000	10	20	0.39%	1 Year
	Promoters contribution in Public Issue	Cash	3,16,500	10	[•]	1.08%	1 Year

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Rajesh Motiani	Promoters contribution in Public Issue	Cash	4,00,000	10	[•]	1.37%	1 Year
Mukesh Motiani	Promoters contribution in Public Issue	Cash	4,00,000	10	[•]	1.37%	1 Year
Promoters Group Total (B)			32,60,200			11.13%	
Other than promoters prior to IPO							
Ankit Financial Services Ltd.	30/3/02	Cash	50,000	10	20	0.17%	1 Year
	18/8/01	Cash	25,000	10	20	0.09%	1 Year
Kamlesh S Punjabi	1/10/2005	Cash	1,96,700	10	30	0.67%	1 Year
Naresh K Punjabi	1/10/2005	Cash	1,36,700	10	30	0.47%	1 Year
Others Total (C)			4,08,400			1.39%	
Grand Total (A+B+C)			49,73,720			16.98%	

Further, in terms of Clause 4.14.2 of the SEBI Guidelines, the requirements of Clause 4.14.1 of the SEBI Guidelines shall not be applicable to FVCIs registered with SEBI.

- 3) In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable. Further, in terms of clause 4.16(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions.

- 4) **The following Directors hold Equity Shares in their individual capacity, as on the date of filing this Red Herring Prospectus with SEBI.**

Sr. No	Director	No of Shares held
1.	Narendra Somani	37,74,450
2.	Hemant Somani	2,26,350
3.	Devanand Somani	5,33,400
4.	Ramesh Motiani	3,55,800

- 5) **Shareholding pattern of the Company.**

The table below presents our shareholding pattern before the proposed Issue and after the Issue.

Particulars	Pre–Issue		Post–Issue	
	No of Shares	% Holding	No of Shares	% Holding
Promoters (A)	48,90,000	77.79%	71,62,400	24.46%
Relatives of Promoters and Directors/Promoter Group Company (B)	9,88,000	15.72%	32,60,200	11.13%
Other than promoters prior to IPO	4,08,400	6.50%	1,70,18,260	58.11%
Public through IPO	0	0.00%		
QIBs*	0	0.00%		
Public (C)	4,08,400	6.50%	1,88,63,800	64.41%
Total (A+B+C)	62,86,400	100%	2,92,86,400	100.00%



* This is the minimum no of shares compulsorily to be allotted to QIBs. In case of under subscription in this Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded. All other investors including QIBs over and above the minimum QIB portion have been shown as “Public through IPO”.

6) Equity Shares held by top ten shareholders.

Our top ten shareholders and the Equity Shares held by them as on the date of filing the Red Herring Prospectus with ROC are as follows.

Sr. No.	Name	No. of Shares	% of Shareholding
1	Narendra G. Somani	37,74,450	60.04
2	Devanand G. Somani	5,33,400	8.48
3	Bhagwati Caterers Pvt Ltd	4,23,000	6.73
4	Ramesh K Motiani	3,55,800	5.66
5	Inder K. Motiani	3,07,500	4.89
6	Hemant G. Somani	2,26,350	3.60
7	Kamlesh S Punjabi	1,96,700	3.13
8	Naresh K Punjabi	1,36,700	2.17
9	Suresh K. Motiani	1,32,500	2.11
10	Girdhar K Motiani	1,25,000	1.99
	Total	62,11,400	98.81

Our top ten shareholders and the Equity Shares held by them ten days prior to the date of filing the Red Herring Prospectus with ROC are as follows:

Sr. No.	Name	No. of Shares	% of Shareholding
1	Narendra G. Somani	37,74,450	60.04
2	Devanand G. Somani	5,33,400	8.48
3	Bhagwati Caterers Pvt Ltd	4,23,000	6.73
4	Ramesh K Motiani	3,55,800	5.66
5	Inder K. Motiani	3,07,500	4.89
6	Hemant G. Somani	2,26,350	3.60
7	Kamlesh S Punjabi	1,96,700	3.13
8	Naresh K Punjabi	1,36,700	2.17
9	Suresh K. Motiani	1,32,500	2.11
10	Girdhar K Motiani	1,25,000	1.99
	Total	62,11,400	98.81

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Our top ten shareholders and the Equity Shares held by them two years prior to filing the Red Herring Prospectus with ROC are as follows:

Sr. No.	Name	No. of Shares	% of Shareholding
1	Narendra G Somani	18,17,850	44.77
2	Devanand G. Somani	5,33,400	13.14
3	Inder K Motiani	2,57,500	6.34
4	Ramesh K Motiani	2,25,000	5.54
5	Bhagwati Caterers Pvt. Ltd.	1,90,000	4.68
6	Suresh K Motiani	1,32,500	3.26
7	Girdhar K Motiani	1,25,000	3.08
8	Frontline Biosystems Ltd	1,20,000	2.96
9	Vinzol Capital & Finance Ltd	1,20,000	2.96
10	Mit Fincap Lease Ltd	1,15,000	2.83
	Total	36,36,250	89.56

- 7) Neither the Company, its promoters, its Directors, nor the BRLM have entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company offered through this Red Herring Prospectus.
- 8) As per the requirement of Clause 3(1)(a) of SEBI (Substantial Acquisition of Share and Takeovers) regulations, 1997; necessary disclosure in respect of allotment of Equity shares in the present public Issue to Promoters Group as part of Promoters Contribution in the Issue is mentioned hereunder:

The identity of the acquirer /allottee who has agreed to acquire the shares	Disclosed under Sr. No 2 of “Notes to capital Structure”
The purpose of acquisition/allotment	Towards Promoter’s Contribution
Consequential Changes in voting Rights	The voting rights will be changed based upon subscription by the promoter’s Group, as disclosed under Sr. No 2 of “ Notes to Capital Structure”
Consequential Change in the shareholding pattern of the Company, if any.	Disclosed under Sr. No 5 of “ Notes to Capital Structure”
Consequential Change in the Board of the Directors of the Company, if any.	No
Whether such allotment would result in change in control over the Company	No

- 9) The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue will be allocated to Qualified Institutional Buyers (“QIBs”) on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation on a proportionate basis to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 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. In case of Under-subscription in the minimum Qualified Institutional Buyers portion (i.e. subscription less than 10% mandatory of the net offer to the public), the same shall not be available to other categories and full subscription monies shall be refunded.
- 10) In case of over-subscription, allotment will be on proportionate basis as detailed in Para on “Basis of Allotment”. An over- subscription to the extent of 10% of the Net Offer to Public can be retained for the purpose of rounding off to the nearer multiple of 175 Equity Shares (which is minimum allotment lot), while finalizing the allotment. Consequently, the actual allotment may go up by a



maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Shares held by the Promoters and subject to lock-in shall be suitably increased to ensure that 20% of the Post Issue paid-up capital is locked in.

- 11) In terms of the clause 8.6.2 of SEBI (Disclosure & Investor Protection) Guidelines, 2000, the Securities offered through this Public Issue shall be made fully paid up or may be forfeited within 12 months from the date of the allotment of the Securities.
- 12) Further, spill over from QIBs' category, shall, at the sole discretion of our Company in consultation with the Book Running Lead Manager, be allowed to meet under-subscription, if any, in categories for Non-Institutional Investors and Retail Individual Investors. Also, unsubscribed portion in either of Non-Institutional Investors or Retail Individual Investors category shall be added to the other category interchangeably.
- 13) The Company has not raised any bridge loan against the proceeds of the Issue.
- 14) Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options will be granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
- 15) The company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the issue, by way of split/consolidation of the denomination of Equity Shares or further Issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that the company may issue options to its employee pursuant to any employee stock option plan, or if the company goes for acquisitions and joint ventures it might consider raising additional capital to fund such activity or use share as currency for acquisition and/or participation in such joint venture.
- 16) The company has not issued any Equity shares out of revaluation reserves or for consideration other than cash.
- 17) At any given point of time, there shall be only one denomination for the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- 18) The company has 11 members as on the date of filing of the Red Herring Prospectus with SEBI.
- 19) There are no transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relatives, their group Companies or associates or by the above entities directly or indirectly to other persons.
- 20) There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares. Also, there are no Equity Shares in the company which are partly paid.
- 21) Written consent for lock-in has been obtained from the persons whose shares form part of promoters' contribution and form part of lock in.
- 22) The equity shares to be held by the Promoters, their relatives & associates under the lock-in period shall not be sold / hypothecated / transferred during the lock-in period. However, inter se transfers between the promoters themselves as such would be permitted, provided that the requirement of lock-in period guidelines continues to apply.
- 23) The locked-in Equity Shares held by the Promoters 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 loan.
- 24) Applications should be for minimum of 175 Equity Shares and in multiples of 175 Equity Shares hereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public.
- 25) Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of Red Herring Prospectus with SEBI until our Equity Shares to be issued in terms of this Red Herring Prospectus have been listed.

OBJECTS OF THE ISSUE

The objects of the Issue are to raise capital for financing our expansion plans, meeting the expenses of this Issue and creating a public trading market for the Equity Shares of the Company by listing them on the stock exchanges.

The net proceeds from the Issue after deducting underwriting Commission and management fees, brokerage; fees to various advisors and all other Issue related expenses are estimated at Rs.[•] lacs. The Issue Amount will be determined based on the Issue Price discovered through the book building process.

The proceeds from the Issue of shares are intended to be deployed for:

1. Capital expenditure for setting up a hotel in Surat.
2. General corporate purposes.
3. Meeting Issue expenses.

The other object of the Issue is to get the shares listed on the Bombay Stock Exchange Ltd and The National Stock Exchange of India Ltd.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised by the Company, through the Issue.

Funds Requirement

The estimated fund requirement is given below:

Particulars	(Rs in Lacs)
Capital Expenditure for starting Hotel at Surat	7775
General Corporate Purposes	[•]
Meeting Issue Expenses	[•]
Total	[•]

Funding Plan (Means of Finance)

The project cost is to be funded from the Public issue, and the Term loan from Bank. The requirement of funds is proposed to be financed as given below:

Particulars	(Rs in Lacs)
Present Public Issue	[•]
Term Loan proposed	1250
Total	[•]

Notes

- (1) Firm arrangements of finance through verifiable means towards 75% of the above stated means of finance, excluding the amount to be raised through proposed Public Issue have been made.
- (2) Any shortfall in meeting project cost will be met through internal accruals and/or promoters contribution.
- (3) No part of the issue proceeds will be paid as consideration to promoters, directors, key management personnel, associate or group company.



Details of use of Issue proceeds

1) Capital Expenditure for Setting up a Hotel in Surat

Bhagwati Banquets And Hotels Ltd proposes to set up a five star 100 room hotel at Surat which would be situated adjacent to a landmark site-City Plus, 5 kms from Athwa Lines (Posh Locality), 2.5 kms from the airport. The Hotel site is 2 kms away from Hazira and 12 kms from Railway Station. It is an ideal location. The Hotel will be spread over an area of 16167sq.yards. The building would be constructed at the land owned by the 100% subsidiary of Bhagwati Banquets And Hotels Ltd namely Lov Kush Properties Pvt Ltd. The Hotel is expected to commence operations from 01/05/2008.

Its facility configuration will be as follows:

- Rooms : 100
- Multi-cuisine Restaurant : 100 pax
- Specialty Restaurant : 60 pax
- Coffeeshop : 80 pax
- Large banquet/conference units : 3000 pax (total)
- Outdoor Catering : 500 pax
- Indoor sport facility
- Swimming pool
- Business centre
- Gym, beauty, saloon

The total cost of Surat project is estimated at Rs. 7775 Lacs including the cost of land as an investment in subsidiary Company out of which Rs 1250 Lacs is the debt component and the remainder is proposed to be financed from the net proceeds of the Issue. The entire debt component of Rs 1250 Lacs has been tied up pursuant to sanction letter dated 29/03/2006 from Indian Overseas Bank.

The process of identifying renowned architects, interior designers and consultants has commenced and we have finalized the appointment of the various consultants and paid advances towards the services to be rendered by them. The estimated cost of the project, based on the appraisal report of Indian Overseas Bank is detailed in the following table. A suitable contingency has been provided on all Hard Costs to meet the possible escalation in prices.

The details of the Capital expenditure expected to be incurred by Bhagwati Banquets And Hotels Ltd for Surat project according to the project appraisal report of Indian Overseas Bank under different heads is given below:

BHAGWATI BANQUETS AND HOTELS LTD.

Particular	(Rs in Lacs)
*Land (In subsidiary company) and Land and Site Development	608.00
Building Construction (Interior/HVAC/Escalators/Lift)	6000.00
Kitchen Equipment	78.00
Bakery Equipments	26.00
Health Club Equipments	80.00
Laundry & House Keeping Equipments	30.00
Signage/Neon	15.00
TV/Fridge/Computer/Plasma	50.00
Crockery/Linen/Cutlery (Chairs & Tables)	75.00
EPABX & Office Equipments	8.00
Vehicles	41.00
Consultant's Fees	125.00
Preliminary and pre-operative Expenses	125.00
Contingency & Escalation	323.00
Working Capital (Margin)	75.00
Interest Exp. Upto 30/09/2008	116.00
Total	7775.00

* This amount has already been incurred as on 20/04/2006.

Land & Site Development (Rs. 608 Lacs)

The premises have an area of 16167 sq. yards, adjacent to City Pulse Theatre, Air Port Road, Magdalla, Surat. Total cost of land is Rs.500 lacs which is owned by 100% subsidiary company of BBHL namely Lov Kush Properties Pvt Ltd. 100% Equity Shares of the Company was purchased by BBHL from persons which are not related to promoter/directors in any manner whatsoever for a total consideration of Rs.500 lacs. In addition, site development cost is Rs.108 lacs. Details of site development cost are as under:

Particulars	(Rs in Lacs)
Borewell	4
Landscapping	30
Campus Lighting	15
Sewerage	10
Boundry Wall	10
Internal Roads Pathways, Ramp	15
Gates, Steel Doors & Shutters	24
Total	108



Building Construction (Civil Work, Interior/HVAC/Escalators/Lift): (Rs. 6000 Lacs)

Breakup of cost of Building Construction is as below:

Particulars	(Rs in Lacs)
Civil Work	2056
Interior Work	2047
Passenger Lift	120
Service Lift	20
Escalators	50
HVAC	1707
Total	6000

The civil work comprises of earth work, concrete, brick work, finishing, flooring, wood work, steel work, water supply and sanitation. The interior work comprises of interior work of banquet halls, prefunction area, entrance lobby, toilets and lift corridor, club house, swimming pool, ramp, coffee shop, restaurant, reception, toilets and lift corridor (First Floor), pub, lounge, business centre, club house, administration, shopping, Entrance Lobby (second floor), rooms, service corridor, passage, Entrance Lobby (third floor), rooms (third floor), service corridor (third floor) and passage (third floor).

Details of civil work are as below:

Particulars	(Rs in Lacs)
(a) Earth work	24
(b) Concrete	1653
(c) Brick work	126
(d) Finishing	156
(e) Wood work	82
(f) Steel work	1
(g) Water supply and Sanitation	14
Total	2056

Details of Interior, lifts and escalator are as below:

Particulars	(Rs in Lacs)
Ground Floor	
Banquet Hall-1	221
Kitchen	119
Prefunction Area	114
Entrance Lobby	119
Toilets and lift Corridor	107
Club house/lobby	21
Swimming pool	10
Ramp	2
Total Cost of Ground Floor (A)	713
First floor	
Coffee Shop	123
Restaurant	46
Reception	56
Toilets & Lift Corridor	89
Pub	112
Lounge	166

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Business centre	45
Club House	194
Administration	27
Shopping	36
Total Cost of First Floor (B)	894
Second Floor	
Entrance lobby	23
Rooms	181
Service Corridor	3
Passage	13
Total Cost of Second Floor (C)	220
Third Floor	
Entrance lobby	23
Rooms	181
Service Corridor	3
Passage	13
Total Cost of Third Floor (D)	220
Total Cost of all the Floors (A)+(B)+(C)+(D)	2047

The total cost of Passenger Lift, Service Lift and Escalators has been estimated at Rs.190 Lacs which is as per table below:

Particulars	(Rs in Lacs)
Passenger Lift	120
Service Lift	20
Escalators	50
Total	190

HVAC (Rs. 1707 lacs)

The company intends to purchase HVAC plant from Dikshit Consultants & Engineers Pvt. Ltd. and cost has been estimated on the basis of quotations received from them. The total cost of Rs. 1707 lacs for HVAC is as per the table below:

Sr. No.	Particulars	(Rs in Lacs)
1	HVAC Work	670
2	Electrical Work	698
3	Plumbing Work	194
4	FFTG Work	100
5	Kitchen Ventilation	45
	Total	1707



Kitchen Equipments (Rs. 78 lacs)

The company intends to purchase kitchen equipments from Banson Equipment & Machineries Pvt. Ltd. The total cost of Rs. 78 lacs is estimated. This includes kitchen equipments, cookery and cutlery for the kitchen, the details of which are hereunder.

Name of Supplier	Particulars	(Rs in Lacs)
Banson Equipment & Machineries Pvt. Ltd.	Central Kitchen	15
	Wash Area	16
	Banquet-1 Kitchen	3
	Banquet-2 Kitchen	4
	Banquet-3 Kitchen	4
	Restaurant Kitchen	13
	Juice Kitchen	1
	Salad Room	1
	Tikka Kitchen	1
	Wash Area	14
	Staff Kitchen	2
	Bakery	4
	Total	78

Bakery Equipments (Rs. 26 lacs)

The company intends to purchase bakery equipments from various suppliers and cost has been estimated on the basis of quotations received from suppliers. The total cost of Rs. 26 lacs has been estimated for bakery equipments, the details of which are as per the table below:

Equipment	(Rs in Lacs)
Oven B-900	8
Proofer	3
Dough Sheeter	2
Planetary Mixer (60 lts)	2
Spiral Mixer	3
B-900 Trolleys	1
Planetary Mixer (75 lts)	1
Planetary Mixer (46 lts)	1
Flour Sifter/ Bread Slicer (Full SS)	1
Small Equipment	2
Exhaust System	1
Vertical Fridge	1
Total	26

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Health Club Equipments (Rs. 80 lacs)

The company intends to purchase health club equipments from M/s. Space Fitness and cost has been estimated on the basis of quotations received from supplier. The total cost of Rs. 80 lacs for health club equipments is as per the table below:

Name of Supplier	Particulars	(Rs in Lacs)
Space Fitness	Cardio Section	
	Motorized Treadmill	25
	Elliptical Trainer	6
	Stair Climbers	8
	Upright Bike	5
	Recumbent Bike	6
	Total	50
	Strength Section	
	Cable Cross Over	3
	Smith Machine	3
	Chest Press	3
	Leg Curl	3
	Shoulder Press	3
	Lat Pully	2
	Leg Press	4
	Glute Machine	3
	Leg Extension	2
	Total	26
	Free Weights	
	Olympic Flat/Incline/Decline Bench & Abdominal Bench	2
	Plates/ Dumbbells/Olympic Bar	2
	Total	4
	Grand Total	80

Laundry & House Keeping Equipments (Rs. 30 lacs)

The company intends to purchase laundry equipments from M/s. Ramsons and house keeping equipments from M/s. Sales Enterprises and cost has been estimated on the basis of quotations received from suppliers. The total cost estimated is Rs 30 lacs for Laundry & House Keeping equipments.

Signage / Neon (Rs. 15 lacs)

The company intends to purchase signage / neon from M/s. Mihir Neon Signs and cost has been estimated on the basis of quotation received from supplier. The total cost estimated is Rs 15 lacs for signage / neon.

TV/Fridge/Computer/Plasma (Rs. 50 lacs)

The company intends to purchase TV, Fridge, Computer and Plasma from various suppliers and cost has been estimated on the basis of quotations received from suppliers. The total cost estimated is Rs 50 lacs.

Crockery/Linen/Cutlery (Chairs & Tables) – (Rs. 75 Lacs)

The company intends to purchase crockery, linen and cutlery from various suppliers and cost has been estimated on the basis of quotations received from suppliers. The total cost estimated is approximately Rs. 75 lacs.



EPABX & Office Equipments (Rs. 8 Lacs)

The company intends to purchase EPABX from M/s. Jay Ambe Marketing & Services and office equipments from M/s. Care Office Equipments Pvt. Ltd. and cost has been estimated on the basis of quotations received from suppliers. The total cost estimated is Rs. 8 lacs.

Vehicles (Rs. 41 Lacs)

The company intends to purchase vehicles from various suppliers and cost has been estimated on the basis of quotations received from suppliers. The total cost estimated is Rs 41 Lacs.

Consultancy Fees (Rs. 125 Lacs)

The company has appointed consultants in various areas. The scope of work of the consultants includes supervision, erection/installation and make things ready to use. The total cost of Rs. 125 lacs has been estimated which is as per the table below:

Sr. No.	Area	Name of the Consultant/Firm	(Rs in Lacs)
1	Architect	Prakash Mankar	25
2	Interior Designer	Prakash Mankar	30
3	Structural Engineer	Pyramid consultants	12
4	HVAC	Dikshit Consultants	10
5	Utility	Vimarsh	2
6	Hotel	Gourmet Concepts, H.R.C. & Associates	5
7	PMC	D.P. & Associates	12
8	Sound	Dikshit Consultants	1
9	Light	Dikshit Consultants	1
10	Electrical	Sheth Consultants	5
11	Fire Fighting	Dikshit Consultants	1
12	Legal	In House	5
13	Liaisons	In House	16
		Total	125

Preliminary & Pre-operative Expenditure (Rs. 125 Lacs)

Preliminary and preoperative expenditure includes expenses such as legal fees, printing & stationary, salary, electricity, traveling etc. incurred during the construction phase of the project and expenses incurred before launch/ relaunch on sales and advertising campaigns and other promotional expenditure. The total cost estimated is Rs 125 lacs.

Contingency & Escalation (Rs. 323 Lacs)

The total estimated project cost is based on the budgetary offers received and wherever estimates have been taken they have been from professionally qualified consultants for the majority of capital equipments and no major changes are expected. Comfort is derived from the fact that while negotiating company can always expect the reduction in offers because present quotations are unnegotiated. Considering these factors, the provision for contingency has been estimated at 5% of all hard cost, excluding cost for acquiring land. Thus total contingency has been estimated at Rs. 323 lacs, which is in line with generally accepted industry practice.

Margin Money for Working Capital (Rs. 75 Lacs)

The working capital margin requirement of the project is estimated at Rs. 75 lacs. This is based on the calculations for the first full year of operations for the project.

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Interest during Construction (Rs. 116 Lacs)

Interest during Construction (IDC) of Rs. 116 lacs has been calculated on the debt draw down schedule as estimated by the company, which is based on the capex implementation plan of the project. The commercial date of operation for the complete project is estimated to be 01/05/2008. The interest rate on term loan has been considered at 9%. BBHL has estimated the interest rate based on their inherent strength, credential of the company and merits of the current proposal.

Term Loan

The company has been sanctioned a Rupee term loan to the extent of Rs.1250 lacs by Indian Overseas Bank vide their letter dated 29/03/2006 to part finance the project. The broad terms of the loan are given below:

Nature of borrowing	Rupee Term Loan
Loan Amount	Rs. 1250 Lacs
Interest Rate	11 % p.a.
Upfront Fee / Processing Fee / Miscellaneous	Rs 297950
Moratorium Period	20 Months from date of first disbursement
Tenor	6 years & 8 Months from date of first disbursement
Repayment	60 monthly installments commencing after an initial holiday period of 20 months from COD
Security	- Exclusive Mortgage/Hypothecation charge on the assets created out of the term Loan.

Working Capital Loan

The requirement for working capital borrowings for the project will be for procurement of raw material, to fund current assets and to maintain operational liquidity. Total working capital requirement for the proposed project, for the first year of operations is estimated at Rs. 300 lacs. The terms of the proposed requirement for bank finance of the facility from Indian Overseas Bank, Ashram Road Branch is as given below:

Nature of borrowing	Working Capital Facility
Loan Amount	Rs. 225 Lacs
Interest Rate	9 % p.a.
Security	- First pari-passu charge on all current assets and second pari-passu charge on fixed assets of Surat project of the company. - Personal Guarantee of Promoters, Mr. Narendra Somani, Mr. Devanand Somani, Mr. Hemant Somani & Mr. Ramesh Motiani

2) General Corporate Purposes

Our management in accordance with the policies set up by the Board will have flexibility in applying the balance proceeds of this Issue, for general corporate purposes like financing working capital requirements, etc.

3) Meeting Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue related expenses are as follows:



Activity	(Rs in Lacs)	Percentage *
Lead Management, underwriting and selling commission	•	•
Advertisement and Marketing expenses	•	•
Printing and stationery	•	•
Others (Registrars fee, legal fee, listing fee, etc)	•	•
Total estimated Issue expenses	•	•

*Will be incorporated after the issue price is finalized.

All expenses with respect to the Issue would be borne by the Company.

Implementation Schedule

Sr. No.	Activity	Date of Commencement	Date of Completion
1)	Land Possession, Compound Wall & Security Cabin	01/03/06	20/03/07
2)	Approval of Plan from Local Authority	01/12/06	28/02/07
3)	Civil Work: (Including Plumbing & Fire Fighting Work)		
(A)	Preparation of working drawing.	15/01/07	25/02/07
(B)	Site office & store.	01/03/07	31/03/07
(C)	Lineout for construction.	01/04/07	07/04/07
(D)	Excavation.	07/04/07	21/05/07
(E)	P.C.C.	28/04/07	31/05/07
(F)	R.C.C. footing.	07/06/07	22/07/07
(G)	Basement - II level slab.	01/07/07	15/08/07
(H)	Basement - I level slab	01/08/07	15/09/07
(I)	Ground Floor level slab	01/09/07	15/10/07
(J)	1st Floor level slab	01/10/07	15/11/07
(K)	2nd Floor level slab	01/11/07	15/12/07
(L)	3rd Floor level slab	01/12/07	15/01/08
(M)	Terrace level slab	01/01/08	15/02/08
(N)	Brick Masonry	01/10/07	31/12/07
(O)	Plaster work	15/11/07	14/02/08
(P)	Terrace waterproofing	01/03/08	21/03/08
(Q)	Sub-station construction	01/07/07	30/08/07
(R)	Bathroom all work	15/12/07	31/03/08
4)	HVAC Work		
(A)	Ducting work	01/01/08	15/03/08
(B)	Chilled water piping with valve	16/01/08	31/01/08
(C)	Installation of AHU / FCU	15/04/08	31/05/08
(D)	Installation of Grill & Diffuser	01/06/08	15/07/08
(E)	Installation of Chilled water pump	15/04/08	31/05/08
(F)	Installation of Cooling tower	01/04/08	28/04/08
(G)	Installation of Chillers	01/06/08	15/07/08
(H)	Testing and commissioning of plant	01/09/08	15/10/08
5)	Electrical Work		
(A)	Conduit laying	01/08/07	15/02/08
(B)	Electrical wiring	25/11/07	28/02/08
(C)	Installation of DB	05/12/07	10/03/08

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(D)	Floor distribution	05/12/07	10/03/08
(E)	LT Panel	01/02/08	01/05/08
(F)	DG set	01/04/08	31/05/08
6)	Interior Work		
(A)	Wood Work	01/02/08	28/04/08
(B)	Loose Furniture	01/03/08	28/04/08
(C)	Window Work	01/04/08	31/05/08
(D)	Painting & Polishing Work	01/05/08	30/06/08
(E)	Mirror / Glass Work	01/06/08	31/07/08
(F)	Wooden Flooring	01/07/08	30/08/08
(G)	Decorative Light Fixtures	01/08/08	31/10/08
(H)	Decorative Hardware	01/10/08	31/10/08
7)	Kitchen Equipment	15/06/08	15/09/08
8)	Laundry	15/06/08	15/09/08
9)	Crockery and Linen	01/09/08	31/10/08
10)	Gas Supply	01/10/08	31/10/08
11)	Cold Room	01/08/08	30/09/08
12)	Soft Opening	15/11/08	
13)	Final Opening	01/12/08	

Appraisal

The project has been appraised by **THE INDIAN OVERSEAS BANK** vide their letter No. RO/SSI/1971/2005-06, dated 10/02/2006 for the sanction of term loan requirements of the Company.

The Indian Overseas Bank Ltd has sanctioned Rs 1250 Lacs and Cash Credit limits of Rs 225 Lacs for the proposed project vide their sanction letter dated 29/03/2006.

The following is the SWOT Analysis of the project as per the Appraisal report as mentioned above:

SWOT ANALYSIS**Strength**

- The project is being promoted by BBHL, which is an existing profit-making company with a good track record in the Hotel Industry.
- Ideal location for a Five Star Hotel, due to its proximity to Air Port and Surat City. It is also adjacent to landmark site-City Plus and Hazira, an industrial area with large industries like Reliance and Essar.
- The top hotels barring a few exceptions are appropriate for conferences rather than banquet. The mid-market hotels, virtually, do not have facility for larger gathering. The institutional facilities are mixed; most of them can hold large gatherings but catering is outdoor there.
- An analysis of hotel scene at Surat will be incomplete without appreciation of corporate guesthouses. If we make an allowance for non-coverage of ONGC/Shell/GSPC, it is evident that these guesthouses have capacity to hold 200 pax on single occupancy (400 pax on double occupancy) basis; ignoring 96 furnished flats occupied by Reliance. Inclusive of 96 flats, the corporate guest-house capacity is almost double the capacity of three hotels. The guest-houses, on the whole, are well equipped; though their ambience and management have a flavour quite lesser than the one of a first-class hotel.

Weaknesses

- The key problem is trained and reliable manpower – cooks, waiters, helpers. It is difficult to attract and retain required manpower.

Opportunities

- The life style at Surat is hedonistic. In the textile industry and large projects, migrants form all over India. The complete absence of unemployment, large company jobs, decent wages in textile sector and very attractive wages in diamond industry have given rise to considerable local purchasing power. Recently, the phase out of the multi-fibre agreement (MFA) has opened up a huge opportunity for Surat. The Apparel Park is developing rapidly.
- Hotel at Surat, is a pioneering venture of Bhagwati Banquets And Hotels Ltd.; being the first banquet hotel in Surat. Company will be in a position to capture the market and establish its brand in the city.



Threats

- The most severe constraint in the context of hotel business at Surat is air connectivity. The development of Surat airport has been delayed; there is no flight landing facility. Deccan Air is to stop its operation. The textile-importers, diamond buyers and many others set up meetings at Mumbai because Surat does not have air connectivity. The Central Govt is committed to make Surat airport fully functional by 2006-end. This will make a decisive impact in terms of growth prospects for up market hotels.

Funds Deployed

Expenses incurred towards the object of the Issue.

As per the certificate dated 31/01/2007 issued by the Company's Auditors, O.P. Bhandari & Co., Chartered Accountants the utilization of funds towards the object of the Issue and the source of finance for the same as on 31/01/2007 is given below.

Deployment of Funds	(Rs in Lacs)
Investment in Subsidiary owning land	500.00
Advance to construction Contractors	260.00
Advance to consultants	18.30
Advance to Suppliers	3.00
Total	781.30
Source of Finance	
Share Capital with premium	781.30

The Yearwise breakup of deployment of funds is mentioned hereunder:

(Rs in lacs)

Deployment of funds	Financial year 06-07 To be incurred upto 31/03/2007	Financial year 07-08 To be incurred upto 31/03/2008	Financial year 08-09 To be incurred upto 15/11/2008	Total
Land & Land Development	608.00	0.00	0.00	608.00
Building Construction (Interior, HVAC/ Escalators/ Lift)	120.00	4080.00	1800.00	6000.00
Kitchen Equipments	0.00	0.00	78.00	78.00
Bakery Equipments	0.00	0.00	26.00	26.00
Health Club Equipments	0.00	0.00	80.00	80.00
Laundry & H.K.	0.00	0.00	30.00	30.00
Signage/ Neon	0.00	0.00	15.00	15.00
TV/ Fridge/ Computer/ Plazma	0.00	0.00	50.00	50.00
Crockery/Linen/Cutlery (Chairs & Tables)	0.00	25.00	50.00	75.00
EPABX & Office Equipments	0.00	0.00	8.00	8.00
Vehicles	0.00	0.00	41.00	41.00
Consultant's Fees	25.00	75.00	25.00	125.00
P & PO Exp.	7.00	98.00	20.00	125.00
Contingency & Escalation	23.00	200.00	100.00	323.00
Working Capital (Margin)	0.00	25.00	50.00	75.00
Interest Exp. Upto 30/09/2008		107.00	9.00	116.00
Total	783.00	4610.00	2382.00	7775.00

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Interim Use of Funds

Pending utilization of funds as stated above, the company intends to invest the proceeds of the issue in high quality, interest/ dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments would be duly authorized by the Board of Directors or a duly authorized committee thereof. The company may also use the same to fund the working capital requirement on a temporary basis.

Monitoring of utilisation of funds

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet for fiscal 2007 and 2008 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet for fiscals 2007 and 2008, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.



BASIC TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, Application Form 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, the Government of India, the Stock Exchange, the RBI, ROC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of 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 (including dividend), if any, declared by us after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a total price of Rs [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the equity Shares is Rs 10/- and the floor price is 3.6 times of the face value and cap price is 4.0 times of the face value.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association of our Company, the equity shareholders shall have the following rights:

- a. Right to receive dividend, if declared.
- b. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- c. Right to vote on a poll either personally or by proxy.
- d. Right to receive offer for rights shares and be allotted bonus shares, if announced;
- e. Right to receive surplus on liquidation.
- f. Right of free transferability; and
- g. Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, 1956 and Articles of Association of our Company.

For further details on the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to section titled “Main Provisions of Articles of Association of the Company” on page 180 of this Red Herring Prospectus.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to the Public including devolvement of Underwriters within 60 days from the date of closure of the Issue or if a minimum of 10% of Net offer to the public is not subscribed by QIBs, 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 prescribed under Section 73 of the Companies Act, 1956.

Terms of Payment

Applications should be for minimum of 175 Equity Shares and in multiples of 175 Equity Shares thereafter. The entire Issue price of the Equity Shares of Rs. 10/- per share is payable on application.

In case of allotment of lesser number of Equity Shares than the number of shares applied for, the Company shall refund the excess amount paid on application, subject to minimum allotment size being the minimum application size.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the issued Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs.10 and the Issue Price is 3.6 times the face value of the Equity Shares at the lower end of the price band and 4.0 times the face value at the higher end of the price band.

Investors should read the following summary with the Risk factors on page number x and the details about the Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of the company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

1) A hospitality Company with 4 years of existence in Ahmedabad with large banquet facility.

BBHL with its star category hotel “The Grand Bhagwati” has four banquet halls namely 1) Chancellor – 50 person capacity – ideal for small conferences; 2) Memories – 500 person capacity – ideal for conventions and auspicious occasions; 3) Ambience – 700 person capacity – ideal for conferences, receptions and marriages and 4) The Grand Ball Room – 1500 person capacity – ideal for large exhibitions, marriages etc.

2) We focus on business travellers which makes us less susceptible to the seasonality factor.

3) Our hotel and all restaurants are located at prime business locations in Ahmedabad.

BBHL’s hotel and all restaurants are situated at prime business and residential locations on or around S. G. Road, namely “The Grand Bhagwati” on S. G. Road, TGB Resorts Karnavati on S. G. Road, TGB Food Court on S. G. Road.

4) In-house designing skills and experience in project management enables us to reduce and control set up costs.

Following are the key points enabling us to reduce and control set up costs.

- a) Bulk purchase.
- b) Through notified and experienced suppliers attached with us since last 6 years.
- c) We have team of Project management consultant, HVAC Consultants, building contractors, Architect and interior designers giving us directions and guidance on new project development as well as necessary upgradations required from time to time for the better upkeep and maintenance of all our properties. Above all mentioned consultants are renowned names and establishments in field of project execution and set up.
- d) Because of the above “The Grand Bhagwati” hotel project was completed in record time of 1.5 years.



Quantitative Factors

Some of the quantitative factors, which may form the basis for computing the price, are:

1) Basic and Diluted Earnings per Share (EPS)

Year	EPS (Annualized) (Rs)	Weight Used
2003-04	2.99	1
2004-05	2.23	2
2005-06	2.92	3
31.12.2006	6.78	4
Weighted Average	4.33	

Note:

- The earning per share has been computed by dividing net profits as restated, attributable to equity shareholders by weighted average number of equity shares outstanding during the year.
- The face value of each equity share is Rs. 10/-

2) *Price Earning Ratio (P/E) in relation to Issue Price of Rs. [•]

- Based on Period ended March 2006 EPS of Rs 2.92: [•]
- Based on Weighted Average EPS of Rs.2.70: [•]
- **Industry P/E
 - Highest – 90.3
 - Lowest – 10.3
 - Average- 29.1

* Would be calculated after the discovery of the Issue price through Book Building process.

**Source-Capital Market Issue dated Jan 15-28, 2007, Category Hotels.

3) Return on Net worth (RONW)

Year	RONW (Annualized) (%)	Weight
2003-04	13.79%	1
2004-05	7.40%	2
2005-06	8.12%	3
31.12.2006	17.71%	4
Weighted Average	12.38%	

4) Minimum Return on Increased Net Worth post Issue required to pre issue EPS - [•] %

5) Net Asset Value (NAV)

As on 2005-06: Rs.35.18

After Issue: [•]

Issue Price: [•]

BHAGWATI BANQUETS AND HOTELS LTD.**Notes:**

- a. The Earnings per Share and the Average Return on Net Worth have been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/prior period items pertaining to the earlier years if any.
- b. The denominator considered for the purpose of calculating Earnings per Share is the average number of Equity Shares outstanding during the year.
- c. Net Asset Value Per Share represents Shareholders Funds as per restated financial statements less miscellaneous expenditure as divided by weighted average number of shares outstanding at the end of the period.

