

DRAFT LETTER OF OFFER

(Private and Confidential)

For Equity Shareholders of the Company only



BATA INDIA LIMITED

(Incorporated as “Bata Shoe Company Limited” on December 23, 1931 under the Companies Act, 1913 with its registered office in Kolkata, West Bengal. Subsequently, the Company changed its name to “Bata Shoe Company Private Limited” vide Certificate of Incorporation dated April 6, 1956 under the Companies Act, 1913 upon conversion into private company. The Company changed its name from “Bata Shoe Company Private Limited” to “Bata Shoe Company Limited upon conversion to a public company on April 18, 1973. The name was subsequently changed to Bata India Limited on April 23, 1973)

Registered Office: 6A, S. N. Banerjee Road, Kolkata - 700 017, West Bengal

Contact Person: Mr. A. B. Anand (Vice President and Company Secretary)

Tel: (033) 2244 3416-18 **Fax:** (033) 2227 7418

E-mail: batacal@bataindia.com **Website:** www.bataindia.com

DRAFT LETTER OF OFFER

Issue of 12,857,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 35/- to 44/- (Issue Price band of 45/- to 54/-) per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Share for every 4 (Four) Equity Shares held on Record Date [•] aggregating Rs. 578.57 million – 694.28 million. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 4.5 to 5.4 times the face value.

GENERAL RISKS

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

ISSUER’S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the Company are listed on The Stock Exchange, Mumbai (“BSE”) (“Designated Stock Exchange”), National Stock Exchange of India Limited (“NSE”), The Calcutta Stock Exchange Association Limited (“CSE”). Accordingly, the Company proposes to list the Equity Shares on BSE, NSE and CSE. The Company has received in principle approvals from BSE, NSE and CSE vide letters dated [•], [•] and [•] respectively.

ISSUE OPENS ON:	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS:	ISSUE CLOSES ON:
------------------------	--	-------------------------

[•]	[•]	[•]
-----	-----	-----

LEAD MANAGERS TO THE ISSUE		REGISTRAR TO THE ISSUE	
	<p>ICICI Securities Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai – 400 020 Tel: (022) 2288 2460 Fax: (022) 2282 6580 Website: www.iseonline.com E-mail: batarights@isecltd.com</p>		<p>Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup Mumbai – 400 078 Tel: (022) 5555 5454 Fax: (022) 5555 5353 Website: www.intimespectrum.com E- mail:ipo@intimespectrum.com</p>

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS	E
RISK FACTORS	I
GENERAL INFORMATION	1
CAPITAL STRUCTURE	9
PARTICULARS OF THE ISSUE	15
BASIS FOR ISSUE PRICE	17
INDUSTRY OVERVIEW	27
HISTORY AND BUSINESS OF THE COMPANY	30
COLLABORATIONS	36
MANAGEMENT OF THE COMPANY	43
PROMOTER	58
AUDITOR'S REPORT	60
THE COMPANY	60
CONSOLIDATED GROUP	62
FINANCIAL STATEMENTS OF THE COMPANY	63
MANAGEMENT DISCUSSION AND ANALYSIS	112
OUTSTANDING LITIGATION AND DEFAULT LITIGATION	116
GOVERNMENTAL APPROVALS AND LICENSING ARRANGEMENTS	124
OTHER REGULATORY AND STATUTORY DISCLOSURES	130
STOCK MARKET DATA	137

TERMS OF THE ISSUE	141
MATERIAL DEVELOPMENTS	162
MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS	163
DECLARATION	165

DEFINITIONS AND ABBREVIATIONS

Act	Companies Act, 1956
AGM	Annual General Meeting
Articles/ Articles of Association/ AOA	Articles of Association of the Company
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Board	Board of Directors of Bata India Limited
BPL	Bata Properties Limited
BSE	The Stock Exchange, Mumbai
BSO	Bata Shoe Organisation
CAF	Composite Application Form
CAGR	Compounded Annual Growth Rate
CCEL	Coastal Commercial and Exim Limited
CDSL	Central Depository Services (India) Limited
Committee of Directors	Committee of the Board of Directors of Bata India Limited authorised to take decisions on matters related to / incidental to this Issue
CIT (A)	Commissioner of Income Tax (Appeals)
Company/ BIL/ Bata/ Issuer	Bata India Limited
CESTAT	Central Excise and Sales Tax Appellate Tribunal
CSE	The Calcutta Stock Exchange Association Limited
CY	Calendar Year, being the year from January 1 till December 31.
Depositories	NSDL and CDSL
Designated Stock Exchange	BSE
Directors	Directors on the Board of the Company
DP	Depository Participant
DGFT	Director General of Foreign Trade
DRI	Directorate of Revenue Intelligence
GM	General Meeting
EPS	Earnings per share
Equity Shareholders	Equity shareholders of the Company whose names appear as <ul style="list-style-type: none">• Beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and• On the Register of Members of the Company in respect of the Equity Shares held in physical form
Equity Shares	Equity Shares of the Company having face value of Rs.10/- each
FCNR Account	Foreign Currency Non Resident Account
FD	Fixed Deposit
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under and amendments thereto
FERA	Foreign Exchange Regulation Act, 1973
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FY	Financial year
GDP	Gross Domestic Product

GoI	Government of India
HUF	Hindu Undivided Family
Issue / Rights Issue	Issue of 12,857,000 Equity Shares of Rs.10/- each for cash at a premium of Rs 35/- to 44/- (Issue Price band of Rs. 45/- to 54/-) per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Share for every 4 (Four) Equity Shares held on Record Date ([●]) aggregating Rs [●]/-
Issue Price	Rs. 10/- plus a premium of Rs. [●] per Equity Share
I-Sec	ICICI Securities Limited
IT Act	Income Tax Act, 1961
ITAT	Income Tax Appellate Tribunal
Kolkata High Court	High Court of Judicature at Calcutta
Lead Manager	I-Sec
Letter of Offer/ LoF/ LOF	This Letter of Offer circulated to the Equity Shareholders
Memorandum/ Memorandum of Association/ MOA	Memorandum of Association of the Company
Mumbai High Court	High Court of Judicature at Mumbai
NAV	Net Asset Value
NSE	The National Stock Exchange of India Limited
NR	Non-resident
NRI (s)	Non-resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Promoter	The term “Promoter” in relation to Bata shall have the same meaning as ascribed to it under the SEBI Guidelines, and shall refer to Bata (BN) BV.
RBI	The Reserve Bank of India
Record Date	April – [●], 2005
Registrar to the Issue/ Registrar	Intime Spectrum Registry Limited
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to under this draft Letter of Offer in proportion to his/ her/ its existing shareholding in the Company as on the Record Date
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended from time to time
Supreme Court	The Supreme Court of India
VRS	Voluntary Retirement Scheme

In this draft Letter of Offer, any discrepancies in any table between total and the sums of the amount listed are due to rounding off. All references to “Rs.” refer to Rupees, the lawful currency of India, “USD” refers to US dollar. All references to Rs. mn refer to Rs. million. References to the singular also refer to the plural and one gender also refers to any other gender wherever applicable.

RISK FACTORS

The investors should consider the following risk factors together with all other information included in this draft Letter of Offer carefully, in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like “may”, “believes”, “will”, “expect”, “anticipate”, “estimate”, “plan” or other similar words. The Company’s actual results could differ from those anticipated in these forward looking statements as a result of certain factors including those, which are set forth in the “Risk Factors” below.

The draft Letter of Offer also includes statistical data regarding the leather and footwear industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believes to be reliable. Neither the Company nor the Lead Manager has independently verified such data.

Internal Risk Factors

I. Criminal Case against the Company

1. One of the shareholders of the Company had filed a criminal complaint in the Metropolitan Magistrate Court, Ballard Estate, Mumbai in connection with non-receipt of dividend and share certificate. Paralelly, the Company has filed a Criminal Revision Application in the Bombay High Court for quashing the criminal complaint filed as stated above, and the Company has also handed over to the said shareholder duplicate share certificates as well as unpaid dividend. Both these cases are pending.

Criminal Cases against the Directors

Following are the criminal cases filed against the Directors of the Company:

1. A show cause notice has been issued by DRI, Kolkata against the Company and some of its Directors and officials, namely, Mr. S. J. Davies, former Managing Director of the Company, Mr. Pradip Kumar Nag, Deputy Managing Director, Mr. M.J.Z. Mowla, Senior Vice President, Mr. V. Balakrishnan, Vice President – Purchase, (already retired from the Company), Mr. D.K. Talukdar, Assistant Manager – Shipping, and the same is pending before the Commissioner of Customs, Kolkata. The show cause notice alleges that the Company had wrongly availed of benefit of Customs Exemption Nos. (i) 23/1998-CUS dated June 2, 1998, (ii) 20/1999-CUS dated February 28, 1999, (iii) 16/2000-CUS dated March 1, 2000, (iv) 17/2001-CUS dated March 1, 2001 and (v) 21/2002 dated March 1, 2002, for importation and use of moulds in Financial Year 1998-99. The said show cause notice alleges that the (shoe) sole manufactured using the moulds imported under the benefit of the above mentioned Notifications, was eventually used in the manufacture of the footwear with non-leather upper, whereas the above mentioned Notifications allegedly stipulates that such (shoe) soles must be used to manufacture leather footwear. The Company’s contention is that the imported moulds are designed for use in leather footwear / Industry, and there is no stipulation or condition as to actual end use. The Company had submitted its reply to the said notice, and the personal hearing was concluded on July 30, 2004, while the Order was reserved. A fresh hearing, however, was fixed on January 12, 2005, but the same was cancelled by the Commissioner of Customs. The next date is not yet fixed. The amount involved in the said notice is Rs. 26.88 million.

The Directors and officers employed in the group companies worldwide of Bata are covered by the Directors' & Officers' Liability Program with Chubb Insurance Company of Canada, under Policy Number 8145-5924. Chubb Insurance Company of Canada, vide its letter dated July 15, 2004 has stated, *inter alia*, that if it is established in the above proceedings that the damages are as a result of the abovementioned persons engaging in intentional conduct, no coverage under this policy would be available. This exclusion may have adverse effect on the profits and business of the Company

2. There are 8 cases filed against the Managing Director along with other officers of the Company before (a) District Session Judge, Kozhikode (b) Second Additional Magistrate, Nellore (c) First Class Magistrate Court, Thiruvananthapuram (d) Second Additional Chief Metropolitan Magistrate Court, Bangalore (e) Additional Munsiff Magistrate Court, Annakapalee (f) Andhra Pradesh High Court (g) Karnataka High Court (h) Calcutta High Court by the Inspector of Weights and Measures of the respective jurisdiction, alleging complaints in the nature of (i) change in price of products by affixing label (ii) month and year of manufacture not mentioned on the shoe boxes and (iii) declaration on shoe boxes is not in accordance with the Standards of Weights and Measures Act, 1976 and rules thereunder. The aggregate liability in the above-mentioned cases is Rs. 0.19 million. All these cases are pending.