6) Comparison with Financial ratios of the Peer Group

Name of the Peer group Company	Accountings				
	Sales (In Crores)	RONW%	EPS	P/E Ratio	NAV (Rs)
Sterling Holiday Resorts	27.2	-	-	-	11.0
Sayaji Hotel	37.1	-	0.5	-	29.3
Indian Resort	36.6	21.2%	23.5	16.7	123.7
G L Hotels	24.5	-	-	90.3	8.8
Royal Orchid Hotel	59.3	24.5%	7.1	19	55
Fomento Resorts	31.6	-5.3	-	25.3	13
Advani Hotel (I)	35.1	31.8%	4.7	41.1	17

Source- Capital Market Issue dated Jan 15-28, 2007, Category Hotels.

The Face value per share is Rs. 10/- each at a premium of Rs. [•] per share, the issue price being [•] times the face value of the equity share.

The Issue price has been determined by us in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by way of book building and is justified on the basis of above factors. The investors may want to peruse the risk factors and the financials of the Company including important profitability and return ratios, as set out in the Auditors' report on page no.83 of the Red Herring Prospectus to have a more informed view of the investment.



STATEMENT OF TAX BENEFITS

STATEMENT OF TAX BENEFITS

The Board of Directors,
Bhagwati Banquets & Hotels Limited
Plot No. 380, S G Road
Bodakdev, Ahmedabad-380 054

Dear Sirs,

We hereby certify that the enclosed annexure states the possible tax benefits available to **Bhagwati Banquets & Hotels Ltd** (the Company) and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

We do not express any opinion or provide any assurance as to whether: The Company or its shareholders will continue to obtain these benefits in future; or the conditions prescribed for availing the benefits have been / would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. This report is intended solely for your information and for the inclusion in the offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For O P Bhandari & Co.
Chartered Accountants

(O P Bhandari)
Partner
Membership No. 34409
Date : 30.05.2006
Place: Ahmedabad

**ANNEXURE TO THE CERTIFICATE
STATEMENT OF POSSIBLE TAX BENEFITS**

(A) BENEFITS TO THE COMPANY

UNDER INCOME TAX ACT, 1961

1. Subject to Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as the Act) the Company will be entitled to a deduction for depreciation: -
 - a) In respect of tangible assets;
 - b) In respect of intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998; owned, wholly or partly, by the Company and used for the purposes of business or profession, at the rates prescribed under the Income Tax Rules, 1962;
2. Under section 32(1)(iia) of the Act, for the previous year ending on or after 31.03.2006, the company would be entitled to additional depreciation @20% in respect of any new Plant & Machinery acquired or installed after the 31 of March 2005 subject to the fulfilment of other conditions specified under the said section.
- 3.. Under section 35D of the Act a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
4. Under section 115JAA (1A) 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 1 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 5 years immediately succeeding the year in which the MAT credit initially arose.
5. Under section 80- IB (7)(b) profits of a hotel which starts functioning from April 1, 1991 and ending with March 31, 1995 or beginning of April 1, 1997 and ending before March 31, 2001 shall be entitled to deduction of 30% of the profits and gains derived from such hotel for a period of 10 consecutive years beginning from the year the hotel starts functioning, subject to fulfilment of certain conditions..

UNDER THE CUSTOMS TARIFF :

In terms of Notification No. 97/2004-CUS , capital goods (including second- hand) and spares imported against EPCG license issued under Export Import policy are subjected to 5% concession al Customs duty plus education cess , subject to fulfilment of export obligation. In terms of Notification No. 92/2004 CUS, Food items and alcoholic beverages will have Duty Free Credit entitlement benefit @ 5% of the total foreign exchange earned in the preceding financial year, subject to conditions.

Samples imported into India to the value limit of Rs. 10,000 subject to conditions would be exempt from payment of Customs duty vide Ministry s circular dated 13.11.1998 at 1998(104) E.L.T T56-T58.

(B) TO THE SHAREHOLDERS OF THE COMPANY - UNDER THE INCOME TAX ACT, 1961:

Resident Shareholders

1. In terms of section 10(32) of the IT Act, any income of minor children, included in the total income of the parent under section 64(1A) of the IT Act will be exempt from tax to the extent of Rs.1,500 per minor child.
2. Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the company is exempted from income tax.



3. Under section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being equity shares in the company (i.e. capital asset held for a period 12 months or more) would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale is entered into on or after 1 October, 2004, and
 - b) The transaction is chargeable to securities transaction tax as explained earlier.
4. Under section 48 of the Act read with section 2(42A), if the company's shares are sold after being held for more than twelve months, the gains [in cases not covered under section 10(38) of the Act], if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
5. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [other than those exempt under section 10(38)] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain is invested within a period of 6 months after the date of such transfer for a period of at least 3 years in Bonds specified in that section. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced.

However, the amounts so exempted shall be chargeable to tax subsequently, if the Bonds are transferred or converted into money within three years from the date of their acquisition.
6. Under section 54ED of the 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 Act] on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely
 - a) The issue is made by a public company formed and registered in India;
 - b) The shares forming part of the issue are offered for subscription to the public;

If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced.

However, the amounts so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.
7. Under section 54F of the Act, long term capital gains [other than those exempt under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
8. In terms of section 88E 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 rebate from the amount of income-tax on the 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.
9. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company listed on a recognized stock exchange, on which Security Transaction Tax is charged, shall be taxed at a rate of 10% (plus applicable surcharge and educational cess). Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the Act, shall be subject to tax as calculated under the normal provisions of the Act.

BHAGWATI BANQUETS AND HOTELS LTD.

10. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, [other than those exempt under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. 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.

(C) Benefits to Members of the Company under the Wealth Tax Act, 1957

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

(D) Benefits to Members of the Company under the Gift Tax Act, 1958.

Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

Notes

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. 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 Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.



SECTION IV – ABOUT THE ISSUER COMPANY

HOTEL INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe industry, market and government data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Indian Hotel Industry

The liberalization of Indian economy in 1991 and the integration of India into the Global Economy have given impetus to business travellers and tourist travelers. As a result the hotel industry in India has recorded a healthy growth since 1991. In the late 1990s major hotel chains, new entrants and international chains entered the Indian market. Though there was a slowdown owing to the IT industry slow down, September 11, 2001 attacks and SARS outbreak in 2002 the industry has recovered since that period.

The following table shows the growth over the past six years in hotel rooms in hotels who are members of Federation of Hotel and Restaurant Associations of India (“FHRAI”).

Category	2000		2001		2002		2003		2004		2005		Growth in Rooms CAGR (2000-05)
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	
Five Star Deluxe	57	12,556	65	14,959	68	15,672	68	16,050	74	17,903	78	18,625	12.00%
Five-Star	73	9,051	72	8,513	72	8,662	72	8,669	71	8,554	77	9,326	3.00%
Four-Star	92	7,232	100	7,791	100	7,614	102	7,408	104	7,355	124	8,693	9.00%
Three-Star	379	19,785	413	20,691	413	21,387	409	21,098	414	21,433	468	24,401	13.00%
Two-Star	244	9,135	234	9,958	234	9,278	226	8,903	221	8,639	212	8,242	1.00%
One-Star	46	2,253	48	2,428	48	1,696	44	1,520	43	1,480	44	1,504	-9.00%
Heritage Approved (Unclassified)	66	2,372	71	2,551	71	2,492	67	2,258	69	2,297	75	2,567	22.00%
Unapproved	263	10,560	308	12,318	308	12,515	297	11,921	304	12,058	333	13,426	17.00%
	493	18,350	455	17,757	455	17,925	452	17,895	477	18,796	470	18,286	-10.00%
Total	1,713	91,294	1,766	96,966	1,769	97,241	1,737	95,722	1,777	98,515	18,286	1,05,070	4.00%

Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

The table above shows that, except with respect to the heritage category, there has been relatively low growth in rooms in all the major segments. This slow growth in new hotel rooms is one of the reasons for the high occupancy rates in major cities in India, and creates opportunities for significant expansion in future periods.

BHAGWATI BANQUETS AND HOTELS LTD.

Classification of Hotels in India

The hotels in India can be broadly classified into two categories - approved and unapproved. The Ministry of Tourism, Government of India, grants approval to hotels at the project stage and then classifies into one of the star categories. The hotels are classified into 7 categories:

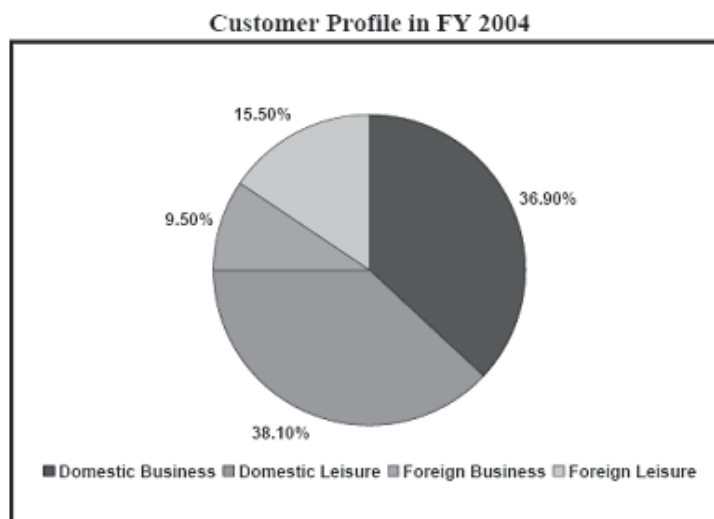
- Five Star Deluxe
- Five Star
- Four Star
- Three Star
- Two Star
- One Star
- Heritage

The Key Characteristics of each category of hotels and typical locations is given below.

Category	Typical Location	Target Customers
Five Star Deluxe & Five Star	Restricted to the four metros and Major cities like Bangalore and Hyderabad.	Foreign business and leisure travellers, senior business executives and top government officials.
Three Star & Four Star	Located in all major cities as well as tourist destinations.	Middle level business executives and leisure travellers.
One Star & Two Star	Located in major cities and small cities and Tourist destinations.	Domestic tourists
Heritage	Heritage hotels comprise old palaces, havelis, castles, forts and residences, converted into hotels largely located in leisure tourist destinations like Jaipur, Mysore.	Primarily foreign leisure travellers.

Customer Profile of Hotels in India

The clientele of Hotels can be broadly classified as Domestic Leisure Travellers, Domestic Business Travellers, Foreign Business Travellers and Foreign Leisure Travellers. The inflow of business travellers is less seasonal in nature in comparison to leisure travellers.



Source: FHRAI

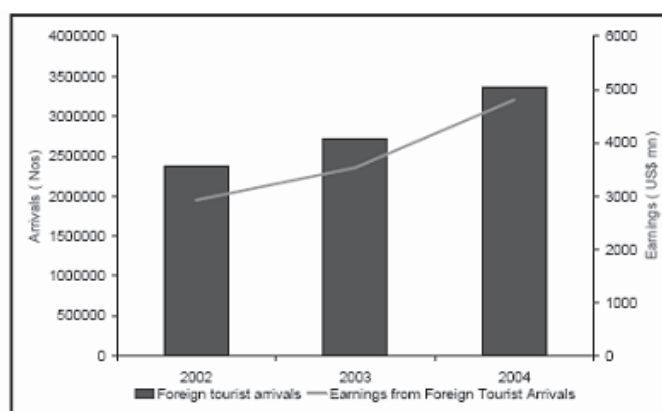
Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

As seen in the above chart, business travelers and leisure travelers, both domestic and international, form the major clientele for hotels in India.

Indian Tourism Industry

Tourism in India has registered significant growth in recent years. The upward trend is expected to reach new heights in coming years. Tourism is the third largest earner of foreign exchange for India and also one of the sectors which employs the largest manpower. The World Travel and Tourism Council (WTTC) has identified India as one of the foremost growth centres in the world in the coming decade.

Focused marketing of tourism products and branding of India as a high value destination, policies targeted at strengthening of tourism infrastructure by the Ministry of Tourism have been responsible for a healthy growth in international tourist arrivals to India. The following graph indicates the increase in foreign tourist arrivals and foreign currency earnings due to foreign tourist arrivals over the past three years. In the year 2004 foreign tourist arrivals grew at 23.5% and foreign exchange earnings from international tourists grew by 32.9% compared to 2003.



Source: Ministry of Tourism, Government of India – Annual Report 2004-05

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The Government has also recognized the importance of the hospitality industry, and, over the past two to three years, has enacted or announced several initiatives to give further impetus to the industry:

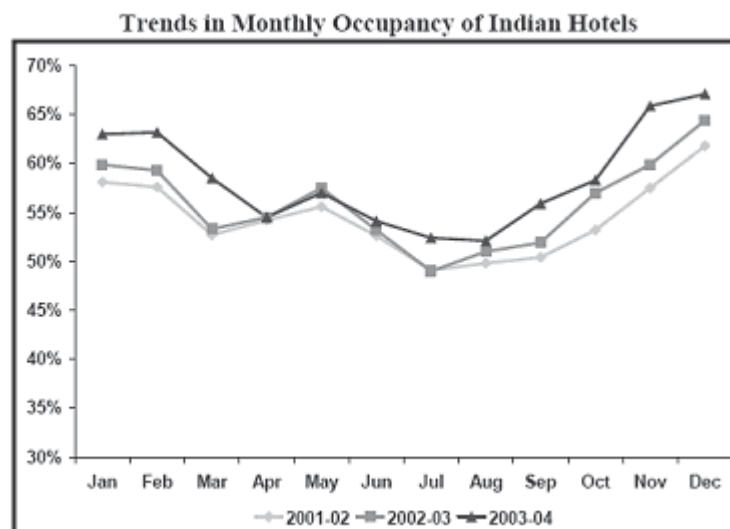
- The “Incredible India” campaign was the first major public/private global campaign from India and was very well received, helping to showcase India as a leading tourist destination globally;
- Announcement of an open-skies policy for the peak travel season;
- Planned upgrade of Mumbai and Delhi airports and the construction of new airports at Chennai and Bangalore;
- Announcement of the establishment of international convention centers in Delhi, Mumbai, Goa and Jaipur in an effort to attract more business travelers to India;
- Reduction in travel costs by removing domestic and foreign air travel tax, and reducing excise duty on aviation turbine fuel from 16% to 8%;
- Reduction of taxes on the hotel industry (including the expenditure tax, service tax on food and beverage and room revenues); and
- Extension of infrastructure status to the hospitality industry.

Domestic Leisure and Business Travelers

According to FHRAI, domestic guests in the 1,065 hotels surveyed across various cities in India accounted for 71.7% of all guests in fiscal year 2005, though this has decreased marginally from 75% in fiscal year 2004 and 76.9% in fiscal year 2003. Increased income levels, emergence of a large middle class and improved infrastructure in terms of domestic air and rail connectivity have led to growth in domestic leisure travel. Simultaneously, domestic business traffic has also grown with general improved corporate profitability and positive business environment in India.

Seasonal Nature of the Industry

The Hotel Industry is seasonal with revenues generally being higher during the second half (October to March) of each fiscal year as compared to the first half (April to September) of the fiscal year. Business from tourist and business travellers is generally higher during the second half of the fiscal year. The following graph illustrates the seasonality in the occupancy rates.



Source: FHRAI

The seasonal nature of the hotel industry is also dependant upon any major event in respective cities. For example in Bangalore the occupancy rates are higher during the aero shows, annual industry conventions and seminars etc.

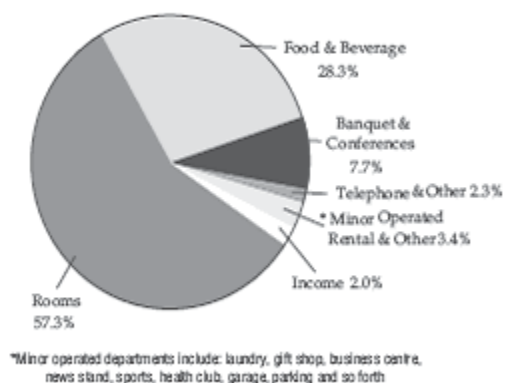
HIGHLIGHTS OF THE INDIAN HOTEL INDUSTRY SURVEY 2004-05 (BY FHRAI)

Revenue and Cost Composition

Rooms revenue, generally considered as the largest component of the hotel profitability, constituted 57.3% of the revenues across all the hotels in fiscal year 2005. Food and Beverage was the next significant component with a contribution of 28.3%. The following figure illustrates the revenue composition and costing of each individual component. As illustrated in the graph below, the operating margins are high for the room revenues earned. The primary reason for this is the low proportion of variable costs in the operation and maintenance of a room.



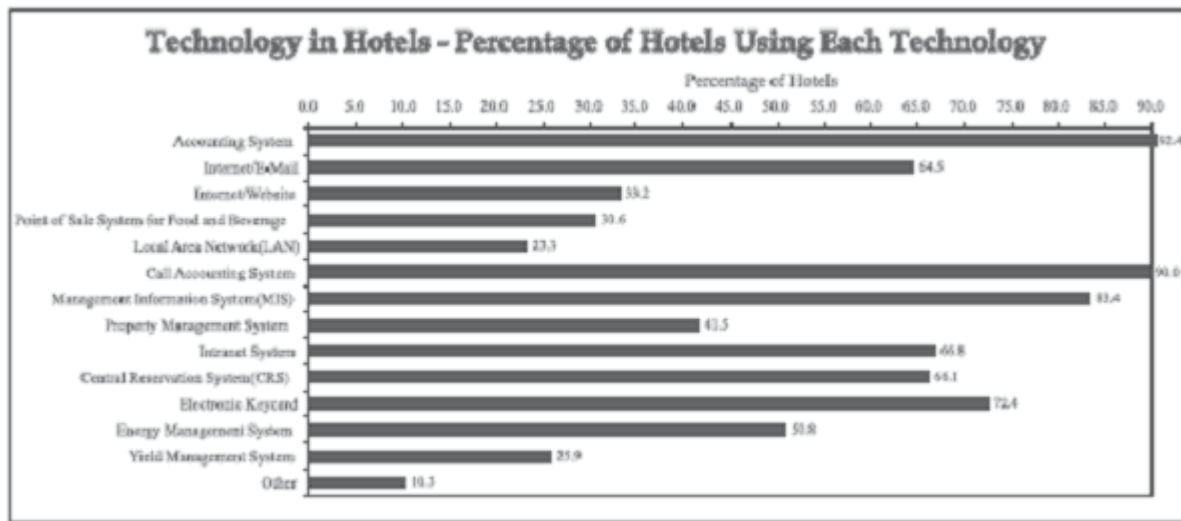
Breakdown of Revenue - 2004-2005



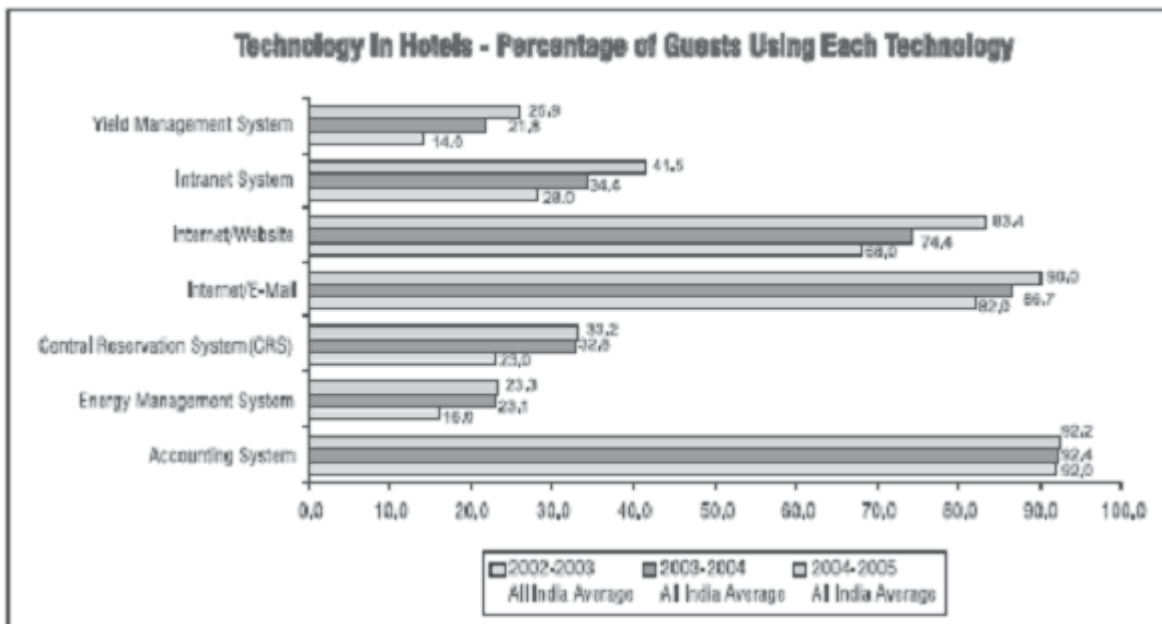
Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

- The departmental expense consists of direct cost, such as raw materials, and does not include operating expenses like energy, administrative and general expense.
- The All India average of Rooms department expense as a percentage of Rooms revenue declined further from 17.8% in 2003-04 to 14.7% in 2004-05.
- Similarly, the All India average Food & Beverage department expense as a percentage of Food & Beverage revenue declined from 55.9% in 2003-04 to 53.9% in 2004-05.
- Minor Operated department expense as a percentage of Minor Operated department revenue registered an increase from 53.7% in 2003-04 to 58.8% in 2004-05.
- Total departmental expense as a percentage of total departmental revenue reflected a further decline, from 37.4% in 2002-03 and 33.7% in 2003-04 to 30.9% in 2004-05. This is partly owing to higher average room rates.
- Technology in hotels is showing a decline in few of the attributes this year. This may be partly attributed to the increased participation of smaller hotels in the survey. However, the larger hotels continue to improve the use of technology in various areas of hotel operations.
- Intranet and e-mail systems by hotels and usage of CRS and websites as distribution channels continue to gain importance. The graph below depicts a comparison of the percentage of hotels using each technology, during the period 2002-2003 to 2004-05.

BHAGWATI BANQUETS AND HOTELS LTD.



Intranet and e-mail systems by hotels and usage of CRS and websites as distribution channels continue to gain importance. The graph below depicts a comparison of the percentage of guests using each technology, during the period 2002-2003 to 2004-05.



- Five-star and four-star hotels witnessed overall increase in utilization of yield management systems over the three-year period between 2002-03 and 2004-05.
- The maximum utilisation of energy management systems continues to be in the five-star deluxe category. These hotels have managed to maintain the energy cost POR at Rs762 in 2004-05 (Rs758 POR in 2003-04).
- There has been an increase in heritage hotels using energy management systems, from 21.1% in 2003-04 to 28.6% in 2004-05, which has resulted in decrease in energy cost of heritage hotels from Rs637 POR in 2003-04 to Rs499 in 2004-05.



- Percentage of foreign guests increased to 28.3% in 2004-05, compared to 25.0% in 2003-04, primarily as the percentage of foreign business travelers grew. Of the foreign guests, the UK provided the largest demand, at 6.2%, followed by USA, at 12.8%, and France at 7.2%.
- Domestic guests continue to be the most important segment for the Indian hotel industry, accounting for 71.7% of all guests in 2004-05, though this has decreased marginally from 75.0% in 2003-04 and 76.9% in 2002-03.
- All India average stay of a business traveler has increased from 2.0 days to 2.4 days.
- There is an increase in foreign business travelers utilizing five-star deluxe, five-star, fourstar hotels and heritage hotels from 27.0%, 18.6%, 11.4% and 11.7%, respectively, in 2003-04 to 28.1%, 21.4%, 13.7% and 14.1%, respectively, in 2004-05.
- With the increase in average rates the foreign-tourists/leisure FIT segment has shifted from five-star deluxe hotels to five-star and four-star hotels. There has been a decrease in foreign-tourists/leisure FIT in five-star deluxe hotels (from 10.4% in 2003-04 to 8.1% in 2004-05) and an increase of this segment in five-star and four star hotels (from 5.6% and 10.5%, respectively, in 2003-04 to 10.9% to 12.2%, respectively in 2004-05).
- Owing to all India increased occupancy property operations and maintenance expense PAR has increased from Rs 69,735 in 2003-04 to Rs91,981 in 2004-05.
- Average monthly occupancy was highest in December (at 71.7%), followed by November (at 67.8%) and January, February (at 65.8%).
- Direct enquiry and advance reservations by travel agents and tour operators cumulatively comprise of 75.9% of reservation source for Indian hotel industry. Five-star deluxe hotels are making the best use of GDS as 8.1% of the total reservations for five-star deluxe hotels come from GDS, against the all India average of 1.7%.
- Print advertising is the most popular media used by the Indian hotel industry with the all India average at 92.2%, followed by 82.5% using direct mails.
- Credit cards as a mode of transaction increased from 27.7% and 30.4% in 2002-03 and 2003-04 respectively to 32.5% in 2004-05. Credit cards remained the most popular method of payment at five-star deluxe hotels at 47.4%.
- Visa (41.8%) was the most widely used credit card by hotel guests in 2004-05, followed by MasterCard (37.0%). American Express charged the highest credit card commission at 2.9% against 1.7% by Visa and MasterCard.

Indian Hotel Industry - Size and Category

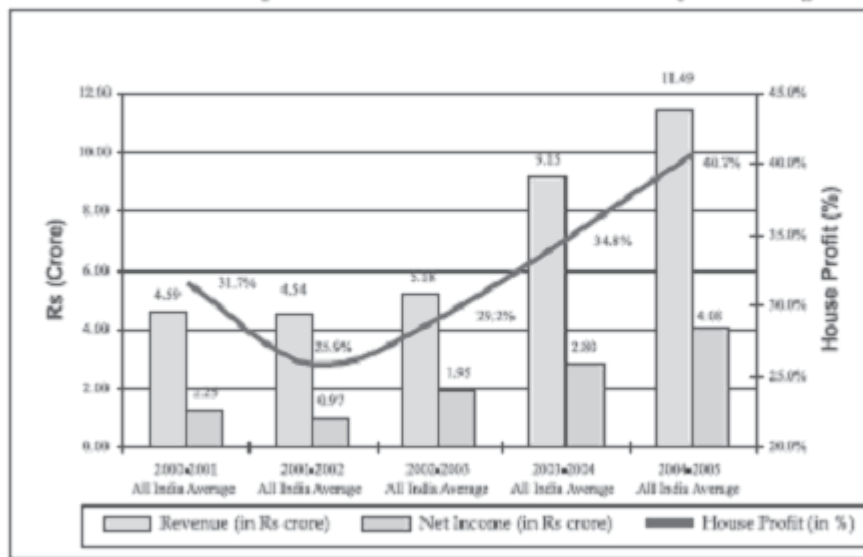
Hotels in India are categorized into two main types: approved and unapproved. The Ministry of Tourism, Government of India grants approval to hotels at the project stage and then classifies them into one of the star categories. This approval status is voluntary; however, only approved hotels can avail of the various incentives, import licenses and other benefits from the Government. The following table lists the number of FHRAI member hotels in different categories in the last six years. Nearly all the five-star deluxe, five-star, four-star and three-star hotels in the country are members of FHRAI, although membership is not so comprehensive in lower star categories. The majority of hotels and hotel rooms in India are included in the unapproved type, as many hotels, especially those that are equivalent to lower star category hotels; do not take part in the Government classification process.

BHAGWATI BANQUETS AND HOTELS LTD.

	2000		2001		2002		2003		2004		2005		Avg Annual Rooms Growth (2000-2005)
Category	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	
Five-Star Deluxe	57	12,556	65	14,959	68	15,672	68	16,050	74	17,903	78	18,625	12%
Five-Star	73	9,051	72	8,513	72	8,662	72	8,669	71	8,554	77	9,326	3%
Four-Star	92	7,232	99	7,791	100	7,614	102	7,408	104	7,355	124	8,693	9%
Three-Star	379	19,785	402	20,691	413	21,387	409	21,098	414	21,433	468	24,401	13%
Two-Star	244	9,135	263	9,958	234	9,278	226	8,903	221	8,639	212	8,242	1%
One-Star	46	2,253	50	2,428	48	1,696	44	1,520	43	1,480	44	1,504	-9%
Heritage	66	2,372	73	2,551	71	2,492	67	2,258	69	2,297	75	2,567	22%
Approved (Unclassified)	263	10,560	303	12,318	308	12,515	297	11,921	304	12,058	333	13,426	17%
Un-approved	493	18,350	472	17,757	455	17,925	452	17,895	477	18,796	470	18,286	-10%
Total	1,713	91,294	1,799	96,966	1,769	97,241	1,737	95,722	1,777	98,515	1,881	105,070	4%

Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

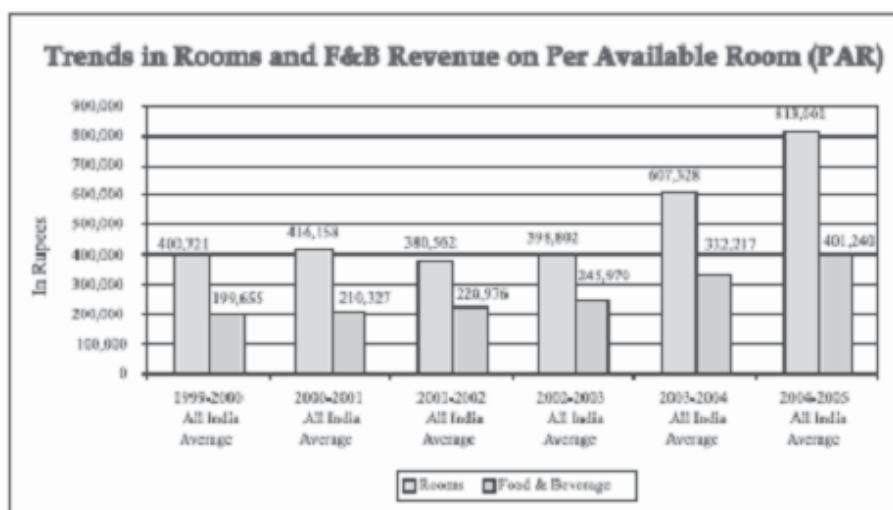
Indian Hotel Industry-Revenue and Profitability-Average Per Hotel



Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

Indian Hotel Industry-Revenue and Profitability-Average per Hotel

- It is evident from the above graph that there is strong correlation between F&B revenue and room revenue and even with rising Rev PAR the overall F&B contribution to total revenue has been maintained. This may be partly attributed to price increases in the F&B outlets.
- July continues to have the lowest monthly occupancy in the year. However, the occupancy for all months was higher in 2004-05 compared to the last five years.
- South Africa and the Caribbean are the lowest feeder markets in terms of number of visitors to India at 0.9% and 1.7%, respectively, in 2004-05. This is followed by China at 1.9%.
- Radio advertising features as the least utilized marketing media at 8.4%, followed by merchandising at 24.5%, by the Indian hotel industry in 2004-05. All five-star deluxe hotels (sample size 32) are using the hotel web site at 100.0% as a marketing medium in 2004-05.



Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

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City Wise Trends in Hotel Industry

The following figure represents the Average occupancy and Average Room Rentals in major Indian cities.

Source : **FHRAI – Indian Hotel Industry Survey – 2004-05**

OUR BUSINESS

Overview/Back ground of the Business

The Company Bhagwati Banquets And Hotels Ltd was initially incorporated as Pvt Ltd Company on 1st November, 1999 and its name was Bhagwati Banquets Pvt Ltd. The Company was subsequently converted into public Limited Company and its name was changed to Bhagwati Banquets And Hotels Ltd (BBHL) on 13th April 2000. BBHL has been incorporated with the main object to carry on the business of banquet halls, marriage halls, party halls and plots, hotels, restaurants, catering and cafe, taveran, refreshment room, entertainments, amusements, club, bath, grounds and places of recreation, sports, picnic places and hotel related services. W.e.f 17th October 2005 its registered office was shifted from "73, white House, Panchvati, Ellisbridge, C.G Road, Ahmedabad-380006" to "Plot No 380, S.G. Highway, Bodakdev, Ahmedabad-380054".

At present we operate and manage one Hotel under the name "The Grand Bhagwati" and a chain of Restaurants at various locations in Ahmedabad.

We have one 100% subsidiary named Lov Kush Properties Pvt Ltd, four group Companies namely TGB Foods Pvt Ltd, Bhagwati Caterers Pvt Ltd, Bhagwati Eateries Pvt Ltd and Rising Hotel Ltd (Formerly known as Akash Hotel Ltd)

We are expanding our presence in Ahmedabad through the opening and acquisition of new restaurants and starting a new five star hotel at Surat.

The group's first venture was a genuine "Delhi chat" outlet at Ahmedabad in 1990. The TGB Group diversified into outdoor catering in the mid nineties and met with instant success on account of their mouth watering preparations in Punjabi and Chinese cuisine which became popular with the non-Gujarati clientele of Surat and Ahmedabad. With a view to cope up with the increased business which involved organizing catering at 5to 6 locations simultaneously both at Ahmedabad and other towns like Baroda, Surat, Bhavnagar, Rajkot etc. and streamlining the operations, Bhagwati established a centralized kitchen (food factory) in 1998 at Changodar, about 15 kms from Ahmedabad city. This revolutionary concept was brought under the banner of Bhagwati Caterers Pvt Ltd which was incorporated on 03/10/1997.

The outdoor catering success led to a pioneering venture in indoor catering. The TGB group opened a hotel at Ahmedabad namely "The Grand Bhagwati", a three star deluxe hotel located at the Sarkhej Gandhinagar Highway which started its operations from June 2002. While there are 37 rooms, a restaurant and a coffee shop, its core competency and facility is banqueting. It possesses three banquet halls which can hold 5400 persons on two shift basis, all in air-conditioned comfort. It has a large lounge and a captive, easy parking facility to match the size of its banquet facility.

In the first full working year of 2003-04, the Company notched up a turnover of Rs. 1232.11 Lacs. In the year 2004-05, the turnover of the Company was increased upto Rs. 1335.15 Lacs and it earned the net profit before tax of Rs. 167.52 Lacs. In the year 2005-06 the turnover of the Company further increased to Rs 2312.94 Lacs and its net profit before tax also increased to Rs 249.06 Lacs.

Further to expand the business, the TGB Group entered into agreement with Karnavati Club Ltd to maintain the rooms and restaurants in Karnavati Club. The promoters formed a partnership venture namely M/s TGB Resorts Karnavati on 01/10/2003 Similarly another partnership venture with the name M/s Bhagwati International was formed on 01/10/2003 to carry on the business of running restaurants and Food Courts. The TGB Group incorporated two other small closely held private Companies namely Bhagwati Eateries Pvt Ltd and TGB Foods Pvt Ltd on 12/04/2004 and 27/07/2004 respectively. Both the Companies were incorporated basically with the same objects to carry on the business as caterers and consultants of all kinds, types and description of food products in liquid, solid and powders including spices, kiranas, tea, fruits, dry fruits, milk products, bakery products etc and to carry on the business of preservation, dehydration, freezing, freeze-drying, canning, etc. TGB Foods Pvt Ltd is presently involved in the business of manufacturing Bakery Products and Bhagwati Eateries Pvt Ltd is involved in the business of maintaining Banquet Halls and indoor catering. BBHL is the flagship company. Bhagwati Caterers Pvt Ltd, TGB Foods Pvt Ltd and



Bhagwati Eateries Pvt Ltd are the associate/group companies of Bhagwati Banquets And Hotels Ltd and are closely held private companies. M/s TGB Resorts Karnavati and M/s Bhagwati International are partnership firms. Promoters decided to consolidate their whole business under one banner and transferred the businesses of M/s TGB Resorts Karnavati and Bhagwati International as part of group reorganization and consolidation of Bhagwati Banquets And Hotels Ltd with effect from October 2005. Moreover BBHL also took over the assets of Bhagwati Caterers pvt Ltd and its business of outdoor catering from the same date. Valuation of the businesses of Bhagwati Caterers pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International was entrusted to M/s Fourth Vision, a consultancy firm and they submitted their report on May 2005. Based on this report, BBHL bought the businesses of Bhagwati Caterers pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International w.e.f. 1st Oct. 2005. Consolidating the business qualified BBHL to participate in national level banqueting contracts like of Railway. With synergies of all the companies, BBHL was able to utilize their manpower at optimum level and the brand image was also enhanced. With better branding and affordability of regular training programme helped in securing and retaining motivated and qualified manpower. As on 1st May, 2006 the promoters of the Company and their relatives together hold 50% shares of a public limited Company namely Rising Hotel Ltd (Formerly Akash Hotel Ltd). Rising Hotel Ltd (Formerly Akash Hotel Ltd), one of the associate concerns of the Bhagwati Banquets And Hotels Ltd was originally incorporated on 29/11/1991 and is presently involved in the activities of maintaining Hotel Rooms, Restaurants and Banquet Halls.

ACHIEVEMENTS AND AWARDS

The following is the short summary of the achievements/awards won by the Company Bhagwati Banquets And Hotels Ltd and our promoter Mr. Narendra Somani.

- 1) Emerging India Award-2006 as “THE MOST PROMISING SMALL ENTERPRISE OF THE YEAR” given by CNBC TV-18, ICICI Bank- powered by Crisil.
- 2) National Award for Excellence in Hotel Management to our promoter Mr. Narendra G Somani on 24th April 2005 by UNO 2005.
- 3) Certificate of honour by appreciating efforts towards excellence in building the future Ahmedabad and dedication in teaming up for THE GIHED MOTTO to the Hotel “The Grand Bhagwati” by Gujarat Institute of Housing and estate developers in 2005.
- 4) Certificate of honour to Mr. Narendra Somani as “Young Entrepreneur” for his exemplary Services, Achievements and Contributions in the fields of Hospitality/ Catering.
- 5) AMA-Zyodus Cadila “The marketing man of the year award – 2006” to Mr. Narendra Somani – by Ahmedabad Management Association.

Present Project

Location

Bhagwati Banquets And Hotels Ltd proposes to set up a five star 100 room hotel at Surat which would be situated adjacent to a landmark site-City Plus, 5 kms from Athwa Lines (Posh Locality), 2.5 kms from the airport. The Hotel site is 2 kms away from Hazira and 12 kms from Railway Station. It is an ideal location. The Hotel will be spread over an area of 16167 sq. yards. The building would be constructed at the land owned by the 100% subsidiary of Bhagwati Banquets And Hotels Ltd namely Lov Kush Properties Pvt Ltd. The Hotel is expected to commence operations from 01/05/2008.

BBHL is to set up a five star banquet hotel. Its facility configuration will be as follows:

- Rooms : 100
- Multi-cuisine Restaurant : 100 pax
- Specialty Restaurant : 60 pax
- Coffeeshop : 80 pax

BHAGWATI BANQUETS AND HOTELS LTD.

- Large banquet/conference units : 3000 pax (total)
- Outdoor Catering : 500 pax
- Indoor sport facility
- Swimming pool
- Business centre
- Gym, beauty, saloon

Plant, Machinery, Technology etc

Various equipments which form part of the cost of the project can not be called as Plant & Machinery. The Company has not purchased any property for the Surat project as on date except for land as investment in subsidiary Company. For other fixed Assets such as Furniture and fixtures, Kitchen Equipments, Health Club equipments etc the Company has not yet placed orders for these assets. The Company has only invited quotations from various suppliers and based on those quotations the Cost of project has been estimated. For detail of various fixed Assets to be purchased by the Company please refer to head Cost of Project under the Objects of the Issue on page No 22 of the Red Herring Prospectus.

Collaborations, any performance guarantee or assistance in marketing by the Collaborators

The Company has not entered into any collaboration or other agreement with any third parties for the project proposed at Surat.

Infrastructure facilities for raw materials and utilities like water, electricity etc

Land

The Company proposes to set up a 100 room five star hotel at Surat. For this the Company would be using the land admeasuring 16167 sq yards owned by its 100% subsidiary Company namely Lov Kush Properties Pvt Ltd.

Production and quality systems

The company plans to deploy advanced machinery. These units will perform multiple operations in one continuous flow; eliminating unnecessary handling of raw materials and cooked food, maintaining quality of food and service. Company has vast experience in maintaining a centralized kitchen, individual kitchens and in moving of food in semi finished and finished conditions from one place to other within the hotel and outside catering. They have made provision of all reasonable plant, machinery, equipments and furnitures. Architect, services consultants are experienced and have worked with the promoters successfully in their Ahmedabad project and have maintained the optimum flow of services while preparing plans.



Manpower

BBHL has estimated the total manpower requirement for the Surat project at 460, the summary of which is as given below:

Sr. No	Particulars	No of Employees
1	General Manager's Office	3
2	Front Office	32
3	Food & Beverage - Service	59
4	Food & Beverage - Restaurant Kitchen	56
5	Food & Beverage - Banquet Kitchen	65
6	House Keeping	57
7	Cafeteria	18
8	HRD	3
9	Stores/Receiving	8
10	Banquets	26
11	Admn/Estate/Pianist/Secretary	4
12	EDP	2
13	Maintenance	22
14	Purchase	3
15	Kitchen Stewarding	33
16	Decoration	14
17	Security / General (Lift/Driver)	24
18	Accounts	11
19	Sales & Marketing	8
20	Health Club & Spa	12
	Total	460

The company proposes to recruit the manpower in a phased manner depending on the progress made in implementation of the project. Recruitment of skilled/semiskilled manpower is not expected to pose any problem since the company is an established player.

Water

Company plans to put its own Borewell within the hotel premises and requirement for water will be fulfilled from that only. Survey for available water table and quality of water are yet to be done.

Electricity

BBHL is confident of getting regular power in Surat although application for power connection to GEB is still pending. In any case the Company has made provision for buying additional DG Set for 100% backup of power.

Services of the Issuer Company

The Company is involved in the business of banquet halls, marriage halls, party halls and plots, hotels, restaurants, catering and cafe, taveran, refreshment room, entertainments, amusements, club, bath, grounds and places of recreation, sports, picnic places and hotel related services.

BHAGWATI BANQUETS AND HOTELS LTD.

Our Competitive Strengths

We believe that following are our competitive strengths.

Strong Value Proposition

We strive to provide our customers a superior experience during their stay in our hotels. We provide various amenities required by business travellers at prices which we believe are relatively lower than our competitors. This is achieved by identifying facilities which would enhance services to our customers and allocating our financial resources accordingly. This approach ensures efficient allocation of our financial resources and gives us an advantage in terms of cost of servicing our customers.

Management Expertise

The Company is managed by a team of experienced and professional managers with average senior management experience of nearly two decades in the hotel industry. We believe that our management team has been able to identify attractive acquisition opportunities that, combined with management's turn-around expertise, will continue to yield positive results for the Company.

Low Set-up Cost

We have strong in-house design capabilities, which coupled with our sourcing abilities enable us to set up facilities at lower cost while ensuring quality.

Locational Advantage

All our existing restaurants and food outlets are located in prime locations in Ahmedabad with easy access to airport, railway station and main shopping destinations. Our hotel in Ahmedabad is also located close to the main business centre which makes it convenient for our customers staying in these hotels. Operating hotels in prime locations would continue to be an important part of our business strategy.

Presence of popular food and beverage outlets

We have a popular array of food and beverage outlets in our hotel and restaurants. Our food and beverage outlets namely Bricks, Café Piano, Dhuan, Sidewalk, Sarbhara, Tropicana, Shatranj are popular among people of Ahmedabad. This ensures that we have an active clientele for these outlets apart from our room guests. This adds to our revenues and creates wide publicity for our hotel.

Business Strategy

The Company's business strategy is to focus on its core business to enhance profitability and optimize returns to its shareholders. The principal components of the Company's strategy are as follows.

1) Build Strength and Awareness of "TGB" Brand

Our portfolio of restaurants and party plots is operated under our umbrella brand; "TGB". The Company's brand vision is to build long-term loyalty and competitive advantage in the global marketplace by positioning "TGB" as a luxury and lifestyle brand leader. We plan to leverage this exposure to further develop the "TGB" name as a prestige brand on the national level. We are working to accomplish this vision by delivering a consistent level of product and service that aims to be excellent, innovative and customer-driven. We also intend to maintain a high standard of quality for our guest facilities and services with regular renovation and refurbishment of our existing properties.

2) Expand Presence to Other Major Cities

We intend to establish our presence with hotels and resorts in key travel and business destinations in India. As the present issue is to establish a five star hotel at Surat, we also plan to expand our presence in other major cities of India.



3) Focus on Business Clientele

We will continue to focus on business class hotels. The growing economy has brought about an increase in business travel, both domestic and international. Given our experience in managing business class hotels, we intend to expand further in this category, though we will continue to examine and evaluate opportunities in other categories like tourist, heritage, etc. as and when they arise. Business class hotels are less vulnerable to seasonality and provide stability and predictability for our earnings.

4) Build upon Customer Loyalty

The Company has been making efforts to increase customer loyalty through frequent customer programs. We intend to further grow our loyalty program base by developing a guest loyalty program. To support these efforts to build customer loyalty, we will continue to seek to ensure that the personalized elements that draw customers back to our hotels remain strong.

5) Focus on Developing and Offering Distinctive Products to our Guests

The Company will continue to focus on providing premium and distinctive products and services to our guests, as the demand for these products within the hotel industry continues to grow, particularly in the premium market. The Company will continue to seek out and develop distinctive products intended to enhance customer experiences.

6) Stand-alone profitability

Our objective is to focus on profitable growth by ensuring that our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the viability of each individual property and plan our design and capital expenditure accordingly. Strong project management skills would enable us to monitor and control the project and operating costs.

Operations (Properties)

The Company had audited consolidated gross income of Rs 231.29 Lacs during the period ending on 05-06 compared to Rs 1335.60 Lacs during the year ended on 04-05.

The following is the summary of the Company's current operations.

THE GRAND BHAGWATI HOTEL

The Grand Bhagwati Hotel set up in June 2002 is owned and managed by the Company. The Hotel has been granted a three star classification on 11/05/2005 by HRACC Govt of India. It is situated in the up market and the most happening commercial hub on the Sarkhej-Gandhinagar Highway between Thaltej and Satellite Crossroads, with most of the corporate giants relocating their business in this part of new Ahmedabad. Having garnered a vast experience in catering to the food & beverage needs of local clients over a period of 10 years 'The Grand Bhagwati' has become a name to reckon, in providing valuable services without compromising on set standards.

The Grand Bhagwati also has a centralized kitchen, built up in an area of 1500 sq. meters, on the outskirts of Ahmedabad. The kitchen has all the necessary bulk equipment like - dough kneaders, choppers, mixers, tilting pans, vessels, etc., to prepare food for ten thousand meals per day at its maximum capacity and able to manage the outdoor catering parties all over Gujarat.

Rooms

The accommodation consists of thirty seven stylish guest rooms with two spacious suite rooms, all furnished with a refrigerator, work table, vanity counter and well lit bathrooms with round the clock hot and cold water, ensuring the best in comfort and luxury. There are two categories of rooms in the Hotel i.e. deluxe rooms and suite room.

BHAGWATI BANQUETS AND HOTELS LTD.

Banquet Halls

The Hotel has three banquet halls which can hold 5400 persons on two shift basis, all in air-conditioned comfort viz. The Great Ball Room, Memories and Ambience.

The Grand Ball room: The largest of the three banquet halls, the Grand Ballroom complimented with an open area of 7000 sq. ft., and is well suited for special events like exhibitions, fashion shows, product launch, premieres etc. besides large wedding & reception parties. It has the capacity of accommodating 1500 guests. It can also be divided into two; there by allowing two functions together, whether be corporate or social get together. It is an ideal place to hold theme parties too.

Memories: With the capacity of 250 to 500 guests depending upon the function, it is an exquisite hall and may be arranged in different ways suiting the requirements. The approach to the hall and the beautiful carved ceiling is worth mentioning.

Ambience: As the name suggests this hall is spacious and elegantly designed for exclusive gatherings, like a conference, wedding, even a “freak out” parties, with a capacity to hold 400 to 700 guests, suiting the requirement.

Food and Beverage Outlets

Hotel Grand Bhagwati has three food and beverage outlets-Bricks, Café Piano and Dhuan.

BRICKS-Bricks at the Grand Bhagwati are an ideal blend of multi-cuisine dining offering large and varied options in typical Indian, Chinese Tawa and Tandoori delicacies. The lively open faced barbecue counter presents the perfect mood to experience the best that Indian vegetarian cuisine can offer.

CAFÉ PIANO-Café Piano represents the moods and melodies on a platter. The most happening vibrant and colourful 24 hours Coffee Shop creates the perfect moods and offers various dining options round the clock for all ages. In addition to our wide repertoire, sumptuous dishes, warm service and the soothing ambience makes experience truly memorable.

DHUAN- Dhuan—— the first hookah bar cum roof top restaurant have put together a culinary symphony composed of the very best of traditionally cooked Dum Pukht, Lebanese and Moroccan food. The ethnic blend of mid eastern décor with modern and efficient services and great food makes the visit a memorable one.

Business Performance of the Hotel “The Grand Bhagwati”

The Grand Bhagwati has positioned itself uniquely as a banquet hotel at the most focused location in Ahmedabad. The land price, in the area, has gone up sharply since the hotel was established. The capital expenditure of a new banquet hotel will be much higher. The market is not large enough to support, in the short run, two large players because the other categories- top-end hotels, mid market hotels, institutions- will continue to attract certain kind/amount of business. The capital expenditure, limited market size and niche position of other categories are the entry barriers to a new player comparable to the hotel The Grand Bhagwati.

1) Room Income

The Grand Bhagwati enjoys a Locational advantage. SG Road now competes with CG Road and yet there is no residential hotel of a standard comparable to ours except Pride, which opened recently. There is a customer segment, which is keen on this location, given work-location, recreational opportunities, proximity to posh residential areas, link to the airport and that to Gandhinagar. The conference business at Ahmedabad is growing and it is becoming a focused conference destination for FMCG companies, pharmaceutical companies and voluntary sector. The Grand Bhagwati is becoming a popular conference venue. This will add to its room occupancy; given the fact that some conferences are residential. Likewise, many banquet hosts buy rooms. The growth in banquet business will bolster room occupancy.

During 2003-04, the room occupancy of the Grand Bhagwati was 60% and average room rent realization



(ARR) was Rs. 1700. It jumped up to 72% occupancy and Rs. 1920 ARR in 2004-05. Its ARR is around 70% of what the five top-hotels averagely realize. It is the solitary player on SG Road. Its room capacity is small and hence percentage improvement in occupancy/ARR is easy.

2) Restaurant Income

The restaurant/coffee shop capacity of the hotel is 250 pax (excluding newly opened Dhuan restaurant). However, on holidays, there is a rush at most Food & Beverage outlets at Ahmedabad. The hotel utilizes surplus conferences/banquet/lobby areas and lays tables to cut down wait period. This is a significant advantage. The Grand Bhagwati has the solitary 24-hour coffee shop in this part of Ahmedabad. The coffee shops in Ahmedabad are attached to some top-end hotels; they are quite expensive and put off many customers. There are IT companies, call centres and bachelor-dominated apartments around the Hotel. The 24-hour slot itself expands business. We expect coffee shops to be an important stream of the business of the Hotel "The Grand Bhagwati".

The restaurant will build better brand equity because of growth in banquet and room business. The locational advantage will strengthen it.

The following is the brief summary of the various other restaurants/food outlets run by the TGB Group.

THE TGB FOOD COURT

TGB group initiated the new and fresh food courts serving chats, ready to eat meals, off the counter. This new concept is built upon the conventional road side 'gallas', but keeping in mind the discerning and ever demanding Gujaratis and Ahmedabadis in particular, to deliver fast, hygienic and value for money eatables. It is presently managing two centres effectively at Karnavati Club and S.G. Highway.

Restaurants at Karnavati Club

SARBHARA

This restaurant relishes the original and authentic traditional Gujarati food in an ethnic ambience, overlooking the lush green lawns of Karnavati Club. The TGB Group has redefined the concept of Gujarati thali — high on nutrients, low on fat, right in taste. It Savours the best with an astounding range of cyclical menus.

SHATRANJ

This is the first and the most preferred multi-cuisine restaurant in Karnavati Club serving Indian, Chinese and continental food, in a personalized and homely atmosphere. The menu composition is also interesting reminding one of the bygone eras. One can say "old habits with a new touch" for this restaurant.

TROPICANA

This restaurant is first of its kind in Ahmedabad serving Authentic Mediterranean and Oriental cuisines, with a bright display kitchen. The "avant garde" in providing delicious and a varied range of Mexican, Italian and Oriental choices in a great location overlooking the pool on one side and the lawn on the other side is the key feature of the Restaurant.

Rooms at Karnavati Club

In Karnavati Club, TGB Group maintains 43 rooms and of course the best Suite in town well maintained and serviced by the well oiled team. These rooms are very comfortable for family and corporate revelers.

BHAGWATI BANQUETS AND HOTELS LTD.

Business performance of the Company

The revenue breakup from our main operations for the financial year 2005-06 is as under.

Particulars	F Y 05-06	
	(Rs in lacs)	Percentage of Total Income
Room Revenues	342.05	14.79
Food & Beverage	665.92	28.79
Banquets & Catering	1279.41	55.32
Other Service charges	18.59	0.80
Total Operating Revenue	2305.97	99.70
Other Income	6.97	0.30
Total	2312.94	100.00

The following table illustrates the break up of revenue earned by the different restaurants/outlets.

Name of Restaurant/ Outlet	Total Revenue (Rs In Lacs)
TGB Food Court (S.G. Highway)	53.24
Total (A)	53.24
Restaurants at M/s TGB Resorts Karnavati	
Sarbhara (Gujarati Restaurant)	35.62
Shatranj (Continental)	30.00
Tropicana (Thai Food)	21.34
Side Walk (Coffee Shop)	27.81
Other F & B Sales	40.42
Room Sale	112.63
Other Service Charges	3.08
Other Income	4.25
Total (B)	275.15
Restaurants at The Grand Bhagwati Hotel	
Name of Restaurant/ Outlet	Food and Beverage Revenue
Bricks	152.90
Café Piano	171.75
Dhuan	95.66
Room Service	37.17
Total (C)	457.48
GRAND TOTAL (A+B+C)	785.87

COMPETITION

Brand Equity

The TGB Group is leader in outdoor catering in Ahmedabad. It also operates many F & B outlets. The quality of its food and service, in the context of catering to large gatherings, is acclaimed by the market. The indoor venues do not have such brand-equity. There might be one or two outdoor caters, e.g. Gordhan who have brand image but they do not own an indoor venue. Banquet-specific brand equity is a major strength of TGB Group.



Entry Barriers for New Entrants

The Grand Bhagwati Hotel enjoys exemption from sales-tax on food and beverage, exemption from luxury-tax on room income and exemption from electricity duty under the Tourism Policy because it is not within the limits of Ahmedabad Municipal Corporation. All four/five star hotels, including airport-based Taj Residency, are within AMC limit and hence not eligible for such exemption. The party plots are also not eligible for such exemption, whether within or outside AMC limits. The exemptions amount to a significant percentage of hotel's revenue and impart a sharp competitive advantage to the hotel because the exemption policy has expired. The land price on SG Road has skyrocketed after the grand Bhagwati was set up. The land is also not available. Thus, severe capex disadvantage and non-availability of site are other entry barriers. The size of indoor market, next few years, will also not be so large to encourage new players to venture. The combination of these barriers bestows a unique advantage to "The Grand Bhagwati" Hotel at least in the short run.

Agreements with third parties

The venture M/s TGB Resorts Karnavati had entered an agreement with Karnavati Club Ltd on 01/10/2003 for managing Club's 45 Residential Rooms, one Tropicana A.C. Restaurant, Side Walk A.C. Coffee Shop, Shatranj Restaurant, A.C. Sarbhara Restaurant and open cafeteria. The Agreement has been further renewed for a period of 3 years from 01/04/2006 to 31/03/2009 at an annual licence fee of Rs.100 Lacs with Bhagwati Banquets And Hotels Ltd as the business of the venture M/s TGB Resorts Karnavati has been shifted to the Company Bhagwati Banquets And Hotels Ltd with effect from October 2005.

Approach to marketing and proposed marketing set-up

Our approach and experience to marketing is as under:

- a) Continuous Branding exercise for brand enhancement as well as brand memory call for existing as well as prospective customers.
- b) Regular direct mailing exercise to existing as well as prospective customers for their feedback and valued suggestions also informing them for any new activity being carried out.
- c) News papers ads, media and hoarding campaign, Cinema commercials.
- d) Senior official taking care of communication with major corporates and their senior officials for public relation activities and future business.
- e) Actively participating in philanthropic activities in company's name, such as any religious or social discourse, medical awareness like thelaseemia disease resulting in fulfillment of our corporate responsibility towards the society at large.
- f) Tying and collaborating with related Food and beverage agencies for excellent value additions and exclusive quality provisions benefiting customer and organizations at large.
- g) Participating in various leading exhibitions across India for better know how and our brand enhancement.
- h) Organizing various food festivals for more foot falls and brand recognition providing exclusive dinning experience to our customers.

Restrictive Covenants under our Loan Agreements.

We have entered into agreements with Indian Overseas Bank for availing of Term Loan and credit facilities for Surat Project. Term Loan for Surat project is of Rs 1250 lacs and cash credit facility is of Rs 225 Lacs. The agreement contain certain restrictive covenants such as before the release of term Loan, the entire means of finance by way of promoters contribution/IPO are brought upfront and the cash credit limit for the Surat Hotel will be made available only after the project is completed and the unit is ready for commencement of commercial operations.

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Property for the project

The Company has not purchased any property for the Surat project as on date except for land as investment in subsidiary Company. For other fixed Assets such as Furniture and fixtures, Kitchen Equipments, Health Club equipments etc the Company has not yet placed orders of such project. The Company has only invited quotations from various suppliers and based on those quotations the Cost of project has been estimated. For detail of various fixed Assets to be purchased by the Company please refer to head Cost of Project under the Objects of the Issue on page No 22 of the Red Herring Prospectus.

Our Indebtedness

The Company has taken the term loan amounting to Rs. 850 Lacs from IOB in the month of October 2005. IOB has sanctioned the term loan facility to BBHL at an interest rate of 11% p.a vide their letter dated 03/10/2005. The broad terms of the loan are as given below:

Nature of borrowing	Rupee Term Loan
Loan Amount	Rs. 850 Lacs
Interest Rate	11 % p.a.
Present DP	Rs 715.08 Lacs
Repayment	60 monthly instalments from December 2005.

The Company has taken the term loan amounting to Rs. 825 Lacs from IOB in the month of October 2004. IOB has sanctioned the term loan facility to BBHL at an interest rate of 11% p.a vide their letter dated 01/10/2004. The broad terms of the loan are as given below:

Nature of borrowing	Rupee Term Loan
Loan Amount	Rs. 825 Lacs
Interest Rate	11 % p.a.
Present DP	Rs 430.26 Lacs
Repayment	50 monthly instalments from December 2004.

Moreover, the Company has taken three car loans from ICICI Bank the detail of which is given in Annexure VI of Financial Statements of the Company on page 83 of this Red Herring Prospectus.



REGULATIONS AND POLICIES

Indian Regulation

In India there are no Central legislations that govern the hotel industry in particular. However, the Government of India approves projects for construction of hotels and then classifies the same as a star hotel.

Project approval and Star Classification of hotels from the Department of Tourism, Government of India

Under the Tourism Policy of the Government of India, any project seeking to establish a hotel in India has an option to seek the classification of the proposed hotel in a star category. The classification in category is issued based on an application made to the Department of Tourism, Government of India. The HRACC inspects and assesses the hotel based on the facilities and services offered by the hotel against a fixed marks sheet, including the assessment of quality of facilities provided. Upon the hotel obtaining a qualifying mark prescribed for the particular status of star classification, and based on a recommendation of the HRACC, the hotel is conferred the status of a Star hotel by the Department of Tourism, Government of India.

The Government of India, Department of Tourism approves projects of two types: (i) approvals for starting a Star hotel without apartment facilities and (ii) approval for starting a Star Apartment Hotel. Both these types of approvals involve the same procedure in the following 2 stages: (i) the approval of the Project Report and (ii) the classification of the hotel as a star hotel.

The Central Excise Act, 1944

The Central Excise Act, 1944 provides that a person who is engaged in production or any process of production of any specified goods including liquor shall get himself registered with the proper officer as per the procedure / documentation laid down.

The Prevention of Food Adulteration Act, 1954

The Prevention of Food Adulteration Act is a Central legislation and provides provisions for the prevention of adulteration of food. The Gujarat State Government has adopted the Central Act which requires any person/ entity manufacturing / storing / selling food articles to be registered under the provisions of the Act.

Environmental Laws, Rules & Regulations

The three major statutes in India which seek to regulate and protect the environment against pollution related activities in India are the Environment Protection Act, 1986, the Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act, 1981. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards, or PCBs, which are vested with diverse powers to deal with water and air pollution, have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution. All industries and factories are required to obtain consent orders from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. These are required to be renewed annually.

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.

HISTORY AND CORPORATE STRUCTURE

Our History

The Company was incorporated in Ahmedabad on 1st November, 1999 as a private limited Company under the name and style of Bhagwati Banquets Pvt Ltd having its registered Office at 73, white House, Panchvati, Ellisbridge, C.G Road, Ahmedabad-380006. The Company was subsequently converted to public ltd Company and the name of the Company was changed to Bhagwati Banquets And Hotels Ltd. The Company obtained the fresh certificate of incorporation consequent to conversion and name change on 13/04/2000. The registered office of the Company was changed from 73, white House, Panchvati, Ellisbridge, C.G Road, Ahmedabad-380006 to the present address of the Company with effect from 17/10/2005.

The group's first venture was a genuine "Delhi chat" outlet at Ahmedabad in 1990. The TGB Group diversified into outdoor catering in the mid nineties and met with instant success on account of their mouth watering preparations in Punjabi and Chinese cuisine which became popular with the non-Gujarati clientele of Surat and Ahmedabad. With a view to cope up with the increased business which involved organizing catering at 5 to 6 locations simultaneously both at Ahmedabad and other towns like Baroda, Surat, Bhavnagar, Rajkot etc. and streamlining the operations, Bhagwati established a centralized kitchen (food factory) in 1998 at Changodar, about 15 kms from Ahmedabad city. This revolutionary concept was brought under the banner of Bhagwati Caterers Pvt Ltd which was incorporated on 03/10/1997.

The outdoor catering success led to a pioneering venture in indoor catering. The TGB group opened a hotel at Ahmedabad namely "The Grand Bhagwati", a three star deluxe hotel located at the Sarkhej Gandhinagar Highway which started its operations from June 2002 under the flagship of the Issuer Company BBHL. While there are 37 rooms, a restaurant and a coffee shop, its core competency and facility is banqueting. It possesses three banquet halls which can hold 5400 persons on two shift basis, all in air-conditioned comfort. It has a large lounge and a captive, easy parking facility to match the size of its banquet facility.

Name of the Company	Bhagwati Banquets And Hotels Ltd.
Date of Incorporation	1 st November, 1999
Registration No	04-36830
Registered Office	Plot No 380, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad-380054
Corporate Status	Public Limited Company.
Subscribers to the Memorandum And Articles of Association.	1. Narendra Somani. 2. Satbir Singh Bhushari.
First Directors	1. Mr. Narendra G Somani. 2. Mr. Satbir Singh H Bhusari.
Authorised Capital Comprising	Rs 30,00,00,000 3, 00, 00,000 Equity Shares of Rs 10 each.
Paid up Capital Comprising	Rs 6,28,64,000 62,86,400 Equity Shares of Rs 10 each.



Major events

Year	Activities
1999	The company was incorporated under the name “Bhagwati Banquets (P) Ltd”
2000	Company was converted from private to public limited company and name of the company was changed to “Bhagwati Banquets And Hotels Limited”.
2002	The operations at unit “The Grand Bhagwati” commenced
2003	ISO Certification from KPMG
2005	i) Company took over the business M/s Bhagwati International, a partnership firm. Bhagwati International was engaged in the business of running restaurants and food court. ii) Company took over the entire business of M/s TGB Resorts Karnavati, a partnership firm. M/s. TGB Resorts Karnavati was engaged in the business of maintaining rooms & restaurants at Karnavati Club Ltd iii) Company has also took over the Assets and entire business of outdoor catering of Bhagwati Caterers Private Limited.
2005	“The Grand Bhagwati” was accredited with three star certification by HRACC Govt of India
2006	Company purchased the 100% Equity Shares of M/s Lov Kush Properties Pvt. Ltd making it wholly owned subsidiary of the company

Main Objects of the Company

Our main object as contained in our Memorandum of Association is:

To carry on the business of banquets halls, marriage halls, party halls and plots, hotels and restaurants, catering and café, taveran, refreshment room, entertainments, amusements, club, bath, grounds and places of recreation, sports, picnic place and hotel related services.

The present business of the Company is as per the main objects as contained in the Memorandum of Association.

Changes in Memorandum of Association

Since incorporation of the Company, the following changes have taken place in the Memorandum of Association of the Company.

Date	Changes
13 th April 2000	Conversion of Company from Pvt Ltd to Public Ltd (Change of name from Bhagwati Banquets Pvt Ltd to Bhagwati Banquets And Hotels Ltd.)
1 st August 2001	Increase in Authorised Share Capital from Rs 10 lacs to 410 lacs.
29 th August 2005	Increase in Authorised Share Capital from Rs to 410 lacs to 540 lacs.
30 th November 2005	Increase of Authorised Capital from 540 lacs to 3000 lacs.

Subsidiaries of the Issuer Company and their businesses

1. Lov Kush Properties Pvt Ltd.

Our Company has one subsidiary namely Lov Kush Properties Pvt Ltd incorporated on 09/11/1999 under the provisions of the Companies Act, 1956 and bearing registration number 55-102340. Bhagwati Banquets And Hotels Ltd purchased 100% shares of Lov Kush Properties Pvt Ltd on 20/04/2006. The main object for which Lov Kush Properties Pvt Ltd has been incorporated is to carry on the business as owners builders scolonisers, developers, promoters, proprietors, occupiers lessor, civil contractors, maintainer and mortgagers of residential, commercial and industrial buildings, colonies etc and to deal in all kinds of immovable properties whether belonging to the Company or not. The registered office of the Company is situated at 95-B, Ayadhya Enclave,

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Section 13, Rohini, New delhi-110085. The Company is involved in the business activity of Infrastructure Development. Since incorporation, there has been no activity in the Company. As there are no operations in the Company, no profit and loss account is prepared.

Lov Kush Properties Private Limited has an authorized share capital of Rs 1000000 divided into 100000 equity shares of Rs. 10 each and a paid up share capital of Rs 318000 divided into 31800 equity shares of Rs. 10 each. This company is a closely held private limited Company. It has not become a sick company under the meaning of SICA and it is not under winding up.

Shareholding pattern

As on the date of filing Red Herring Prospectus with SEBI, the shareholders and their percentage shareholding in Lov Kush Properties Pvt Ltd as evidenced by the Register of Members is as follows:

Sr. No	Shareholder	No of Shares	Percentage
1.	Bhagwati Banquets And Hotels Ltd	31700	99.69%
2.	Narendra Somani (On behalf of BBHL)	100	0.31%
Total		31800	100%

Constitution of Board

The Board of Directors of Lov Kush Properties Pvt Ltd are:

1. Mr. Narendra Somani.
2. Mr. Devanand G Somani.
3. Mr. Bakul R Parikh

The following are the financials of our subsidiary Company Lov Kush Properties Pvt Ltd for last three financial years:

(Rs In Lacs)			
Particulars	31.03.2006	31.03.2005	31.03.2004
Equity Capital (paid up)	3.18	3.18	3.18
Reserves and Surplus excluding Revaluation Reserve	-	-	-
Income	-	-	-
Profit after Tax	-	-	-
EPS (Rs)	-	-	-
Net Asset Value (Rs)	8.18	8.36	8.43

As there are no commercial operations in the Company, no profit and loss account is prepared.

Shareholders agreements

There is no such agreement.

Other Material Agreements

The venture M/s TGB Resorts Karnavati had entered an agreement with Karnavati Club Ltd on 01/10/2003 for managing Club's 45 Residential Rooms, one Tropicana A.C. Restaurant, Side Walk A.C. Coffee Shop, Shatranj Restaurant, A.C. Sarbhara Restaurant and open cafeteria. The Agreement has been further renewed for a period of 3 years from 01/04/2006 to 31/03/2009 at an annual licence fee of Rs.100 Lacs with Bhagwati Banquets And Hotels Ltd as the business of the venture M/s TGB Resorts Karnavati has been shifted to the Company Bhagwati Banquets And Hotels Ltd with effect from October 2005.

Strategic Partners

The company as on date has no strategic partners.

Financial Partners

The company also has no financial partners.



OUR MANAGEMENT

Board of Directors

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

Sr. No	Name, Designation, Father's Name, Address, Occupation.	Age	Date of Appointment and Term	Other Directorships
1.	Mr. Narendra Somani. (Chairman and Managing Director) S/o of Late Mr. Gurumukh Das Somani 18, Shyam Vihar Bungalows, Opp Shridhar Farm, Thaltej, Ahmedabad-380015 Business	40 Years	Date of First Appointment: 01/11/1999 Term: 5 years with effect from 01/10/2005.	1. Bhagwati Caterers Pvt Ltd. 2. TGB Foods Pvt Ltd. 3. Lov Kush Properties Pvt Ltd. 4. Rising Hotel Ltd. (Formerly Akash Hotel Ltd.)
2.	Mr. Devanand Somani. (Whole Time Director) S/o of Late Mr. Gurumukh Das Somani 17, Shyam Vihar Bungalows, Opp Shridhar Farm, Thaltej, Ahmedabad-380015 Business	35 Years	Date of First Appointment: 04/03/2000 Term: 5 years with effect from 01/10/2005.	1. Bhagwati Caterers Pvt Ltd. 2. TGB Foods Pvt Ltd. 3. Lov Kush Properties Pvt Ltd. 4. Rising Hotel Ltd. (Formerly Akash Hotel Ltd.)
3.	Mr. Hemant Somani. (Whole Time Director) S/o of Late Mr. Gurumukh Das Somani 17, Shyam Vihar Bungalows, Opp Shridhar Farm, Thaltej, Ahmedabad-380015 Business	30 Years	Date of First Appointment: 22/07/2002 Term: 5 years with effect from 01/10/2005.	1. Rising Hotel Ltd.(Formerly Akash Hotel Ltd.)
4.	Mr. Ramesh Kishanchand Motiani. (Whole Time Director) S/o Kishanchand Motiani B/301, Status, Nr Drive-in Road Opp Doordarshan, Ahmedabad Business	57 Years	Date of First Appointment: 22/07/2002 Term: 5 years with effect from 01/10/2005.	Nil
5.	Mr. Ganesh Krishnamoorthy (Independent Director) S/o T. R. Krishnamoorthy 103, Ganga Appartment, Silva Pakhadi, Off Yari Road, Versova, Mumbai-400061 Consultant	40 years	10/01/2006	Nil
6	Mr. Mangha Ram Sumani (Independent Director) S/o Late Awat Ram Sumani "Satyanjali, 105, North Idgah Colony, Agra-282010 Professional	49 years	29/05/2006	Nil

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7	Mr. Bakul R Parikh (Independent Director) S/o Rasiklal H Parikh 23, Suvas Colony, St. Xaviers School Road, Navrangpura, Ahmedabad-380009	50 years	29/05/2006	1. Lov Kush Properties Pvt Ltd.
	Professional			
8	Mr. Raj Ratan Singhvi (Independent Director) S/o Late Shri Nav Ratanmal Singhvi 1 st "C" Road, Arora Building, Sardarpura, Jodhpur – 342 003	48 years	29/05/2006	1. Anjani Finance Ltd
	Professional			

Brief detail of Directors**Mr. Narendra Somani**

Narendra Somani, Chairman and Managing Director, aged about 40 years is a young and dynamic entrepreneur and is the main promoter of the company. He had started his career 20 years ago in the food and catering industry and is known as the most successful entrepreneur of Hotel industry in Gujarat. He is having number of proprietary and partnership concerns in the food processing and catering business.

Mr. Devanand Somani

Mr. Devanand Somani, Director aged about 35 years has joined the business at a very young age and is being in the current business for 15 years.

Mr. Hemant Somani

Mr. Hemant Somani, Director aged about 30 years is in the business for the last 10 years.

Mr. Ramesh Motiani

Mr. Ramesh Motiani, Director, aged about 57 years having varied experience of retail/wholesale business of dry fruit, food grain, etc.

Mr. Ganesh Krishnamoorthy

Mr. Ganesh K, Independent Director, aged 40 years has done diploma in Hotel Management from Institute of Hotel Management, Catering and Nutrition from Ahmedabad, Gujarat. He started his career in 1987 from India Tourism Development Corporation, New Delhi as a Kitchen executive trainee. From 1989 to till date, he has worked with various Companies like Retreat 'n' Style India Pvt. Ltd, Guestline Hospitality Management & Development Services Ltd, Mahindra Days Hotels and Resorts Ltd etc as executive Chef. During his career, he has been awarded Guestline Hotels & Resorts award for the best executive of the year in 1996. In the year 1996, 1997 he was nominee in the H&FS award for the "Best Executive Chef of the year."

Mr. Mangha Ram Sumani

Mr. M.R.Sumani aged about 49 years is a Chartered Accountant by profession. He has been in this profession from last 21 years. He has the credit to his career of being bank officer with Bank of Baroda under various positions. Among the various positions held by him with Bank of Baroda, he has worked for 13 years as Branch manager with different branches. Currently he is working as the Tax Consultant and Auditor for various corporate concerns, partnership firms, proprietor firms, trusts/societies & educational institutions etc.



Mr. Bakul R Parikh

Mr. Bakul R Parikh aged about 50 years is an advocate by profession. He has vast experience of the profession of nearly 26 years. He is practicing as legal advisor on Direct and Indirect taxes, such as Income tax, Commercial tax, Service tax etc. He is working as financial advisor since 1980.

Mr. Raj Ratan Singhvi

Mr. R. R. Singhvi aged about 48 years is M.Com with specialist in Accounts. He has vast experience of handling accounts as he has worked as an Accountant with M/s. Hindustan Radiations Company Jodhpur from 1981 to 1988 wherein he was also promoted as Manager Accounts from 1989 to 1995. He was as an independent in charge for entire gamut of maintenance of Books of accounts, compliances, filing, interpretations and assessment etc in M/s Rajshree Polymers Pvt Ltd. From 2004 onwards he has started his own work of project finance and accounts consultancy.

Borrowing powers of the Board

The Articles of Association of the Company (Article 63) have empowered the Board of Directors of the Company, with the consent of the Company in General Meeting, to raise any money or any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, but subject to the provisions of Section 293 of the Act the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company, by the issue of debentures, debentures convertible into shares of this or any other company or perpetual annuities and in security of any such money so borrowed, raised or received, mortgage, pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or payoff any such securities, provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors. Further, the Directors of the Company may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing Director within the limits prescribed. Subject to the above, our Directors may, at their discretion borrow or secure the repayment of any sum of money for the purpose of the Company, at such time thinks fit, and in particular, by promissory notes or by opening current accounts, or by receiving deposits and advances with or without security, or by the issue of bonds perpetual or redeemable debentures or debenture stock of the Company (both present and future) including its uncalled capital for the time being, or by mortgaging or charging, or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as to them may seem expedient.