II. Losses incurred by the Company

The Company has suffered net losses of Rs. 113.02 million in CY2002, Rs. 241.23 million in CY2003 and Rs. 404.61 million for the nine months ended September 30, 2004 respectively. These losses were on account of various reasons, including (i) two of the units situated at Faridabad and Mokameghat making staggeringly huge losses; (ii) under-performance by the wholesale business; (iii) charging of Deferred Tax Assets in compliance with Accounting Standard Interpretation 9; (iv) provision for unfunded pension liability due to unprecedented rise in cost of annuities by Life Insurance Corporation; (v) unsustainable employee cost; (vi) low productivity of the workforce; (vii) decrease in the export performance over the last 4 years; (viii) resistance of consumers to price rise in popular volume products, and discounts to clear slow moving stocks; (ix) under utilisation of production capacity; (x) provision for long term agreements; and (xi) decrease in other income including gain from disposal of fixed assets.

Management Perception: The Company has taken various steps to improve its performance such as re-enforcement of the quality control, development of new ranges of footwear, centralisation of purchasing functions; closer co-ordination of merchandising; product development, planning manufacturing and distribution function; substitution of cash drain stores with large new format stores; strict adherence to credit terms and a greater emphasis on collections, introduction of state-of-the-art in shoes. In order to rationalise the employee cost, the Company has entered into long term wage settlement agreements providing for capping of Dearness Allowance and introduction of Voluntary Retirement Scheme to employees to reduce the cost structure.

III. Litigation

Specifically, two petitions have been filed in the Calcutta High Court seeking a winding order against the Company. One of these winding up petitions have been filed by an architect on the ground that the Company has failed to pay an amount of Rs. 914,396 towards the outstanding fees for renovation work done by the architect at the head office of the Company located at Gurgaon, Haryana. The second petition has been filed by a transport company on the ground that the Company has failed to pay to it transportation charges for carrying the Company's consignment, in the sum of Rs. 322,835.45. Both these petitions are pending.

The Company is a defendant in several legal proceedings incidental to its business and operations. These include Civil cases, Income Tax cases, Excise and Customs cases, Gratuity claims, and Labour cases, a summary of which is set out in the table below. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. If significant claims are determined against the Company and the Company is required to pay all or a portion of the disputed amounts, it could have a material adverse affect on the business and profitability of the Company.

Sr. No.	Particulars	Number of cases	Amount involved, where quantifiable
1.	Income Tax cases	11	In aggregate, Rs. 42.7 million approximately, on which the tax will be calculated as per the relevant assessment year.
2.	Excise cases	5 appeals and more than 10 show cause notices	In aggregate, the amount of duty demanded is Rs. 837.62 million, approximately
3.	Customs	7 show cause notices	In aggregate, Rs. 38.73 million approximately
4.	Civil cases, including money suits, winding up petitions and eviction suits	172	In aggregate, Rs. 22.56 million approximately
5.	Infringement cases	3	Not quantifiable
6.	Gratuity cases	27	In aggregate, Rs. 2.39 million approximately
7.	Labour cases	120	Not quantifiable
8.	Cases under Standards and Weights Measures Act, 1976	18	In aggregate, Rs. 0.27 million approximately
9.	Consumer cases	34	In aggregate, Rs. 0.9 million approximately
10.	Arbitration	1	To be quantified, statement of claim to be filed
11.	Criminal cases	1	Not quantifiable
12.	Miscellaneous cases	32	Not quantifiable

Specific attention may be drawn to two petitions filed in the Calcutta High Court seeking a winding order against the Company. One of these winding up petitions, being Company Petition No. 610 of 2004, has been filed by an architect, Tag Architectonics Private Limited, on the ground that the Company has failed to pay an amount of Rs. 914,396 towards the outstanding fees for renovation work done by the architect at the head office of the Company located at Gurgaon, Haryana. The second petition, being Company Petition No. 518 of 2004, has been filed by a transport company, Bagai

Golden Transport Company Limited, on the ground that the Company has failed to pay to it transportation charges for carrying the Company's consignment, in the sum of Rs. 322,835.45. Both these petitions are pending.

For more details of these litigations, please refer to the section titled 'Outstanding Litigation and Defaults' on page 118 of this Letter of Offer.

IV. Contingent Liability

Contingent Liabilities not provided (as of September 30, 2004) for:

- a. Bill receivable discounted – Rs.6.81 Million.
- b. Claims against the Company not acknowledged as debts include Excise Cases under appeal / litigation – Rs.855.78 million and others Rs.130.00 million.
- c. Guarantees/Counter guarantees given by the Company Rs.15.43 million.

V. Trade Unions

The Company has eight recognised trade unions. The Company has had a history of disputes with trade unions and labour unrest. The last of such major disputes was a lock out in the factory located Peenya, Karnataka from October 1, 2001 to January 7, 2002. Recently, the Company had received some threats from its workmen for strikes, but the management has succeeded in averting the same.

Management Perception: Presently, the relationship with its employees is harmonious and the Company has signed six wage long-term settlements, with some of the trade unions, determining wages for its employees working at six factories.

VI. Dependency on promoter group for technology and know how

The Company heavily depends on its Promoter group for its technology. The Company has entered into a Technical Collaboration Agreement dated December 29, 2000 with Bata Limited, Canada ("Bata Canada") for a period of 10 years, for receiving various services from Bata Canada, including (i) engineering services; (ii) construction and architectural services; (iii) research and development services; (iv) testing and quality control services; (v) footwear technology and general technical services; (vi) environmental, health and safety services; and (vii) brand development services. This Agreement, *inter alia*, provides that on expiry or termination of the same, the Company shall to cease to use all technical documentation, services, etc. rendered by Bata Canada pursuant to this Agreement. Bata Canada also provides internationally trained experts to the Company for special tasks, as and when needed. Thus, the Company solely and entirely depends on Bata Canada for its technology, and the Company has no other arrangement for such services with any other international or domestic agency/ies. Though the Company has enjoyed unstinted support from Bata Canada in various functional areas and the Company does not anticipate any withdrawal of such services in future operations also, in case there is any withdrawal of the above mentioned services, such withdrawal may adversely affect the business, operations and profitability of the Company.

VII. Payment of royalty on the turnover of domestic and international sales under the Technical Collaboration Agreement

Under the Technical Collaboration Agreement dated December 29, 2000 with Bata Canada, the Company is required to pay to Bata Canada royalty at the rate of 1.5% of the gross turnover on

domestic sales and export sales. Originally, there was a cap of USD \$ 2.0 million on payment of such royalty payment. However, for the year 2004, taking into consideration of the Company's financial health, Bata Canada agreed to relax the fees, and the Company, in fact, paid to Bata Canada for the year 2004, a much lower amount than that would have been payable to Bata Canada as per the above mentioned rate. Accordingly, on an application made by the Company in that behalf, the cap of USD 2 million was waived with the permission of Government of India vide its letter dated December 13, 2004 issued by the Ministry of Commerce and Industry, Department of Industrial Policy and Promotion Secretariat for Industrial Assistance, while retaining the rate of 1.5% on the domestic and export turnover. Thus, if, in any given year, the turnover on domestic and export sales is high, and the Company remits royalty at the rate of 1.5%, then such payment may adversely impact the cash availability, profits and dividend payment ability of the Company.

VIII. Infringement of the trademark of the company

The Company's trademarks are being copied by competitors, who are selling footwear with such copied trademark at significantly low prices, as compared to the Company's prices. Such sales are seriously affecting the sales of the Company as also the Company is constrained to adopt legal proceedings against such competitors to restrain them from using the designs. While the Company has registered its trademarks, if such actions continue, the same may have adverse effect on the Company's business and profits.

IX. Unregistered lease agreements in respect of retail shops

Out of the total 1604 number of properties taken on lease / tenancy by the Company, the Company has entered into lease agreements for 226 properties for their retail shops / residential quarters, which are spread across the country. These lease agreements are inadequately stamped as also they are unregistered. In such situation, the Company may lose these premises if any eviction proceedings succeed against the Company. Such eviction may adversely affect the business, operations and profits of the Company.

X. Monthly tenancies terminable at one month's notice, in respect of various premises

Out of the total 1604 number of properties taken on lease / tenancy by the Company, the Company has taken 695 premises on monthly tenancy basis for their retail shops / residential quarters, in respect of which the Company pays rent to the landlords on monthly or quarterly basis. All such tenancies would be terminable on one month's notice. In the event, the landlord exercises his right of termination, the Company will have to vacate the premises and hand over the same to the landlord in due process of law. Further, 665 premises have been taken by the Company for their retail shops / residential quarters on the basis of exchange of letters between the Company and the landlord, without any stamped or registered document. These premises, too, stand, on similar footing as the monthly tenancy premises.

XI. Licenses awaiting renewal

The Company has made an application for renewal in respect of the following licenses:

Bataganj factory:

- (i) Emission Consent Order dated August 15, 2003 issued by the Bihar State Pollution Control Board as constituted under the Air (Prevention & Control of Pollution) Act, 1981 bearing number 2963 providing consent under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 to operate their Industrial plant. This Emission Consent Order was valid

from October 1, 2003 to September 30, 2004. The Company has made an application for renewal of the consent order by an application dated September 2, 2004.

- (ii) Discharge Consent Order dated February 15, 2003 issued by the Bihar State Pollution Control Board as constituted under the Water (Prevention & Control) Act, 1971 bearing number 2962 for the purpose of providing consent under Section 25 and 26 of the Water (Prevention & Control) Act, 1971 to bring to their existing outlets for discharge of trade effluent and domestic sewage. The Discharge Consent Order was valid from October 1, 2003 to September 30, 2004. The Company has made an application dated September 2, 2004 for renewal of Discharge Consent Order.
- (iii) License issued by the Factory Inspection Department under Rule 4 to 10 of the Bihar Factories Rules, 1950 bearing number PT 1968/718 for the purpose of operation of the factory. This license was valid until December 31, 2004. The Company has made an application dated December 24, 2004 made to the Inspector of Factories for renewal of the Factory License.

Batanagar factory:

- (i) License issued by the Joint Chief Controller of Explosives, Department of Explosives bearing number P.12(5)726/BEN-5114 for the purpose of Petroleum Storage at the factory. This license expired on November 23, 2004. The Company has made an application for renewal of the License by an application dated November 23, 2004.
- (ii) License to work a Factory issued by Directorate of Factories, Government of West Bengal dated April 11, 2003 bearing number 2260 under the Factories Act, 1948. This license expired on December 31, 2004. The Company has made an application dated December 27, 2004 for renewal of the license.

Peenya Factory:

- (i) Consent order granted by the Environmental Officer, Karnataka State Pollution Control Board dated July 6, 2004 bearing number 92/KSPCB/RO-PEENYA/AEO-2/IND/APC/PIA/LG/2004-05/1430 for the purpose of operation of their industrial plant at the factory premises in the air pollution control area as notified and to continue to make existing discharge of emission from the 320 KVA DG Set, 500 KVA DG Set and Thermopack Boiler. This consent order was valid until December 31, 2004. The Company has made an application dated October 4, 2004 to the Karnataka State Pollution Control Board for renewal of the consent for the year 2005.

Faridabad Factory:

- (i) Consent granted by the Environmental Engineer, Haryana State Pollution Control Board under letter No. HSPCB/294 dated July 29, 2003 bearing number HSPCB/Consent/2004/1592 for the purpose of grant of consent under the Water (Prevention & Control) Act, 1971 and Air (Prevention & Control of Pollution) Act, 1981. This consent is valid until March 31, 2005. The Company has made an application dated 19th January 2005 to the Environmental Engineer, Haryana State Pollution Control Board for extension of the said consent for 2005 to 2006.
- (ii) Renewal of Factory License issued by the Chief Inspector of Factories, Haryana bearing number GGN/B-22/373 for the purpose of use of the factory. This license was valid until December 31, 2004. The Company has made an application dated November 18, 2004 for renewal of the Factory License to the Chief Inspector of Factories.
- (iii) License for acquisition and possession of sulphur issued by the Deputy Commissioner, Faridabad bearing registration number 1/Arm/Fbg/97 for the purpose of acquisition and possession of sulphur. This license was valid until December 31, 2004. The Company has made an application November 15, 2004 for renewal of the license.