Vide resolution dated 30th November 2005 approved by our members at the Adjourned Annual General Meeting; the Board of the Company is empowered to borrow upto Rs. 5000 Lacs.

Remuneration of Directors**1) Mr. Narendra Somani**

The Members of the Company have vide resolution passed in the meeting held on 30th September, 2005 approved the appointment and remuneration of **Mr. Narendra Somani as Managing Director** of the Company for a period of five years with effect from 1st October, 2005 on the following terms and conditions:

(a) Salary:

Rs 2, 00,000 per month inclusive of perquisites as may be availed by him or such amount as may be decided by the Board with the yearly increment effective from the date, as may be

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considered by the Board. The Board may on its sole discretion, at the recommendation of the Remuneration Committee, consider and grant an annual increment as per the graded scale specified by the Company for such Senior Executive, subject however to a ceiling on increment of 10% of the last drawn salary, per annum.

(b) Bonus:

Payment of Bonus or Exgratia, in lieu of Bonus, subject to a ceiling of one month's salary or as may be fixed and determined by the Board of Directors of the Company.

The Managing Director shall not be entitled to any sitting fee for attending meeting of the Board and /or Committee(s) thereof. Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay the Managing Director the above remuneration as minimum remuneration per month by way of salary, bonus/exgratia perquisites, dearness allowance and any other allowances subject to the maximum ceiling calculated in accordance with the scale laid down in Section II of Part II of schedule XII to the Companies Act, 1956 as applicable to the Company at the relevant time depending upon the effective capital of the Company.

2) Mr. Hemant Somani

The Company has vide resolution passed in the meeting of the shareholders held on 26th October, 2005 approved the appointment and remuneration of **Mr. Hemant Somani as Whole Time Director** of the Company for a period of five years with effect from 1st October, 2005 on the following terms and conditions:

(a) Salary: 10000/- per month for the period from 01.10.2005 till 31.03.2006 and Rs. 50000/- per month for the remaining tenure till further resolved.

(b) Perquisites: Contribution to the Provident Fund as per the scheme introduced by the Company and Encashment of Leave at the end of tenure.

3) Mr. Devanand Somani

The Company has vide resolution passed in the meeting of the shareholders held on 26th October, 2005 approved the appointment and remuneration of **Mr. Devanand Somani as Whole Time Director** of the Company for a period of five years with effect from 1st October, 2005 on the following terms and conditions:

(a) Salary: 10000/- per month for the period from 01.10.2005 till 31.03.2006 and Rs. 50000/- per month for the remaining tenure till further resolved.

(b) Perquisites: Contribution to the Provident Fund as per the scheme introduced by the Company and Encashment of Leave at the end of tenure.

4) Mr. Ramesh Motiani

The Company has vide resolution passed in the meeting of the shareholders held on 26th October, 2005 approved the appointment of **Mr. Ramesh Motiani as Whole Time Director** of the Company for a period of five years with effect from 1st October, 2005. Mr. Ramesh Motiani is not paid any remuneration for the services rendered by him to the Company.

Payment or benefit to officers of the Company

Except as stated in the Red Herring Prospectus, no amount or benefit has been paid or is intended to be paid or given to any of the officers of the Company except the normal remuneration for services rendered as Directors, officers or employees.



Corporate Governance

We have established a tradition of best practices in corporate governance. We have complied with the requirements of the applicable regulations, including the listing agreement with Stock Exchanges and the SEBI Guidelines, in respect of corporate governance, including constitution of the Board and Committees thereof. Our corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and constitution of Board Committees, majority of them comprising independent directors and chaired by an independent director to oversee critical areas.

We have a broad based Board of Directors constituted in compliance with the Companies Act and listing agreement with Stock Exchanges and in accordance with best practices in corporate governance. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. Our management provides the Board of Directors detailed reports on its performance on a quarterly basis.

The Board of Directors has eight Directors of whom four directors are independent directors. The Chairman of the Board of Directors is our Managing Director.

Committees of the Board

Audit Committee

The terms of the Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Committee consists of three independent Directors namely Mr. Mangha Ram Sumani, Mr. Bakul R. Parikh and Mr. Raj Ratan Singhvi. Mr. Mangha Ram Sumani is the Chairman of the Audit Committee. The Company Secretary is the Secretary of our Audit Committee.

The principal functions of the Committee are to:

- Review the Company's financial statements, before submission to, and approval by, the Board;
- Review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters;
- Review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- Monitor the integrity of the Company's internal financial controls;
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

Remuneration Committee

The Remuneration Committee of our Board comprises three Independent directors.

- 1) Mr. Bakul Parikh- Chairman
- 2) Mr. Ganesh K- Member
- 3) Mr. Raj Ratan Singhvi- Member

The Company Secretary of the Company acts as the Secretary to the Committee.

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Investor Grievances and Share Transfer Committee

The Company has a Investor Grievances and share Transfer Committee to redress the complaints of the share holders in respect of matters pertaining to transfer of shares, non-receipt of annual report, dematerialization of shares, non-receipt of dividend etc. The Committee currently comprises following three directors.

- 1) Mr. Mangha Ram Sumani- Chairman
- 2) Mr. Ramesh K Motiani- Member
- 3) Mr. Ganesh K- Member

The Company Secretary of the Company acts as the Secretary to the Committee.

Shareholding of the Directors

The shareholding of the directors on the date of the issue of the Red Herring Prospectus is as follows:

Name	Consideration	No. of Shares	Face Value (Rs.)
Mr.Narendra G. Somani	Cash	3774450	10
Mr. Devanand G. Somani	Cash	533400	10
Mr. Ramesh K. Motiani	Cash	355800	10
Mr. Hemant G. Somani	Cash	226350	10

Interests of Directors

In addition, except as stated under caption, "Related Party Transaction" appearing on page no 80 in the Red Herring Prospectus, all the Directors may be deemed to be interested to the extent of remuneration payable to them for their services rendered by them to the Company.

All directors/Promoters of the Company shall be deemed to be interested to the extent of Equity Shares already held by them as disclosed above or that may be subscribed by and allotted to them and to Companies and firms in which they are interested as directors/members/partners.

The promoters/directors/group concerns have no interest in any transaction in acquisition of land, construction of building and supply of machinery.

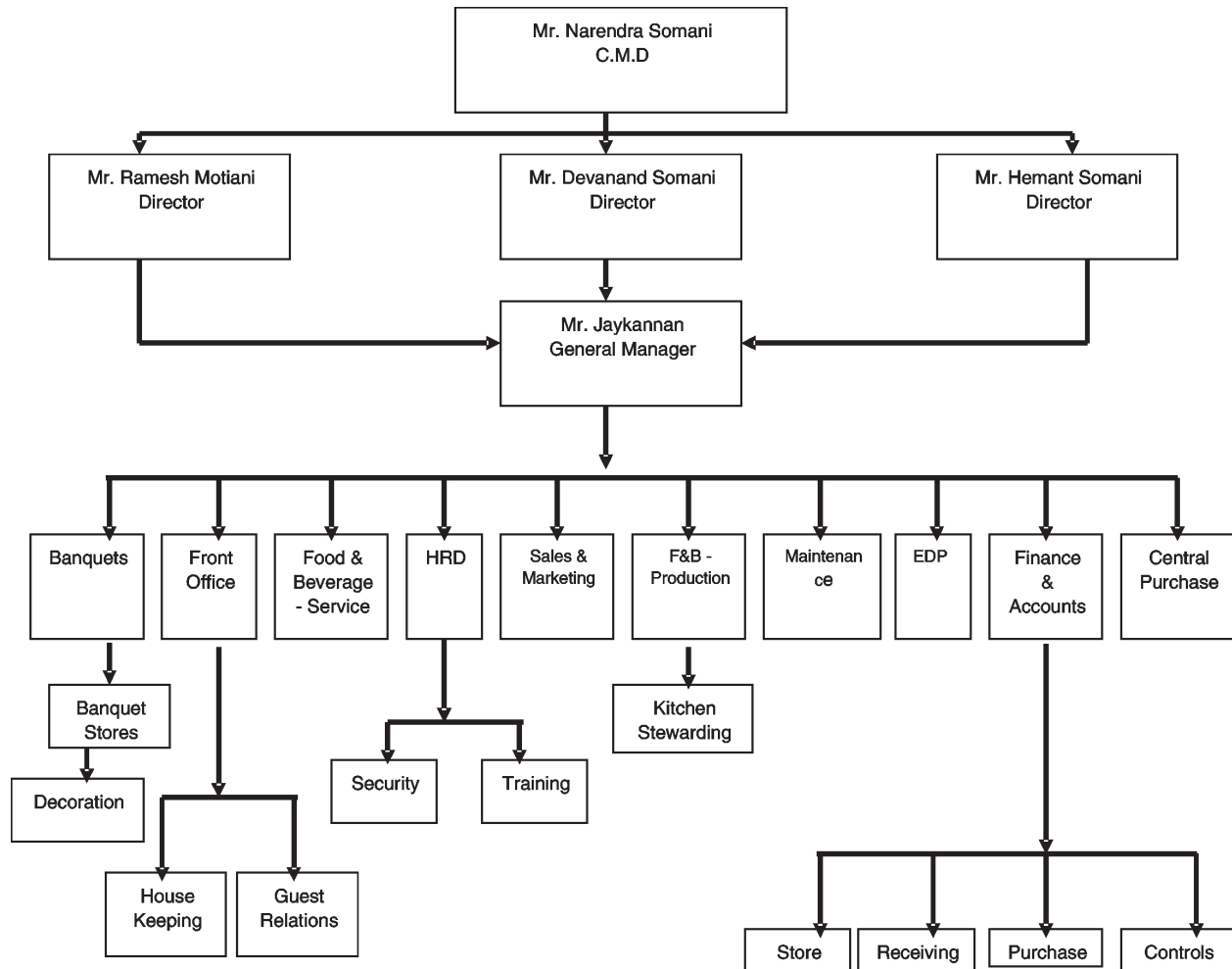
Except as stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of the Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements.

Changes in Directors during Last Three Years

Sr. No.	Name	Date of Appointment	Date of Cessation	Reason
1	Mr. Ganesh Krishnamoorthy	10.01.2006	-	Appointed as Independent director
2	Mr. Mangha Ram Sumani	29.05.2006	-	Appointed as Independent director
3	Mr. Bakul R. Parikh	29.05.2006	-	Appointed as Independent director
4	Mr. Raj Ratan Singhvi	29.05.2006	-	Appointed as Independent director



Organization Structure of Bhagwati Banquets And Hotels Ltd



BHAGWATI BANQUETS AND HOTELS LTD.**Key-Managerial Personnel**

The Company is managed by its Board of Directors, assisted by qualified professionals, with experience in the field of production/finance/ distribution/marketing and corporate laws. The following key personnel assist the Management.

Sr. No.	Name	Qualification	Designation	Department	Date of Joining	Previous employment
1	Mr. Jay Kannan	DHMCT	General Manager	Administration	01/09/2005	Sayaji Hotels Ltd. Indore
2	Mr. Marzban H Kavina	B.A	Assistant General Manager	Business Development	01/12/2004	The Westend Hotels, Ahmedabad
3	Mr. Satish Nair	Degree in Hotel Management	Executive Assistant Manager – Operations	Operations & Administration	14/08/2006	Sayaji Hotels Limited
4	Mr. Jyotirmay Gayen	Diploma in Hotel management	Assistant F & B Manager	Food & Beverage Service	05/09/2006	Sayaji Hotels Ltd.
5	Mr. Nimesh Shah	B.Com, C.S, L.L.B	Company Secretary	Finance & Accounts	01/07/2006	Vadilal Chemicals Ltd.
6	Mr. Vishal Palkhiwala	B.Com,L.L.B	Manager	Finance & Accounts	14/12/2004	M/s. Jayesh M. Shah, C.A.
7	Mr. Rohit Patel	B.Com, Diploma in Labour Magt. Practice,	Manager	Human resource	16/082006	Shankus Water World Resort
8	Mr. Sujit Mehta	B.Com, Post Graduate Diploma in Hotel Op. Magt.	Manager	Front Office	17/04/2006	Oasis Beach Hotel, Dubai
9	Mr. Agnel Fernandes	B.Com	Manager	Front Office	02/07/2003	Anmol Village Club, Ahmedabad
10	Mr. Rajesh Dham	B.Com	Manager	Purchase	20/07/2004	Havmor Foods Pvt. Ltd
11	Mr. Rashesh Jethwa	B.Com	Manager	Purchase	23/06/2002	Havmor Foods Pvt. Ltd
12	Mr. Sushanta Sinha	B.Com, DB&IM	Manager	Sales & Marketing	16/05/2004	Dairyden Ltd.
13	Mrs. Bharti Shah	M. A.	Executive	House Keeping	16/05/2006	President Planet Hotel
14	Mr. Natwarlal Patel	B.A	Manager	Security	11/07/2003	Holiday Inn, Ahmedabad
15	Mr. Premchand Pandey	B.Com	Manager	Decoration	01/11/2002	M/s Gandhi Associates



Sr. No.	Name	Qualification	Designation	Department	Date of Joining	Previous employment
16	Mr. Bhanwarlal Labana	Mechanical-Engineer	Manager	Banquets	01/11/2002	Crown Plaza Hotel Kuwait
17	Mr. Shermiya Parmar	S.S.C, ITI(Wireman)	Engineer	Maintenance	23/06/2002	Holiday Inn, Ahmedabad
18	Mr. Ganesh Bhogati	7th Pass	Head Chef	Banquets	11/11/2002	Hotel Inder Residency, Ahmedabad

The following are the brief details of the Key managerial Personnel.

Mr. Jay Kannan is the General Manager of the company having 8 years of experience of work with the star classified hotels. He has good education background, is very keen of achieving targets with other qualities like team building and staff training. He is also known for the perfection in planning, creation of standard procedures and its implementation and execution of Banquet operations.

Mr. Marzban Kavina is the Assistant General Manager – Business Development. He has a vast work experience of over 35 years in the top class hotels of Ahmedabad, he is efficient in handling the front office operations. He also undertakes and handles all the operations related to the department of housekeeping.

Mr. Satish Nair, Executive Assistant Manager – Operations having seven years experience in hospitality industries. He has sound techniques with relation to development of high standards of service and customer satisfaction.

Mr. Jyotirmay Gayen, Assistant Manager – Food & Beverages has seven years work experience with classified Hotels. He has good educational background, is very keen of achieving the given targets, taking guest feed back through various channels and take corrective actions for the improvement, ensure quality and consistency of the food and service with the standards, taking care of day to day staffing, marketing for the various events and functions of the organization, inventory and cost control.

Mr. Nimesh Shah, the Company Secretary of the Company has the work experience of nearly 2.5 years. He has worked with different practicing Company Secretaries in Practice and possesses sound knowledge of Company Law related matters and other Secretarial matters. He also has the work experience of Audit of various books of accounts, finalization of Accounts and Project finance.

Mr. Vishal Palkhiwala is the Finance and Accounts Manager of the company. In addition of over 7 years of multi-facet exposure in the fields of Accounts, Taxation and Company law, he is equally proficient in project financing, handling legal formalities and proceedings with tax and law authorities with the knowledge of soft wares like Tally and IFPRS package.

Mr. Rohit Patel, Manager – Human Resource has Thirteen years experience. He is professional in managing, implementing, planning and developing through strategy of HR, establish and maintain appropriate systems for measuring necessary aspects of HR Development and ensuring activities which meet with organizational requirements for quality management, health and safety, legal stipulations, environmental policies and general duty of care. He is also working as deputy management representative of ISO 9001 : 2000, quality management system.

Mr. Sujit Mehta, Manager – Front Office has seven years experience in star hotels. He has post graduate diploma in Hotel Operation Management from Swiss Hotel management School from Switzerland. He is monitoring activities relating to training and cost control. He has been certified as Official trainer for Oasis Beach Hotel, Dubai, which included 100 hours training for each staff personnel in a year.

Mr. Agnel Fernandes is the Manager of Front office. From over a period of 20 years work experience, he has worked with some of the reputed hotels in Ahmedabad. He is assigned with the task of maintaining the schedules of front office assistants as well as coordinating with different departments and looking after banquets.

Mr. Rajesh Dham is the Purchase Manager of the company. He has over 20 years of experience in the industry and has worked with Havmor group of companies. He possesses the sound knowledge of Travel and Tourism in airlines sector with forex management apart from having knowledge of routine purchase related functions like costing, ratio analysis, budgeting, public relation, etc.

Mr. Rashesh Jethwa, the Purchase Manager of the company is having over 14 years of work experience with

BHAGWATI BANQUETS AND HOTELS LTD.

the hotel sector. He is entrusted with relevant purchase functions and has worked with Havmor Foods Pvt. Ltd. as a catering manager for over 10 years.

Mr. Sushanta Sinha is the Sales & Marketing Manager with over 7 years of experience. In his earlier employments he has acted as Regional Sales Manager at various regions and has proven track record of the same. He looks after the sales and marketing segments of the company.

Mrs. Bharti Shah, Executive, House keeping has vast experience of about thirteen years in classified star hotels. She is talented and responsible House Keeper for the cleanliness, maintenance and aesthetic upkeep of the hotel. She has successfully developed and implemented standard operating procedures for departments. Ensure continuous motivation of staff, supervisors by undertaking trainings. She is handling all linen and recommended the maintenance of adequate quantities of cleaning equipments and import restriction.

Mr. Natwarlal Patel is the Security Manager of the company. Having rich experience of over 31 years in the area, he has served the Indian Air Force for a period of 15 years. He is in charge of the security of the entire company.

Mr. Premchand Pandey is the Manager of Decoration. During the 12 years of career exposure, he has worked with the reputed companies like the Gandhi Associates for 8 years. He is resourceful in ethnic as well as modern designs with different materials. His unique, novel and innovative work adds a glory to the auspicious occasions, may it be marriage party or other parties.

Mr. Bhanwarlal Labana, the Banquets Manager, besides having over 16 years of experience, has worked on international ground for hotel in Kuwait. He looks after the banquet arrangements of different occasions like marriage, parties or meetings.

Mr. Shermiya Parmar is the Maintenance Engineer of the company. After acquiring the required qualification from ITI, he has 10 years of work experience with different hotels in Ahmedabad. He is performing the responsibility as an in charge of the maintenance of electric related functions.

Mr. Ganesh Bhogati is the Head Chef of the company. Having over 10 years of experience in the field of cooking, he is proficient in Indian, Chinese, Tandoor & Continental food. Moreover, he is skilled in various methods of cooking, cutting and garnishing styles with a blend of maintenance of quality and hygiene.

All the above Employees, Key Managerial Personnel are the permanent employees of the Company.

Shareholding of Key Managerial Personnel

None of our Key Managerial Employees hold any shares in the Company.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

Changes in the Key Managerial Personnel

There following changes have occurred in the Key managerial personnel during last one year from the date of filing of Red Herring prospectus.

Name	Designation	Resignation/ Appointment date	Reasons for change
Dhiren Kunwar	Manager- Restaurant	Resigned on 31/05/2006	For better prospects
Mahesh Vaidya	Human Resource-Executive	Resigned on 26/02/2006	For better prospects
Sujit Mehta	Front Office Manager	Appointed on 17/04/2006	New appointment
Bharti Shah	Executive House Keeping	Appointed on 16/05/2006	New appointment
Nimesh Shah	Company Secretary	Appointed on 01/07/2006	New appointment
Rohit Patel	Manager–Human Resource	Appointed on 16/08/2006	New appointment
Satish Nair	Executive Assistanat Manager – Operations	Appointed on 14/08/2006	New appointment
Jyotirmay Gayen	Asst. Manager – F & B	Appointed on 05/09/2006	New appointment
Atul Purohit	Manager – MIS	Resigned on 31/07/2006	For better prospects
Chander Sarvagyam	CEO	Resigned on 31/10/2006	For better prospects
Sanjay Routh	Executive Asst. General Manager	Resigned on 31/10/2006	For better prospects



EMPLOYEES

The Grand Bhagwati Hotel currently has 348 employees. The following table illustrates the no of employees in the different sections of the Hotel.

Department No of employees

Training and Development

We place a lot of emphasis on training and development of our employees. Employees in all the departments undergo regular training programs to upgrade their skills to the changing requirements of the hotel industry.

Department	No of employees
General Manager	1
Assistant General Manager	1
Executive Assistant Manager	1
Front Office	13
Food & Beverages Service	67
Food & Beverages Production	137
Banquets	16
Purchase	4
Sales & Marketing	3
Housekeeping	26
Maintenance	9
General	11
Administration	6
Accounts	19
Decoration	17
Human Resource	4
Stores	8
Cafeteria	3
E.D.P.	2
Total	348





Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

Payment or Benefit to Officers of the Company

Except the payment of salaries and perquisites, the Company makes ex-gratia payments to its officers as and when it deems fit.

OUR PROMOTERS

	<p>Mr. Narendra Somani Mr. Narendra Somani, (F.Y.B.Com) Chairman and Managing Director, aged about 40 years is a young and dynamic entrepreneur. He is the main promoter of the company. He started his career 20 years ago in the food and catering industry and is known as the most successful entrepreneur of Hotel industry in Gujarat. He is having number of proprietary and partnership concerns in the food processing and catering business.</p> <p>(PAN No AGSPS6052Q, Passport No A6000019, Driving License No GJ/01/98/49986, Bank Account No 2558 with Indian Overseas Bank.)</p>
	<p>Mr. Devanand Somani Mr. Devanand Somani, (F.Y.B.Com) Director aged about 35 years has joined the business at a very young age and is being in the current business for 10 years.</p> <p>(PAN No AEXPS4820B, Driving License No GJ/01/00436202, Passport No A0766734, Bank A/c No 2682 with Indian Overseas Bank.)</p>
	<p>Mr. Hemant Somani Mr. Hemant Somani, (F.Y. B.Com) Director aged about 30years and he is in the business for the last 10 years.</p> <p>(PAN No AJUPS3764N, Driving License No GJ01/052813/03, Passport No A7951213, Bank A/c No 2558 with Indian Overseas Bank.)</p>
	<p>Mr. Ramesh Motiani Mr. Ramesh Motiani, (9th Pass) Director, aged about 57 years having varied experience of retail/wholesale business of dry fruit, food grain, etc.</p> <p>(PAN No ABAPM7120L, Passport No A8306881, Driving License No GJ01/317454/00, Bank A/c No 10986 with Kalupur Commercial and Co-operative Bank)</p>

Declaration

It is confirmed that the PAN, Bank account details and Passport Numbers of the Promoters are being submitted to the Stock Exchange on which Equity Shares are proposed to be listed, at the time of filling of Red Herring Prospectus with it.

Common Pursuits

There are no common pursuits among the company and its Group/ Associate companies.

Interest of Promoters & Directors

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding Directorship in the company. The Promoters are not interested in any



property acquired by BBHL within two years from the date of the filing of Red Herring Prospectus. The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

M/s Bhagwati International was formed on 01/10/2003 to carry on the business of running restaurants and Food Courts. M/s TGB Resorts Karnavati was formed on 01/10/2003 to maintain the rooms and restaurants in Karnavati Club. Promoters of the Company are partners of these firms along with their relatives and hold 100% interest in these firms. In addition, Bhagwati Caterers Pvt Ltd was incorporated on 03/01/1997 and was engaged in the business of outdoor catering. Promoters of the Company along with their relatives hold almost 100% shareholding and Directorship in this company.

Promoters decided to consolidate their whole business under one banner and transferred the businesses of M/s TGB Resorts Karnavati and Bhagwati International to BBHL as part of group reorganization and consolidation of Bhagwati Banquets And Hotels Ltd with effect from 1st October 2005. Moreover BBHL also took over the assets of Bhagwati Caterers Pvt Ltd and its business of outdoor catering from the same date. Valuation of the businesses of Bhagwati Caterers Pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International was entrusted to M/s Fourth Vision, a consultancy firm and they submitted their report on May 2005. Based on this report, BBHL bought the businesses of Bhagwati Caterers Pvt Ltd, M/s TGB Resorts Karnavati and M/s Bhagwati International w.e.f. 1st October, 2005 for which payment was made in cash details of which are given hereunder. Consolidating the business qualified BBHL to participate in national level banqueting contracts like of Railway.

Nature of Transaction	Amt Paid (Rs. In lacs)
For taking over entire business & assets of Bhagwati Caterers Private Limited	636.00
For taking over the business of TGB Resorts Karnavati,	206.11
For taking over the business of Bhagwati International	29.07
Total	871.18

The following companies/ firms/ ventures have been promoted by promoter(s) and they may be deemed to be interested in these companies, firms and ventures.

Name of the Concern	Type of Concern	Name of the Promoter
TGB Foods Pvt Ltd.	Company	Mr. Narendra Somani & Mr. Devanand Somani
Bhagwati Eateries Pvt Ltd.	Company	Mr. Narendra Somani
Bhagwati Caterers Pvt Ltd.	Company	Mr. Narendra Somani & Mr. Devanand Somani
Rising Hotel Ltd (Formerly Akash Hotel Ltd)	Company	Mr. Narendra Somani & Mr. Devanand Somani
M/s TGB Resorts Karnavati	Partnership Venture	& Mr. Hemant Somani, Mr. Narendra Somani & Mr. Devanand Somani
M/s Bhagwati International	Partnership Venture	& Mr. Hemant Somani, Mr. Narendra Somani
New Ramesh Kirana Stores	Partnership Venture	Mr. Ramesh K Motiani
M/s Bhagwati Marketing	Proprietorship Concern	Mr. Narendra Somani

Payment or Benefit to Promoters of the Company

No amount or benefit has been paid or given to the Company's Promoters since the incorporation of the Company nor is intended to be paid or given to any promoter of the Company except their normal remuneration and/or reimbursement for services as Directors of the Company or otherwise in accordance with the law.

RELATED PARTY TRANSACTIONS

For details of related party transactions please refer to page no 98 of the Red Herring Prospectus.



CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India.

DIVIDEND POLICY

The Company has a dividend policy for dividend payment as written in the Articles of association of the Company. The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders, in their discretion. Generally the factors that may be considered by the Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profit earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend as well as exemptions under the tax laws available to various categories of investors from time to time and money market conditions. However the Company has not paid dividend till date.



SECTION V-FINANCIAL INFORMATION
FINANCIAL INFORMATION OF THE COMPANY
AUDITOR'S REPORT

To
The Board of Directors
Bhagwati Banquets & Hotels Limited
Plot No. 380 Sarkhej Gandhinagar Highway
Bodakdev, Ahmedabad -380 054

Dear Sirs,

Re: Public Issue of Bhagwati Banquets & Hotels Limited – Auditor's Report as required by Part II of Schedule II of the Companies Act, 1956

1. We have examined the following financial information of Bhagwati Banquets & Hotels Limited ("the Company") as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-1 Part-II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India (SEBI).
2. We have examined the attached restated summary statement of Assets and Liabilities of the Company as at 31st March 2002, 2003, 2004, 2005, 2006 and 31st December 2006 and the attached restated summary statement of Profit and Loss for each of the years ended on those dates ("summary statements") (see **Annexure I and II**) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion appropriate and more fully described in the notes appearing in Annexure IV to this report. These summary statements have been extracted from the financial statements for the year ended 31st March, 2002, 2003, 2004, 2005, 2006 audited by us and adopted by the members for the respective years and for the nine months ended on 31.12.2006 audited by us. Based on our examination of these summary statements we confirm that:
 - a. The impact of changes in accounting policies adopted by the Company as and for the period ended 31st December, 2006 has been adjusted with retrospective effect in the attached summary statements:
 - b. There are no prior period items which are required to be adjusted in the summary statements in the years to which they relate:
 - c. There are no qualifications in the auditor's reports, which require any adjustments in the summary statements.
3. Significant Accounting Policies adopted by the Company and the relevant notes pertaining to the audited financial statements are enclosed as **Annexure III** and **IV** respectively.
4. We have examined the following other financial information of the Company proposed to be included in the Prospectus as approved by you and annexed to this report.
 - a. Summary of Cash Flows as restated in **Annexure V**
 - b. Statement of Secured and Unsecured Loans in **Annexure VI**
 - c. Statement of Loans and Advances in **Annexure VII**
 - d. Statement of Sundry Debtors in **Annexure VIII**
 - e. Capitalization statement as at December 31, 2006 as in **Annexure IX**

BHAGWATI BANQUETS AND HOTELS LTD.

- f. Accounting ratios based on the restated profits relating to earning per share, net asset value and return on net worth in **Annexure X**
 - g. Statement of Tax Shelter in **Annexure XI**
 - h. Statement of other Income – **Annexure XII**
 - i. Details of Networth & Distributable Profit – **Annexure XIII**
 - j. Details of Related Parties Transaction – **Annexure XIV**
 - k. Comparison of significant items of Income & Expenditure between Financial Statements – **Annexure XV**
5. We further confirm that the Company has a 100% subsidiary within the meaning of section 4 of the Companies Act, 1956.
6. This report is intended solely for your information for inclusion in the Prospectus for the proposed Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For, O P Bhandari & Co
Chartered Accountants

(O P Bhandari)
Partner
M.No. 34409

Date: 31.01.2007
Place: Ahmedabad



ANNEXURE-I

STATEMENT OF ASSETS & LIABILITIES AS RESTATED

The assets and liabilities of the company as at the end of each financial year(s) ended on 31 March, 2002, 2003, 2004, 2005, 2006 and period ended on December 31, 2006 are as set out below along with the assets & liabilities. The assets and liabilities read with significant accounting policies and notes annexed hereto have been arrived at after making such regroupings as are, in our opinion, appropriate.

PARTICULARS	As At 31/12/2006	As At 31/03/2006	As At 31/03/2005	As At 31/03/2004	As At 31/03/2003	As At 31/03/2002
APPLICATION OF FUNDS :						
FIXED ASSETS						
a) Gross Block	3327.83	3236.49	2277.19	2247.31	2207.49	1182.82
b) Less : Depreciation	465.28	386.57	226.30	140.83	134.17	0.00
c) Net Block	2862.55	2849.92	2050.89	2106.48	2073.32	1182.83
Work in progress	0.00	0.00	10.40	0.00	0.00	0.00
INVESTMENTS	500.00	400.00	0.00	0.00	0.00	0.00
CURRENT ASSETS, LOANS & ADVANCES						
a) Inventories	190.99	76.31	26.35	23.73	23.11	0.00
b) Sundry Debtors	493.39	222.91	45.60	42.98	43.43	0.00
c) Cash & Bank Balance	182.97	48.08	61.61	39.55	85.85	32.14
d) Loans & Advances	432.51	105.13	48.84	22.34	28.73	65.97
	1299.86	452.42	182.39	128.59	181.12	98.10
LESS:CURRENT LIABILITIES	598.26	374.21	154.05	165.41	188.12	154.27
PROVISIONS	122.85	49.22	25.88	19.28	-	8.32
	721.11	423.44	179.92	184.68	188.12	162.59
NET CURRENT ASSETS	578.75	28.99	2.47	(56.09)	(7.00)	(64.48)
Deferred Revenue Expenditure	0.00	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS EXPENDITURE	32.21	21.21	1.47	2.21	2.94	97.53
PROFIT & LOSS ACCOUNT	0.00	0.00	0.00	0.00	50.61	0.00
TOTAL :	3973.51	3300.11	2065.24	2052.60	2119.87	1215.87
SOURCES OF FUNDS :						
SHARE HOLDER FUNDS						
a) Share Capital	628.64	628.64	406.01	406.01	406.01	303.52
b) Share Application Money	462.24	3.44	254.23	0.00	0.00	0.00
c) Reserve & Surplus	1358.99	1037.94	567.49	476.79	405.99	303.50
	2449.87	1670.02	1227.73	882.80	812.00	607.01

BHAGWATI BANQUETS AND HOTELS LTD.

PARTICULARS	As At 31/12/2006	As At 31/03/2006	As At 31/03/2005	As At 31/03/2004	As At 31/03/2003	As At 31/03/2002
LOAN FUNDS						
Secured Loan	1333.09	1439.54	736.82	901.37	1002.13	608.86
Unsecured Loan	-	-	0.47	231.55	305.74	0.00
	1333.09	1439.54	737.29	1132.91	1307.87	608.86
DEFERRED TAX LIABILITIES	190.55	190.55	100.21	36.89	0.00	0.00
TOTAL :	3973.51	3300.11	2065.24	2052.60	2119.87	1215.87

The accompanying Significant Accounting Policies (Annexure –III) and Notes (Annexure – IV) are integral part of this statement.



ANNEXURE-II

SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT AS RESTATED

We report that the profits of the company for the financial year(s) ended on 31st March 2003, 2004, 2005, 2006 and period ended on December 31, 2006 are as set out below along with the Profit and Loss statement. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustments and regroupings as are, in our opinion, appropriate.

(Rs. In Lacs)

PARTICULARS	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
INCOME FROM SALES					
Banquets, Rooms, Restaurant & Other Services	2455.55	2305.97	1335.15	1232.11	675.05
Other Income	7.72	6.97	0.45	0.72	0.52
	2463.27	2312.94	1335.60	1232.83	675.57
EXPENDITURE					
Food & Beverages Consumed	897.37	972.89	498.67	446.80	202.02
Employees' Emoluments	233.87	172.91	85.63	74.06	42.88
Upkeep & Service Cost	304.08	289.32	211.09	200.08	113.49
Administrative & Selling Expenses	476.92	359.66	208.00	187.28	116.98
Financial Charges	115.96	108.84	79.22	152.62	116.62
	2028.20	1903.62	1082.60	1060.83	592.00
PROFIT BEFORE DEPRECIATION	435.07	409.32	253.00	171.99	83.57
Depreciation	79.02	160.26	85.47	83.31	134.17
PROFIT/(LOSS) BEFORE TAX	356.05	249.06	167.52	88.69	(50.61)
Provision for current tax	35.00	20.96	13.15	6.71	0.00
Prov for deferred tax	0.00	90.34	63.32	36.89	0.00
Income tax for earlier years	0.00	1.07	0.35	0.00	0.00
PROFIT/ (LOSS) AFTER TAX	321.05	136.68	90.70	45.09	(50.61)
Depreciation written back	0.00	0.00	0.00	76.32	0.00
PROFIT/ (LOSS) AFTER TAX	321.05	136.68	90.70	121.41	(50.61)
Profit / (loss) b/f	298.19	161.50	70.80	(50.61)	0.00
PROFIT /(LOSS) CARRIED TO BALANCE SHEET	619.24	298.19	161.50	70.80	(50.61)

The accompanying Notes (Annexure –III) and Significant Accounting Policies (Annexure – IV) are integral part of this statement.

ANNEXURE-III

NOTES ON ACCOUNTS

A. Basis of preparation of Financial Statements

- i. The Financial Statements have been prepared under the historical cost convention and in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956.
- ii. The Company follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

B. Fixed Assets

Fixed Assets are stated at acquisition cost less accumulated depreciation.

C. Depreciation & Amortization

Tangible Assets:

During the year company has provided depreciation as per Straight Line Method at the rate & manner specified in Schedule XIV of the Companies Act.

Intangible Assets: Goodwill will be amortized over the period of 60 months.

Inventory of Cutlery, crockery, linen & uniform are amortized over the period of 24 months.

D. Investments

Investments are stated at cost of acquisition. Provision for diminution in value of Investment is made only if such a decline is other than temporary in the opinion of the management.

E. Valuation of Inventories

Stock of food, beverages and other supplies are valued at cost on first-in-first-out basis.

F. Preliminary Expenditure

Preliminary Expenses are amortized over a period of 5 years.

G. Sales

Income from Rooms, Banquets, Restaurant & Other Services represents invoice value of goods sold and services rendered exclusive of all applicable taxes.

H. Income Tax

Provision for current tax is made on the basis of relevant provisions of the income Tax Act, 1961. The Deferred Tax resulting from timing difference between book & taxable profit is accounted for using tax rates & tax laws that have been enacted or substantively enacted as at the Balance Sheet date. The Deferred Tax Asset is recognized & carried forward only to the extent there is a reasonable certainty that the asset will be realized in the future.

I. Contingent Liabilities

As informed by management there is no contingent liabilities has been provided for.

J. The company does not have any reportable segment as defined in AS-17 on Segment reporting issued by the Institute of Chartered Accountants of India.



ANNEXURE IV

SIGNIFICANT ACCOUNTING POLICIES:

1. Related Party Disclosures :

(A) Related Parties and their Relationship

Sr No	Name of the Party	Relation
1	New Ramesh Kirana Store	Associate Party
2	M/s Bhagwati Marketing Co.	~ ~
3	Bhagwati Caterers Pvt. Ltd.	~ ~
4	Bhagwati Eateries P. Ltd.	~ ~
5	TGB Foods Pvt. Ltd.	~ ~
6	M/s TGB Resorts Karnavati	~ ~
7	M/s Bhagwati International	~ ~
8	Narendra G. Somani	Key Personnel
9	Devanand G. Somani	~ ~
10	Hemant G. Somani	~ ~
11	Lov Kush Properties Pvt Ltd.	Wholly owned subsidiary Company

(B) Transaction with Related Parties

(Rs. In Lacs)

Sr No	Nature of transaction	December 31, 2006	
		Associate Parties	Key Personnel
1	Food & Beverage Purchases	70.70	--
2	Commercial Transaction	30.47	--
3	Directors Remuneration	--	27.00

2. Earning Per Share:

	Particulars	Nine Months ended 31/12/2006	Year ended 31.03.2006
A	Profit / Loss after tax (Rs.)	32105248	13668235
B	Weighted Average No. Of Equity Shares	6286400	4677158
C	Nominal Value of Shares (Rs.)	10	10
	Earning/(Loss) per share (Basic & Diluted)		
	Before Extraordinary item (Rs.)	5.10	2.92
	After Extraordinary item (Rs.)	5.10	2.92

3. No supplier falls under “small scale” and “ancillary Industrial Undertaking”, hence the information under the head Sundry creditors is not disclosed separately.