Mokameghat factory:

- (i) Emission Consent Order issued by the Bihar State Pollution Control Board dated January 21, 2004 bearing number T-4D for the purpose of grant of consent under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 to operate their Industrial plant at Mokameghat, Hathidah. This Emission Consent Order was valid from January 1, 2004 to December 31, 2004. The Company has made a renewal application dated December 13, 2004 for renewal of the consent until December 31, 2005.
- (ii) Discharge Consent Order dated January 21, 2004 issued by the Bihar State Pollution Control Board as constituted under the Water (Prevention & Control) Act, 1971 bearing number T-418 for as required under Section 25 and 26 of the Water (Prevention & Control) Act, 1971 to bring into use at the factory outlets for discharge of trade effluent and/or domestic sewage. This Discharge Consent Order was valid from July 1, 2003 to June 30, 2004. The Company has made a renewal application dated May 6, 2004 for renewal of certificate until June 30, 2005.

Failure to obtain renewals of the above licenses may result in loss of the right to operate the factory in respect of which the same is the renewal is applied for.

XII. The future success of the Company depends to a significant extent upon the continued contributions from its key managerial personnel.

In the last three years, the Company has faced loss of some members of its senior management team, including the executive directors. While the current management team of the Company is totally committed and dedicated to achieve the business plan of the Company, including focussed attention on various strategic initiatives, if this trend of the senior management leaving the Company continues, the same may have an adverse effect on its business, financial condition and results of operations. For details of the key managerial personnel, please refer to the section titled “Management of the Company” on page 43 of this draft Letter of Offer.

XIII. Future requirement to raise funds

If the Company does not have sufficient internal resources to fund the working capital or capital expenditure requirements in the future, the Company may need to raise funds through a debt or equity financing. As a purchaser of the Equity Shares in this offering, you may experience dilution to your shareholding to the extent that the Company conducts future equity offerings.

XIV. The Company operates in a globally competitive business environment

The Company operates in a globally competitive business environment, particularly with the opening of the Indian economy and competition being faced from international players. Though the Company has taken steps to counter the competition like introducing a VRS (Voluntary Retirement Scheme) and importing ready shoes at attractive designs and styles, increasing competition may force us to reduce the prices of our products, which may reduce the Company’s revenues and margins and/or decrease the Company’s market share, either of which could have an adverse effect on its business, financial condition and results of operations.

XV. Inability to keep abreast with the latest trends in the footwear industry

The Company may not be able to keep abreast with the latest trends in the footwear industry and consumer preferences, which may adversely affect the competitiveness of the Company.

XVI. Shortfall in promised performance in past issues

1. In respect of the rights issue of equity shares by the Company in December 1996, the Company had in the offer document projected gross sales of Rs. 6,000 million for year ended December 31, 1996. As against this projection the Company was able to achieve sales of Rs. 5,905 million for that year.

2. In respect of the rights issue of equity shares by the Company in January 1993, there was a shortfall in the actual performance of the Company as compared to the projections made in the offer document. The details of the shortfall are as under:

	1992		1993		1994		1995	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Net sales	4,174	3,828.2	5196	4,602.7	6602	4,836.6	8106	5,027.4
Cash Profit / Loss	37.0	(55.1)	214.0	233.3	293.0	79.9	363.0	(299.1)
PAT / (Loss)	5.0	(85.6)	156	199.3	218	9.8	281	(421.6)

XVII Downgrading of the Company's credit ratings for its commercial paper and fixed deposit programmes:

Commercial Paper: The Company had obtained a "P1+" (pronounced P One Plus) rating from CRISIL for its commercial paper programme, vide its letter dated April 21, 2003. However, no commercial papers were issued by the Company under the aforesaid credit rating. Subsequently, vide its letter dated July 19, 2004 CRISIL downgraded the aforesaid rating from "P1+" to "P1" (pronounced P One).

Vide its letter dated March 26, 2004, ICRA has downgraded the credit rating for the commercial paper of the Company from A1+ to A1. However no commercial paper was issued by the Company under the aforesaid credit rating.

Fixed Deposits: Vide its letter dated February 5, 2004 CRISIL has downgraded the rating for the Company's Fixed Deposits programme from "FAA" to "FAA-". Further, vide its letter dated nil, ICRA has downgraded the credit rating of the Company's fixed deposits from "MAA" (pronounced M Double A) to "MAA-" (pronounced M Double A Minus). Vide ICRA's letter dated March 26, 2004, the ratings for the Company's fixed deposit programme were further downgraded from "MAA-" to "MA+".

For definition of credit ratings and other information in this regard, please refer to the head "**Credit Rating**" in the Chapter "**General Information**" on page 1 of this draft Letter of Offer.

XVIII Part of the Company's premises at Peenya does not have a valid and subsisting lease

In relation to a part of the land situated at Peenya admeasuring 6832 square meters of the 26,744 square meters on which the Company's retail distribution center adjoining its factory is situated, the Company had entered into a 11-year lease deed with the Karnataka Industrial Areas Development Board dated June 16, 1993. The said lease deed has since expired, and the Company is in the process of signing the

sale deed with the Karnataka Industrial Areas Development Board in relation to the said land. However, the Company has already paid the consideration for the same to the Karnataka Industrial Areas Development Board. If the said property is not continued to be occupied by the Company, then the retail distribution centre will be needed to be relocated, which may adversely affect the flow of the Company's retail distribution of merchandise in that area.

External Risk Factors

I. The business of the Company is significantly affected by external factors

The results of the Company have been and may be significantly affected by factors outside our control such as political unrest, cross-border hostilities, civil commotion and acts of terrorism either in India or outside India. Other factors include potential negative changes in environmental regulations, government regulations. The Company is also subject to the risk of loss of revenues and assets due to fire or natural disasters. The occurrence of all such event including natural disasters could interrupt the Company's business for significant periods.

II. Changes in the Government of India policies

A significant change in India's economic liberalisation and deregulation policies, including the shoe and leather industry, could affect business and economic conditions in India generally and the business of the Company in particular. A significant change in the Indian government's or the state government's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and the business and financial condition and prospects in particular of the Company.

III. Increase in excise duty

Any increase in excised duty has a direct impact on the cost of footwear beyond a certain price range especially volume articles of mass consumption usually purchased by the consumer with less disposable income.

IV. Risk relating changes laws and regulations

Any change in the laws and regulations governing the leather and footwear industry may adversely affect the business and financial condition of the Company.

V. Regulatory, environmental and health and safety matters

A number of government permits and approvals are required for the Company's operations. These permits and approvals include licenses for operation of the factories, registration under the Central and State Sales Tax Acts, environment clearances under the Water and Air (Prevention and Control of Pollution) Acts. The cost, liabilities and requirements associated with complying with these laws and regulations may be substantial and time consuming and may delay the commencement or continuation of production activities. Failure to comply with these laws and regulations or to obtain or renew the necessary permits and approvals may result in the loss of the right to operate the business.

VI. Dependency on natural products

The Company has, to a large extent, depend on natural products for its raw materials such as rubber and

raw hides, the supply of which depends, in part, on the vagaries of nature. Though the Company can replace such shortfall through imports, if these materials in short supply, the same may adversely affect the business and operations of the Company.

VII. Volatility of share price

After the Rights Issue, the price of the Equity Shares may be highly volatile and may fluctuate significantly due to many factors, including variations in the operations of the Company and changes in the regulatory environment.

The prices of the Equity Shares on the Indian stock exchanges have fluctuated in the past and may continue to fluctuate after the Rights Issue as a result of several factors, including:

- volatility in the Indian and global securities markets;
- results of operations and performance in terms of market share;
- contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- changes in the estimates of Company's performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal and environmental regulations;

VIII. Future offering resulting in dilution of the shareholding

Any future equity offering made by the Company may lead to dilution of the shareholding or may affect the market price of the Equity Shares of the Company.

IX. Increase in employee compensation in India

The senior employee compensation, if increased, in India may erode some of the competitive advantage that the Company presently enjoys and may negatively affect the profit margins of the Company. The senior employee compensation in India is increasing at a faster rate, which could result in increased costs relating to professionals. Compensation increases may have a material adverse effect on the business of the Company.

NOTES TO RISK FACTORS

- 1) Investors are advised to refer to "Basis of the Offer" section before investing in this Issue.
- 2) Net worth prior to the Issue (as on September 30, 2004) as per the adjusted accounts is Rs. 1252.73 million. The Issue size is Rs. 578.57 mn – 694.28 mn.
- 3) The Cost per share of shareholdings of the Promoter, that is Bata (BN) B.V., as on date is Rs. 30.90.
- 4) The book value of the equity shares of the Company as on September 30, 2004 is Rs.24.36 per share.
- 5) During the last six months, there have been no transactions on the stock exchange in the shares of the Company by the promoter / directors other than as under:

- Mr. P. M. Sinha, Chairman of the Company, has purchased 7,736 equity shares of Rs. 10 each of the Company for a consideration of Rs. 671,427 on January 12, 2005.

6) Related Party Transactions

STATEMENT OF RELATED PARTY DISCLOSURES

(RS IN MILLIONS)

Nature of Transaction	Holding Company		Subsidiaries		Fellow Subsidiaries		Associates		Enterprises owned or significantly influenced by key management personnel & / or their relatives.		Total		
	Year / Period	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Dividend paid	Sep-04											-	-
	2003											-	-
	2002	19.67										19.67	-
Sales	Sep-04					5.90	5.90					5.90	5.90
	2003					39.56	0.50					39.56	0.50
	2002					51.81	10.92					51.81	10.92
Purchase	Sep-04					23.30	-					23.30	-
	2003					6.75	(0.46)					6.75	(0.46)
	2002					-	-					-	-
Purchase of Intangible Assets	Sep-04					4.53	-					4.53	-
	2003											-	-

	200 2									-	-
Current A/c.	Sep -04		(21.05)							-	(21.05)
	200 3		(8.35)							-	(8.35)
	200 2		17.55							-	17.55
Interest free Advance given	Sep -04		3.70							3.70	-
	200 3		27.02							27.02	-
	200 2		33.92							33.92	-
Interest free Advance taken	Sep -04		13.23							13.23	-
	200 3		52.92							52.92	-
	200 2		18.80							18.80	-
Dividend received	Sep -04		-							-	-
	200 3		23.00							23.00	-
	200 2		30.00							30.00	-
Rent (Expenses)	Sep -04		0.64							0.64	-
	200 3		0.87							0.87	-
	200 2		0.87							0.87	-
Technical Fees*	Sep -04					28.98				28.98	-

	2003					112.10			112.10	-
	2002					122.00			122.00	-
Remuneration	Sep-04						9.20		9.20	-
	2003						16.72		16.72	-
	2002						10.01		10.01	-

*includes Cess & TDS borne by the Company



Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors of the Company at its meetings held on October 7, 2004 and December 3, 2004 and resolution passed by the shareholders in the extraordinary general meeting held on February 2, 2005, it has been decided to make the following offer to the Equity Shareholders of the Company:

Issue of 12,857,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 35/- to 44/- (Issue Price band of 45/- to 54/-) per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Share for every 4 (Four) Equity Shares held on Record Date [●] aggregating Rs. 578.57 million – 694.28 million. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 4.5 to 5.4 times the face value.

GENERAL INFORMATION

The Company was incorporated as “Bata Shoe Company Limited” on December 23, 1931 under the Companies Act, 1913 with its registered office in Kolkata, West Bengal, bearing company number 21 - 7261. Subsequently, the Company changed its name to “Bata Shoe Company Private Limited” vide Certificate of Incorporation dated April 6, 1956 under the Companies Act, 1913 upon conversion into private company. The Company changed its name from “Bata Shoe Company Private Limited” to “Bata Shoe Company Limited” upon conversion to a public company on April 18, 1973. The name was once again changed to Bata India Limited on April 23, 1973. The Registrar of Companies, West Bengal, having its office at 234/4, A J C Bose Road, Kolkata – 700 020 is the concerned Registrar of Companies in case of the Company.

Registered Office address of the Company

Bata India Limited
6A, S. N. Banerjee Road
Kolkata 700 013, West Bengal
Tel: (033) 2244 3416-18
Fax: (033) 2227 7418
E-mail: batacal@bataindia.com

IMPORTANT

1. This Issue is pursuant to the resolution passed by the Board of Directors at its meeting held on October 7, 2004 and December 3, 2004 and resolution passed by the shareholders in the extraordinary general meeting held on February 2, 2005
2. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic

form and on the Register of Members of the Company at the close of business hours on the Record Date [•].

3. Your attention is drawn to the section on “Risk Factors” appearing on page i of this draft Letter of Offer.
4. Please ensure that you have received the CAF with this draft Letter of Offer.
5. Please read the draft Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this draft Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the draft Letter of Offer or the CAF.
6. All enquiries in connection with this draft Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
7. The Lead Managers and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the draft Letter of Offer with SEBI.
8. The Lead Managers and the Company shall update the draft Letter of Offer and keep the public informed of any material changes till the listing and trading commences.
9. All the legal requirements as applicable till the filing of the draft Letter of Offer with the Designated Stock Exchange have been complied with.

Board of Directors of the Company

As per Company records, the Board of Directors of the Company presently comprises the following:

Sr. No.	Name of the Directors	Designation
1	Mr. P. M. Sinha	Chairman
2	Mr. Marcelo Villagran Bravo	Managing Director
3	Mr. Pradip Kumar Nag	Deputy Managing Director
4	Mr. Jaswant Singh	Director – Marketing & Commercial
5	Mr. Shaibal Sinha	Director – Finance
6	Mr. Constantin Salameh	Director
7	Mr. V. Narayanan	Director
8	Mr. A.K. Thakur	Nominee Director – UTI
9	Mr. N. Sankar	Director
10	Dr. Amit Mitra	Director

Dr N Kumar resigned from the Board with effect from February 2, 2005. Mr. N. Sankar, Dr Amit Mitra and Mr. Shaibal Sinha were appointed by the Board of Directors as Additional Directors with effect from February 2, 2005. At the same meeting Mr. Shaibal Sinha was appointed as the Finance Director with effect from the same date. Mr. S J Davies resigned as the Managing Director of the Company with effect from February 11, 2005 and Mr. Marcelo Villagran Bravo was appointed as the Managing Director with effect from the same date. The Company will obtain the shareholders’ approval at the ensuing AGM of the Company, and will make the necessary application to the Central Government for confirming the appointment of Mr. Marcelo Villagran Bravo as the Managing Director. The Company has intimated these changes to the Stock Exchanges where the Company’s shares are listed.

Brief Details of Board of Directors

Mr. P. M. Sinha

Mr. Sinha is the former CEO of Pepsi Cola International South Asia and was the Chairman of Pepsico India Holdings and President of Pepsi Foods Limited. He was also on the Management Committee & Director of Hindustan Lever Limited for eleven years, before he joined Pepsico in 1992. He is currently on the Boards of ICICI Bank, Wipro Limited, Indian Oil Corporation Limited, Lafarge India Pvt. Limited.

Mr. Marcelo Villagran Bravo

Mr. Marcelo Villagran Bravo has more than 34 years of experience with the Bata group. Before joining the Company as a Managing Director, he was working with one of the most successful companies in the Bata group, i.e. Bata – Chile. He has wide operating and sales experience. He is a commercial engineer and a Bachelor of Business Administration.

Mr. Pradip Kumar Nag

Mr. Nag graduated in Commerce with Honours from Goenka College of Commerce and Business Administration under Calcutta University and is a member of All India Management Association. Mr. Nag has a rich experience in multifarious areas of Accounting, Financial Management, Taxation, Costing Principles and Methods and Administrative functions encompassing over three decades. He held the position of Senior Vice President, Finance in the Company for over 5 years. Mr. Nag undertook training in Toronto, Chicago, Ottawa and Philadelphia in various areas of Retailing, Financial Accounting and Management Reporting in connection with ‘SAP’ Project for North American BSO Companies.

He was appointed by Bata Limited, Toronto, Canada (The International Headquarters of Bata Shoe Organisation) as Director ‘Enterprise Controlling’ for Integrated Business Systems and was closely associated with successful implementation of ‘SAP’ Integrated Business Systems in Retail Canada and User Support Programme.

Mr. Jaswant Singh

Mr. Singh joined the Company in 1971 as a Management Trainee – Marketing and had also undertaken training for 18 months in the Retail and Wholesale Departments. Mr. Singh started his career with the Company way back in 1971, and in the year 2000, he was made Managing Director, Bata Shoe Co. Uganda Limited, which position he held till his transfer to Bata India Limited in the year 2004. Mr. Singh has wide experience in Retail, Wholesale, Brand Management, Production, Merchandising and General Management. During his career he has attended various courses being MARKETCO, Monssey, France, 1983, ADVANCO, Chicago, Toronto, 1990, EMP (Executive Management Programme) NYC, Toronto, 1998, Company Managers Programme Toronto, 2000 and has represented the Company at several Shoecons, namely Milan, Padova, Prague and Chicago. Mr. Singh was awarded an Achievement Award by Mr. Thomas G. Bata at Milan in 1990 for North Star.

Mr. A. K. Thakur

Mr. A. K. Thakur is a B.Com from Calcutta University and a Chartered Accountant. He is the former Executive Director of Unit Trust of India. He has worked in almost all the key areas of Unit Trust of India and actively participated in formulating various corporate policies, procedures and strategic decisions.

Mr. V. Narayanan

Mr. Narayanan is the former Chairman and Managing Director of Pond's (India) Limited. He is a product of the Lawrence School at Lovedale and the Loyola College, Chennai. Mr. Narayanan began his career in 1959 as a Management Trainee in Hindustan Lever Limited (HLL). In his ten years with HLL, he specialised in Sales and Marketing, both in India and in the UK. He joined Chesebrough Pond's Inc in 1968 as its Marketing Director and became Chairman and CEO of Pond's (India) Ltd. in 1978. After his retirement from Pond's (India) Limited, Mr. Narayanan is on the Board of several leading companies.

Mr. Constantin Salameh

Mr. Salameh has worked for 19 years with Hewlett Packard, which he joined in 1984. He has worked in a number of senior management positions in this company in sales, marketing and financial services in Europe and Asia Pacific. The last two positions held in Hewlett Packard were Vice-President and Managing Director of Financial Services in Asia Pacific (1996-1999) and in Europe, Middle East and Africa (2000-2003) with full P & L responsibilities for a US\$ 2.5 billion financing business.

Mr. Salameh completed his University degrees from King's College, England (B.Sc Engg. with 1st class honours in 1979), M. Sc. Engg. from M.I.T. in 1980 and his MBA from Stanford University (USA) in 1984. His board affiliations are with the American University of Beirut and the University of Geneva. Mr. Salameh frequently addresses external audiences – including the Management Centre Europe, Euromoney, International Technology Management, Asia International and World Bank Conferences on operational aspects of captive finance entities, business planning and financial management practices from a global perspective.

Mr. Shaibal Sinha

Mr. Shaibal Sinha qualified as a Chartered Accountant in 1986. He has worked with Eicher Limited, Toyota (in Muscat) and with Shaw Wallace and Company Ltd. His last assignment was with Reckitt Benckiser in U.K. and in India, where he has worked for the last eight years.

Dr. Amit Mitra

Dr Amit Mitra did his Masters in Economics from Delhi School of Economics in 1970 and further attained the Doctorate Degree in Economics from Duke University, USA in 1978. Later he taught in major Universities in the United States over a decade and received the prestigious Sears-Roebuck Foundation Award for Distinguished Teaching, 1990. Furthermore, he has wide Post Doctoral Research experience as senior consultant.

In addition to the Company, he is also on the Board of Directors of Steel Authority of India Limited (SAIL), GAIL (India) Limited and Principal PNB Asset Management . He is also a Member on the Advisory Board of The India Fund of The Unit Trust of India (UTI), Member of the Central Advisory Committee, Central Electricity Regulatory Commission, Member of the Life Insurance Council, Member of the "India-China Eminent Persons Group" from the Indian side, Member of the Central

Listing Authority constituted by SEBI, Member of the Advisory Committee to Union Commerce Minister of India on International Trade (WTO), and Member of the "Indo - EU Roundtable" from the Indian side (initiated by Government of India and the European Union (EU)). He is and also has also been a part of several committees and sub-committees constituted by various ministries in the Government of India. .

Mr. N. Sankar

Mr. N Sankar (59) holds a Masters Degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA. He is the Chairman of The Sanmar Group and its associates, which operates in diverse areas such as Chlorochemicals, Speciality Chemicals, Shipping, Engineering, Insurance, and Cement. The turnover of the Sanmar Group (including its associates) is close to Rs.30,000 million. The Sanmar Group has long-standing and well-established joint ventures with leading international corporations like Emerson Electric, Tyco, Flowserve and Cabot of the USA, and AMP of Australia. The Sanmar Group currently has nine joint ventures.

Mr. Sankar also serves on the Board of a few institutions outside the Sanmar group, such as F.L. Smidth Limited. Over the years, Mr. Sankar has held office in several public bodies representing trade and industry, such as the President of Assocham and the Chairman of the Indo-US Joint Business Council. He has also received awards recognizing his services to business and industry, including the 'Lala Shriram National Award for Leadership in Chemical Industry' from the Indian Institute of Chemical Engineers.