BHAGWATI BANQUETS AND HOTELS LTD.

4. Details of transaction in foreign currency are as under:

(Rs. In Lacs)

Sr No	Particulars	Nine Months ended 31/12/2006	Year ended 31.03.2006
1	C.I.F. Value of Import	NIL	NIL
2	Earning in Foreign Exchange	26.69	2.04
3	Expenditure in Foreign Exchange	NIL	NIL

5. Particulars of remuneration paid to Directors.

(Rs In Lacs)

Sr. No	Name	Designation	Nine Months ended 31/12/2006	Year ended 31.03.2006
1	Narendra G. Somani	C.M.D	18.00	12.00
2	Devanand G. Somani	Director	4.50	00.60
3	Hemant G. Somani	Director	4.50	00.60

6. Auditors' Remuneration

(Rs In Lacs)

	Nine Months ended 31.12.2006	Year ended 31.12.2006
Statutory Audit Fees	--	0.40
Taxation Matters	--	0.10
Company Law Matters	--	--
Service Tax	--	0.06
	--	0.56

7. In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated, if realized, in the ordinary course of business. Provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
8. Since the business of the company is by way of Food and Beverages, the quantity wise details of purchase, consumption, turnover, stock etc. are not furnished as the same are not practicable.
9. Debit and Credit balances in party accounts are subject to reconciliation.
10. Figures of previous year have been regrouped, rearranged and recast wherever necessary so as to make them comparable with those of current year.
11. The schedules and notes form an integral part of the accounts.



ANNEXURE V

CASH FLOW STATEMENT

(Rs. In Lacs)

	Particulars	Nine Months ended 31/12/06	Year ended 31/03/06	Year ended 31/03/05	Year ended 31/03/04	Year ended 31/03/03
A.	Cash Flow arising Operating Activities					
	Net Profit Before Taxes	356.05	249.06	167.52	88.69	(50.61)
	Adjustment for :					
	Depreciation	79.02	160.26	85.47	83.30	134.17
	Loss on sale of Fixed Assets	0.11	-	-	2.42	
	Preliminary / Preoperative Expenses	2.13	4.10	0.74	1	94.58
	Interest on Term Loan	111.08	94.36	66.40	147.16	112.54
	Tax Paid	(36.66)	(22.03)	(13.50)	(6.71)	-
	Operating Profit Before WC changes	511.73	485.75	306.63	315.60	290.69
	Adjustment for Working Capital changes					
	Inventories	(114.68)	(49.96)	(2.62)	(0.62)	(23.11)
	Receivables	(270.48)	(177.32)	(2.62)	0.45	(43.43)
	Loans & Advances	(327.38)	(56.28)	(26.50)	6.39	37.24
	Current Liabilities & Provisions	297.67	243.51	(4.76)	(3.44)	331.27
	Net Cash from Working Capital changes	(414.87)	(40.04)	(36.50)	2.78	301.97
	Net Cash Flow from Operating Activities	96.86	445.71	270.13	318.38	592.66
B.	Cash Flow from Investing Activities					
	Purchase of Fixed Assets	(96.54)	(948.90)	(29.88)	(45.07)	(1,024.66)
	Sale of Fixed Assets	6.45	-	-	2.50	-
	Investments	(100.00)	(400.00)	-	-	-
	Preliminary Expenditure & Preoperative Expenditure	(13.13)	(23.84)	-	-	-
	Net Cash from Investing Activities	(203.23)	(1,372.74)	(40.28)	(42.57)	1,024.66)
C.	Cash Flow from Financing Activities					
	Secured Loan	(106.45)	702.72	(164.54)	(100.77)	393.27
	Unsecured Loan	-	(0.47)	(231.08)	(74.19)	-
	Equity contribution	-	222.63	-	-	102.50
	Share Application Money	458.80	(250.79)	254.23	-	-
	Share Premium	-	333.76	-	-	102.50
	Interest on Term Loan	(111.08)	(94.36)	(66.40)	(147.16)	(112.54)
	Net Cash from Financing Activities	241.27	913.49	(207.79)	(322.12)	485.72
	Net increase(decrease) in Cash or Cash Equivalents	134.90	(13.53)	22.06	(46.31)	53.72
	Opening Cash or Cash Equivalents	48.07	61.60	39.54	85.85	32.14
	Closing Cash or Cash Equivalents	182.97	48.07	61.60	39.54	85.85

ANNEXURE VI**STATEMENT OF SECURED LOANS****(Rs. In Lacs)**

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
1	Central Bank Of India	0.00	0.00	0.00	451.75	501.24
2	Gujarat State Financial Corpn.	0.00	0.00	0.00	219.99	243.52
3	Punjab National Bank	0.00	0.00	0.00	222.66	255.26
4	Indian Overseas Bank	1296.00	1429.80	733.03	0.00	0.00
5	Citi Bank	0.00	0.00	0.26	1.25	2.11
6	HDFC Bank	0.00	1.21	3.53	5.72	0.00
7	ICICI Bank	37.09	8.53	0.00	0.00	0.00
	Total	1333.09	1439.54	736.82	901.37	1002.13

Notes:

- 1 to 3 Secured by Joint Equitable mortgage of Land and Building of Land and hypothecation of Plant and Machinery and collateral security of properties of Directors and third party and personal guarantee of directors.
- 4 Secured by first charge on the entire block of Assets of the Company & hypothecation on the Current Assets and Receivables. Consists of: Term Loan of Rs.621.48 lacs (USD 1368900) from Indian Overseas Bank is at the interest rate of LIBOR + 4.5% & repayable in monthly instalments of USD 35100. Term Loan of Rs.659.36 lacs from Indian Overseas Bank is at the interest rate of 11% p.a. & repayable in monthly instalments of Rs.14.16 lacs. Cash Credit of Rs. 49.82 lacs from Indian Overseas Bank is at the interest rate of 11% p.a.
- 5 Secured by hypothecation of Mahindra Jeep.
- 6 Secured by hypothecation of Qualis Car. Term Loan of Rs.1.21 lacs from HDFC Bank is at the interest rate of 6.69% p.a. & repayable in monthly instalments of Rs 20,550
- 7 Secured by hypothecation of Optra Car, Accord Car & Tata Ace. Term Loan of Rs 7.05 Lacs For Optra Car from ICICI Bank is at the interest rate of 6.69% p.a and repayable in monthly instalments of Rs 29,190 & Term Loan of Rs 11.86 Lacs for Accord Car from ICICI Bank is at the interest rate of 9.11% p.a and repayable in monthly instalments of Rs 42,930 & Term Loan of Rs. 1.89 Lacs from ICICI Bank is at the interest rate of 11.49% p.a and repayable in monthly instalments of Rs 6,826.

STATEMENT OF UNSECURED LOANS**(Rs. In Lacs)**

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	From Associate / Group Companies	0.00	0.00	0.47	231.55	305.74
	Total	0.00	0.00	0.47	231.55	305.74

Note: The amount outstanding as on 31st March 2005 represents amount borrowed from companies under the same management. This loan is interest free and repayable on demand.



ANNEXURE VII

LOANS AND ADVANCES

(Rs. In Lacs)

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	(Unsecured, Considered Good)					
1	Deposits	17.90	13.40	8.31	8.31	6.21
2	Advances to Suppliers	31.25	10.23	2.65	0.35	2.51
3	Gujarat Luxury Tax	0.33	0.33	0.33	0.33	0.27
4	TDS Receivables	3.73	2.33	1.14	1.30	0.39
5	Prepaid Expenses	2.45	4.66	3.17	1.09	0.39
6	Advance for Capital Asset	3.00	4.51	0.00	0.00	0.00
7	Other Loans & Advances for value to be received	370.14	63.31	12.26	10.96	18.96
8	Reimbursement of exps. to be recovered from Director	0.00	0.22	0.00	0.00	0.00
9	Due from Associated Company	3.70	6.14	20.98	0.00	0.00
	TOTAL	432.50	105.13	48.84	22.34	28.73

ANNEXURE VIII

SUNDRY DEBTORS

(Rs. In Lacs)

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	(Unsecured)					
	Debts outstanding for a period exceeding six months					
	- Considered good	173.23	77.76	17.97	5.53	0.00
	- Considered Doubtful	0.00	0.00	0.00	0.00	0.00
			77.76	17.97	5.53	0.00
	Other Debts					
	- Considered good	320.16	145.15	27.63	37.45	43.43
	- Considered Doubtful	0.00	0.00	0.00	0.00	0.00
			145.15	27.63	37.45	43.43
	Less: Provision for Doubtful debts	0.00	0.00	0.00	0.00	0.00
	TOTAL	493.39	222.91	45.60	42.98	43.43

ANNEXURE IX

CAPITALISATION STATEMENT AS AT DECEMBER 31, 2006

(Rs. In Lacs)

Sr. No	Particulars	Pre Issue as on 31/12/2006	Post Issue
	Debt Funds		
1	Secured Loan	1333.09	[.]
2	Unsecured Loan	0.00	[.]
3	Total Debt	1333.09	[.]
4	Less: Short term debt	172.01	[.]
5	Total Long Term Debt	1161.08	[.]
	Shareholders Funds		
6	Share Capital	628.64	[.]
7	Reserves & Surplus	1358.99	[.]
8	Share Application Money	462.24	[.]
9	Total Shareholders Funds	2449.87	[.]
	Long term Debt / Equity Ratio (5 / 9)	0.47	[.]



ANNEXURE X

STATEMENT OF ACCOUNTING RATIOS

(Rs. In Lacs)

Sr No	Particulars	31.12.2006	2005-06	2004-05	2003-04	2002-03
	Profit before tax & exceptional items	356.05	249.06	167.52	88.69	(50.61)
	Add/(Less): Exceptional Item					
	-Income Tax of Earlier Years	0.00	(1.07)	(0.35)	0.00	0.00
	-Depreciation written back	0.00	0.00	0.00	76.32	0.00
	Profit before tax	356.05	247.98	167.18	165.00	(50.61)
	Less: Provision for Current Tax	35.00	20.96	13.15	6.71	0.00
(A)	Profit after Current Tax	321.05	227.02	154.03	158.29	(50.61)
	Less: Deferred Tax	0.00	90.34	63.32	36.89	0.00
(B)	Profit after Deferred Tax	321.05	136.68	90.70	121.41	(50.61)
(C)	Profit after Current Tax but before Depreciation & Write Offs	400.07	278.76	239.50	241.60	83.57
(D)	Weighted Average No. of Equity Shares	6286400	4677158	4060100	4060100	3889275
	EPS Basic / Diluted (Rs. Per Share)					
	- after Current Tax (A / D)	5.11	4.85	3.79	3.90	(1.30)
	- after Deferred Tax (B / D)	5.11	2.92	2.23	2.99	(1.30)
	Cash EPS (C / D)	6.36	5.96	5.90	5.95	2.15
	Net Worth / NAV / Return on Net Worth					
(E)	Profit before Tax	356.05	247.98	167.18	165.00	(50.61)
	Net Worth before Deferred Tax					
(F)	Net Worth	2608.21	1839.36	326.47	917.48	758.44
	Return on Net Worth % (E / F)	13.65%	13.48%	12.60%	17.98%	-6.67%
	Net Asset Value per Share (NAV) – Rs.(F / D)	41.49	39.33	32.67	22.60	19.50
	Net Worth after Deferred Tax					
(G)	Adjusted Net Worth	2417.66	1648.81	1226.26	880.59	758.44
	Return on Net Worth % (E / G)	14.73%	15.04%	13.63%	18.74%	-6.67%
	Net Asset Value per Share (NAV)-Rs.(G / D)	38.46	35.25	30.20	21.69	19.50

ANNEXURE XI**TAX SHELTER STATEMENT****(Rs. In Lacs)**

Sr. No	Particulars	2005-06	2004-05	2003-04	2002-03
	Book Profit / (Loss) before tax	249.06	167.52	88.69	(50.61)
	Tax Rate (including Surcharge & Education Cess)	33.66%	36.59%	35.87%	36.75%
	Tax chargeable on above	83.83	61.30	31.82	0.00
	Adjustments:				
	Timing difference due to Book Depreciation & Tax Depreciation	(75.83)	(122.94)	(160.65)	(142.59)
	Other permanent differences		7.47	0.77	0.11
	Adjustments for Unabsorbed Depreciation	0.00	0.00	71.19	193.08
	Reversal of timing difference due to Unabsorbed Depreciation		(52.05)	0.00	0.00
	Net adjustment	(75.83)	(167.52)	(88.69)	0.00
	Tax Saving there on	(25.52)	(61.30)	(31.82)	0.00

ANNEXURE XII**DETAILS OF OTHER INCOME****(Rs. In Lacs)**

Sr. No	Particulars	31.12.2006	2005-06	2004-05	2003-04	2002-03
1	Interest	0.00	0.45	0.45	0.47	0.37
2	Income from Beauty Parlour	0.00	2.45	0.00	0.00	0.00
3	Privilege Card Membership Fee	7.02	3.56	0.00	0.00	0.00
4	FCR Commission	0.05	0.05	0.00	0.00	0.00
5	Sponsorship Fee	0.65	0.45	0.00	0.25	0.15
	Total	7.72	6.97	0.45	0.72	0.52



ANNEXURE XIII

DETAILS OF NET WORTH AND DISTRIBUTABLE PROFITS

Computation of Networth as on :

(Rs In Lacs)

Sr. No	Particulars	31.12.2006	2005-06	2004-05	2003-04	2002-03
A.	Fixed Assets:					
	Gross Block	3327.84	3236.49	2287.59	2247.31	2207.49
	Less Depreciation Fund	465.28	386.57	226.30	140.83	134.17
	Net Block	2862.56	2849.92	2061.29	2106.48	2073.32
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	2862.56	2849.92	2061.29	2106.48	2073.32
B.	Investment	500.00	400.00	0.00	0.00	0.00
C.	Current Assets, Loans & Advances:					
	Inventories	190.99	76.31	26.35	23.73	23.11
	Sundry Debtors	493.39	222.91	45.60	42.98	43.43
	Cash & Bank Balances	182.97	48.08	61.61	39.55	85.85
	Loans & Advances	432.51	105.13	48.84	22.34	28.73
	Total	1299.86	452.42	182.39	128.59	181.12
D.	Liabilities & Provisions:					
	Secured Loans	1333.09	1439.54	736.82	901.37	1002.13
	Unsecured Loans	0.00	0.00	0.47	231.55	0.00
	Deferred Tax Liabilities	190.55	190.55	100.21	36.89	0.00
	Current Liabilities & Provisions	721.11	423.44	179.92	184.68	493.86
		2244.75	2053.53	1017.42	1354.48	1495.99
E.	Net Worth:	2417.66	1648.81	1226.26	880.59	758.44
F.	Represented by:					
	Share Capital	628.64	628.64	406.01	406.01	406.01
	Share Application Money	462.24	3.44	254.23	0.00	0.00
	Share Premium	739.75	739.75	405.99	405.99	405.99
	Accumulated Profit	619.24	298.19	161.50	70.80	(50.61)
	Miscellaneous Expenditure Not Written Off	(32.21)	(21.21)	(1.47)	(2.21)	(2.95)
	Net Worth:	2417.66	1648.81	1226.26	880.59	758.44

Distributable profit

(Rs. In Lacs)

Sr. No	Particulars	31.12.06	2005-06	2004-05	2003-04	2002-03
1	Profit / Loss Before Taxes	356.05	249.06	167.52	88.69	(50.61)
2	Provision for Current Tax	35.00	20.96	13.15	6.71	0.00
3	Provision for Deferred Tax Liabilities	0.00	90.34	63.32	36.89	0.00
4	Taxes for Earlier Years	0.00	1.07	0.35	0.00	0.00
5	Profit after taxes	321.05	136.68	90.70	45.09	(50.61)
6	Depreciation Written Back	0.00	0.00	0.00	76.32	0.00
7	Brought forward Profit / (Losses)	298.19	161.50	70.80	(50.61)	0.00
8	Distributable Profit:	619.24	298.19	161.50	70.80	0.00

ANNEXURE XIV**RELATED PARTY TRANSACTIONS****1) Parties where control exists**

Name of Parties	Nature of relationship
Narendra G. Somani	Key management personnel
Ramesh K. Motiani	Key management personnel
Devanand G. Somani	Key management personnel
Hemant G. Somani	Key management personnel
New Ramesh Kirana Store	Entity controlled by Directors
M/s Bhagwati Marketing Co.	Entity controlled by Directors
M/s Bhagwati International	Entity controlled by Directors
M/s TGB Resorts Karnavati	Entity controlled by Directors
Bhagwati Caterers Pvt. Ltd.	Entity controlled by Directors
Bhagwati Eateries Pvt. Ltd.	Entity controlled by Directors
TGB Foods Pvt. Ltd.	Entity controlled by Directors
Lov Kush Properties Pvt Ltd.	Subsidiary Company

2) Transactions with related parties

In compliance of mandatory accounting standard AS-18 prescribed by I.C.A.I., the transaction with the related parties entered into by the Company are disclosed as under:-

(a) The transactions with related parties during the Nine months ended 31st December, 2006.**Amt (Rs. In Lacs)**

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	53.36	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	17.34	Director
Remuneration to Director	NIL	Shri Narendra G. Somani	18.00	Chairman & Managing Director
Remuneration to Director	NIL	Shri Devanand G. Somani	4.50	Director
Remuneration to Director	NIL	Shri Hemant G. Somani	4.50	Director
Advance Taken	NIL	Bhagwati Marketing Co.	1.85	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	8.28	Under the same Management
Advance Given	NIL	Bhagwati Eateries Pvt. Ltd.	4.50	Group Company
Advance Taken	NIL	Shri Narendra G. Somani	24.84	Chairman & Managing Director



(b) The transactions with related parties during the twelve months ended 31st March, 2006.

Amt (Rs. In Lacs)

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	81.12	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	51.49	Director
Remuneration to Director	NIL	Shri Narendra G. Somani	12.00	Chairman & Managing Director
Remuneration to Director	NIL	Shri Devanand G. Somani	0.60	Director
Remuneration to Director	NIL	Shri Hemant G. Somani	0.60	Director
Advance Taken	NIL	Bhagwati Marketing Co.	1.10	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	7.88	Under the same Management
Advance Given	NIL	Bhagwati Eateries Pvt. Ltd.	5.69	Group Company
Advance Taken	NIL	Shri Narendra G. Somani	3.47	Chairman & Managing Director
Advance Taken	NIL	TGB Resorts Karnavati	10.00	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Food	NIL	TGB Resorts Karnavati	7.60	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Fixed Assets with Goodwill	NIL	TGB Resorts Karnavati	206.11	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Fixed Assets with Goodwill	NIL	Bhagwati Caterers Pvt. Ltd.	636.00	Under the same Management
Purchase of Food	NIL	Bhagwati International	0.70	Chairman & Managing Director is Partner of the Firm
Purchase of Fixed Assets with Goodwill	NIL	Bhagwati International	29.08	Chairman & Managing Director is Partner of the Firm
Advance Taken	NIL	Bhagwati International	0.23	Chairman & Managing Director is Partner of the Firm
Sale of Food	NIL	Bhagwati Eateries Pvt. Ltd.	0.24	Group Company
Sale of Food	NIL	Bhagwati International	0.04	Chairman & Managing Director is Partner of the Firm

(c) The transactions with related parties during the year ended 31st March, 2005.

Amt (Rs. In Lacs)

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	28.34	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	31.03	Director
Purchase of Food	NIL	TGB Resorts Karnavati	4.88	Chairman & Managing Director and Directors are Partners of the Firm
Advance Taken	NIL	Shri Narendra G. Somani	1.00	Chairman & Managing Director is Partner of the Firm
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	20.98	Under the same Management
Advance Taken	NIL	TGB Resorts Karnavati	2.06	Chairman & Managing Director and Directors are Partners of the Firm

BHAGWATI BANQUETS AND HOTELS LTD.**(d) The transactions with related parties during the year ended 31st March, 2004.****Amt (Rs. In Lacs)**

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total Rs. In Lacs	Key Management Personal and their Relatives
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	32.17	Director
Advance Taken	NIL	Shri Narendra G. Somani	1.17	Chairman & Managing Director
Advance Taken	NIL	Bhagwati Marketing Co.	133.13	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	6.21	Under the same Management

(e) The transactions with related parties during the year ended 31st March, 2003**Amt (Rs. In Lacs)**

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total Rs. In Lacs	Key Management Personal and their Relatives
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	9.61	Director
Purchase of Assets	NIL	Shri Narendra G. Somani	99.58	Chairman & Managing Director
Advance Taken	NIL	Bhagwati Marketing Co.	95.09	Chairman & Managing Director being Proprietor



ANNEXURE XV

COMPARISON OF THE SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE BETWEEN FINANCIAL STATEMENTS FOR FY 2006 OVER PREVIOUS FY 2005, FY 2005 OVER THE PREVIOUS FY 2004.

(Rs. In Lacs)

Particulars	FY 2003	FY2003	FY 2004	FY 2005	FY 2006
	9 Months	Adj for 12 months			
INCOME					
Room Sales	45.55	60.73	137.93	193.93	342.05
Y to Y growth %	-	N.A.	127.11%	40.59%	76.38%
Food & Beverage	69.83	93.11	174.60	198.02	665.92
Y to Y growth %		N.A.	87.52%	13.42%	236.29%
Banquets Sales	556.53	742.05	912.52	931.30	1068.57
Y to Y growth %	0.00	N.A.	22.97%	2.06%	14.74%
Out Door Catering	0.00	0.00	0.00	0.00	210.84
Y to Y growth %	0.00	N.A.	N.A.	N.A.	N.A.
Other Service Charges	3.14	4.18	7.06	11.90	18.59
Y to Y growth %		N.A.	68.80%	68.58%	56.21%
Total Operating Income	675.05	900.07	1232.11	1335.15	2305.97
Y to Y growth %		N.A.	36.89%	8.36%	72.71%
Other Income	0.52	0.69	71,793	0.45	6.97
Y to Y growth %		N.A.	4.54%	-37.32%	1447.81%
Total Income	675.57	900.76	1232.83	1335.60	2312.94
Y to Y growth %		N.A.	36.87%	8.34%	73.18%
EXPENDITURE					
Food & Beverage	202.02	269.36	446.80	498.67	972.89
Y to Y growth %		N.A.	65.88%	11.61%	95.10%
% of Total Operating Income	29.93%	29.93%	36.26%	37.35%	42.19%
Employee Costs	42.88	57.18	74.06	85.63	172.91
Y to Y growth %	-	N.A.	29.52%	15.62%	101.93%
% of Total Revenue	6.35%	6.35%	6.01%	6.41%	7.48%
Upkeep & Service Cost	113.49	151.32	200.08	211.09	275.36
Y to Y growth %		N.A.	32.22%	5.50%	30.45%
% of Total Revenue	16.80%	16.80%	16.23%	15.81%	11.91%
Administrative & other Operating Expenses	116.98	155.97	187.28	208.00	373.62
Y to Y growth %		N.A.	20.07%	11.06%	79.63%
% of Total Revenue	17.32%	17.32%	15.19%	15.57%	16.15%
Total Expenditure	475.38	633.83	908.22	1003.38	1794.78
Y to Y growth %		N.A.	43.29%	10.48%	78.87%
% of Total Revenue	70.37%	70.37%	73.67%	75.13%	77.60%
Earning before Depreciation Interest & Tax	200.19	266.92	324.61	332.22	518.16
Y to Y growth %	-	N.A.	21.61%	2.34%	55.97%
% of Total Revenue	29.63%	29.63%	26.33%	24.87%	22.40%
Depreciation	134.17	178.90	83.31	85.47	160.26
Y to Y growth %		N.A.	-53.43%	2.60%	87.50%
Financial Expenditure	116.62	155.50	152.62	79.22	108.84
Y to Y growth %		N.A.	-1.85%	-48.09%	37.39%

BHAGWATI BANQUETS AND HOTELS LTD.

Particulars	FY 2003	FY2003	FY 2004	FY 2005	FY 2006
	9 Months	Adj for 12 months			
INCOME					
Profit / (Loss) before tax	(50.61)	(67.48)	88.69	167.52	249.06
<i>Y to Y growth %</i>		N.A.	N.A.	88.89%	48.67%
<i>% of Total Revenue</i>	-7.49%	-7.49%	7.19%	12.54%	10.77%
Current Tax	0.00	0.00	6.71	13.15	20.96
Deferred Tax	0.00	0.00	36.89	63.32	90.34
Net Profit before Extraordinary Items	(50.61)	(67.48)	45.09	91.05	137.75
Extraordinary Items	0.00	0.00	76.32	(0.35)	(1.07)
Net adjusted profit after Extraordinary Items	(50.61)	(6,747,536)	121.41	90.70	136.68
<i>Y to Y growth %</i>		N.A.	N.A.	-25.29%	50.69%
<i>% of Total Revenue</i>	-7.49%	-7.49%	9.85%	6.79%	5.91%



AUDITOR'S REPORT

To
The Board of Directors
Bhagwati Banquets & Hotels Limited
Plot No. 380 Sarkhej Gandhinagar Highway
Bodakdev, Ahmedabad -380 054

Dear Sirs,

Re: Public Issue of Bhagwati Banquets & Hotels Limited – Auditor's Report as required by Part II of Schedule II of the Companies Act, 1956

1. We have examined the following financial information of Bhagwati Banquets & Hotels Limited ("the Company") as attached to this report stamped and initialed by us for identification together with its wholly owned subsidiary Lov Kush Properties Private Limited which became subsidiary on 20.04.2006. Statement for the period ended December 31, 2006 is consolidated with its subsidiary financial statements subsequent to 20.04.2006. This financial statements has been prepared in accordance with Paragraph B-1 Part-II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India (SEBI).
2. We have examined the attached restated summary statement of Assets and Liabilities of the Company as at 31st March 2002, 2003, 2004, 2005, 2006 and 31st December 2006 and the attached restated summary statement of Profit and Loss for each of the years ended on those dates ("summary statements") (see **Annexure I and II**) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion appropriate and more fully described in the notes appearing in Annexure IV to this report. These summary statements have been extracted from the financial statements for the year ended 31st March, 2002, 2003, 2004, 2005, 2006 audited by us and adopted by the members for the respective years and for the nine months ended on 31.12.2006 audited by us. Based on our examination of these summary statements we confirm that:
 - a. The impact of changes in accounting policies adopted by the Company as and for the period ended 31st December, 2006 has been adjusted with retrospective effect in the attached summary statements:
 - b. There are no prior period items which are required to be adjusted in the summary statements in the years to which they relate:
 - c. There are no qualifications in the auditor's reports, which require any adjustments in the summary statements.
3. Significant Accounting Policies adopted by the Company and the relevant notes pertaining to the audited financial statements are enclosed as **Annexure III** and **IV** respectively.
4. We have examined the following other financial information of the Company proposed to be included in the Prospectus as approved by you and annexed to this report.
 - a. Summary of Cash Flows as restated in **Annexure V**
 - b. Statement of Secured and Unsecured Loans in **Annexure VI**
 - c. Statement of Loans and Advances in **Annexure VII**
 - d. Statement of Sundry Debtors in **Annexure VIII**
 - e. Capitalization statement as at December 31, 2006 as in **Annexure IX**
 - f. Accounting ratios based on the restated profits relating to earning per share, net asset value and return on net worth in **Annexure X**

BHAGWATI BANQUETS AND HOTELS LTD.

- g. Statement of Tax Shelter in **Annexure XI**
 - h. Statement of other Income – **Annexure XII**
 - i. Details of Networth & Distributable Profit – **Annexure XIII**
 - j. Details of Related Parties Transaction – **Annexure XIV**
 - k. Comparison of significant items of Income & Expenditure between Financial Statements – **Annexure XV**
5. We further confirm that the Company has a 100% subsidiary within the meaning of section 4 of the Companies Act, 1956.
6. This report is intended solely for your information for inclusion in the Prospectus for the proposed Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For, O P Bhandari & Co
Chartered Accountants

(O P Bhandari)
Partner
M.No. 34409

Date: 31.01.2007
Place: Ahmedabad



ANNEXURE - I

STATEMENT OF ASSETS & LIABILITIES AS RESTATED

The assets and liabilities of the company as at the end of each financial year(s) ended on 31 March, 2002, 2003, 2004, 2005, 2006 and period ended on December 31, 2006 are as set out below along with the assets & liabilities. The assets and liabilities read with significant accounting policies and notes annexed hereto have been arrived at after making such regroupings as are, in our opinion, appropriate.

(Rs. In Lacs)

PARTICULARS	Consolidated As At 31/12/2006	As At 31/03/2006	As At 31/03/2005	As At 31/03/2004	As At 31/03/2003	As At 31/03/2002
APPLICATION OF FUNDS :						
FIXED ASSETS						
a) Gross Block	3837.37	3236.49	2277.19	2247.31	2207.49	1182.82
b) Less : Depreciation	465.28	386.57	226.30	140.83	134.17	0.00
c) Net Block	3372.09	2849.92	2050.89	2106.48	2073.32	1182.83
Work in progress	0.00	0.00	10.40	0.00	0.00	0.00
INVESTMENTS	0.00	400.00	0.00	0.00	0.00	0.00
CURRENT ASSETS, LOANS & ADVANCES						
a) Inventories	190.99	76.31	26.35	23.73	23.11	0.00
b) Sundry Debtors	493.39	222.91	45.60	42.98	43.43	0.00
c) Cash & Bank Balance	183.04	48.08	61.61	39.55	85.85	32.14
d) Loans & Advances	432.51	105.13	48.84	22.34	28.73	65.97
	1299.93	452.42	182.39	128.59	181.12	98.10
LESS:CURRENT LIABILITIES	598.40	374.21	154.05	165.41	188.12	154.27
PROVISIONS	122.85	49.22	25.88	19.28	-	8.32
	721.25	423.44	179.92	184.68	188.12	162.59
NET CURRENT ASSETS	578.68	28.99	2.47	(56.09)	(7.00)	(64.48)
Deferred Revenue Expenditure	0.52	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS EXPENDITURE	32.32	21.21	1.47	2.21	2.94	97.53
PROFIT & LOSS ACCOUNT	0.00	0.00	0.00	0.00	50.61	0.00
TOTAL :	3983.61	3300.11	2065.24	2052.60	2119.87	1215.87
SOURCES OF FUNDS :						
SHARE HOLDER FUNDS						
a) Share Capital	628.64	628.64	406.01	406.01	406.01	303.52
b) Share Application Money	462.24	3.44	254.23	0.00	0.00	0.00
c) Reserve & Surplus	1358.99	1037.94	567.49	476.79	405.99	303.50
	2449.87	1670.02	1227.73	882.80	812.00	607.01
LOAN FUNDS						
Secured Loan	1333.09	1439.54	736.82	901.37	1002.13	608.86
Unsecured Loan	10.10	-	0.47	231.55	305.74	0.00
	1343.19	1439.54	737.29	1132.91	1307.87	608.86
DEFERRED TAX LIABILITIES	190.55	190.55	100.21	36.89	0.00	0.00
TOTAL :	3983.61	3300.11	2065.24	2052.60	2119.87	1215.87

The accompanying Significant Accounting Policies (Annexure –III) and Notes (Annexure – IV) are integral part of this statement.

BHAGWATI BANQUETS AND HOTELS LTD.**ANNEXURE-II****SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT AS RESTATED**

We report that the profits of the company for the financial year(s) ended on 31st March 2003, 2004, 2005, 2006 and period ended on December 31, 2006 are as set out below along with the Profit and Loss statement. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustments and regroupings as are, in our opinion, appropriate.

(Rs. In Lacs)

PARTICULARS	Consolidated for period ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
INCOME FROM SALES					
Banquets, Rooms, Restaurant & Other Services	2455.55	2305.97	1335.15	1232.11	675.05
Other Income	7.72	6.97	0.45	0.72	0.52
	2463.27	2312.94	1335.60	1232.83	675.57
EXPENDITURE					
Food & Beverages Consumed	897.37	972.89	498.67	446.80	202.02
Employees' Emoluments	233.87	172.91	85.63	74.06	42.88
Upkeep & Service Cost	304.08	289.32	211.09	200.08	113.49
Administrative & Selling Expenses	476.92	359.66	208.00	187.28	116.98
Financial Charges	115.96	108.84	79.22	152.62	116.62
	2028.20	1903.62	1082.60	1060.83	592.00
PROFIT BEFORE DEPRECIATION	435.07	409.32	253.00	171.99	83.57
Depreciation	79.02	160.26	85.47	83.31	134.17
PROFIT/(LOSS) BEFORE TAX	356.05	249.06	167.52	88.69	(50.61)
Provision for current tax	35.00	20.96	13.15	6.71	0.00
Prov for deferred tax	0.00	90.34	63.32	36.89	0.00
Income tax for earlier years	0.00	1.07	0.35	0.00	0.00
PROFIT/ (LOSS) AFTER TAX	321.05	136.68	90.70	45.09	(50.61)
Depreciation written back	0.00	0.00	0.00	76.32	0.00
PROFIT/ (LOSS) AFTER TAX	321.05	136.68	90.70	121.41	(50.61)
Profit / (loss) b/f	298.19	161.50	70.80	(50.61)	0.00
PROFIT /(LOSS) CARRIED TO BALANCE SHEET	619.24	298.19	161.50	70.80	(50.61)

The accompanying Notes (Annexure –III) and Significant Accounting Policies (Annexure – IV) are integral part of this statement.

ANNEXURE-III

NOTES ON ACCOUNTS

A. Basis of preparation of Financial Statements

- i. The Financial Statements have been prepared under the historical cost convention and in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956.
- ii. The Company follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

B. Fixed Assets

Fixed Assets are stated at acquisition cost less accumulated depreciation.

C. Depreciation & Amortization

Tangible Assets:

During the year company has provided depreciation as per Straight Line Method at the rate & manner specified in Schedule XIV of the Companies Act.

Intangible Assets: Goodwill will be amortized over the period of 60 months.

Inventory of Cutlery, crockery, linen & uniform are amortized over the period of 24 months.

D. Investments

Investments are stated at cost of acquisition. Provision for diminution in value of Investment is made only if such a decline is other than temporary in the opinion of the management.

E. Valuation of Inventories

Stock of food, beverages and other supplies are valued at cost on first-in-first-out basis.

F. Preliminary Expenditure

Preliminary Expenses are amortized over a period of 5 years.

H. Sales

Income from Rooms, Banquets, Restaurant & Other Services represents invoice value of goods sold and services rendered exclusive of all applicable taxes.

H. Income Tax

Provision for current tax is made on the basis of relevant provisions of the income Tax Act, 1961. The Deferred Tax resulting from timing difference between book & taxable profit is accounted for using tax rates & tax laws that have been enacted or substantively enacted as at the Balance Sheet date. The Deferred Tax Asset is recognized & carried forward only to the extent there is a reasonable certainty that the asset will be realized in the future.

I. Contingent Liabilities

As informed by management there is no contingent liabilities has been provided for.

- J. The company does not have any reportable segment as defined in AS-17 on Segment reporting issued by the Institute of Chartered Accountants of India.

BHAGWATI BANQUETS AND HOTELS LTD.**ANNEXURE - IV****SIGNIFICANT ACCOUNTING POLICIES:**

12. Related Party Disclosures :

(A) Related Parties and their Relationship

Sr. No	Name of the Party	Relation
1	New Ramesh Kirana Store	Associate Party
2	M/s Bhagwati Marketing Co.	~ ~
3	Bhagwati Caterers Pvt. Ltd.	~ ~
4	Bhagwati Eateries P. Ltd.	~ ~
5	TGB Foods Pvt. Ltd.	~ ~
6	M/s TGB Resorts Karnavati	~ ~
7	M/s Bhagwati International	~ ~
8	Narendra G. Somani	Key Personnel
9	Devanand G. Somani	~ ~
10	Hemant G. Somani	~ ~
11	Lov Kush Properties Pvt Ltd.	Wholly owned subsidiary Company

(B) Transaction with Related Parties

(Rs. In Lacs)

Sr No	Nature of transaction	December 31, 2006	
		Associate Parties	Key Personnel
1	Food & Beverage Purchases	70.70	--
2	Commercial Transaction	30.47	--
3	Directors Remuneration	--	27.00

13. Earning Per Share:

	Particulars	Nine Months ended 31/12/2006	Year ended 31.03.2006
A	Profit / Loss after tax (Rs.)	32105248	13668235
B	Weighted Average No. Of Equity Shares	6286400	4677158
C	Nominal Value of Shares (Rs.)	10	10
	Earning/(Loss) per share (Basic & Diluted)		
	Before Extraordinary item (Rs.)	5.10	2.92
	After Extraordinary item (Rs.)	5.10	2.92

14. No supplier falls under "small scale" and "ancillary Industrial Undertaking", hence the information under the head Sundry creditors is not disclosed separately.