ISSUE SCHEDULE

Issue Opening Date:	[•]
Last date for receiving requests for split forms:	[•]
Issue Closing Date:	[•]

ISSUE MANAGEMENT TEAM

Lead Manager to the Issue**ICICI Securities Limited**

ICICI Centre
H. T. Parekh Marg, Churchgate
Mumbai – 400 020
Tel: (022) 2288 2460
Fax: (022) 2282 6580
E-mail: bata_rights@isecltd.com
Contact Person: Mr. Sameer Taimni
Auditors of the Company

S R Batliboi & Co

3rd Floor,
22 Carmac Street,
Kolkata – 700 016
Tel:+91 33 22811224
Fax:+91 33 22817750
Email: [•]

Legal Advisor**Crawford Bayley & Co**

State Bank Buildings,
N. G. N. Vaidya Marg,
Fort,
Mumbai - 400 023
Tel: +91 22 2266 3713
Fax: +9 22 2266 3978
Email: sanjay.asher@crawfordbayley.com

Bankers to the Company

State Bank of India(Lead Bank),
Corporate Accounts Group Branch,
Reliance House, 2nd Floor 34,
J.N. Road,
Kolkata – 700 071

HDFC Bank Limited,

Central Plaza,
2/6 Sarat Bose Road,
Kolkata- 700 020

Registrar to the Issue**Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup
Mumbai – 400 078
Tel: (022) 5555 5454
Fax: [\(022\) 5555 5353](tel:022-5555-5353)
[E-mail: ipo@intimespectrum.com](mailto:ipo@intimespectrum.com)
Contact Person: Nikunj Daftary
Banker to the Issue

[•]

Tel: [•]

Fax: [•]

Email: [•]

Contact Person:

Company Secretary and Compliance Officer**A. B. Anand**

Vice President and Company Secretary
Bata India Limited
6A, S. N. Banerjee Road
Kolkata 700 013, West Bengal;
Tel: (033) 2244 3416-18
Fax: (033) 2227 7418
E-mail: anandab@bataindia.com

Note: The investors are advised to contact the Registrar to the Issue/ Compliance Officer of the Company in case of any Pre-Issue/ Post-Issue related problems such as non-receipt of draft Letter of Offer/ Letter of Allotment/ share certificates/ refund orders/ etc.

Inter-se allocation of responsibilities among Lead Managers

Not applicable, as there is only one Lead Manager

Credit Rating

This being an Issue of Equity Shares, no credit rating is required. The details of the ratings received / reaffirmed by the Company for other securities/ instruments in the last 3 years are as follows:

Commercial Paper						
Sl. No.	Period		Amount in Crores	Rating Agency	Rating	Rate
	From	To				
1	27-12-2001	25-02-2002	5	ICRA	A1+	8%
2	11-01-2002	12-03-2002	10	ICRA	A1+	8.1%
3	08-02-2002	26-03-2002	10	ICRA	A1+	7.5%
4	15-02-2002	27-03-2002	10	ICRA	A1+	7.5%
5	01-03-2002	26-03-2002	10	ICRA	A1+	7.5%
6	02-04-2002	15-05-2002	20	ICRA	A1+	8.10%
7	03-04-2002	15-05-2002	20	ICRA	A1+	8.10%
8	22-05-2002	22-07-2002	40	ICRA	A1+	8.15%
9	22-07-2002	23-09-2002	20	ICRA	A1+	6.9%
10	26-07-2002	27-09-2002	5	ICRA	A1+	6.85%
11	27-09-2002	07-11-2002	15	ICRA	A1+	6.30%
12	25-09-2002	07-11-2002	10	ICRA	A1+	6.30%
13	13-08-2002	11-10-2002	5	ICRA	A1+	6.60%
14	26-08-2002	10-10-2002	5	ICRA	A1+	6.70%
15	13-10-2002	23-12-2002	15	ICRA	A1+	6.10%
16	11-11-2002	13-12-2002	15	ICRA	A1+	5.85%
17	04-08-2004	02-11-2004	50	CRISIL	P1	5.25%

The Company had obtained a “P1+” (pronounced P One Plus) rating from CRISIL for its commercial paper programme, vide its letter dated July 8, 2002 and April 21, 2003. However, no commercial papers were issued by the Company under the aforesaid credit rating. Subsequently, vide its letter dated July 19, 2004 CRISIL downgraded the aforesaid rating from “P1+” to “P1” (pronounced P One).

Vide its letter dated March 26, 2004, ICRA has downgraded the credit rating for the commercial paper of the Company from A1+ to A1. However no commercial paper was issued by the Company under the aforesaid credit rating. Definition of rating: “A1+” (pronounced A One Plus) indicates highest safety. The prospect of timely payment of debt/obligation is the best. A1 (pronounced A One) indicates highest safety. The prospect of timely repayment of the debt/obligation is the best. (Source: ICRA).

The “P1+” and “P1” ratings indicate that the degree of safety regarding timely payment on the instrument is very strong. ‘+’ sign within a category like “P1” reflects comparatively standing within the category. On a comparative basis, “P1” is a downgrade when compared to “P1+”.(Source: CRISIL)

S. No.	Date	Upto(Rs)	Rating Agency	Rating
1	23.08.02	For existing Fixed	CRISIL	FAA

		Deposits of the Company		
2	22.05.03	For existing Fixed Deposits of the Company	ICRA	MAA-
3	05.02.04	451,423,000	CRISIL	FAA-
4	26.03.04	428,899,000	ICRA	MAA+
5	19.08.04	428,899,000	ICRA	MA+

Definition of ratings: The “FAA”(pronounced F Double A) rating indicates that the degree of safety regarding the timely payment of interest and principal is strong. However, the relative degree of safety is not as high as for fixed deposits with “FAAA” (pronounced F Triple A) rating.(Source : CRISIL)

Vide its letter dated February 5, 2004 CRISIL has downgraded the rating for the Company’s Fixed Deposits programme from “FAA” to “FAA-“. The “FAA-“ rating indicates that the degree of safety regarding timely payment of interest and principal on the instrument is strong. ‘+’ and ‘-‘ signs within a category like “FAA” reflect comparative standing within the category. On a comparative basis, “FAA-“ is a downgrade when compared to “FAA”.(Source: CRISIL)

Vide its letter reference number ICRA/CAL/RA/2002-03/021, ICRA has downgraded the credit rating of the Company’s fixed deposits from “MAA”(pronounced M Double A) to “MAA-“(pronounced M Double A Minus). The MAA and the MAA- ratings signify high safety. The prospect of timely servicing of the interest and principal as per terms is high, but not as high as the “MAAA” rating. ‘+’ and ‘-‘ signs within a category like “MAA” reflect comparative standing within the category. On a comparative basis, “MAA-“ is a downgrade when compared to “MAA”.(Source: ICRA)

Vide ICRA’s letter dated March 26, 2004, the ratings for the Company’s fixed deposit programme were downgraded from “MAA-“ to “MA+“. The “MA+” rating signifies adequate safety. The prospect of timely servicing of the interest and principal is adequate. However, the debt servicing may be affected by adverse changes in the business/economic conditions.

Minimum Subscription

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

This Rights Issue will become undersubscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The undersubscribed portion shall be applied for only after the close of the Issue.

Underwriting

This issue is not underwritten.

CAPITAL STRUCTURE

(As on March 7, 2005)

		Nominal Amount (Rs)
Authorised share capital		
70,000,000	Equity Shares of Rs. 10 each	700,000,000
Issued share capital		
51,428,000	Equity Shares of Rs. 10 each	514,280,000
Subscribed and Paid-up share capital		
51,422,097	Equity Shares of Rs. 10 each	514,220,970
Present Issue being offered to the Equity Shareholders through this draft Letter of Offer		Nominal Amount (Rs.)
12,857,000	Equity Shares of Rs. 10 each	128,570,000
		Premium (Rs)
		[•]
Paid up capital after the Issue (assuming Equity Shareholders subscribe to all the Equity Shares offered)		Nominal Amount (Rs)
		642,790,970
Share premium Account		Premium (Rs)
Before the Rights Issue		823,797,000
After the Rights Issue		[•]

Note: The difference between the issued share capital of 51,428,000 Equity Shares and the subscribed and paid-up capital of 51,422,097 Equity Shares is due to the allotment of 5903 Equity Shares of the Company being held in abeyance, pending judicial proceedings.

Current shareholding pattern of the Company

Shareholding pattern of the Company including details of holdings of Promoter Group and the subscription by the Promoters is as follows:

Shareholding pattern (Pre and Post Issue)

(on the assumption that all holders subscribe to their entitlement in full)

Category	No. of Equity Shares currently held	Percentage	New Equity Shares proposed to be allotted	No. of Shares (Post Allotment)	Percentage
Promoters and Promoter Group					
Promoters and Promoter Group	26,228,000	51.01	6,557,000	32,785,000	51.01
Sub-total	26,228,000	51.01			51.01
Non-promoter holding					
Mutual Funds and	4176028	8.12	1044007	5220035	8.12

UTI					
Banks, Financial Institutions and Insurance Companies	3719725	7.23	929931	4649656	7.23
Foreign Institutional Investors (FIIs)	1190019	2.31	297505	1487524	2.31
Private Corporate Bodies	2544919	4.95	636229	3181148	4.95
Indian Public	13393899	26.05	3348475	16742374	26.05
Non Resident Indians (NRIs) and OCBs	169507	0.33	42377	211884	0.33
Others					
Sub-total	25194097	48.99	6298524	31492621	48.99
Grand Total	51422097	100.00	12855524	64277621	100.00

Notes:

- Post Issue shareholding is based on the assumption that all shareholders (including Promoters) will subscribe to their entire rights entitlement.
- The difference of 1,476 Equity Shares between the 12,857,000 Equity Shares being offered through this Issue and the 12,855,524 Equity Shares proposed to be allotted appearing in the shareholding pattern is in respect of the rights entitlement on 5903 Equity Shares shares of the Company held in abeyance, pending judicial proceedings.

Notes to the Capital Structure

Build up of Equity Capital

Details of Capital structure of the Company since inception is as follows:

Date / Year of Allotment	No. of Shares	Face Value (Rs)	Issue Price (Rs)	Consideration	Remarks
NA	200,000	Rs.10	Rs.10	Cash	Initial Paid up
1973	2,300,000	Rs.10	Rs.10	Bonus	Bonus Shares Ratio – NA
August 13, 1973	500,000	Rs.10	Rs.30	Cash	Public Issue
1979	750,000	Rs.10	Rs.10	Bonus	Bonus Shares Ratio 1:4
1984	1,500,000	Rs.10	Rs.10	Bonus	Bonus Shares 2:5
1987	5,250,000	Rs.10	Rs.10	Bonus	Bonus Shares Ratio 1:1
April 17, 1993	10,500,000	Rs.10	Rs.30	Cash	Rights Issue Ratio 1:1
April 17, 1993	4,714,000	Rs.10	Rs.35	Cash	Shares Issued t Premium (Reserved Issue)

February 15, 1997	25,714,000	Rs.10	Rs.30	Cash	Rights Issue Ratio 1:1
Total	51,428,000				

1. The authorized share capital of the Company has been increased to 70,000,000 equity shares of Rs. 10 each aggregating Rs. 700 million through a resolution approved by the shareholders in the Extra-ordinary General Meeting held on February 2, 2005.
2. The present Issue being a Rights Issue, as per clause 4.10.1(c) of extant SEBI guidelines, the requirement of promoters' contribution is not applicable.
3. Currently, there are no shares under lock-in.
4. The Company has not availed of any bridge loans to be repaid from the proceeds of the issue.
5. The Company, Promoters, Directors and Lead Managers to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this draft Letter of Offer.
6. The Equity Shareholders do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further Equity Shares.
7. The Equity Shares offered through this Issue shall be made fully paid-up or may be forfeited within twelve months from the date of allotment.
8. The terms of Issue to Non-Resident Equity Shareholders/ Applicants have been presented under the section "Terms of the Issue" of this draft Letter of Offer.
9. At any given time, there shall be only one denomination of the Equity Shares. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
10. During the last six months, there have been no transactions on the stock exchange in the shares of the Company by the Promoter.
11. Mr. P. M. Sinha, Chairman of the Company, has purchased 7,736 equity shares of Rs. 10 each of the Company for a consideration of Rs. 671,427 on January 12, 2005.
12. No further issue of capital by way of issue of bonus Equity Shares, preferential allotment, rights issue or public issue or in any other manner, which will affect the capital of the Company, shall be made during the period commencing from the filing of the draft Letter of Offer with the SEBI till the Equity Shares issued under this draft Letter of Offer have been listed or application moneys are refunded on account of the failure of the Issue.
13. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue

of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities during the period of six months from the date of listing of the Equity Shares issued under this LoF or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.