15. Details of transaction in foreign currency are as under:

(Rs. In Lacs)

Sr No	Particulars	Nine Months ended 31/12/2006	Year ended 31.03.2006
1	C.I.F. Value of Import	NIL	NIL
2	Earning in Foreign Exchange	26.69	2.04
3	Expenditure in Foreign Exchange	NIL	NIL

16. Particulars of remuneration paid to Directors.

(Rs In Lacs)

Sr. No	Name	Designation	Nine Months ended 31/12/2006	Year ended 31.03.2006
1	Narendra G. Somani	C.M.D	18.00	12.00
2	Devanand G. Somani	Director	4.50	00.60
3	Hemant G. Somani	Director	4.50	00.60

17. Auditors' Remuneration

	Nine Months ended 31.12.2006	(Rs In Lacs) Year ended 31.12.2006
Statutory Audit Fees	--	0.40
Taxation Matters	--	0.10
Company Law Matters	--	--
Service Tax	--	0.06
	--	0.56

18. In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated, if realized, in the ordinary course of business. Provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
19. Since the business of the company is by way of Food and Beverages, the quantity wise details of purchase, consumption, turnover, stock etc. are not furnished as the same are not practicable.
20. Debit and Credit balances in party accounts are subject to reconciliation.
21. Figures of previous year have been regrouped, rearranged and recast wherever necessary so as to make them comparable with those of current year.
22. The schedules and notes form an integral part of the accounts.

BHAGWATI BANQUETS AND HOTELS LTD.
ANNEXURE V
CASH FLOW STATEMENT
(Rs. In Lacs)

	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
A.	Cash Flow arising Operating Activities					
	Net Profit Before Taxes	356.05	249.06	167.52	88.69	(50.61)
	Adjustment for :					
	Depreciation	79.02	160.26	85.47	83.30	134.17
	Loss on sale of Fixed Assets	0.11	-	-	2.42	
	Preliminary / Preoperative Expenses	2.13	4.10	0.74	1	94.58
	Interest on Term Loan	111.08	94.36	66.40	147.16	112.54
	Tax Paid	(36.66)	(22.03)	(13.50)	(6.71)	-
	Operating Profit Before WC changes	511.73	485.75	306.63	315.60	290.69
	Adjustment for Working Capital changes					
	Inventories	(114.68)	(49.96)	(2.62)	(0.62)	(23.11)
	Receivables	(270.48)	(177.32)	(2.62)	0.45	(43.43)
	Loans & Advances	(327.38)	(56.28)	(26.50)	6.39	37.24
	Current Liabilities & Provisions	297.67	243.51	(4.76)	(3.44)	331.27
	Net Cash from Working Capital changes	(414.87)	(40.04)	(36.50)	2.78	301.97
	Net Cash Flow from Operating Activities	96.86	445.71	270.13	318.38	592.66
B.	Cash Flow from Investing Activities					
	Purchase of Fixed Assets	(96.54)	(948.90)	(29.88)	(45.07)	(1,024.66)
	Sale of Fixed Assets	6.45	-	-	2.50	-
	Investments	(100.00)	(400.00)	-	-	-
	Preliminary Expenditure & Preoperative Expenditure	(13.13)	(23.84)	-	-	-
	Net Cash from Investing Activities	(203.23)	(1,372.74)	(40.28)	(42.57)	1,024.66)
C.	Cash Flow from Financing Activities					
	Secured Loan	(106.45)	702.72	(164.54)	(100.77)	393.27
	Unsecured Loan	-	(0.47)	(231.08)	(74.19)	-
	Equity contribution	-	222.63	-	-	102.50
	Share Application Money	458.80	(250.79)	254.23	-	-
	Share Premium	-	333.76	-	-	102.50
	Interest on Term Loan	(111.08)	(94.36)	(66.40)	(147.16)	(112.54)
	Net Cash from Financing Activities	241.27	913.49	(207.79)	(322.12)	485.72
	Net increase(decrease) in Cash or Cash Equivalents	134.90	(13.53)	22.06	(46.31)	53.72
	Opening Cash or Cash Equivalents	48.07	61.60	39.54	85.85	32.14
	Closing Cash or Cash Equivalents	182.97	48.07	61.60	39.54	85.85



ANNEXURE VI

STATEMENT OF SECURED LOANS

(Rs. In Lacs)

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
1	Central Bank Of India	0.00	0.00	0.00	451.75	501.24
2	Gujarat State Financial Corpn.	0.00	0.00	0.00	219.99	243.52
3	Punjab National Bank	0.00	0.00	0.00	222.66	255.26
4	Indian Overseas Bank	1296.00	1429.80	733.03	0.00	0.00
5	Citi Bank	0.00	0.00	0.26	1.25	2.11
6	HDFC Bank	0.00	1.21	3.53	5.72	0.00
7	ICICI Bank	37.09	8.53	0.00	0.00	0.00
	Total	1333.09	1439.54	736.82	901.37	1002.13

Notes:

- 1 to 3 Secured by Joint Equitable mortgage of Land and Building of Land and hypothecation of Plant and Machinery and collateral security of properties of Directors and third party and personal guarantee of directors.
- 4 Secured by first charge on the entire block of Assets of the Company & hypothecation on the Current Assets and Receivables. Consists of: Term Loan of Rs.621.48 lacs (USD 1368900) from Indian Overseas Bank is at the interest rate of LIBOR + 4.5% & repayable in monthly instalments of USD 35100. Term Loan of Rs.659.36 lacs from Indian Overseas Bank is at the interest rate of 11% p.a. & repayable in monthly instalments of Rs.14.16 lacs. Cash Credit of Rs. 49.82 lacs from Indian Overseas Bank is at the interest rate of 11% p.a.
- 5 Secured by hypothecation of Mahindra Jeep.
- 6 Secured by hypothecation of Qualis Car. Term Loan of Rs.1.21 lacs from HDFC Bank is at the interest rate of 6.69% p.a. & repayable in monthly instalments of Rs 20,550
- 7 Secured by hypothecation of Optra Car, Accord Car & Tata Ace. Term Loan of Rs 7.05 Lacs For Optra Car from ICICI Bank is at the interest rate of 6.69% p.a and repayable in monthly instalments of Rs 29,190 & Term Loan of Rs 11.86 Lacs for Accord Car from ICICI Bank is at the interest rate of 9.11% p.a and repayable in monthly instalments of Rs 42,930 & Term Loan of Rs. 1.89 Lacs from ICICI Bank is at the interest rate of 11.49% p.a and repayable in monthly instalments of Rs 6,826.

STATEMENT OF UNSECURED LOANS

(Rs. In Lacs)

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	From Associate / Group Companies	0.00	0.00	0.47	231.55	305.74
	Total	0.00	0.00	0.47	231.55	305.74

Note: The amount outstanding as on 31st March 2005 represents amount borrowed from companies under the same management. This loan is interest free and repayable on demand.

BHAGWATI BANQUETS AND HOTELS LTD.**ANNEXURE VII****LOANS AND ADVANCES****(Rs. In Lacs)**

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	(Unsecured, Considered Good)					
1	Deposits	17.90	13.40	8.31	8.31	6.21
2	Advances to Suppliers	31.25	10.23	2.65	0.35	2.51
3	Gujarat Luxury Tax	0.33	0.33	0.33	0.33	0.27
4	TDS Receivables	3.73	2.33	1.14	1.30	0.39
5	Prepaid Expenses	2.45	4.66	3.17	1.09	0.39
6	Advance for Capital Asset	3.00	4.51	0.00	0.00	0.00
7	Other Loans & Advances for value to be received	370.14	63.31	12.26	10.96	18.96
8	Reimbursement of exps. to be recovered from Director	0.00	0.22	0.00	0.00	0.00
	Due from Associated Company	3.70	6.14	20.98	0.00	0.00
	TOTAL	432.50	105.13	48.84	22.34	28.73

ANNEXURE VIII**SUNDRY DEBTORS****(Rs. In Lacs)**

Sr. No	Particulars	Nine Months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003
	(Unsecured)					
	Debts outstanding for a period exceeding six months					
	- Considered good	173.23	77.76	17.97	5.53	0.00
	- Considered Doubtful	0.00	0.00	0.00	0.00	0.00
			77.76	17.97	5.53	0.00
	Other Debts					
	- Considered good	320.16	145.15	27.63	37.45	43.43
	- Considered Doubtful	0.00	0.00	0.00	0.00	0.00
			145.15	27.63	37.45	43.43
	Less: Provision for Doubtful debts	0.00	0.00	0.00	0.00	0.00
	TOTAL	493.39	222.91	45.60	42.98	43.43



ANNEXURE IX

CAPITALISATION STATEMENT AS AT DECEMBER 31, 2006

(Rs. In Lacs)

Sr. No	Particulars	Pre Issue as on 31/12/2006	Post Issue
	Debt Funds		
1	Secured Loan	1333.09	[.]
2	Unsecured Loan	0.00	[.]
3	Total Debt	1333.09	[.]
4	Less: Short term debt	172.01	[.]
5	Total Long Term Debt	1161.08	[.]
	Shareholders Funds		
6	Share Capital	628.64	[.]
7	Reserves & Surplus	1358.99	[.]
8	Share Application Money	462.24	[.]
9	Total Shareholders Funds	2449.87	[.]
	Long term Debt / Equity Ratio (5 / 9)	0.47	[.]

ANNEXURE X

STATEMENT OF ACCOUNTING RATIOS

(Rs. In Lacs)

Sr No	Particulars	31.12.2006	2005-06	2004-05	2003-04	2002-03
	Profit before tax & exceptional items	356.05	249.06	167.52	88.69	(50.61)
	Add/(Less): Exceptional Item					
	-Income Tax of Earlier Years	0.00	(1.07)	(0.35)	0.00	0.00
	-Depreciation written back	0.00	0.00	0.00	76.32	0.00
	Profit before tax	356.05	247.98	167.18	165.00	(50.61)
	Less: Provision for Current Tax	35.00	20.96	13.15	6.71	0.00
(A)	Profit after Current Tax	321.05	227.02	154.03	158.29	(50.61)
	Less: Deferred Tax	0.00	90.34	63.32	36.89	0.00
(B)	Profit after Deferred Tax	321.05	136.68	90.70	121.41	(50.61)
(C)	Profit after Current Tax but before Depreciation & Write Offs	400.07	278.76	239.50	241.60	83.57
(D)	Weighted Average No. of Equity Shares	6286400	4677158	4060100	4060100	3889275
	EPS Basic / Diluted (Rs. Per Share)					
	- after Current Tax (A / D)	5.11	4.85	3.79	3.90	(1.30)
	- after Deferred Tax (B / D)	5.11	2.92	2.23	2.99	(1.30)
	Cash EPS (C / D)	6.36	5.96	5.90	5.95	2.15
	Net Worth / NAV / Return on Net Worth					
(E)	Profit before Tax	356.05	247.98	167.18	165.00	(50.61)
	Net Worth before Deferred Tax					
(F)	Net Worth	2608.21	1839.36	326.47	917.48	758.44
	Return on Net Worth % (E / F)	13.65%	13.48%	12.60%	17.98%	-6.67%
	Net Asset Value per Share (NAV) – Rs.(F / D)	41.49	39.33	32.67	22.60	19.50
	Net Worth after Deferred Tax					
(G)	Adjusted Net Worth	2417.66	1648.81	1226.26	880.59	758.44
	Return on Net Worth % (E / G)	14.73%	15.04%	13.63%	18.74%	-6.67%
	Net Asset Value per Share (NAV)-Rs.(G / D)	38.46	35.25	30.20	21.69	19.50



ANNEXURE XI

TAX SHELTER STATEMENT

(Rs. In Lacs)

Sr. No	Particulars	2005-06	2004-05	2003-04	2002-03
	Book Profit / (Loss) before tax	249.06	167.52	88.69	(50.61)
	Tax Rate (including Surcharge & Education Cess)	33.66%	36.59%	35.87%	36.75%
	Tax chargeable on above	83.83	61.30	31.82	0.00
	Adjustments:				
	Timing difference due to Book Depreciation & Tax Depreciation	(75.83)	(122.94)	(160.65)	(142.59)
	Other permanent differences		7.47	0.77	0.11
	Adjustments for Unabsorbed Depreciation	0.00	0.00	71.19	193.08
	Reversal of timing difference due to Unabsorbed Depreciation		(52.05)	0.00	0.00
	Net adjustment	(75.83)	(167.52)	(88.69)	0.00
	Tax Saving there on	(25.52)	(61.30)	(31.82)	0.00

ANNEXURE XII

DETAILS OF OTHER INCOME

(Rs. In Lacs)

Sr. No	Particulars	31.12.2006	2005-06	2004-05	2003-04	2002-03
1	Interest	0.00	0.45	0.45	0.47	0.37
2	Income from Beauty Parlour	0.00	2.45	0.00	0.00	0.00
3	Privilege Card Membership Fee	7.02	3.56	0.00	0.00	0.00
4	FCR Commission	0.05	0.05	0.00	0.00	0.00
5	Sponsorship Fee	0.65	0.45	0.00	0.25	0.15
	Total	7.72	6.97	0.45	0.72	0.52

BHAGWATI BANQUETS AND HOTELS LTD.**ANNEXURE XIII****DETAILS OF NET WORTH AND DISTRIBUTABLE PROFITS****Computation of Networth as on :****(Rs In Lacs)**

Sr. No	Particulars	31.12.06	2005-06	2004-05	2003-04	2002-03
A.	Fixed Assets:					
	Gross Block	3327.84	3236.49	2287.59	2247.31	2207.49
	Less Depreciation Fund	465.28	386.57	226.30	140.83	134.17
	Net Block	2862.56	2849.92	2061.29	2106.48	2073.32
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	2862.56	2849.92	2061.29	2106.48	2073.32
B.	Investment	500.00	400.00	0.00	0.00	0.00
C.	Current Assets, Loans & Advances:					
	Inventories	190.99	76.31	26.35	23.73	23.11
	Sundry Debtors	493.39	222.91	45.60	42.98	43.43
	Cash & Bank Balances	182.97	48.08	61.61	39.55	85.85
	Loans & Advances	432.51	105.13	48.84	22.34	28.73
	Total	1299.86	452.42	182.39	128.59	181.12
D.	Liabilities & Provisions:					
	Secured Loans	1333.09	1439.54	736.82	901.37	1002.13
	Unsecured Loans	0.00	0.00	0.47	231.55	0.00
	Deferred Tax Liabilities	190.55	190.55	100.21	36.89	0.00
	Current Liabilities & Provisions	721.11	423.44	179.92	184.68	493.86
		2244.75	2053.53	1017.42	1354.48	1495.99
E.	Net Worth:	2417.66	1648.81	1226.26	880.59	758.44
F.	Represented by:					
	Share Capital	628.64	628.64	406.01	406.01	406.01
	Share Application Money	462.24	3.44	254.23	0.00	0.00
	Share Premium	739.75	739.75	405.99	405.99	405.99
	Accumulated Profit	619.24	298.19	161.50	70.80	(50.61)
	Miscellaneous Expenditure Not Written Off	(32.21)	(21.21)	(1.47)	(2.21)	(2.95)
	Net Worth:	2417.66	1648.81	1226.26	880.59	758.44

Distributable profit**(Rs. In Lacs)**

Sr. No	Particulars	31.12.06	2005-06	2004-05	2003-04	2002-03
1	Profit / Loss Before Taxes	356.05	249.06	167.52	88.69	(50.61)
2	Provision for Current Tax	35.00	20.96	13.15	6.71	0.00
3	Provision for Deferred Tax Liabilities	0.00	90.34	63.32	36.89	0.00
4	Taxes for Earlier Years	0.00	1.07	0.35	0.00	0.00
5	Profit after taxes	321.05	136.68	90.70	45.09	(50.61)
6	Depreciation Written Back	0.00	0.00	0.00	76.32	0.00
7	Brought forward Profit / (Losses)	298.19	161.50	70.80	(50.61)	0.00
8	Distributable Profit:	619.24	298.19	161.50	70.80	0.00



ANNEXURE XIV

RELATED PARTY TRANSACTIONS

1) Parties where control exists

Name of Parties	Nature of relationship
Narendra G. Somani	Key management personnel
Ramesh K. Motiani	Key management personnel
Devanand G. Somani	Key management personnel
Hemant G. Somani	Key management personnel
New Ramesh Kirana Store	Entity controlled by Directors
M/s Bhagwati Marketing Co.	Entity controlled by Directors
M/s Bhagwati International	Entity controlled by Directors
M/s TGB Resorts Karnavati	Entity controlled by Directors
Bhagwati Caterers Pvt. Ltd.	Entity controlled by Directors
Bhagwati Eateries Pvt. Ltd.	Entity controlled by Directors
TGB Foods Pvt. Ltd.	Entity controlled by Directors
Lov Kush Properties Pvt Ltd.	Subsidiary Company

2) Transactions with related parties

In compliance of mandatory accounting standard AS-18 prescribed by I.C.A.I., the transaction with the related parties entered into by the Company are disclosed as under:-

(a) The transactions with related parties during the Nine months ended 31st December, 2006.

Amt (Rs. In Lacs)

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	53.36	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	17.34	Director
Remuneration to Director	NIL	Shri Narendra G. Somani	18.00	Chairman & Managing Director
Remuneration to Director	NIL	Shri Devanand G. Somani	4.50	Director
Remuneration to Director	NIL	Shri Hemant G. Somani	4.50	Director
Advance Taken	NIL	Bhagwati Marketing Co.	1.85	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	8.28	Under the same Management
Advance Given	NIL	Bhagwati Eateries Pvt. Ltd.	4.50	Group Company
Advance Taken	NIL	Shri Narendra G. Somani	24.84	Chairman & Managing Director

BHAGWATI BANQUETS AND HOTELS LTD.**(b) The transactions with related parties during the twelve months ended 31st March, 2006.****Amt (Rs. In Lacs)**

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	81.12	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	51.49	Director
Remuneration to Director	NIL	Shri Narendra G. Somani	12.00	Chairman & Managing Director
Remuneration to Director	NIL	Shri Devanand G. Somani	0.60	Director
Remuneration to Director	NIL	Shri Hemant G. Somani	0.60	Director
Advance Taken	NIL	Bhagwati Marketing Co.	1.10	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	7.88	Under the same Management
Advance Given	NIL	Bhagwati Eateries Pvt. Ltd.	5.69	Group Company
Advance Taken	NIL	Shri Narendra G. Somani	3.47	Chairman & Managing Director
Advance Taken	NIL	TGB Resorts Karnavati	10.00	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Food	NIL	TGB Resorts Karnavati	7.60	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Fixed Assets with Goodwill	NIL	TGB Resorts Karnavati	206.11	Chairman & Managing Director and Directors are Partners of the Firm
Purchase of Fixed Assets with Goodwill	NIL	Bhagwati Caterers Pvt. Ltd.	636.00	Under the same Management
Purchase of Food	NIL	Bhagwati International	0.70	Chairman & Managing Director is Partner of the Firm
Purchase of Fixed Assets with Goodwill	NIL	Bhagwati International	29.08	Chairman & Managing Director is Partner of the Firm
Advance Taken	NIL	Bhagwati International	0.23	Chairman & Managing Director is Partner of the Firm
Sale of Food	NIL	Bhagwati Eateries Pvt. Ltd.	0.24	Group Company
Sale of Food	NIL	Bhagwati International	0.04	Chairman & Managing Director is Partner of the Firm

(c) The transactions with related parties during the year ended 31st March, 2005.**Amt (Rs. In Lacs)**

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co.	Associates	Total	Key Management Personal and their Relatives
Purchase of Bakery Products	NIL	TGB Foods Pvt. Ltd.	28.34	Under the same Management
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	31.03	Director
Purchase of Food	NIL	TGB Resorts Karnavati	4.88	Chairman & Managing Director and Directors are Partners of the Firm
Advance Taken	NIL	Shri Narendra G. Somani	1.00	Chairman & Managing Director is Partner of the Firm
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	20.98	Under the same Management
Advance Taken	NIL	TGB Resorts Karnavati	2.06	Chairman & Managing Director and Directors are Partners of the Firm



(d) The transactions with related parties during the year ended 31st March, 2004.

Amt (Rs. In Lacs)

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co	Associates	Total Rs. In Lacs	Key Management Personal and their Relatives
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	32.17	Director
Advance Taken	NIL	Shri Narendra G. Somani	1.17	Chairman & Managing Director
Advance Taken	NIL	Bhagwati Marketing Co.	133.13	Chairman & Managing Director being Proprietor
Advance Taken	NIL	Bhagwati Caterers Pvt. Ltd.	6.21	Under the same Management

(e) The transactions with related parties during the year ended 31st March, 2003

Amt (Rs. In Lacs)

Nature of Transactions	Holding/ Subsidiary/ Fellow sub Co	Associates	Total Rs. In Lacs	Key Management Personal and their Relatives
Purchase of Kirana & Dry Fruits	NIL	New Ramesh Kirana Stores	9.61	Director
Purchase of Assets	NIL	Shri Narendra G. Somani	99.58	Chairman & Managing Director
Advance Taken	NIL	Bhagwati Marketing Co.	95.09	Chairman & Managing Director being Proprietor

ANNEXURE XV

COMPARISON OF THE SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE BETWEEN FINANCIAL STATEMENTS FOR FY 2006 OVER PREVIOUS FY 2005, FY 2005 OVER THE PREVIOUS FY 2004.

(Rs. In Lacs)

Particulars	FY 2003	FY2003	FY 2004	FY 2005	FY 2006
	9 Months	Adj for 12 months			
INCOME					
Room Sales	45.55	60.73	137.93	193.93	342.05
<i>Y to Y growth %</i>	-	N.A.	127.11%	40.59%	76.38%
Food & Beverage	69.83	93.11	174.60	198.02	665.92
<i>Y to Y growth %</i>		N.A.	87.52%	13.42%	236.29%
Banquets Sales	556.53	742.05	912.52	931.30	1068.57
<i>Y to Y growth %</i>	0.00	N.A.	22.97%	2.06%	14.74%
Out Door Catering	0.00	0.00	0.00	0.00	210.84
<i>Y to Y growth %</i>	0.00	N.A.	N.A.	N.A.	N.A.
Other Service Charges	3.14	4.18	7.06	11.90	18.59
<i>Y to Y growth %</i>		N.A.	68.80%	68.58%	56.21%
Total Operating Income	675.05	900.07	1232.11	1335.15	2305.97
<i>Y to Y growth %</i>		N.A.	36.89%	8.36%	72.71%
Other Income	0.52	0.69	71,793	0.45	6.97
<i>Y to Y growth %</i>		N.A.	4.54%	-37.32%	1447.81%
Total Income	675.57	900.76	1232.83	1335.60	2312.94
<i>Y to Y growth %</i>		N.A.	36.87%	8.34%	73.18%
EXPENDITURE					
Food & Beverage	202.02	269.36	446.80	498.67	972.89
<i>Y to Y growth %</i>		N.A.	65.88%	11.61%	95.10%
<i>% of Total Operating Income</i>	29.93%	29.93%	36.26%	37.35%	42.19%
Employee Costs	42.88	57.18	74.06	85.63	172.91
<i>Y to Y growth %</i>	-	N.A.	29.52%	15.62%	101.93%
<i>% of Total Revenue</i>	6.35%	6.35%	6.01%	6.41%	7.48%
Upkeep & Service Cost	113.49	151.32	200.08	211.09	275.36
<i>Y to Y growth %</i>		N.A.	32.22%	5.50%	30.45%
<i>% of Total Revenue</i>	16.80%	16.80%	16.23%	15.81%	11.91%
Administrative & other Operating Expenses	116.98	155.97	187.28	208.00	373.62
<i>Y to Y growth %</i>		N.A.	20.07%	11.06%	79.63%
<i>% of Total Revenue</i>	17.32%	17.32%	15.19%	15.57%	16.15%
Total Expenditure	475.38	633.83	908.22	1003.38	1794.78
<i>Y to Y growth %</i>		N.A.	43.29%	10.48%	78.87%
<i>% of Total Revenue</i>	70.37%	70.37%	73.67%	75.13%	77.60%
Earning before Depreciation Interest & Tax	200.19	266.92	324.61	332.22	518.16
<i>Y to Y growth %</i>	-	N.A.	21.61%	2.34%	55.97%
<i>% of Total Revenue</i>	29.63%	29.63%	26.33%	24.87%	22.40%
Depreciation	134.17	178.90	83.31	85.47	160.26
<i>Y to Y growth %</i>		N.A.	-53.43%	2.60%	87.50%
Financial Expenditure	116.62	155.50	152.62	79.22	108.84
<i>Y to Y growth %</i>		N.A.	-1.85%	-48.09%	37.39%



Particulars	FY 2003	FY2003	FY 2004	FY 2005	FY 2006
	9 Months	Adj for 12 months			
INCOME					
Profit / (Loss) before tax	(50.61)	(67.48)	88.69	167.52	249.06
<i>Y to Y growth %</i>		N.A.	N.A.	88.89%	48.67%
<i>% of Total Revenue</i>	-7.49%	-7.49%	7.19%	12.54%	10.77%
Current Tax	0.00	0.00	6.71	13.15	20.96
Deferred Tax	0.00	0.00	36.89	63.32	90.34
Net Profit before Extraordinary Items	(50.61)	(67.48)	45.09	91.05	137.75
Extraordinary Items	0.00	0.00	76.32	(0.35)	(1.07)
Net adjusted profit after Extraordinary Items	(50.61)	(6,747,536)	121.41	90.70	136.68
<i>Y to Y growth %</i>		N.A.	N.A.	-25.29%	50.69%
<i>% of Total Revenue</i>	-7.49%	-7.49%	9.85%	6.79%	5.91%

FINANCIAL INFORMATION OF GROUP COMPANIES

The Companies/firms/proprietorship concerns mentioned below form part of the Group companies/Promoter group of Bhagwati Banquets And Hotels Ltd.

- 1) Bhagwati Caterers Pvt Ltd.
- 2) TGB Foods Pvt Ltd.
- 3) Bhagwati Eateries Pvt Ltd.
- 4) Rising Hotel Ltd (Formerly Akash Hotel Ltd)
- 5) New Ramesh Kirana Stores
- 6) M/s Bhagwati International
- 7) M/s Bhagwati Marketing Co
- 8) M/s TGB Resorts Karnavati

The businesses of M/s Bhagwati International and M/s TGB Resorts Karnavati have been transferred to BBHL with effect from October 2005 as part of group reorganization and consolidation of BBHL. and the assets of Bhagwati Caterers Pvt Ltd have been taken over by BBHL.

The relevant details of the above mentioned companies/firms/concerns are provided below:

1) Bhagwati Caterers Pvt Ltd

Bhagwati Caterers Pvt Ltd incorporated on 03/10/1997 under the provisions of the Companies Act, 1956 and bearing registration number 04-31870 is the promoter group company of the Bhagwati Banquets And Hotels Ltd. The main object for which Bhagwati Caterers Pvt Ltd has been incorporated is to carry on the business as caterers and consultants of all kinds, types and description of food products in liquid, solid and powders including spices, kiranas, tea, fruits, dry fruits, milk products, bakery products etc and to carry on the business of preservation, dehydration, freezing, freeze-drying, canning, etc. The Company is currently involved in the business of Outdoor Catering. The registered office is situated at 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006.

Bhagwati Caterers Private Limited has an authorized share capital of Rs. 1,00,00,000 divided into 10,00,000 equity shares of Rs. 10 each and a paid up share capital of Rs. 3163980 divided into 316398 equity shares of Rs.10 each. This company is a closely held private limited Company. It has not become a sick company under the meaning of SICA and it is not under winding up.

Bhagwati Caterers Private Limited was carrying on business of outdoor catering till 30th September, 2005. With effect from 1st October, 2005, its entire business & assets have been taken over by the Bhagwati Banquets & Hotels Limited. Since then Bhagwati Caterers Private Limited is not carrying on any business activities. Bhagwati Caterers Private Limited is still in existence and is in the process of winding up.



Shareholding pattern

As on the date of filing Red Herring Prospectus with SEBI, the shareholders and their percentage shareholding in Bhagwati Caterers Pvt Ltd as evidenced by the Register of Members is as follows:

Sr. No.	Name	No of Shares	Percentage
1	Mr. Narendra G Somani	277338	87.65%
2	Mrs. Sunita N Somani	3910	1.24%
3	Mr B D Chawla	10	0.00%
4	Mr. C M Chokshi	10	0.00%
5	Mr. Devanand G Somani	17510	5.53%
6	Mrs. Dimple Modi	10	0.00%
7	Mrs. Geetadevi Rungta	10	0.00%
8	Mr. Girish M Chhabda.	10	0.00%
9	Mr. Harish Wadhwani	10	0.00%
10	Mr. Hemant G Somani	17510	5.53%
11	M/s. Jay Kay Enterprise	10	0.00%
12	Kamlaben G Somani	10	0.00%
13	Mr. Mohan Singh Chhabda(HUF)	10	0.00%
14	Mrs. Neha H Dariyani	10	0.00%
15	Mr. Pravin Chhabda	10	0.00%
16	Mrs. Rekha H Wadhwani	10	0.00%
17	Smt. S.M. Chhabda	10	0.00%
TOTAL		316398	100.00%

Constitution of Board

The Board of Directors of Bhagwati Caterers Pvt Ltd are:

1. Mr. Narendra Somani.
2. Mr. Devanand G Somani.
3. Mrs. Sunita Somani.

Financial Highlights

The financial highlights of Bhagwati Caterers Pvt Ltd as per the latest available audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	31.03.2006	31.03.2005	31.03.2004
Equity Capital Paid up	31.64	31.64	31.64
Reserves excluding revaluation reserves	457.40	126.75	104.62
Income (excluding goodwill)	170.48	430.40	262.33
Profit after Tax (excluding goodwill)	(47.92)	24.20	16.45
EPS (Rs.)	(15.15)	7.65	5.20
NAV (Rs.)	156.12	51.60	44.60

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2) TGB Foods Pvt Ltd

TGB Foods Pvt Ltd incorporated on 27/07/2004 under the provisions of the Companies Act, 1956 and bearing registration number 04-44519 is the group company of the Company Bhagwati Banquets And Hotels Ltd. The main object for which TGB Foods Pvt Ltd has been incorporated is to carry on the business as caterers and consultants of all kinds, types and description of food products in liquid, solid and powders including spices, kiranas, tea, fruits, dry fruits, milk products, bakery products etc and to carry on the business of preservation, dehydration, freezing, freeze-drying, canning, etc. The registered office of the Company is situated at 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006. The company presently is involved in the business of manufacturing bakery Products.

TGB Foods Private Limited has an authorized share capital of Rs. 500000 divided into 50000 equity shares of Rs.10 each and a paid up share capital of Rs. 100000 divided into 10000 equity shares of Rs. 10 each. This company is a closely held private limited Company. It has not become a sick company under the meaning of SICA and it is not under winding up.

Constitution of Board

The Board of Directors of TGB Foods Pvt Ltd are as below:

1. Mr. Narendra Somani.
2. Mr. Devanand G Somani.
3. Mrs.Sunita N Somani.

Shareholding pattern

As on the date of filing Red Herring Prospectus with SEBI, the shareholders and their percentage shareholding in TGB Foods Pvt Ltd as evidenced by the Register of Members is as follows:

Sr. No	Shareholder	No of Shares	Percentage
1.	Narendra Somani	5000	50%
2.	Devanand Somani	2500	25%
3.	Sunita Somani	2500	25%
TOTAL		10000	100%

Financial Highlights

The financial highlights of TGB Foods Pvt Ltd as per the latest available audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	31.03.2006	31.03.2005	31.03.2004
Equity Capital Paid up	1.00	1.00	-N.A-
Reserves excluding revaluation reserves	2.98	-	
Income	125.24	52.50	
Profit after Tax	3.75	(0.77)	
EPS (RS)	37.49	(7.73)	
NAV (RS)	37.35	(0.93)	

3) Bhagwati Eateries Pvt Ltd

Bhagwati Eateries Pvt Ltd incorporated on 12/04/2004 under the provisions of the Companies Act, 1956 and bearing registration number 04-43950 is the promoter group company of the Company Bhagwati Banquets And Hotels Ltd. The main object for which Bhagwati Eateries Pvt Ltd has been incorporated is to carry on the business as caterers, importers, exporters and consultants of all kinds, types and description of food products in liquid, solid and powders including tin foods, semi processed foods,



spices, kiranas etc and to carry on the business of preservation, dehydration, freezing, canning, tanning etc of the products mentioned above and food stuffs, provisions and consumable materials. The registered office of the Company 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006. The Company presently is involved in the business of maintaining Banquet Halls and indoor Catering.

Bhagwati Eateries Private Limited has an authorized share capital of Rs. 200000 divided into 20000 equity shares of Rs.10 each and a paid up share capital of Rs. 100000 divided into 10000 equity shares of Rs. 10 each. This company is a closely held private limited Company. It has not become a sick company under the meaning of SICA and it is not under winding up.

Constitution of Board

The Board of Directors of Bhagwati Eateries Pvt Ltd are as below:

1. Mrs. Sunita Somani.
2. Mr. Purshotam Multani

Shareholding pattern

As on the date of filing Red Herring Prospectus with SEBI, the shareholders and their percentage shareholding in Bhagwati Eateries Pvt Ltd is as follows:

Sr. No	Shareholder	No of Shares	Percentage
1	Mrs. Sunita Somani	5000	50%
2	Mr. Purshotam Multani	5000	50%
Total		10000	

Financial Highlights

The financial highlights of Bhagwati Eateries Pvt Ltd as per the latest available audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	31.03.2006	31.03.2005	31.03.2004
Equity Capital Paid up	1.00	1.00	-N.A-
Reserves excluding revaluation reserves	-	-	-
Income	131.39	91.98	-
Profit after Tax	(6.76)	(23.53)	-
EPS (RS)	(67.60)	(235.30)	-
NAV (RS)	(293.93)	(226.67)	-

4) Rising Hotel Ltd. (Formerly Akash Hotel Ltd)#

Rising Hotel Ltd (Formerly Akash Hotel Ltd) incorporated on 29/11/1991 under the provisions of the Companies Act, 1956 and bearing registration number 04-16701 is the associate/group company of the Company Bhagwati Banquets And Hotels Ltd. The main object for which Rising Hotel Ltd (Formerly Akash Hotel Ltd) has been incorporated is to establish, manage, run, maintain, lease, hire, buy, sell or carry on business of running hotels, resorts, restaurants, tea-rooms etc, dealers in food stuff of all kinds of varieties, manufacturers of other drinks, caterers for public amusement and similar other activities. The registered office of the Company is situated at A/10, Goyal Intercity Tower, Drive-in Road, Thaltej, Ahmedabad 380 054. The Company is involved in the business of maintaining Hotel Rooms, Restaurants and Banquet Hall.

Rising Hotel Ltd (Formerly Akash Hotel Ltd) has an authorized share capital of Rs. 1,50,00,000 divided into 15,00,000 equity shares of Rs.10 each and a paid up share capital of Rs. 1,50,00,000 divided into

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15,00,000 equity shares of Rs. 10 each. This company is a closely held public limited Company. It has not become a sick company under the meaning of SICA and it is not under winding up.

Constitution of Board

The Board of Directors of Rising Hotel Ltd (Formerly Akash Hotel Ltd) are as below:

1. Mr. Narendra Somani
2. Mr. Devanand Somani
3. Mr. Hemant Somani
4. Mr. Kamal Galani
5. Mr. Suresh Galani
6. Mr. Avinash Gupta

Shareholding pattern

As on the date of filing Red Herring Prospectus with SEBI, the shareholders and their percentage shareholding in Rising Hotel Ltd (Formerly Akash Hotel Ltd) as on the date of filing Red Herring prospectus is as follows:

Sr. No	Shareholder	No of Shares	Percentage
1	Mr. Suresh Galani	6,90,000	46%
2	Mr. Narendra G Somani	4,50,000	30%
3	Mr. Devanand Somani	1,00,000	6.67%
4	Mr. Hemant Somani	1,00,000	6.67%
5	Mrs. Sunita N Somani	1,00,000	6.67%
6	Mr. Kamal Galani	60,000	4.00%
Total		15,00,000	100.00%

Financial Highlights

The financial highlights of Rising Hotel Ltd (Formerly Akash Hotel Ltd) as per the latest available audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	31.03.2006	31.03.2005	31.03.2004
Equity Capital (paid up)	150.00	150.00	150.00
Reserves & Surplus (excluding revaluation Reserve)	-	-	-
Income	70.69	128.75	132.10
Profit after tax	108.70*	(59.46)	(47.38)
EPS (Rs.)	7.25	(3.96)	(3.16)
Net Asset Value (Rs.)	0.96	(6.30)	(2.30)

Notes :

Name of the company "Akash Hotel Limited" has been changed to "Rising Hotel Limited" w.e.f. 21.08.2006.

* Net profit Rs. 108.70 Lacs is due to write back of interest of Rs. 140.11 Lacs.

5) New Ramesh Kirana Stores

New Ramesh Kirana Stores is the partnership firm owned by Ramesh K Motiani and family members namely Mr. Suresh K Motiani and Mr. Girdhar K Motiani in partnership. It was started from 29/01/1980. It is involved in the retail business of dry fruits and Kirana. The profit sharing ratio between the partners is 2:2:1. The office of the firm is situated at 75, Sindhi Commercial Market, Kalupur, Ahmedabad-380002.



The detail of the capital pattern of the partners is as below:

(Rs In Lacs)

Name of Partners	31.03.2006	31.03.2005	31.03.2004
Mr. Ramesh K Motiani	5.07	(3.36)	(7.42)
Mr. Suresh K Motiani	19.83	0.74	5.58
Mr. Girdhar K Motiani	3.03	(0.66)	(0.66)

The financial highlights of New Ramesh Kirana Stores as per the latest audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	31.03.2006	31.03.2005	31.03.2004
Capital (paid up)	27.92	(3.27)	(2.49)
Reserves excluding revaluation Reserve	-	-	-
Income	624.03	475.64	318.9.
Profit after tax	16.78	10.10	7.87
EPS (RS)	N.A	N.A	N.A
NAV (RS)	N.A	N.A	N.A

6) M/s Bhagwati International

M/s Bhagwati International is the partnership firm owned by partners Shri Narendra G Somani and Smt. Neeta H Somani. It was started from 01/10/2003 and is involved in the business activities of running restaurants and Food Courts. The profit sharing ratio between the two partners is 1:1. The office of the concern is situated at 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006.