14. The Promoters have confirmed that they intend to subscribe to the full extent of their rights entitlement in the Issue. The Promoters intend to apply for up to 2,000,000 additional equity shares (over and above their entitlement) in the Issue in case of any shortfall in subscription subject to receiving the necessary statutory approvals from FIPB, RBI and other regulatory authorities, if any. As a result of this subscription and consequent allotment, the promoters may acquire shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding. This subscription and acquisition of additional shares by promoters, if any, will not result in change of control of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. As such, other than meeting the requirements indicated in Objects of the Issue (refer “Particulars of the Issue”, page 15 of the Letter of Offer), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the promoters in this Issue, the promoter shareholding in the Company exceeds their current shareholding. However, the promoters have confirmed that in case the Rights Issue of the Company is completed with the promoters subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the “permissible minimum level” as specified in the listing condition or listing agreement, they will either individually or jointly with other promoters either (a) buy out the remaining shareholders at the price of the Issue and shall delist the Company or (b) make an offer for sale of their holdings so that the public shareholding is raised to the “permissible minimum level” within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or within such period as may be directed by SEBI or any appropriate authority. In this context, the promoters of Bata India Limited have provided following undertaking:

“We hereby undertake that, in case the Rights Issue of Bata India Limited (“the Company”) is subscribed and completed with the promoters subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the “permissible minimum level” as specified in the listing conditions or listing agreement, we will either individually or jointly with other promoters of the Company either (a) buy out the remaining shareholders at the price of the Rights Issue and shall delist the Company or (b) make an offer for sale of our share holding so that the public shareholding is raised to the “permissible minimum level” within a period of 3 months from the date of allotment in the proposed Rights Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or within such period as may be directed by Securities and Exchange Board of India (“SEBI”) or any appropriate authority”.

Top Ten Shareholders

1. As on March 5, 2005

S.No.	Name	No of Shares	%
1.	Bata (BN) B.V.	26228000	51.00
2.	Life Insurance Corporation of India	2,312,445	4.49

3.	Reliance Capital Trustee Company Ltd. A/c Reliance Growth Fund	1,400,000	2.72
4.	UTI Mastershare Unit Scheme	1,063,934	2.06
5.	Prudential ICICI Trust Limited A/c Prudential ICICI Mutual Fund – Power	912,249	1.77
6.	UBS Securities Asia Limited A/c Swiss Finance Corpn. (Mauritius) Ltd.	890,000	1.73
7.	FID Funds (Mauritius) Ltd.	589,200	1.14
8.	UTI – MNC Fund	458,218	0.89
9.	Prudential ICICI Trust Limited – Emerging Star Fund	282,000	0.54
10.	Aruna Gupta	210,175	0.40

The total number of Equity Shareholders as on March 5, 2005 is 71,728.

2. As on February 25, 2005 (10 days prior to date of filing with SEBI)

S.No.	Name	No of Shares	%
1.	Bata (BN) B.V.	26,228,000	51.00
2.	Life Insurance Corporation of India	2,312,445	4.49
3.	Reliance Capital Trustee Company Ltd. A/c Reliance Growth Fund	1,400,000	2.72
4.	UTI Mastershare Unit Scheme	1,063,934	2.06
5.	Prudential ICICI Trust Limited A/c Prudential ICICI Mutual Fund – Power	912,249	1.77
6.	UBS Securities Asia Limited A/c Swiss Finance Corpn. (Mauritius) Ltd.	890,000	1.73
7.	FID Funds (Mauritius) Limited	589,200	1.14
8.	UTI – MNC Fund	458,218	0.89
9.	Prudential ICICI Trust Limited – Emerging Star Fund	282,000	0.54
10	Aruna Gupta	210,175	0.40

3. As on February 28, 2003 (2 years prior to date of filing with SEBI)

S.No.	Name	No. of Shares	%
1.	Bata (BN) B.V.	26,228,000	51.01
2.	Life Insurance Corporation Of India	3,362,204	6.53
3.	UTI Mastershare Unit Scheme	699,211	1.35
4.	UTI Unit Linked Insurance Plan	489,634	0.95
5.	Prudential ICICI Trust Limited – FMCG Fund	448,432	0.87
6.	The Oriental Insurance Company Ltd.	269,850	0.52
7.	UTI Master Equity Plan 1995	128,625	0.25
8.	UTI – Master Equity Plan 1993	124,186	0.24

9.	B Subraya Baliga	112,100	0.21
10.	Delite Enterprises Pvt. Ltd.	100,000	0.19

The details of the Promoter and Promoter Group shareholding as on March 7, 2005 are as follows:

Shareholder	No. of Shares	Percentage Holding
Promoters		
Bata (BN) B.V.	26228000	51.01

PARTICULARS OF THE ISSUE

Objects of the Issue

The object of the Issue is to generate funds in the form of the rights issue for meeting the working capital needs of the Company, renovation and modernization of the Company operated retail stores and meeting the expenses of the Rights Issue.

A. Objects of the Issue

The requirement of funds and its means of finance are as under:

Sr	Particulars	Issue Price of Rs. 45 Rs mn	Issue Price of Rs. 54 Rs mn
1	Point of Sales Management Information System for marketing communication	40.00	40.00
2	Renovation and modernization of company operated stores	40.00	40.00
3	Meeting working capital requirements	474.57	590.28
4	Meeting expenses of the rights issue	24.00	24.00
	Total	578.57	694.28

Sr	Particulars	Issue Price of Rs. 45 Rs mn	Issue Price of Rs. 54 Rs mn
1	Rights Issue	578.57	694.28
	Total	578.57	694.28

The proceeds received from the Rights issue will be utilised as follows:

Point of Sales (POS) Management Information System

In the year 2004 the Company has commenced installation of the Point of Sales Management Information System (POS) for providing sales and inventory information across the Company's stores. The Company has successfully implemented the system in 140 retail stores till now. The objective of the POS system is to provide centralised on-line information about sales and inventory at the point of sale i.e. the Company's retail stores. Such information will enable the Company to plan production and optimize inventory levels with the help of information provided by the POS system about ongoing trends in sales and stock levels in each individual retail store. The Company has received a quotation dated March 02, 2005 from Konzern Infotech Private Limited according to which the cost of the POS system will be around Rs. 60,000 per store. The Company will utilize the proceeds of the rights issue to implement the POS system across 650-700 stores in the year 2005.

Renovation and modernization of company operated stores

The Company operated retail stores play an important role in marketing of the Company's products. In continuation of the Company's ongoing strategy to modernize and renovate the Company operated stores, the Company plans to spend an amount of Rs. 40mn towards renovating and modernizing around 200 stores in the year 2005. The stores to be renovated will be selected depending on the

location and potential of the particular retail store. An amount of Rs. 200,000 on an average is estimated to be required for renovation of each store.

Meeting/refinancing short/ medium term working capital requirements

As part of the Company's strategy to reduce and optimize costs the Company will utilize an amount of Rs. 474.57mn to 590.28mn out of the proceeds of the rights issue for meeting/ refinancing its working capital requirements.

- a) **Reducing the utilization of cash-credit facility** – The Company has been sanctioned a cash credit facility by State Bank of India. Based on the current applicable rate of interest the Company is presently paying an interest rate of 10.25% p.a. on the cash credit facilities utilized. As on March 1, 2005, the amount of cash credit facility drawn by the Company is Rs. 88 million. The Company shall utilize an amount of Rs. 80 million out of the rights issue proceeds for reducing the cash credit facility utilized by the Company. This will result in savings in interest cost.
- b) **Repayment of Creditors** – As per the audited balance sheet of the Company as on September 30, 2004, the balance of creditors for goods, services and expenses is Rs. 1760.39 mn. A significant portion of these creditors are outstanding beyond the normal credit period offered by them to the Company. Delay in payment to creditors not only adversely affects the Company's business relationship with the suppliers but also makes the Company liable to payment of interest on overdue balance. Hence the Company would like to utilize an amount of Rs. 394.57 million to 510.28 million out of the proceeds of the rights issue for repayment of overdue amounts to its creditors.

Meeting expenses of the Rights issue

The expenses for the Rights issue are estimated to be around Rs.24mn i.e. at approximately 3.5-4.1% of the issue amount. The expenses for the issue will include issue management and marketing fees payable to the Lead Manager of Rs. 11.2mn, Registrar's fees of Rs. 0.45mn, Legal Advisor's fees of Rs. 0.75mn, Auditor's fees of Rs. 0.60mn, printing and distribution costs estimated at Rs. 8mn, advertisement cost estimated at Rs. 2mn, other expenses and contingencies estimated at Rs. 1mn. The expenses for the issue will be borne out of the proceeds of the issue.

Till the funds raised in the Rights Issue are not fully deployed towards the objects of the Issue, they shall be invested in short term liquid investments /bank deposits subject to the approval of the Board of Directors on the Company.

BASIS FOR ISSUE PRICE

1. Adjusted Earnings Per Share

	EPS (Rs.)	Weight
(a) 2001	0.29	1
(b) 2002	(2.20)	2
(c) 2003	(4.69)	3
(d) Weighted Average EPS	(3.03)	

2. Price/Earnings Ratio (P/E) in relation to Issue price of Rs. 45 - 54 per share

Particulars	Rs. 45	Rs. 54
(a) Based on 2003 EPS	N.A. because of negative EPS	
(b) Based on Weighted Average EPS	N.A. because of negative EPS	
(C) Industry P/E*		
(i) Highest	25.6	
(ii) Lowest	4.6	
(iii) Average	11.9	

* Source: Capital Market dated February 28 – March 13, 2005
Industry: Leather / Leather Products

3. Comparison of key ratios with the companies of comparable size in the same industry group.

Company	Year ended	Sales Rs crs	EPS (Rs.)	P/E ratio	RONW (%)	NAV (Rs.)
Bata India	Dec 2003	674.1	(4.69)	n.a.	-14%	32.67
Lakhani India	Mar 2004	109.6	1.6	25.6	4.5%	39.9
Liberty Shoes	Mar 2004	177.2	15.9	10.1	15.7%	110.4
Mirza Tanners	Mar 2004	174.6	9.9	12.9	20.5%	50.5
Relaxo Footwear	Mar 2004	200.7	4.4	11.5	14.1%	33.8

* Source: Capital Market dated February 28 – March 13, 2005
Industry: Leather / Leather Products

The P/E ratio is based on the price as on February 21, 2005 for comparable companies.

4. Return on Net Worth

	RONW (%)	Weight
(a) 2001	1%	1
(b) 2002	-6%	2
(c) 2003	-14%	3
(d) Weighted Average RONW	-8.8%	

*Annualised

5. Minimum Return on Total Net Worth needed after the issue to maintain EPS at Rs. (-)4.69
– Not applicable due to negative EPS

6. Net Asset Value (NAV)

(a) As at September 30, 2004		Rs. 24.36
(b) After Issue	Issue Price Rs. 45	Rs. 28.49
	Issue Price Rs. 54	Rs. 30.29
(c) Issue Price		Rs. 45 - 54

In view of the reasons mentioned above and the qualitative factors given below, the Company and the Lead Managers to the Issue, in consultation with whom the premium has been decided, are of the opinion that the premium and issue price is reasonable and justified.

Qualitative Factors

- The brand 'Bata' is closely identified with footwear by consumers
 - An extensive retail network of owned and franchisee stores enables the Company to reach out to consumers across the length and breadth of the country
 - The Company's own tanneries located in Batanagar and Mokamehghat ensures uninterrupted supply of raw materials
 - Six manufacturing locations enable the Company to schedule production to meet demand for a large number and varied categories of footwear
 - Being a part of the Bata Shoe Organization gives the Company access to new designs, brands and production technologies
6. The face value of the equity shares is Rs.10. The issue price of Rs .45 – Rs. 54 is 4.5 to 5.4 times the face value.

Unaudited Working Results for the latest period

Information as required to be given vide Ministry of Finance Circular no. S2/SE/76 dated February 5, 1977 read with circular of even number dated March 8, 1977 is given below.

WILL BE COMPLETED AT THE TIME OF FILING WITH THE STOCK EXCHANGES

Share prices of Bata India Limited

1. Week ending prices for the last four weeks:

Week ended on	Closing Prices (Rs per share) as on NSE
March 4, 2005	84.40
February 25, 2005	85.10
February 18, 2005	77.60
February 11, 2005	84.50

2. Current market price - The closing price as on March 7, 2005 is Rs. 82.75
3. Highest and lowest prices of the equity shares on NSE in the period January 1, 2004 to March 7, 2005

Week ended on	Rs per share	Date
Highest price	96.25	December 27, 2004
Lowest price	38.75	March 24, 2004

TAX BENEFITS

The Company has been advised by M/s. S.R.Batliboi & Co, Auditors of the Company vide their letter dated February 21, 2005 that under the current direct tax laws, the following tax benefits *inter alia* will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implications of an investment in the shares.

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the company and the prospective shareholders under Direct Tax. The statement also takes into account the direct tax proposals contained in the Finance (No. 2) Bill, 2004.

1. To the company

- ◆ There is no additional benefit arising to the Company under the Income Tax Act, 1961, by issue of Right Equity Shares to the existing shareholders.

2. To the Members of the Company

(i) Under the Income-tax Act, 1961

Resident Members

- Under section 10(34) of the Act income earned by way of dividend from domestic company referred to in section 115O of the Act is exempt from income-tax in the hands of the shareholders.
- Under section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented Mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India after the notified date is exempt.
- In accordance with section 10(23D) of the Act, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India subject to the conditions specified therein are eligible for exemption from Income-tax on their entire income, including income from investment in the shares of the company.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under the section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt

from capital gains tax if the capital gain are invested within a period of 6 months from the date of transfer in the bonds issued by –

- National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987,
- Small Industries Development Bank of India established under Section 3 of Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under Section 10(38) of the Act] arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.
- Under Section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year 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.
- Under section 111A of the Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized stock exchange in India [after the date of coming into force of Chapter VII of the Finance (No. 2) Bill, 2004] will be subject to tax at the rate of 10% (plus applicable surcharge and educational cess on income-tax).
- Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

Non Resident Indians/ Members other than FIIs and Foreign Venture Capital Investors

- By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in section 115O of the Act, is exempt from tax in the hands of the recipients.

Tax on income from investment and Long Term Capital Gains:

- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIII of the Act viz. “Special Provisions Relating to certain Incomes of Non-Residents”.
 - Under section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under section 10(38) of the Act] be concessionaly taxed at a flat rate of 10% (plus applicable surcharge and educational cess on Income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.
- Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases
 - Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
 - Return of income not to be filed in certain cases
 - Under provisions of section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

Other Provisions

- Under section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him, instead the other provisions of the Act shall apply.

- ❑ Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- ❑ Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] arising on the transfer of shares of the company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months from the date of transfer, in the bonds issued by –
 - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987;
 - Small Industries Development Bank of India established under section 3, of Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- ❑ Under section 54AD of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] arising on the transfer of shares of the company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

- ❑ Under section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gains tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year 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.

- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act] arising on transfer of shares in the company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. However, indexation will not be available if the investment is made in foreign currency as per the first proviso to section 48 stated above, or it can be taxed at 10% (plus applicable surcharge and the education cess on income-tax) (without indexation), at the option of assessee.
- Under Section 111A of the Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized stock exchange in India [after the date of coming into force of Chapter VII of the Finance (No. 2) Bill, 2004] will be subject to tax at the rate of 10% (plus applicable surcharge and the education cess on income-tax).

- Foreign Institutional Investors (FIIs)

- By virtue of section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in section 115O of the Act, are exempt from tax in the hands of the institutional investor.
- The income realized by FIIs on sale of shares in the company by way of short term capital gains referred to in Section 111A of the Act would be taxed at the rate of 10% (plus applicable surcharge and education cess on income-tax) as per section 115AD of the Act.
- The income by way of short term capital gains (not referred to in section 111A) or long term capital gains [not covered under section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act.
 - Short term capital gains – 30% (plus applicable surcharge and education cess on income tax)
 - Long term capital gains – 10% (without cost indexation plus applicable surcharge and education cess on income-tax)

(shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] arising on the transfer of shares of the company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by –

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987;
- Small Industries Development Bank of India established under section 3, of Small Industries Development Bank of India Act, 1989.
- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] on the transfer of shares of the company, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer for one year.
- Venture Capital Companies / Funds
 - In terms of section 10(23FB) of the Act and subject to the conditions specified therein, all Venture Capital undertakings referred to in Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette and Venture Capital Companies, are eligible for exemption from income tax on all their income, including income from dividend.
- Infrastructure Capital Companies / Funds or Co-operative Bank
 - In accordance with and subject to the conditions specified in section 10(23G) of the Act income from specified investments made to a power sector company by an Infrastructure Capital Fund or Infrastructure Capital Company or Cooperative Bank on or after first day of June, 1998 is exempt from levy of Income-Tax.

However the aforesaid Income would be subjected to Minimum Alternative Tax under section 115JB of the Act.

(ii) *Under the Wealth-tax Act, 1957*

- Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth-tax Act, 1957, hence Wealth-tax Act will not be applicable.

(iii) *Under the Gift-tax Act, 1957*

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

Notes

- All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.
- **IN VIEW OF THE INDIVIDUAL NATURE OF TAX CONSEQUENCE, EACH INVESTOR IS ADVISED TO CONSULT HIS/ HER OWN TAX ADVISER WITH RESPECT TO**

SPECIFIC TAX CONSEQUENCES OF HIS/ HER PARTICIPATION IN THE SCHEME.

INDUSTRY OVERVIEW

Overview

The leather Industry in India occupies a place of prominence in the Indian economy, in view of its massive potential for employment, growth and exports. India's abundance of raw materials (10% of the world raw material) in terms of raw skins and hides and its comparatively low tanning costs makes it the second among the footwear producing countries next to China. However, India produces more of gents footwear, while the world's major production is in ladies footwear.

The domestic footwear market is highly fragmented between rural and urban sectors with large part of the market belonging to the unorganised sector. The total footwear production in India was estimated at 186 million pairs in 2003-04 by Economic Intelligence Service, Centre for Monitoring Indian Economy Pvt. Ltd. in their publication titled "Industry Market Size & Shares" dated February 2005. The value of total sales is estimated to be Rs. 53,000 million with domestic sales constituting Rs. 27,581 million of this amount in 2003-04.

In the urban markets, national and international brands are fast emerging offering the latest in fashion and comfort at competitive prices and the boom is fueled by the burgeoning retail markets. The rural market continues to be large at approximately 70% of the total market but continues to be dominated by the multiple medium-sized regional players and services through the traditional independent dealers.

Indian Footwear Industry

The Footwear Industry is a significant segment of the Leather Industry in India. India ranks second among the footwear producing countries next to China. The industry is labour intensive and is concentrated in the small and cottage industry sectors. While leather shoes and uppers are concentrated in large scale units, the sandals and chappals are produced in the household and cottage sector. India produces more of gents' footwear while the world's major production is in ladies footwear. In the case of chappals and sandals, use of non-leather material is prevalent in the domestic market.

The major production centers India are Chennai, Ranipet, Ambur in Tamil Nadu, Mumbai in Maharastra, Kanpur, Jalandhar, Agra and Delhi.

Shoes manufactured in India wear brand names like Florsheim, Gabor, Clarks, Salamander and St. Micheal's. As part of its effort to play a lead role in the global trade, the Indian leather industry is focusing on key deliverables of innovative design, consistently superior quality and unfailing delivery schedules.

The Indian footwear industry is provided with institutional infrastructure support through premier institutions like Central Leather Research Institute, Chennai, Footwear Design & Development Institute, Noida, National Institute of Fashion Technology, New Delhi, etc in the areas of technological development, design and product development and human resource development.

The availability of abundant raw material base, large domestic market and the opportunity to cater to world markets makes India an attractive destination for technology and investments.

Key statistics of the Indian footwear industry are summarized below:

	Units	2001-02	2002-03	2003-04
Production	Million pairs	170.10	178.55	185.81

Export Quantity	Million pairs	49.22	52.05	62.19
Export Value	Rs. in million	19,308	20,962	26,073
Import Quantity	Million pairs	2.37	2.75	4.54
Import Value	Rs. in million	386	414	654
Sales Value	Rs. in million	51,000	52,000	53,000
Market Size	Rs. in million	51,386	52,414	53,654
Domestic Consumption	Rs. in million	32,078	31,451	27,581

Source: "Industry Market Size & Shares" dated February 2005, Economic Intelligence Service, Centre for Monitoring Indian Economy Pvt. Ltd.

Global Footwear Trade

In 1999, the global import of footwear (leather and non-leather) in terms of value was around US\$ 43,278 million, accounting a share of 63.42% in the total global import of leather and leather products. Out of this, import of leather footwear alone accounted for US\$ 26379 million and non-leather footwear US\$ 16899 million.

Export

India's export of footwear touched Rs. 26,073 million in 2003-04, recording an increase of over 30% as compared to the preceding year. The major markets for Indian Leather Footwear are the U.K., the U.S.A., Germany, Italy, France and Russia. Nearly 71% of India's export of Leather Footwear is to Germany, the U.S.A., the U.K and Italy.

In 1999-2000, export of leather footwear from India constituted 21% share of its total export of leather and leather products. Nearly 33 million pairs of various types of leather footwear were exported during the year, out of which shoes / boots constituted 90%.

The different types of leather footwear exported from India are dress shoes, casuals, moccasins, sport shoes, horrachies, sandals, ballerinas, booties.

Supply and demand

Almost 70 % of the above mentioned market is rural which is largely serviced by the local or regional small-scale manufacturers, offering the price sensitive functional or utility footwear for the masses. The manufacturing remains localized primarily because of the regional or local preferences and seasonality, lack of proper distribution network consequently impacting adversely on prices to the end consumers.

In contrast the urban market is rapidly changing with the advent of new format retail stores and international influence through Brand Marketing. Prices continue to be the dominant factor for the vast majority, but the younger consumers are becoming more and more fashion and comfort conscious.