Bhagwati International, a partnership firm was carrying on business of running restaurants and Food Courts till 30/09/2005. With effect from 1st October, 2005, its entire business has been taken over by the Bhagwati Banquets & Hotels Limited. Since then M/s Bhagwati International is not carrying on any business activities. M/s Bhagwati International, the partnership firm is in the process of dissolution.

The details of the Capital pattern of the partners are as below:

(Rs In Lacs)

Name of Partners	30.09.2005	31.03.2005	31.03.2004
Mr. Narendra Somani	0.47	0.34	2.66
Smt. Neeta H Somani	3.53	3.40	0.95

The financial highlights of M/s Bhagwati International as per the latest audited financial statements for the last three financial years are as under:

(Rs In Lacs)

Particulars	30.09.2005	31.03.2005	31.03.2004
Capital (paid up)	4.00	3.75	3.62
Reserves excluding revaluation Reserve	-	-	-
Income	44.83	106.84	66.46
Profit after tax	(0.73)	2.77	(6.49)
EPS (RS)	N.A	N.A	N.A
NAV (RS)	N.A	N.A	N.A

Note : The firm has been taken over by Bhagwati Banquets and Hotels Limited w.e.f. 01.10.2005.

BHAGWATI BANQUETS AND HOTELS LTD.**7) M/s Bhagwati Marketing Co**

M/s Bhagwati Marketing Co. is the sole proprietorship firm owned by Mr. Narendra Somani. It was started from 11/08/1998. It is involved in the business of Investment of funds. The office of the concern is situated at 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006.

The financial highlights of M/s Bhagwati Marketing Co. as per the latest financial statements for the last three financial years are as under:

	(Rs In Lacs)		
Particulars	31/03/2006 (Unaudited)	31/03/2005 (Unaudited)	31/03/2004 (Audited)
Capital (paid up)	(672.81)	(161.34)	(59.32)
Reserves excluding Revaluation Reserve	-	-	-
Income	-	1.90	69.99
Profit after tax	-	(69.07)	3.28
EPS (RS)	N.A.	N.A	N.A
NAV (RS)	N.A.	N.A	N.A

8) M/s TGB Resorts Karnavati

M/s TGB Resorts Karnavati is the partnership venture. It was started from 01/10/2003. It is involved in the business activities of maintaining rooms and restaurants with Karnavati Club Ltd. The promoters of the Company namely Mr. Narendra Somani, Mr. Devanand Somani and Mr. Hemant Somani are the partners of this partnership venture. The profit sharing ratio of the partners of this venture is equal between all the three partners. The office of the concern is situated at 73, White House, Panchvati, C.G. Road, Ellisbridge, Ahmedabad-380006.

TGB Resorts Karnavati, a partnership firm was carrying on business of maintaining rooms & restaurants at Karnavati Club Ltd till 30/09/2005. With effect from 1st October, 2005, its entire business has been taken over by the Bhagwati Banquets & Hotels Limited. Since then TGB Resorts Karnavati is not carrying on any business activities. The agreement with Karnavati Club Ltd has been renewed for a period of 3 years w.e.f. 1st April, 2006 in the name of Bhagwati Banquets And Hotels Limited as business of M/s TGB Resorts Karnavati has been transferred to this Company. M/s TGB Resorts Karnavati, the partnership firm is in the process of dissolution.

The detail of the capital pattern of the partners is as below:

	(Rs In Lacs)		
Name of Partners	30.09.2005	31.03.2005	31.03.2004
Mr. Narendra Somani	(20.76)	(24.76)	2.66
Mr. Hemant G Somani	0.80	2.80	0.39
Mr. Devanand G Somani	11.72	10.64	5.29

The financial highlights of M/s TGB Resorts Karnavati as per the latest audited financial statements for the last three financial years are as under:

	(Rs In Lacs)		
Particulars	30.09.2005	31.03.2005	31.03.2004
Capital (paid up)	(8.24)	(11.32)	(15.60)
Reserves & Surplus (excluding revaluation Reserve)	-	-	-
Income	223.29	417.21	131.28
Profit after tax	14.52	24.34	1.00
EPS (RS)	N.A	N.A	N.A
NAV (RS)	N.A	N.A	N.A

Note : The firm has been taken over by Bhagwati Banquets and Hotels Limited w.e.f. 01.10.2005.



None of or promoter group companies are a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 or are under winding up or have any BIFR proceeding initiated against them.

None of our promoter group companies have been struck off as a defunct company by any of the Registrar of Companies.

During the year ending 31/03/2005 and 31/03/2006, the Company has made purchases from group concerns which is more than 10% of the total purchases by the Company. The detail of the same is as under:

(Rs. In Lacs)

Particulars	Year ending	
	31/03/2006	31/03/2005
Total Purchases	980.19	499.60
Related party purchase (Food & Beverages)		
TGB Foods Pvt. Ltd	81.12	28.34
New Ramesh Kirana Stores	51.49	31.03
TGB Resorts Karnavati	7.60	4.88
Bhagwati International	0.70	0
Total Related Party purchases	140.91	64.25
Related party purchases as % of Total Purchases	14.38%	12.86%

As per the company, the transactions have been made at price which are reasonable having regard to the prevailing market price at the relevant time. All the transactions were made through cheque only.

The Promoters have not disassociated themselves from any of the companies/firms during preceding three years.

There are no common pursuits among the group companies. Further related parties transactions have been disclosed on page no.80 of RHP.

CHANGES IN THE ACCOUNTING POLICIES

There has been no change in the accounting policies during last three years.



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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page X of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Bhagwati Banquets And Hotels Limited on a consolidated basis. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor's report of M/s O P Bhandari & Co. dated 31st January, 2007, on page no 83 titled "Financial Information". All the discussion in the following section is based on the restated numbers of each item in the financial statements.

The following discussions is based on our restated financial statements for the financial year ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

Our Promoters/Group has been operating and managing Banquets, Hotel, Restaurants, Outdoor catering, Conferences, marriage parties, in Ahmedabad in the state of Gujarat, India for the last 20 years under the brand image "tgb" which has now become a status symbol for parties, corporate, who are arranging their conferences, marriage parties, functions at BBHL. At present we are managing four Banquet Halls with a total capacity of 2700 pax and also managing eight restaurants with a total capacity of 860 pax, each restaurant is targeted at a specific category of clientele giving us access to various customer segments.

The table below lists our income from various activities included in our financial statements.

Rs (In Lacs)

Nature of Income	2005-06	Percentage of Total Income	2004-05	Percentage of Total Income
Banquet Income	1068.57	46.20	931.30	69.73
Room Sales	342.05	14.79	193.93	14.52
Food & Beverages Income	665.92	28.79	198.02	14.83
Outdoor Catering Income	210.83	9.11	--	--

BBHL commenced operations on 22nd June 2002 and in subsequent years the company has witnessed tremendous growth as seen above. Now the company is planning to set-up a five star category hotel in Surat, Gujarat, India with 100 rooms hotel & restaurants alongwith banquet halls, conference halls, marriage party halls, gymnasium, and such other facilities.

We primarily focus on business customers and our different properties enable us to cater to senior, middle and junior management of Corporates. We also cater to various party plots and we enter into periodic tie-ups with different Corporates for providing accommodation and conference/event management.

Key factors influencing results of operations

- Several factors influence our results of operations, financial condition and cash flow significantly. The key factors affecting our operations include:
- Demand and supply of hotel accommodation, restaurant and banquet halls facilities at Ahmedabad and Surat where our existing and proposed hotel properties are located. The nature of demand and supply will affect our occupancy rates and average room rates and thereby our revenues.

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- Competition from existing as well as new hotels, restaurant, party plots and food caterers and our ability to compete in areas such as room rates, quality of accommodation, foods, services and other facilities/amenities levels. Operating expenses including food and beverage costs, employee compensation and power and fuel costs.
- Government policies including taxes and duties affecting the hotel & food industry
- Fluctuations in interest rates and foreign exchange rates

For more information on these and other factors/developments which have or may affect us, see Risk Factors and Our Business on page X and page 52 respectively of this Red Herring Prospectus.

Financials

Total Income

The revenues for our Company have increased at a CAGR of 156.78% over the period FY 2003-2006.

Our Company draws business from a diverse customer base including domestic and international business travelers. In addition, we also cater to various party plots. We are constantly striving towards maintaining and enlarging our customer base.

Expenditure

Our main heads of expenditure and the details for the period FY 2003-2006 are given below

(Rs. in lacs)				
Particulars	FY 2006	FY 2005	FY 2004	FY 2003
Food & Beverage	972.89	498.67	446.80	269.36
Other Operating Expenses	289.23	211.09	200.08	151.32
Employee Costs	172.91	85.62	74.06	57.18
General and Administrative Expenses	359.66	207.99	187.27	155.97
Total	1794.78	1003.37	908.21	633.83

The food and beverage expenses have grown at a CAGR of 261.18% in the period FY 2003 to FY 2006. However the food and beverage expense as a percentage of food and beverage revenue has increased from 32.25% in FY 2003 to 50.00% in FY 2006.

Employee costs increased by a CAGR of 202.39% in the period FY 2003 to FY 2006. The employee costs as a percentage of total revenues increased from 6.35% in FY 2003 to 7.48% in FY 2006.

Upkeep & Service cost primarily comprise of linen and room supplies, laundry expenses, power and fuel expenses, water expenses etc. Upkeep & Service cost have increased by a CAGR of 91.19% over the period FY 2003 to FY 2006. This increase can be attributed to our expansion in these years. However, Upkeep & Service cost as a percentage of the total revenue has come down from 16.80% in FY 2003 to 12.51% in FY 2006.

General and administrative expenses comprise of the agent commissions and discounts, sales tax and other statutory taxes and advertisement expenses. General and administrative expenses as a percentage of total revenue decreased from 17.32% in FY 2003 to 15.55% in FY 2006.

Financial Expenses

The following table illustrates the debt outstanding at the end of each financial year and the financial expenses incurred in each of the financial years.

(Rs in Lacs)				
Particulars	FY 2006	FY 2005	FY 2004	FY 2003
Secured Loans	1439.54	736.82	901.37	1002.13
Financial Expenses	108.84	79.22	152.61	155.50



Working Capital

The working capital position of our company over the past three fiscal years is given below.

(Rs. In lacs)

Particulars	FY 2006	FY 2005	FY 2004	FY 2003
Sundry Debtors	222.91	45.60	42.98	43.43
Sundry Creditors	168.99	83.94	68.56	102.20
Debtor Days	35	12	13	12
Creditor Days	63	62	56	92

The following table sets forth certain information with respect to our financial and operational data for the financial information with common size statement in percentage for the financial year ended March 31 2006, March 31 2005 and March 31 2004.

(Rs In Lacs)

Particulars	FY 2006		FY 2005		FY2004	
	Amt	% of Total Income	Amt	% of Total Income	Amt	% of Total Income
INCOME						
Room Sales	342.05	14.79	193.93	14.52	137.93	11.19
Food & Beverage	665.92	28.79	198.02	14.83	174.60	14.16
Banquets Sales	1068.57	46.20	931.30	69.73	912.52	74.02
Out Door Catering	210.84	9.12	-	-	-	-
Other Service Charges	18.59	0.80	11.90	0.89	7.06	0.57
Other Income	6.97	0.30	0.45	0.03	0.72	0.06
Total Income	2312.94		1335.60		1232.83	
	Amt	% of Total Income	Amt	% of Total Income	Amt	% of Total Income
EXPENDITURE						
Food & Beverage	972.89	47.14	498.67	42.69	446.80	39.05
Employee Costs	172.91	8.38	85.63	7.33	74.06	6.47
Upkeep & Service Cost	289.32	14.02	211.09	18.07	200.08	17.49
Administrative & other Operating Expenses	359.66	17.42	208.00	17.81	187.28	16.37
Depreciation	160.26	7.77	85.47	7.32	83.31	7.28
Financial Expenditure	108.84	5.27	79.22	6.78	152.62	13.34
Total Expenditure	2063.88		1168.07		1144.14	
	Amt	% of Total Income	Amt	% of Total Income	Amt	% of Total Income
Earning before Tax and extraordinary items	249.06	10.77	167.52	12.54	88.69	7.19
Current Tax	20.96	0.91	13.15	0.98	6.71	0.54
Deferred Tax	90.34	3.91	63.32	4.74	36.89	2.99
Net Profit before Extraordinary Items	137.75	5.96	91.05	6.82	45.09	3.66
Extraordinary Items	(1.07)		(0.35)		(76.32)	
Net adjusted profit after Extraordinary Items	136.68	5.91	90.70	6.79	121.41	9.85

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Comparison of results of operations for the year ending March 31, 2006 compared to year ended March 31, 2005

Income from Operations

Our total income from operations increased by 72.71 % of the total income from Rs. 1335.14 lacs in FY 2005 to Rs. 2305.97 Lacs in FY 2006.

Room Revenue

Our room revenues increased by 76.38 % from Rs. 193.93 lacs in FY 2005 to Rs. 342.05 lacs in FY 2006. This increase has been achieved through a combination of capacity expansion increase in occupancy rates and average room rentals. The room rentals have been increased this year.

Food and Beverage Revenue

Our food and beverage revenues increased by 236.29% from Rs. 198.02 lacs in FY 2005 to Rs. 665.92 Lacs in FY 2006. This increase can be attributed to the acquisition of associates' business which includes acquisition of 5 restaurants' business which is a part of our constant endeavor to upgrade our food and beverage business.

Expenditure

Our total expenditure increased by 78.87% from Rs. 1003.38 lacs in FY 2005 to Rs. 1794.78 lacs in FY 2006

Food & Beverage Costs

Our food and beverage expenses increased by 95.10% from Rs. 498.67 lacs in FY 2005 to Rs. 972.89 Lacs in FY 2006. Our food and beverage costs as a percentage of food and beverage revenue has gone up from 37.35% in FY 2005 to 42.19% in FY 2006.

Employee Costs

Employee costs increased by 101.93% from Rs. 85.62 lacs to Rs. 172.91 lacs in financial year 2005 to 2006. The increase is just due to acquisition of associate concerns' business during the year 2005-06 and number of recruitments at senior levels in our Company, which accounts for the increase in employee cost.

However employee cost as a percentage of total revenue increased marginally from 6.41% in FY 2005 to 7.48% in FY 2006.

Upkeep & Service Cost

Our Upkeep & Service Cost increased by 37.06% from Rs. 211.09 lacs in FY 2005 to Rs. 289.32 Lacs in FY 2006. Upkeep & Service Cost as a percentage of total revenue reduced from 15.81% in FY 2005 to 12.51% in FY 2006. Other operating expenses are less variable with the room revenues and are more related to the expansion of property.

General & Administrative Expenses

The general and administrative expenses have increased by 72.92% from Rs. 207.99 lacs in FY 2005 to Rs. 359.66 lacs in FY 2006. General and administrative expenses as a percentage of total revenues decreased marginal from 15.57% to 15.55% in FY 2006.

Earnings before Interest, Depreciation, Amortization and Tax (EBITDA)

The EBITDA has recorded a 55.97% increase from Rs. 332.22 lacs in FY 2005 to Rs. 518.16 in FY 2006. The EBITDA margin for the period has reduced to 22.40% as compared to 24.87% in the previous financial year.

Depreciation and Interest Cost

The depreciation increased by 87.50% from Rs. 85.47 lacs to Rs. 160.26 lacs in FY 2006. Most of the increase in depreciation was on account of acquisition of assets of associate concerns' assets and also goodwill for the same which resulted increase in depreciation. The interest cost increased from Rs. 79.22 lacs in FY 2005 to Rs. 108.84 lacs in FY 2006. Increase in interest rate is due to new term loan availed by the company for acquisition of associate concern's fixed assets. A portion of the previous loan was also repaid.



Profit before Tax

Our net profit before tax has increased by 48.67% from Rs. 167.52 lacs in FY 2005 to Rs. 249.05 lacs in FY 2006. The profit before tax as a percentage of total revenue has decreased to 10.77% from 12.54% last financial year.

Taxation

The total tax paid by our Company excluding the deferred tax increased to Rs. 20.96 lacs from Rs. 13.15 Lacs the previous year.

Fixed Assets

The net fixed assets increased by 38.26 % from Rs. 2061.29 lacs in FY 2005 to Rs. 2849.92 lacs in FY 2006. The increase in fixed assets was due to acquisition of associate concerns' fixed assets and on account of goodwill.

Network

The consolidated network of our Company increased to Rs. 1648.81 lacs in FY 2006 from Rs. 1226.26 Lacs in FY 2005.

Results of operations for the year ending March 31, 2005 compared to year ended March 31, 2004**Income from Operations**

Our total income from operations increased by 8.36% from Rs 1232 Lacs in F.Y. 2004 to 1335 Lacs in F.Y. 2005.

This was due to consolidation of market due to deliverance of right product and services.

Room Revenue

Our room revenues increased by 40.59% from Rs. 137.93 lacs in FY 2004 to Rs.193.93 lacs in FY 2005. Average occupancy of rooms increased at 68% compared to last year and rate was also increased in this year.

Food and Beverage Revenue

Our food and beverage revenues increased by 13.42% from Rs. 174.60 lacs in FY 2004 to Rs 198.02 Lacs in FY 2005. This was due to 10% increase in rate and opening of one additional restaurant and increased footfalls in F & B outlet during the year compared to last year.

Expenditure

Our total expenditure increased by 10.48% from Rs.908.22 Lacs in FY 2004 to Rs 1003.38 lacs in FY 2005. This was due to increase in revenue.

Food & Beverage Costs

Our food and beverage expenses increased by 11.61% from Rs 446.80 Lacs in FY 2004 to Rs 498.67 lacs in FY 2005. It was according to the increase in sale and partly due to inflation.

Employee Costs

Employee costs increased by 15.61% from Rs.74.06 lacs in FY 2004 to Rs 85.62 lacs in FY 2005. Salary structure was revised to make it competitive by industry standards.

Upkeep & Service Cost

Our Upkeep & Service Cost increased by 5.50% from Rs. 200.08 Lacs in FY 2004 to Rs 211.09 lacs in FY 2005. This was normal increase due to inflation.

General & Administrative Expenses

The general and administrative expenses have increased by 11.06% from Rs. 187.28 Lacs in FY 2004 to Rs 207.99 lacs in FY 2005. This increase was due to inflation and more marketing efforts compared to last year.

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Earnings before Interest, Depreciation, Amortization and Tax (EBITDA)

The EBITDA has recorded 2.34% increase from Rs.324.61 Lacs in FY 2004 to Rs 332.22 lacs in FY 2005. There was reduction in interest cost compared to last year i.e. switchover of term loan in Indian Overseas Bank.

Depreciation and Interest Cost

The depreciation increased by 2.60% from Rs. 83.31 Lacs in FY 2004 to Rs 85.47 lacs in FY 2005. This was due to increase in fixed costs.

Profit before Tax

Our net profit before tax has increased by 88.89% from Rs. 88.69 Lacs in FY 2004 to Rs 167.52 lacs in FY 2005. Net profit increased due to reduction in interest cost and increase of sales.

Taxation

The total tax paid by our Company excluding the deferred tax increased from Rs 6.71 Lacs in FY 2004 to Rs 20.96 lacs in FY 2005.

Net Fixed Assets

The net fixed assets have decreased from Rs 2106.48 in FY2004 to Rs 2050.88 Lacs in FY2005.

Networth

The consolidated networth of our Company has increased from Rs. 880.59 lacs in FY 2004 to Rs 1226.26 Lacs in FY 2005.

Information regarding:

Unusual or infrequent events or transactions

Except as described elsewhere in this Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as unusual or infrequent.

Significant economic changes that materially affected or are likely to affect income from continuing operations

Volatility in foreign exchange rates may have an effect on our revenues from foreign travellers. We believe that barring this factor, there are no significant economic changes that materially affect or likely to affect income from continuing Operations.

Known trends or uncertainties

Our ARR, occupancy and food and beverages income is dependent on the demand and supply of hotel rooms, food catering at the respective restaurant are located. Several new hotels, restaurants, party plots are coming up or are expected to become operational in the near future at these locations and will thus influence the supply of hotel rooms, food catering, and restaurant business.

Future relationship between costs and revenue

We are continuously working to create efficient processes and systems in our hotel and restaurant operations aimed at cost control and reduction. We expect to continue this effort of improving our processes and methodologies for setting up new hotel properties and operating our hotels. Other than as described in this section in this Red Herring Prospectus, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and revenue.

Extent to which material increase in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

As mentioned in the Management Discussion and Analysis we have been increased our capacities to the full extent of utilization and also business acquisition of associate concerns in terms of the food and beverages



income. Our ARRr have also been increasing over a period of time. These factors have contributed to increase in our revenues.

Total turnover of each major industry segment in which the issuer company operated

Our Company is engaged in the hotel, restaurants, food catering, managing conferences, and many functions of business Corporates.

Status of any publicly announced new products or business segment

We have not announced any new products or business segments

The extent to which business is seasonal

The business of banquet and catering to different functions on auspicious occasions is of typical seasonal nature and also depending on Vedic & Astrological time zones. We come across such seasonal and off periods from mid June to mid August (Approx. 2 months) on account of rainy season and from December 15th till 15th January (Approx. 1 month) totaling to average 3 to 4 months a year.

Over dependence on Single supplier/ Customer

We cater to a wide customer base including international and domestic business and leisure travellers. We also engaged in restaurant, food catering, conference management, functions management. The threat from excessive dependence on a single customer is not significant as the customer base is well diversified.

Competitive conditions

Please refer to the Our Business section on Page 52 for details of competition.

Details of material developments after the date of last balance sheet

Except as stated elsewhere in this red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affects or is likely to affect, the operations or profitability of the Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months. Except as stated elsewhere in this Red Herring Prospectus, there is no subsequent development after the date of the Auditor s Report which we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of the Company.

SECTION VI – LEGAL AND OTHER INFORMATION
OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Outstanding litigations and Material developments

As on the date of filing the Red Herring prospectus with SEBI, except as stated herein, there are no:

- a. Pending litigations in which the Promoters is involved, defaults to financial institutions/banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters and the companies/firms promoted by the Promoters.
- b. Pending litigations, defaults, etc. in respect of companies/firms/ventures with which the Promoters was associated in the past but is no longer associated, where his name continues to be associated with particular litigation(s).
- c. i) Litigations against our Company or against any other company whose outcome could have a materially adverse effect of the position of our Company.
ii) Litigations against the Promoters or directors involving violation of statutory regulations or criminal offence.
- d. i) Pending proceedings initiated for economic offences against the directors, the Promoters, companies and firms promoted by the Promoters.
ii) Past cases in which penalties were imposed by the concerned authorities.
- e. Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of our Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956
- f. Pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ Civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against our Company/Promoters and his other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of the Companies Act, 1956) / Directors.
- g. There is no such small scale undertaking(s) or any other creditors to whom the issuer Company owes a sum exceeding Rs. 1 Lac which is outstanding for more than 30 days;

1) Criminal Laws

- a) Cases filed by the Company - Nil
- b) Cases filed against the Company - Nil
- c) Cases filed by the Promoters- Nil
- d) Cases filed against the Promoters – Nil
- e) Cases filed by the Directors- Nil
- f) Cases filed against the Directors - Nil
- g) Cases filed by the Group Companies/associate concerns - Nil
- h) Cases filed against the Group companies/associate concerns – Nil

2) Under Securities Laws

- a) Cases filed by the Company - Nil
- b) Cases filed against the Company- Nil
- c) Cases filed by the Promoters- Nil
- d) Cases filed against the Promoters- Nil
- e) Cases filed by the Directors- Nil



- f) Cases filed against the Directors- Nil
g) Cases filed by the Group Companies/associate concerns- Nil
h) Cases filed against the Group companies/associate concern- Nil

3) Under Tax Laws

- a) Cases filed by the Company - Nil
b) Cases filed against the Company- Nil
c) Cases filed by the Promoters

The following is the summary of the proceedings initiated by our promoter Mr. Narendra Somani under the Income Tax Law.

Sr. No.	Appeal No/ Date of Filing/ Asst year	Name of Authority	Amount Involved (Rs)	Subject Matter and Relief sought	Status as on Date
1	Appeal No. 4337/2003 Dt of filing 08/12/2003 Ass.Y.: 2000-01	Income Tax Appellate Tribunal	1178912	Various Expenses disallowed by Department	Pending till date
2	Appeal No: 3120/Ahd/2004 Dt of filing 22/12/2004 Ass.Y.: 2001-02	Income Tax Appellate Tribunal	2307195	Various Expenses disallowed by Department	Pending till date
3	Appeal No : 61/06-07 Dt of filing 21/04/2006 Ass.Y.: 2001-02	Commissioner of Appeals (1), Ahmedabad	809830	Penalty Imposed by Department	Pending till date
4	Appeal No : 1654/A/2006 Dt of filing 03/07/2006 Ass.Y.: 2002-03	Income Tax Appellate Tribunal	3641007	Additions of Income & Expenses	Pending till date
5	Appeal No.62/06-07, Dt of filing 21/04/2006 Ass.Y.: 2003-04	Commissioner of Appeals (1), Ahmedabad	2415694	Additions of Income & Various Expenses	Pending till date

- d) Cases filed against the Promoters

The following is the summary of the proceedings initiated against our promoter Mr. Narendra Somani under the Income Tax Law.

Sr. No.	Appeal No/ Date of Filing/ Asst year	Name of Authority	Amount Involved (Rs)	Subject Matter and Relief sought	Status as on Date
1	Appeal No. 4240/D/2003 Dt of filing 01/12/2003 Ass.Y.: 2000-01	Income Tax Appellate Tribunal	1765024	Various Expenses disallowed & Income Deleted by CIT (Appeals)	Pending till date

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- e) Cases filed by the Directors- Nil
- f) Cases filed against the Directors- Nil
- g) Cases filed by the Group Companies/associate concerns

The following is the summary of proceedings initiated by the group concern namely Bhagwati Caterers Pvt Ltd under the Income Tax Law.

Sr. No.	Appeal No/ Date of Filing/ Asst year	Name of Authority	Amount Involved (Rs.)	Subject Matter and Relief sought	Status as on Date
1	Appeal No. 120 Dt of filing 26/04/2006 Ass.Y. 1997-98	Commissioner of Appeals (1), Ahmedabad	92544	Excess valuation of Factory Building	Pending till date
2	Appeal No. 118 Dt of filing 26/04/2006 Ass.Y. 1998-99	Commissioner of Appeals (1), Ahmedabad	1058090	Excess valuation of Factory Building	Pending till date
3	Appeal No. 119 Dt of filing 26/04/2006 Ass.Y. 1999-2000.	Commissioner of Appeals (1), Ahmedabad	47580	Excess valuation of Factory Building	Pending till date
4	Appeal No : 4012/2003 Dt of filing 04/11/2003 Ass.Y. 2000-01	Income Tax Appellate Tribunal, Ahmedabad, Gujarat	2024540	Various Expenses disallowed by Department	Pending till date
5	Appeal No. 1652/A/2006 Dt of filing 03/07/2006 Ass.Y. 2000-01	Income Tax Appellate Tribunal, Ahmedabad, Gujarat	188495	Penalty imposed by Department	Pending till date
6	Appeal No. 3119/Ahd/2004 Dt of filing 21/10/2004 Ass.Y. 2001-02	Income Tax Appellate Tribunal, Ahmedabad, Gujarat	2072743	Various Expenses disallowed by Department	Pending till date
7	Appeal No. 63/06-07 Dt of filing 21/04/2006 Ass.Y.: 2001-02	Commissioner of Appeals (1), Ahmedabad	819770	Penalty Imposed by Department	Pending till date
8	Appeal No.1653/Ahd/2006 Dt of filing 03/07/2006 Ass.Y.: 2002-03	Income Tax Appellate Tribunal, Ahmedabad, Gujarat	1962750	Various Expenses disallowed by Department	Pending till date



h) Cases filed against the Group companies/associate concerns

The following is the summary of proceedings initiated against the group concern namely Bhagwati Caterers Pvt Ltd under the Income Tax Law.

Sr. No.	Appeal No/ Date of Filing/ Asst year	Name of Authority	Amount Involved (Rs.)	Subject Matter and Relief sought	Status as on Date
1	Appeal No 3932/D/2003 Dt of filing 23/10/2003 Ass.Y.: 2000-01	Income Tax Appellate Tribunal, Ahmedabad, Gujarat	153472	Various Expenses allowed by CIT (Appeals)	Pending till date

4) Under Civil laws

- a) Cases filed by the Company - Nil
- b) Cases filed against the Company- Nil
- c) Cases filed by the Promoters- Nil
- d) Cases filed against the Promoters- Nil
- e) Cases filed by the Directors- Nil
- f) Cases filed against the Directors- Nil
- g) Cases filed by the Group Companies/associate concerns- Nil
- h) Cases filed against the Group companies/associate concerns- Nil

5) Under Labour laws

- a) Cases filed by the Company - Nil
- b) Cases filed against the Company- Nil
- c) Cases filed by the Promoters- Nil
- d) Cases filed against the Promoters- Nil
- e) Cases filed by the Directors- Nil
- f) Cases filed against the Directors- Nil
- g) Cases filed by the Group Companies/associate concerns- Nil
- h) Cases filed against the Group companies/associate concerns- Nil

6) Under various Statutory laws

- a) Cases filed by the Company - Nil
- b) Cases filed against the Company- Nil
- c) Cases filed by the Promoters- Nil
- d) Cases filed against the Promoters- Nil
- e) Cases filed by the Directors- Nil
- f) Cases filed against the Directors- Nil
- g) Cases filed by the Group Companies/associate concerns- Nil
- h) Cases filed against the Group companies/associate concerns- Nil

GOVERNMENT APPROVALS /LICENSING ARRANGEMENTS

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/ RBI and various Government Agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the company except the pending approvals as mentioned under this heading.

The Company hereby undertake all the present and proposed activities in view of the present approvals and no further approvals are required by the company from any statutory body to undertake the present and proposed activities except the pending approvals as mentioned under this heading. The Company further undertakes that all the consent/approvals obtained by it are valid as on date.

The lists of approvals obtained by us are in the following order.

- 1a) The list of consents/approvals/licenses obtained in the name of Hotel "The Grand Bhagwati"
- 1b) The list of consents/approvals/licenses applied but not received in the name of Hotel "The Grand Bhagwati"
- 2) The list of consents/approvals/licenses applied but not received for the Surat project.
- 3) The list of consents/approvals/licenses not yet applied for the Surat project.

1a) The list of consents/approvals/licenses obtained in the name of Hotel "The Grand Bhagwati"

Sr. No.	Issuing Authority	details of license/approval
1	Police Commissioner, Ahmedabad	Trade License to open and run restaurant "Dhuan" in Hotel for 24 hours No 116/05/ Satellite Issued on 19/04/2005 Renewed upto 31/12/2009
2	Food And Drugs Control Administration	Trade License to manufacture, store, sale, distribute Bakery products, cold drinks, sweets etc No 2/715/2002 Issued on 25/07/2002 Renewed upto 2010
3	Ahmedabad Municipal Corporation, Fire Department	No objection certificate(Fire prevention and protection) Issued on 17/04/2006 Valid for 1 year
4	Chief Inspector of Lifts and Escalators	Permission to use the Lift License No G/7/1207/2332/02 Issued on 06/05/2002 Renewed upto 05/05/2008
		Permission to use the Lift License No G/7/1208/2333/02 Issued on 06/05/2002 Renewed upto 05/05/2008
		Permission to use the Lift License No G/7/1279/2545/02 Issued on 03/06//2002 Renewed upto 02/06/2008



Sr. No.	Issuing Authority	details of license/approval
		<p>Permission to use the Lift License No G/7/1280/2546/02</p> <p>Issued on 03/06/2002 Renewed upto 02/06/2008</p> <p>Permission to use the Lift License No G/7/1281/2547/02</p> <p>Issued on 03/06/2002 Renewed upto 02/06/2008</p> <p>Permission to operate the Escalator License No GE/7/10/12/04</p> <p>Issued on 06/12/2004 Renewed upto 05/12/2007</p>

1b) The list of consents/approvals/licenses applied but not received in the name of Hotel “The Grand Bhagwati”

Sr. No.	Issuing Authority	details of license/approval
1	Police Commissioner, Ahmedabad	<p>Trade License to run a Hotel. No 48/ Satellite</p> <p>Expired on 31/12/2006 Applied for renewal on 23/12/2006</p> <p>Trade License to run a Restaurant No 47/ Satellite</p> <p>Expired on 31/12/2006 Applied for renewal on 23/12/2006</p> <p>Trade License to run Coffee Shop for 24 hours No 47/ 02</p> <p>Expired on 31/12/2006 Applied for renewal on 23/12/2006</p> <p>Trade License to run hotel and Guest House for 24 hours No 48/ 02</p> <p>Expired on 31/12/2006 Applied for renewal on 23/12/2006</p>
2	Gujarat Pollution Control Board-Water & Air	<p>Consent for the use of the existing/new outlet for the discharge of effluent from their industrial plant and to operate the industrial plant. Ref No.PC/CCA/ABD/AMC/53/25680</p> <p>Issued on 11/08/2004 Valid upto 18/07/2005</p> <p>Applied for renewal of four years from 2005-2009 on 05/04/2005</p>

BHAGWATI BANQUETS AND HOTELS LTD.**2) The list of consents/approvals/licenses applied but not received for the Surat project**

Sr No	Particulars	Date of application
1	Approval of plan from SUDA	12/06/2006

3) The list of consents/approvals/licenses not yet applied for the Surat project

All the following approvals will only be applied only after the Hotel starts operations.

Sr No	Particulars
1	Trade Licenses to run restaurant, Hotel etc.
2	Trade License to manufacture, store, sale, distribute Bakery products, cold drinks, sweets etc
3	GPCB-Air
4	GPCB-Water
5	Fire NOC
6	EPABX
7	Lift License
8	Escalator

It is confirmed by the Issuer Company that other than above, no other government or regulatory approval is required by the Company for the Hotel project at Surat.



OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on 10th June, 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Annual General Meeting of the Company held on 6th July, 2006.

Prohibition by SEBI

The Company, its Directors, its Promoters, its Subsidiary, other companies/ ventures promoted by the Promoters and companies with which the Company's Directors are associated as directors or promoters have not been prohibited from accessing the capital markets or restrained from buying, selling or dealing in securities under any direction or order passed by SEBI.

Eligibility for the Issue

This Issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000, wherein:

- a) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.
- b) The minimum post-issue face value capital of the Company shall be Rs. 10 Crores.

The company is eligible for the Issue as the post-issue face value capital of the Company will be more than Rs. 10 Crores which is in compliance of sub clause (b)(i) of the said Clause 2.2.2 and as per sub clause (a)(ii) the Project has more than 15% participation from Scheduled Commercial Banks, of which the appraisers have undertaken to participate for more than 10% and the company shall ensure minimum of 10% allotment in the public issue to QIBs, failing which the entire subscription monies shall be refunded.

The Company also undertakes that the number of prospective allottees in the Issue shall be at least 1000 failing which the entire subscription amount will be refunded.

The Company fulfils the criteria as stated in clause 2.2.2 (a) (ii) of SEBI (DIP) Guidelines 2000 as amended as the project has more than 15% participation from the Scheduled Banks/ financial Institutions which have also appraised the Project. In addition, the company shall allot a minimum of 18,45,540 Equity Shares being 10% of the Net Offer to the Public of 1,84,55,400 Equity Shares to QIBs failing which the full subscription monies shall be refunded.

Appraising Bank	Term Loan Sanctioned (Rs. In lacs)	% of Total Project Cost (as appraised by the bank)
Indian Overseas Bank	1250.00	15.34

The minimum post-issue face value capital of the Company would be Rs. 29.29 crores (more than Rs.10.00 crores).

As per clause 2.2.2B of SEBI (DIP) Regulations:

- (ii) "Project" means the object for which the monies proposed to be raised to cover the objects of the issue.
- (v) As per Section 2.2.2B(v) of SEBI (Disclosure and Investors' Protection) Guidelines, inserted vide SEBI/CFD/DIL/DIP/

Circular No. 11 dated August 14, 2003, 'Qualified Institutional Buyer' shall mean:

- a. Public financial institution as defined in section 4A of the Companies Act, 1956;
- b. Scheduled Commercial banks;
- c. Mutual funds;
- d. Foreign Institutional Investor registered with SEBI;

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- e. Multilateral and Bilateral development financial institutions;
- f. Venture Capital funds registered with SEBI;
- g. Foreign Venture Capital investors registered with SEBI;
- h. State Industrial Development Corporations;
- i. Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA);
- j. Provident Funds with minimum corpus of Rs. 25 Crores;
- k. Pension Funds with minimum corpus of Rs. 25 Crores;

So the Company is fulfilling the eligibility criteria for public issue by unlisted company as specified in clause 2.2.2 a (ii) and b (i) of the SEBI (DIP) Guidelines, 2000.

The Company also undertakes that the number of prospective allottees in the Issue shall be at least 1000 failing which the entire subscription amount shall be refunded. In case of delay, the Company shall pay interest on the application money @ 15% p.a. for the period of delay.

SEBI DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THE OFFER DOCUMENT HAS BEEN SUBMITTED TO SEBI, MUMBAI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. BOOK RUNNING LEAD MANAGER, CHARTERED CAPITAL AND INVESTMENT LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL THE RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, CHARTERED CAPITAL AND INVESTMENT LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JULY 20, 2006 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**
- 3. WE CONFIRM THAT**
THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC, ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND



THE DISCLOSURES MADE IN THE 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.

BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;

IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.”

WRITTEN CONSENT FROM THE SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

THE FILING OF THIS RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 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 BOOK RUNNING LEAD MANAGER TO THE ISSUE, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

General Disclaimer

Investors may note that the Company and the Book Running Lead Manager accepts no responsibility for statements made other than in this Red Herring Prospectus or in the advertisements or in any other material issued by or at the instance of the Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his/her own risk. All information shall be made available by the Book Running Lead Manager and the Issuer to the members at large and no selective or additional information would be available for a section of the members in any manner whatsoever. Further, Book Running Lead Manager and the Issuer undertake to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or under any other trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, and FIIs as defined under the applicable Indian laws. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares arising on conversion thereof, represented thereby may not be offered or sold, directly or indirectly, and this 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 Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change

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in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI has given its observations and that the final Red Herring Prospectus has been filed with the RoC as per the provisions of the Companies Act, 1956.

DISCLAIMER CLAUSE OF BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given *vide* its letter dated November 28, 2006, permission to this Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

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

and it should not for any reason be deemed or construed to mean that Draft Red Herring Prospectus has been cleared or approved by BSE. 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 BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter dated December 14, 2006, permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER BY CARE, THE GRADING AGENCY

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not



responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

DISCLAIMER BY CRISIL, THE GRADING AGENCY

A CRISIL IPO grading is a one time exercise and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy/ sell or hold the graded instrument; it does not comment on the current market price, future market price or suitability for a particular investor. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of CRISIL IPO gradings.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, ROC Bhavan, Opp Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad - 380013. A copy of this Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No.C-4A, G-Block Bandra Kurla Complex, Mumbai-400 021.

Listing

The Equity Shares to be issued through this Red Herring Prospectus are proposed to be listed on BSE and NSE and listing application has been made to BSE and NSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of our Company.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight (8) days after the Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/ Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% 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 all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the basis of allocation for the Issue.

Impersonation

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

“Any person who:

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

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Consents

Consents in writing of the Directors, Auditors, Book Running Lead Manager to the Issue, Bankers to the Company, Bankers to the Issue, Company Secretary and Compliance Officer, Legal Advisors, Registrars to the Issue to act in their respective capacities have been obtained and filed along with Copy of Red Herring Prospectus with the Registrar of Companies, Gujarat at Ahmedabad as required under Section 60 of the Act, and none of them have withdrawn the said consents up to the time of delivery of a copy of this Red Herring Prospectus for Registration with the said Registrar of Companies, Gujarat at Ahmedabad.

M/s O.P.Bhandari & Co, Chartered Accountants, Ahmedabad, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus 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 upto the time of delivery of this Red Herring Prospectus for Registration with the Registrar of Companies, Gujarat at Ahmedabad.

Expert Opinion

Except for the various tax benefits available to the Company and its members expressed by the auditors of the Company, the Company has not obtained any other expert opinion.

Public Issue Expenses

The expenses of the Issue payable by the Company inclusive of fees payable to the Book Running Lead Manager, fees payable to the Registrars to the Issue, Underwriters to the Issue, Bankers to the Issue, Auditors to the Issue, fees of Legal Advisors, Stamp Duty, Printing, Publication, Advertising and Distribution expenses, Bank charges, Listing Fees, Brokerage and other Miscellaneous Expenses are estimated to be approximately Rs. [•] and will be met out of the proceeds of the Issue.

DETAILS OF FEES PAYABLE

Particular	Amount (Rs. in lacs)*	% of Total issue Exp.*	% of Total issue size*
Lead Management Fees, Underwriting and Selling commission	[•]	[•]	[•]
Fees payable to Registrar	[•]	[•]	[•]
Fees payable to the Bankers to the Issue	[•]	[•]	[•]
Fees payable to Legal Advisor	[•]	[•]	[•]
Fees payable to Auditor	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing, Stationary & postage	[•]	[•]	[•]
Other expenses	[•]	[•]	[•]
TOTAL	[•]	[•]	[•]

* Will be incorporated after finalization of Issue Price.



Details of Fees Payable

Fees Payable to the 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 Book Running Lead Manager, a copy of which is available for inspection at the Registered Office and Corporate Office of the Company.

The Book Running Lead Managers will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage & communication expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office and Corporate Office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage, stamp duty & communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission

The Underwriting Commission will be paid not more than [•] of the Public Issue size excluding promoters Group Contribution in the Issue).

Brokerage

Brokerage will be paid by the Company at the rate of [•] on the issue price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

In case of tampering or over-stamping of Brokers/Agent's codes on the application form, the company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter

Previous Public or Rights Issues

This is the first public issue of the Company. The company has not made any public or right issue previously.

Previous Issues Of Shares Otherwise Than For Cash

The company has not issued any Equity Share for consideration other than cash.

Commission or Brokerage on Previous Issues

The company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

Issues Made By The Companies Under The Same Management Under Section 370(1b) Of The Companies Act, 1956.

Neither our Company nor any other listed company under the same management with the meaning of Section 370(1B) of the Companies Act, 1956, has made any capital issue during the last three years.

Promise vis-à-vis Performance

Since our Company has not made any public issue in past, Promise vis-à-vis Performance is not applicable to us.

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Stock Market Data

Currently our Equity Shares are not listed/quoted on any Stock Exchange.

Redressal of Investor Grievances

The Registrar to the Issue i.e. Intime Spectrum Registry Limited will handle investors' grievances pertaining to this issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our Company. Our Company would also be coordinating with the Registrars to the issue in attending to the grievances of the investors. Our Company assures that the Registrars, in respect of the complaints, if any, to be received, shall adhere to the following schedules-

Sr. No.	Nature of the Complaint	Time taken
1	Non-receipt of the refund warrants or share certificates	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2	Change of address notification	Within 7 days of receipt of information.
3	Any other complaint in relation to public issue	Within 7 days of receipt of complaint with all relevant details.

The Company has appointed Mr. Nimesh Shah, as Compliance Officer who would directly deal with SEBI office with respect to implementation of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre-issue/post issue related problems. The Compliance Officer will be available at the registered office of the Company.

Changes in Auditors during the Last Three Years and Reasons Thereof

Since inception of our Company M/s O. P. Bhandari are our Auditors.

Capitalisation of Reserves or Profits (During Last Five Years)

No reserves or profits have been capitalized during last five years.

Revaluation of Assets, If Any

None of the assets of our Company have been revalued.



SECTION VII - ISSUE INFORMATION

TERMS OF THE ISSUE

Terms of the Issue

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, Application Form 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, the Government of India, the Stock Exchanges, the RBI, 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 Memorandum and Articles and shall rank *pari passu* in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by the Board of Directors and its shareholders, at their discretion, and will depend on a number of factors, including but not limited to Company's earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at an Issue price of Rs. [•] per share. The Price Band is between Rs.36 to Rs.40 per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The Floor Price is 3.6 times of the face value and the Cap Price is 4.0 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws and Articles of Association of the Company, the Equity Shareholders shall have the following rights:

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

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of 175 Equity Shares subject to a minimum Allotment of 175 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with 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 Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date or if a minimum of 10% of Net offer to the public is not subscribed by QIBs, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Ahmedabad, Gujarat, India.

Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.



Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“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 in reliance on Rule 144A under 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 jurisdictions where those offers and sales occur.

Arrangements for Disposal of Odd Lots

The Company’s shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Restriction on Transfer and Transmission of Shares

Except as stated otherwise in this Red Herring Prospectus, there are no restrictions on transfer and transmission of our Equity shares and on their consolidation/splitting.

ISSUE STRUCTURE

Public issue of 2,30,00,000 Equity Shares of Rs.10/- each for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs. [•] per Equity Share) aggregating Rs. [•] lacs by Bhagwati Banquets And Hotels Limited ("the company" or "issuer") (hereinafter referred to as the "issue") comprising Promoters Contribution of 45,44,600 Equity Shares of Rs 10/- each at a price of Rs. [•] for cash aggregating to Rs [•] lacs (hereinafter referred to as the "Promoters Contribution") and a net issue to the public of 1,84,55,400 equity shares of Rs.10/- each at a price of Rs [•] for cash aggregating to Rs [•] lacs (hereinafter referred to as the net issue.) of which 18,45,540 Equity Shares being 10% of the net offer to the public to be compulsorily allotted to QIBs.the net issue to public would constitute 63.02% of the post issue paid up capital of the company.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 92,27,700 Equity Shares. However, Minimum 10% of the Net Offer to public i.e. 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs.#	Minimum of 27,68,310 Equity Shares or Net Offer less allocation to QIBs and Retail Individual Bidders.	Minimum of 64,59,390 Equity Shares or Net Offer less allocation to QIBs and Non- Institutional Bidders.
Percentage of Issue Size available for allocation	Upto 50% of the Net offer or the Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders. 5% of the QIB Portion shall be available for allocation to 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 in the Mutual Fund reservation will be available to QIBs. However, Minimum 10% of the Net Offer to public i.e. 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs.#	Minimum 15% of Net Offer or the Net Offer less allocation to QIBs and Retail Individual Bidders.	Minimum 35% of the Net Offer or Net Offer less allocation to QIBs and Non Institutional Bidders.
Basis of Allocation if Respective category is oversubscribed	Proportionate as follows. (a) 4,61,385 Equity shares shall be allocated on a proportionate basis to Mutual Funds ; and (b) 87,66,315 Equity shares shall be allocated 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 175 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 175 Equity Shares.	175 Equity Shares and in multiples of 175 Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form



Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can apply	Public financial institutions, as specified in Section 4A of the Companies Act: Scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, Venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Mn and pension funds with minimum corpus of Rs.250 Mn in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, Corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs.100,000 in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on Bidding	Full Bid amount on Bidding	Full Bid amount on Bidding

** Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 4,61,385 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.*

*** 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 are in the same sequence in which they appear in the Bid cum Application Form.*

In case of under subscription in the Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded.

Bidding Period / Issue Period

Bid / Issue Opens on	April 18, 2007
Bid/ Issue closes on	April 25, 2007

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid Opening Date / Issue

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Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on our web site and/or the BRLM and at the terminals of the Syndicate Member.



ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein up to of 50% of Net the Issue shall be available for allocation on a proportionate basis to QIBs. 5% of QIBs portion shall be specifically available for Mutual Funds registered with SEBI. However, these Mutual Funds participating in QIB category will also be eligible for allotment in the remaining portion available for other QIBs, available to QIBs. Further, atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form bearing the stamp of a member of the Syndicate for making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in this Red Herring Prospectus and the Bid-cum- Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed Colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);

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6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
8. FII's registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws; and
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
16. Permanent Employees of the Company.
17. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Note: The BRLM, Syndicate Member and any associate of the BRLM and Syndicate Members shall not be entitled to subscribe to this issue in any manner except towards fulfilling their underwriting obligation.

APPLICATION BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

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.

Information on reservation for Mutual Funds

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Application by NRIs

Bid cum application forms have been made available for NRIs at the Registered Office of the Company.



NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 2,92,86,400 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

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, off shore 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.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) 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 or foreign venture capital investor registered with SEBI should not exceed 25 % of the corpus of the Venture Capital fund or of the foreign venture capital investor.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this 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 175 Equity Shares and in multiples of 175 Equity Shares thereafter, subject to maximum Bid amount of Rs.100,000. In case the maximum Bid amount is more than Rs.100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of 175 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at ‘cut-off’.

Bidding Process

- (a) Our Company will file the Red Herring Prospectus with the RoC.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bidcum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM /Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Bidding

- a. Our Company and the 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 ROC, and also publish the same in one English national daily, one Hindi national daily and one Gujarati daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- b. The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a Gujarati newspaper also by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- c. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d. The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bidcum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on 165 of this Red Herring Prospectus.
- e. During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- f. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 164 of this Red Herring Prospectus.
- g. The BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs.36 to Rs.40 per Equity Share of Rs. 10 each, Rs.36 being the Floor Price and Rs.40 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) 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 and Employees may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (c) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 175 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account

Escrow Mechanism

Escrow Account

We and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and

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on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus. The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, and the Registrar to the Issue and BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 171 of this Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section entitled "Issue Structure" on page 156 of this Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the Syndicate Members by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at "www.bseindia.com" or on NSE's website at "www.nseindia.com"



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- (d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:
- Name of the investor
 - Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders we would have a right to reject the Bids only on technical grounds listed on Page 173 in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE 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 BRLM are cleared or approved by NSE and BSE; 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, our Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only

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one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or he had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allotment. In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM, based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company and BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders.
- (c) The allocation for QIBs for an upto of 50% of the Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price. However, minimum 10% of the net offer to the public i.e. 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs & in case of under subscription in this minimum Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of at least 15% and 35% of the Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 4,61,385 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. However, minimum 10% of the net offer to the public i.e. 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs & in case of under subscription in this minimum Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded.



- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- (f) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Issue Price and Prospectus

A statutory advertisement will be issued by us 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 this Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken

- (a) The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be issued only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

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Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

- a. Check if you are eligible to apply;
- b. Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e. Ensure that you have been given a TRS for all your Bid options;
- f. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g. Ensure that the bid is within price band;
- h. Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;
- i. If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card with the Bid cum application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place.

Don'ts:

- a. Do not Bid for lower than the minimum Bid size;
- b. Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;
- d. Do not pay the Bid amount in cash;
- e. Do not provide your GIR number instead of your PAN.
- f. Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;
- g. Do not Bid at cut off price (for QIBs and non-institutional 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; and
- i. Do not submit Bid accompanied with Stock invest.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.



Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white Colour for Resident Indians and blue Colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum- Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of 175 Equity Shares and in multiples of 175 thereafter subject to a maximum Bid amount of Rs. 100,000/-.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs.100,000/- and in multiples of 175 Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN, WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Bidders are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine digit code appearing on a cheque leaf) as appearing on the records of the depository participant, and carefully fill in their Depository Account details in the Bid cum Application Form. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor Co-BRLM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/ Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

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Allocation Advice/CANs/ refund orders/ refund advice would be mailed at the address of the Bidders as per the Demographic details received from the Depositories. Bidders may note that delivery of allocation advice/ CANs/ refund orders/ refund advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In the case of refunds through electronic modes as detailed in page no. 178 of this Red Herring Prospectus, Bidders may note that refund may get delayed if the bank particulars obtained from the Depositories 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.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, 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 Bids made pursuant to a power of attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million 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, our Company reserves 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, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Registered Office, registrar to the Issue and BRLM whose address is printed on the cover page of this Red Herring prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIs on a repatriation basis

Bids and revision to Bids must be made:

On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in **BLOCK LETTERS in ENGLISH** in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

By FIs for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of 175 Equity Shares.



For further details see section titled “Issue Procedure - Maximum and Minimum Bid Size” on page 161 of this Red Herring Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000/- would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI for a minimum of such number of Equity Shares and in multiples of 175 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details see “- Maximum and Minimum Bid Size”.

In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCBs.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bidcum- Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs. All eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The company shall open Escrow accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable on the Bid and/or on allocation as per the following terms:

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bidcum- Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (i) In case of QIBs: “Escrow Account- BBHL Public Issue – QIB-R”
 - (ii) In case of non resident QIB Bidders: “Escrow Account - BBHL Public Issue – QIB-NR”
 - (iii) In case of Resident Retails and Non Institutional Bidders: “Escrow Account – BBHL Public Issue- R”
 - (iv) In case of Non Resident Retail and Non Institutional Bidders: “Escrow Account – BBHL Public Issue – NR”
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

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- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders. Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock Invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories. Bidders in the Employees Reservation category can also bid in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.



Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005.

Our Right to Reject Bids

We and the BRLM reserve the right to reject any QIB Bid provided the rejection is at the time of receipt of Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made as per the modes disclosed.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
- 5) Bids for lower number of Equity Shares than specified for that category of investors;
- 6) Bids at a price less than lower end of the Price Band;
- 7) Bids at a price more than the higher end of the Price Band;
- 8) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 9) Bids for number of Equity Shares which are not in multiples of 175;
- 10) Category not ticked;

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- 11) Multiple bids as defined in this Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and / or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 16) Bid-cum-Application Form does not have Bidder's depository account details;
- 17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bidcum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum- Application Form;
- 19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 175 of this Red Herring Prospectus;
- 20) Bids by QIBs not submitted through Chartered Capital And Investment Limited and Intime Spectrum Registry Limited.
- 21) Bids by OCBs; and
- 22) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- 23) Bank account details for refund are not given;

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) A tripartite agreement dated 15/09/2006 with NSDL, us and Registrar to the Issue;
- b) A tripartite agreement dated 02/01/2007 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.



- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. Nimesh Shah as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Mr. Nimesh Shah, Company Secretary
Plot No 380, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad-380054
Phone: 079-26841000
Fax: 079-26840915
E-mail: companysecretary@thegrandbhagwati.com

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."

Basis of Allotment or Allocation

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 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 64,59,390 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 64,59,390 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to 64,59,390 Equity Shares. For the method of proportionate basis of allotment, refer below.

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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 Issue Size less allotment to QIBs and Retail Portion 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 27,68,310 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 27,68,310 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a 27,68,310 Equity Shares. For the method of proportionate basis of allotment refer below.

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.
- Minimum 10% of the net offer to the public i.e. 18,45,540 Equity Shares to be compulsorily subscribed by and allotted to QIBs & in case of under subscription in this minimum Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 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 more than 92,27,700 Equity Shares.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, we 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 the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.



The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- Bidders will be categorized according to the number of Equity Shares applied for by them.
- 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.
- Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- In all Bids where the proportionate allotment is less than 175 Equity Shares per Bidder, the allotment shall be made as follows:
 - (a) Each successful Bidder shall be allotted a minimum of 175 Equity Shares; and
 - (b) 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.
- If the proportionate allotment to a Bidder is a number that is more than 175 but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

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 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

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Issue.

The Company shall ensure dispatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Issue Closing Date;
- Dispatch of refund orders/ refund advice shall be done within 15 days from the Issue Closing Date; and

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- The Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of dispatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds affected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification (DP ID) number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, the Bidders bank account details including 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 credit of refunds to Bidders at the Bidders sole risk the neither BRLM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

Undertakings by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are effected through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the Issue giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.
- That 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,
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- Refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

Utilization of Issue proceeds

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue 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;



- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

We shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Board of Directors of our Company further certifies that:

- (a) the utilisation of monies received under promoters' contribution shall be disclosed under an appropriate head in the balance sheet of the issuer company, indicating the purpose for which such monies have been utilised.
- (b) the details of all unutilised monies out of the funds received under promoters' contribution and from reservations shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilised monies have been invested.

We shall not have recourse to the Issue Proceeds until the approval for listing and 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, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribed to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

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 Issue 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.

The allotment /transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of Bhagwati Banquets And Hotels Ltd are set forth below:

4. Increase of Capital by the Company and how carried into effect.

Article 4 provides that "The Company may in General Meeting, from time to time by ordinary resolution, increase its capital by creation of new shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new shares shall be issued upon such terms and conditions with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of asset of the Company and with a right of voting at General Meeting of the Company in conformity with Sections 87 and 88 Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act."

6. Redeemable preference Shares

Article 6 provides that "Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company are liable to be redeemed in accordance with Section 80A of the Act and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption."

8. Reduction of Capital

Article 8 provides that "The Company may (Subject to the provisions of Sections 78, 80, and 100 to 105, both inclusive and other applicable provisions, if any of Act) from time to time by special resolutions reduce (a) the share capital (b) any capital redemption reserve account or (c) any share premium account in any manner for the time being authorised by law and in particular capital may paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any Power Company would have, if it were omitted."

Article 8A provides that "The Company shall have the power, subject to and in accordance with all applicable provisions of the Act, to purchase or acquire any of its own fully or partly paid shares of any kind whether or not they are redeemable and may make a payment out of capital in respect of such purchase or acquisition."

9. Consolidation, division, sub-division and cancellation of Shares

Article 9 provides that "Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time by an ordinary resolution alter the conditions of its Memorandum as follows:

- a) Consolidate and divide all or any of its share capital into shares of large amount than its existing shares.
- b) Sub-divide its shares or any of them into shares of smaller amount than fixed by the Memorandum so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on such reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
- c) Cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.



Whenever the Company shall do any one or more of the things provided for in the foregoing sub-clauses (a), (b) and (c), the Company shall within thirty days thereafter give notice thereof to the Registrar as required by Section 95 of the Act, specifying, as the case may be, the shares consolidated, divided, sub-divided or cancelled.”

10. Modification of rights

Article 10 provides that “Whenever the capital, by reason of the issue of the preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.”

UNDERWRITING AND BROKERAGE

28. Commission may be paid

Article 28 provides that” Subject to the provisions of Section 76 of the Act, the Company may at any time pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, but so that the commission shall not exceed in the case of shares five per cent of the price at which the shares are issued and in the case of debentures two and half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures as the case may be or partly in one way and partly in the other.”

29. Brokerage

Article 29 provides that”The Company may on any issue of shares or debentures or on deposits pay such brokerage as may be reasonable and lawful.”

30. Commission to be included in the Annual Return

Article 30 provides that “Where the Company has paid any sum by way of commission in respect of any shares or debentures or allowed any sums by way of discount in respect of any shares or debentures such statement thereof shall be made in the Annual Return as required by part I of Schedule V to the Act.”

INTEREST OUT OF CAPITAL

31. Interest out of Capital

Article 31 provides that ”Where any shares are issued for the purposes of raising money to defray the expenses of the construction of any works or buildings or the provisions of any plant, which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provision of the plant.”

DEBENTURES

32. Debentures with voting rights not to be issued

Article 32 provides that

- a) The Company shall not issue any debentures carrying voting rights at any meeting of the Company whether generally or in respect of particular classes of business, Debenture-stock, bonds or other securities with the right to allotment of or conversion into share shall not be issued except with the sanction of the Company in general meeting.

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- b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- d) Certain charges (which expression includes mortgages) mentioned in Section 125 of the Act, shall be void against the Liquidator or Creditors unless registered as provided in Section 125 of the Act.
- e) A contract with Company to take up and pay any debentures of the Company may be enforced by a decree for specific performance.
- f) Unless the conditions of issue thereof otherwise provide, the Company shall (Subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debenture-stock have completed and delivered the certificate of all debenture-stock allotted or transferred.
- g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of Debenture Trust Deed and inspection thereof.
- h) The company shall comply with the provisions of Sections 124 to 145 (inclusive) of the Act as regards registration of charges.

CALLS

33. Directors may make call

Article 33 provides that "Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a board (and not by a circular resolution), make such calls as it thinks fit upon the members in respect of all moneys unpaid on shares whether on account of the nominal value of shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine."

38. When interest on call or installment payable

Article 38 provides that "If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen per cent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part."

FORFEITURE OF SHARES

47. In default of payment shares to be forfeited

Article 47 provides that "If the requirements of any such notice as aforesaid are not complied with, any share or shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests, and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture."

56. Surrender of Shares

Article 56 provides that "The Directors may, subject to the provisions of the Act, accept a surrender of any share from any member desirous of surrendering on such terms and conditions as they think fit."



TRANSFER AND TRANSMISSION OF SHARES

58. Form of transfer

Article 58 provides that "The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof."

63. Directors may refuse to register transfers

Article 63 provides that "Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may at any time in their own, absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the rights of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/ debentures in whatever lot shall not be refused."

68. Registration of persons entitled to shares otherwise than by transfer (Transmission clause)

Article 68 provides that "Subject to the provisions of Article 66, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by the transfer in accordance with these Articles, may with consent of the Board of Directors (which it shall not be under obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under these or of his title, as the Board of Directors shall require and upon giving such indemnity as the Directors shall require either be registered as member in respect of such shares or elect to have some person nominated by him and approved by the Board of Directors registered as members in respect of such shares. PROVIDED NEVERTHELESS that if such person shall elect to have his nominee registered, he shall testify his election by executing in favour of his nominee and instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares, this clause is herein referred to as "THE TRANSMISSION CLAUSE".

72. Transfer to be presented with evidence of title

Article 72 provides that "Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board may, from time to time, prescribe and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

SHARE WARRANTS

73. Power to issue warrants

Article 73 provides that "The Company may issue warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to the indemnity of the person signing the application and on receiving the certificates (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time require to issue a share warrant."

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

78. Share may be converted into stock

Article 78 provides that

The Company may, by Ordinary resolution:

- a) convert any paid up share into stock; and
- b) Reconvert any stock into paid-up shares of any denomination.

79. Transfer of Stock

Article 79 provides that

The several holders of stock may transfer their respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might, before the conversion, have been transferred of as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

80. Right of stock holders

Article 80 provides that "The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company and other matters, as if they held shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those privileges or advantages."

BORROWING POWERS

81. Power to Borrow

Article 81 provides that Subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in general meeting. No debt incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

83. The payment or repayment of money borrowed

Article 83 provides that "The payment or repayment of money borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respect as the Board of Directors may think fit and in particular in pursuance of a resolution passed at a meeting of the Board (and not by Circular Resolution) by the issue of bonds, debentures or debentures-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and the debentures and the debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued."



84. Term of issue of debenture

Article 84 provides that "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 General Meeting, appointment of Directors and otherwise, debentures with right conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution."

MEETING OF MEMBERS

86. Statutory Meeting

Article 86 provides that "The Statutory Meeting shall be hold in accordance with provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business."

87. Annual General Meeting and the persons entitled to attend

Article 87 provides that

- (1) The Company shall in each year held in addition to any other meeting a General Meeting as its Annual General Meeting in accordance with the provisions of sections 168 and 210 of the Act and shall specify the meeting as such in the notice calling if, except in the case where the Registrar has given an extension of time for holding any Annual General Meeting of the Company and that of the next.

PROVIDED THAT if the Registrar shall have for special reason, extended the time within which any Annual General Meeting shall be held, such Annual General Meeting may be held within the additional time.

- (2) Every Annual General Meeting shall be called for any time during business hours, on a day that is not a public holiday and shall be held either at the registered office of the Company or at some other place within the city or town or village in which the registered office the Company is situated for the time being.
- (3) Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.

88. Extra-ordinary General Meeting

Article 88 provides that All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings.

97. Notice of business to be given

Article 97 provides that "No General Meeting, Annual or Extra-ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the meeting."

98. Quorum

Article 98 provides that "Five members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the general meeting unless the quorum requisite be present at the commencement of the meeting. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a member of the Company shall be deemed to be personally present if he is presented in accordance with Section 187A of the Act."

101. Chairman of general meeting

Article 101 provides that "The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting or if there be no such Chairman or at if any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or shall decline to take the Chair, the Vice-Chairman, if any, shall be entitled to take the chair. If the Vice-Chairman is also not present or is unwilling to take the chair, the Director present shall elect one of them as Chairman and if no Director be present or if the Directors present decline to take the chair, then the members present shall elect one of the members to be a Chairman. If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and the Chairman elected on show of hands shall exercise all the powers of the Chairman under the said provision. If some other person is elected chairman as a result of the poll, he shall be the Chairman for the rest of the meeting."

104. How question to be decided at meetings

Article 104 provides that "Every question submitted to a general meeting shall be decide in the first instance by a show of hand unless the poll is demanded as provided in these Articles."

106. Demand of poll

Article 106 provides that "Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in hat behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons who make the demand."

108. Chairman's casting vote

Article 108 provides that "In the case of equality of votes the Chairman shall both on a show of hands and a poll (fit any) have a casting vote in addition to the vote or votes to which he may be entitled as a member."

111. Special notice

Article 111 provides that "Where, by any provision contained in the Act or these Articles, special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved, exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolution in the same manner as it gives notice of the meeting or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting."

Votes of Members

112. Member paying money in advances not to be entitled to vote in respect thereof

Article 112 provides that "A member paying the whole or a part of the amount remaining unpaid on any share held by him although no part of that amount has been called up, 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."

119. Voting in person or by proxy

Article 119 provides that "Subject to the provisions of these Articles, vote may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act."



121. Proxies

Article 121 provides that "Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself. Provided always that a proxy so appointed shall not have any right whatever to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled to attend is entitled to appoint one or more proxies."

DIRECTORS**130. Number of Directors**

Article 130 provides that "Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve."

135. Appointment of Alternate Director

Article 135 provides that "The Board may appoint an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original director" to act for him during his absence for a period of not less than three months from the State in which the meetings of The Board are ordinarily held. Every such Alternate Director shall subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such meetings to have exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director is determined before he returns to as aforesaid. And provision in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and the Alternate Director."

136. Directors may fill vacancies

Article 136 provides that "The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid but he shall then be eligible for re-election."

137. Additional Directors

Article 137 provides that "The Directors shall also have power to, at any time and from time to time, appoint any other person to be a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum fixed. Any person so appointed as an addition to the Board shall hold his office only upto the date of any Annual General Meeting held after his appointment as an additional Director."

MANAGING DIRECTOR, WHOLE-TIME DIRECTOR**159. Board may appoint Managing Director or Managing Directors or Whole-time Directors**

Article 159 provides that "Subject to the provisions of the Act and these Articles, the Directors shall have power to appoint from time to time one or more of their body to be Managing Director or Managing Directors or Whole-time Directors of the Company for such term not exceeding five years at a time as they may think fit to manage the affairs and business of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places."

PROCEEDINGS OF THE BOARD OF DIRECTORS

163. Meeting of the Directors

Article 163 provides that "The Directors may meet together as a Board for the dispatch of business from time to time unless the Central Government by virtue of the proviso to Section 285 of the Act otherwise directs, shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit. The provision of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum."

164. Notice of meeting

Article 164 provides that:

- (1) Notice of every meeting of the Board of Directors shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director. At least seven days notice in writing shall be given to Directors specifying the time and place of the meeting.

When meeting to be convened.

- (2) A Director may at any time and the Secretary upon the request of a Director made at any time shall convene a meeting of the Board of Directors by giving a notice in writing to every Director for the time being in India and at his usual address in India to every other Director.

165. Quorum

Article 165 provides that

- a) Subject to Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher. Provided That where at any time number of Interested Directors at any meeting exceeds or is equal to two-third of the total strength, the number of the remaining Directors (that is to say, the number of remaining who are not interested) present at the meeting being not less than two shall be the quorum during such time.
- b) For the purpose of clause (a)
 - (i) "Total strength", means total strength of the Board of Directors of the Company determined in pursuance of the Act, after deduction therefrom number of any provisions in the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of the discussion or vote on any matter.

167. Chairman

Article 167 provides that "The Director from among their number may elect a Chairman of the Board of Directors. If at any meeting the Chairman is not present at the time appointed for holding the same, the Directors present shall choose one of their numbers to be the Chairman of such meeting."

DIVIDEND

182. Division of profits

Article 182 provides that

- (a) Subject to the rights of persons, if any entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited a paid on the shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any shares in the Company, dividends may be declared and paid according to the amounts of the shares.



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- (b) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares.

WINDING UP

216. Distribution of Assets

Article 216 provides that "If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in the proportion of the capital paid up or which ought to have been paid up at the commencement of winding up, on the shares held by them respectively and if in the winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst members in proportion to the capital at the commencement of the winding up paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

221. Secrecy Clause

Article 221 provides that "Every Director, Manage, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individual and in matters which may come to his knowledge in the discharge of his duties, except when required to do so by the Director or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of provisions in these presents contained."

SECTION IX-OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to in paragraph 'A' below (not being entered into 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 the date of this offer document) which are or may be deemed to be material have been entered into by or on behalf of the company. Copies of these contracts together with copies of the documents referred to in Para (B) below have been attached with the offer document and delivered to the Registrar of Companies, Gujarat, Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company at Plot No 380, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad-380054 between 10.00 a.m. and 1.00 p.m. on any working day from the date of this Red Herring Prospectus until the Bid Closing date/Issue Closing date.

A. MATERIAL CONTRACTS

- 1) MOU dated 12/06/2006 with Chartered Capital And Investment Ltd to act as Book Running Lead Manager to the Issue.
- 2) MOU dated 14/07/2006 with Intime Spectrum Registry Limited to act as the Registrar to the Issue.
- 3) Escrow Agreement dated [•] between the Company, the BRLM, the Escrow Collection Bank(s) and the Registrar to the Issue.
- 4) Syndicate Agreement dated [•] between the Company, BRLM and the Syndicate Members.
- 5) Underwriting Agreement dated [•] between the Company, BRLM and other Syndicate Members.
- 6) Due Diligence Certificate dated 20/07/2006 from the Book Running Lead Manager.
- 7) Tripartite Agreement dated 15/09/2006 between the Company, NSDL and Registrar to the Issue.
- 8) Tripartite Agreement dated 02/01/2007 between the Company, CDSL and Registrar to the Issue.
- 9) Agreement dated 01/04/2006 between the Company and Karnavati Club Ltd for managing rooms, restaurant etc at Karnavati Club. Earlier the Agreement was between the Club and TGB Resorts Karnavati which is now transferred to the Company Bhagwati Banquets And Hotels Ltd.

B. DOCUMENTS OF INSPECTION

- 1) Certified true copies of the Memorandum and Articles of Association of the company as amended from time to time.
- 2) Certificate of incorporation of the Company.
- 3) Copies of the Special resolution passed by the shareholders in the Annual General meeting held on 06/07/2006 under section 81(1A) of the Companies Act, 1956.
- 4) Resolution passed by the Board of Directors dated 10/06/2006 for going Initial Public Offer.
- 5) Copy of the Board Resolution dated 20/07/2006 and 12/02/2007 approving the Draft Red Herring Prospectus and Red Herring Prospectus respectively.
- 6) Consents from the Directors, Book Running Lead Manager, Registrar, Bankers to the company, Bankers to the issue, Auditor, Company Secretary and Legal Advisor to act in their respective capacities.
- 7) Auditors Certificate on tax benefits available to the Company and the consent to include the same in the offer document.
- 8) Auditors certificate on Sources and Deployment of the Funds incurred on the project and their consent to include the same in the offer document.
- 9) Auditor's Report of the company referred in the offer document and their consent to include the same in the offer document.



- 10) Memorandum and Articles of association of the subsidiary Company and group Companies.
- 11) Copies of the Annual reports of the Company from financial year 2001-02 to 2005-06.
- 12) Copies of the Annual reports of Subsidiary Company namely Lov Kush Properties Pvt Ltd for the financial years 2003-04, 2004-05 and 2005-06.
- 13) Copies of the Annual reports of our group Company namely Bhagwati Caterers Pvt Ltd for the financial years 2002-2003, 2003-04, 2004-05 and 2005-06 and other group Companies namely TGB Foods Pvt Ltd and Bhagwati Eateries Pvt Ltd for financial year 2004-05 and 2005-06 and Akash Hotels Ltd for the financial years 2003-04, 2004-05 and 2005-06.
- 14) The financial statements of the partnership ventures namely M/s TGB Resorts Karnavati, M/s Bhagwati International for the financial years 2003-04 and 2004-05 and half year ended on 30/09/2005, New Ramesh Kirana Stores for the financial years 2002-2003, 2003-04, 2004-05 and 2005-06 and the proprietorship concern namely M/s Bhagwati Marketing Co for the financial years 2002-2003, 2003-04, 2004-05 and 2005-06.
- 15) Agreement dated 30/09/2005 between the Company and Mr. Narendra Somani, Managing director of the Company for his appointment as Managing director.
- 16) Copies of Resolutions of the Extra Ordinary General Meeting held on 26th October, 2005 for the appointment of Mr. Devanand Somani, Mr. Hemant Somani and Mr. Ramesh Motiani as Whole Time Directors.
- 17) Copies of Initial Listing applications made to Bombay Stock Exchange Ltd and The National Stock Exchange Ltd for listing of the equity shares of the company dated [•] and [•] respectively.
- 18) Copies of the in principle approval received from BSE and NSE dated November 28, 2006 and December 14, 2006 respectively.
- 19) Sanction Letter of the Term Loan of Rs.1250 lacs by Indian overseas Bank, Company's acceptance of the Term Loan and the project appraisal report from the above Bank.
- 20) SUDA Approval dated [•] approving the plan of the project.
- 21) SEBI observation letter No CFD/DIL/ISSUES/PB/PR/84726/2007 dated January 19, 2007 and our reply to same dated February 13, 2007.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

PART III

We, the directors of Bhagwati Banquets And Hotels Ltd declare and confirm that all the relevant provisions of the Act and the guidelines issued by SEBI and the Government have been complied with and no statement made in this offer document in contrary to the provisions of Act and rules made thereunder.

We, further certify that no information/ material likely to have a bearing on the decision of the investors in respect of the equity shares offered in terms of the offer document has been suppressed/ withheld and / or incorporated in a manner that would amount to misstatement/ mis-representation and in the event of its transpiring at any point of time till allotment/ refund, as the case may be, that any information/material has been suppressed/ withheld and / or amounts to mis-statement/ mis-representation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of section 63 of the Act.

The company accepts no responsibility for statements made otherwise than in the offer document or in the advertisement or any other material issued by or at the instance of the company and that any one placing reliance on any other source of information would be doing so at its own risk.

SIGNED BY ALL THE DIRECTORS OF BHAGWATI BANQUETS AND HOTELS LTD

Mr. Narendra Somani, Chairman and Managing Director

Mr. Hemant Somani, Whole Time Director

Mr. Devanand Somani, Whole Time Director *

Mr. Ramesh Motiani, Whole Time Director

Mr. Ganesh Krishnamoorthy, Independent Director *

Mr. Mangha Ram Sumani, Independent Director *

Mr. Bakul R. Parikh, Independent Director *

Mr. Raj Ratan Singhvi, Independent Director *

* Through their constituted Power of Attorney Mr. Narendra Somani, Chairman and Managing Director

SIGNED BY THE FINANCIAL HEAD OF BHAGWATI BANQUETS AND HOTELS LTD

Mr. Vishal Palkhiwala, Manager (Finance)

SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Nimesh Shah, Company Secretary and Compliance Officer

Place : Ahmedabad

Date : February 28, 2007