This market is catered to by both the regional unorganized and organized manufacturers. The organized sector operate at a national or regional levels in a marketing mix of both Retail and Wholesale. Bata India continues to be the largest manufacturer and marketer followed by like of Action, liberty, lakhani,

M & B footwear, Paragon, Ajanta, Khadim, Metro, Regal etc. This market too continues to be dominated by the utility footwear followed by daily office or school uniform shoes.

Organization of the industry

The Industry both at manufacturing and marketing sides continues to be fragmented into multiple regions. This is largely because of the large size of the country resulting in local preferences due to the economic, social and seasonal factors and absence of a proper distribution network. Almost 70% of the industry belongs to the rural segment, which is serviced by the unorganized sector. The urban market is undergoing a large metamorphosis with the advent of new retail formats and Brands and is serviced by both the organized and unorganized sector.

Regulatory framework

The footwear manufacturing industry is governed by all the regulations relating to other industries viz.

1. Central Excise and Customs
2. Factories Act and Labour laws.
3. Environment Control Acts.

On the marketing side it is governed by the Central and State Sales Tax Acts, Standards of Weights and Measures Act and the Shops and Establishments Act.

Besides above there are specific state sponsored association and bodies viz. Council for Leather Exports, Central Leather Research Institute, Footwear Design and Development Institute which promote the industry for specific purpose.

Recent Policy Initiatives

Specific Industry Associations viz. Council for Leather Exports, Central Leather Research Institute, Footwear Design and Development Institute declares various schemes on an ongoing basis to promote specific activities viz. Export promotion, Training Design Inputs , etc.

The States Governments of Himanchal Pradesh, Uttranchal, Jammu and Kashmir and Assam are promoting manufacturing by offering Tax holiday for a period of ten years on full Excise duty and Income Tax and a subsidy in sales Tax, Land/ Building and Plant/ Machinery.

HISTORY AND BUSINESS OF THE COMPANY

Brief History

The Company was originally incorporated as Bata Shoe Company Limited on December 23, 1931 under Indian Companies Act, 1913 for the purpose of manufacturing and marketing of all types of footwear, footwear components, leather and products allied to the footwear trade. Subsequently, the Company changed its name to “Bata Shoe Company Private Limited” on April 6, 1956 upon conversion into private company. The Company changed its name from “Bata Shoe Company Private Limited” to “Bata Shoe Company Limited”, upon conversion to a public company on April 18, 1973. The name was once again changed to the current name, i.e. Bata India Limited, on April 23, 1973.

The Company was promoted by Leader A.G., St. Moritz, Switzerland, a member of the multinational Bata Shoe Organisation (BSO) with a 100% Equity Shareholding, and consequently, the Company too is a member of the BSO. The BSO consists of independently run companies operating in several countries across the world. Bata Limited, Toronto, Canada acts as the headquarters of BSO. Bata Shoe Organisation provides an important interchange of new manufacturing technologies, machine design, factory lay-out plans advertising market forecasts, fashion trends, modern marketing techniques, new material testing and also information on the most advanced machinery and technology for production of shoes are made available to the Bata group of companies, including Bata India Limited.

On April 23, 1973, the name was changed to Bata India Limited. On June 25, 1973, the Company made its first public issue of shares.

Key Milestones

Date/Year	Event
1894	The Bata Shoe Organisation was founded by Tomas J. Bata, a ninth generation shoe maker
1931	The Company was incorporated in India.
1933	The production of footwear commenced in a rented premises at Konnagar, a few miles away from Kolkata, where for the first time rubber and canvas shoes were manufactured in India.
October 28, 1934	The foundation stone was laid on land purchased from the Port Commissioners and small landowners in the outskirts of Kolkata and the first manufacturing unit was set up, at a place now known at Batanagar. The factory shifted from Konnagar to Batanagar.
1936	The construction work at the Batanagar factory was completed, and factory operation shifted from Konnagar to Batanagar. Towards the end of 1936, the factory produced leather footwear for the first time.
1937	Batanagar tannery became operational towards the end of 1937
1939	The Batanagar factory was complete in terms of every activity related to footwear. The Batanagar township grew to become self-sufficient with the acquisition of more land and the erection of schools, places of worship, hospitals, entertainment and recreational centres.
1940 – 45	During the World War II the factory's production was geared to meet war requirements.
1942	A footwear manufacture plant, a machinery department was set up at Batanagar, which produced the first India-made major shoe machine.

	Simultaneously, several auxiliary departments were started. This was followed by the setting up of the factory at Bataganj, Bihar.
1950	Bata successfully launched the brand 'Hawai'.
1951	The rubber/canvas factory was set-up at Faridabad, Haryana.
1952	One of Asia's largest tanneries was set-up at Mokemehghat, Bihar.
1988	The Bata factory was set-up in Peenya, Bangalore.
1994	The Company's factory at Hosur in the State of Tamil Nadu became operational, which was originally an Export Oriented Unit, but now caters to the domestic Indian market
1993	Batanagar factory became the first Indian shoe-manufacturing unit to receive the ISO 9001 certification.

Main Objects of the Company

The main objects of the Company as detailed in its MoA are:

- To carry on business as boots and shoes manufacturers and dealers, leather merchants and manufacturers, leather dressers, tanners, dealers in hides and skins and other materials, manufacturers of and dealers in rubber goods.
- To carry on the business of manufacturers and dealers in machinery for the production of boots and shoes and other leather and rubber goods and to carry on all business connected therewith.
- To establish and maintain shoe-repair shops and/ or orthopaedical departments.

Changes to the main object of the MOA

There have been no changes to the main object of the MOA since the date of incorporation.

Business of the Company

Bata India Limited manufactures and markets all types of footwear, footwear components and leather. In addition, the Company markets products related to footwear, accessories, garments, sports goods and other merchandise.

The production units of the Company are situated in Batanagar (West Bengal), Faridabad (Haryana), Bataganj (Bihar), Mokamehghat (Bihar), Bangalore (Karnataka) and Hosur (Tamil Nadu). The Company owns or operates number of national brands and international brands which belong to the global BSO. As per the international marketing principles and philosophy, the Company markets its footwear and allied products according to the customer profile and the market segment that it targets.

Raw Materials used by the Company

The major raw materials used by the Company are raw hides, rubber, textiles, packaging material and chemicals. Out of these the major raw materials imported are chemicals like polyurethane resin, polychloroprene rubber, polyamide resin and wattle extract solid / powder.

Process and Technology

BIL has a tannery where raw hides procured from various sources are first soaked with lime and then pre-tanned with aluminium syntans and chrome to allow chrome penetration throughout the cross

section of the leather. Splitting, shaving, pasturing, drying and colour coating are then undertaken to make the leather fit for shoe manufacturing.

Shoe making basically can be described in two parts: (a) making of upper and (b) making of soles. Leather, with the aid of various cutting and stitching machines ensuring minimum wastage of leather, is given the desired shape. The sole is prepared by moulding rubber or polyurethane or PVC, or cutting leather which is fixed with the uppers by the “stuck-on” or stitching process. However, in case of sports shoes, the uppers are made out of a combination of PVC, foam canvas and leather. In the Direct-Injection process, the upper is placed on a last over the sole mould and the heated soling material (PVC or polyurethane) is injected into mould.

The technology is fairly labour intensive. However, an improved output is sought to be ensured by introducing oval shaped rink assembly line in terms of time spent on movement of operators.

Installed Capacity and Capacity Utilisation

The installed manufacturing capacity of the Company plants are categorized into Rubber & Canvas Footwear, Leather Footwear and Finished Leather from Hides.

		2001 (in '000s)			2002 (in '000s)			2003 (in '000s)		
		Install ed Capac ity	Licenc ed Capacit y	Actual Produc tion	Instal led Capa city	Licen ced Capa city	Actual Produc tion	Instal led Capa city	Licen ced Capa city	Actual Produc tion
Rubber & Canvas Footwe ar	Pairs	42,50 0	42,500	20,248	42,50 0	42,50 0	24,922	42,50 0	42,50 0	21,726
Leather Footwe ar	Pairs	20,25 6	15,637	10,716	20,25 6	15,63 7	11,796	20,25 6	15,63 7	10,797
Finishe d Leather From Hides	Pieces	1,596	1,147	778	1,596	1,147	761	1,596	1,147	635

Brands

Besides the eight internationally renowned brands, which include Bata, Hush Puppies, Marie Claire, Bubble Gummers, Power, Sandak, North Star, Weinbrenner, the Company also offers a wide range of domestic labels like Quovadis, Jubilee, Featherlite, Ambassador, Signor, Hawaii, Naughty Boy, Tennis, etc.

The following brands are owned by Wolverine World Wide Inc.: Hush Puppies, Dog Likeness, Bounce & Design, Comfort Curve and Body Shoe. Vide Clause 10.1 of the Know-how and Footwear

Manufacturing License Agreement dated November 24, 2000 entered into by the Company with Wolverine World Wide, Inc., the royalty(net of taxes) payable by the Company is 5% of the ex-factory cost of footwear sold bearing any of the aforesaid trade marks, and 5% of the Ex-Factory cost of footwear purchased from third party manufacturers for resale within the Republic of India. Further, vide Clause 10.2 of the said agreement, a lumpsum fee of US\$ 630,000 is also payable. The Agreement is valid till March 26, 2005.

The following brands are owned by Scholl Plc: “Dr. Scholl” and “Scholl”. Vide Clause 15 of the Memorandum of Agreement dated May 14, 1997 with Scholl PLC, the Company shall, subject to deduction of income-tax at source, pay a royalty of 5% of the net sales (to be calculated in the manner provided therein), on basis of actual marketable pairs. The said agreement is valid till May 13, 2005.

Marketing Setup

The marketing division of Bata employs around 4,400 persons directly. In addition to selling footwear manufactured in its factories, the Company also markets footwear, accessories and other merchandise purchased by it from contract manufacturers.

The marketing division is divided into two segments:

- **Retail**

This segment primarily looks after the marketing efforts of the Company operated outlets. For greater efficiency and coordinated marketing efforts, this segment is further sub-divided into two groups;

- **Flagship City**

This group caters to the higher end products and to premier dealer outlets

- **Family & Bazaar**

This group caters to the economy products and are more dependent on sales volumes. This group accounts for over 80% of the Company’s sales in volume terms.

- **Non-Retail**

This segment caters primarily to the non exclusive dealer outlets which market the Bata range of products. This segment is sub-divided into two groups:

- **Exports**

This group looks after export efforts of the Company.

- **Wholesale**

This group looks after sales carried out through non exclusive dealers across the country.

The marketing department is divided into four zones with a Senior General Manager responsible for each zone. Each Senior Zonal Manager has a Business Development Manager and several District Managers under him to help market the Company products.

Advertising and Sales Promotion

The Company has an advertising and sales promotion department to look after sales promotions, brand management and other marketing tools engaged by the Company to aid its product marketing efforts. This department works closely with both the Retail and well as Non Retail segments of the marketing division of the Company.

Distribution Channels

Bata India markets its products through three distinct channels.

- **Company operated retail outlets**

The Company operates its own retail network of over 1,100 retail stores spread across the country. These outlets are serviced through six distribution centres spread out geographically and each responsible for a particular region. The process flow begins with the transportation of the finished products from the Company's manufacturing units and contract manufacturers' plants to the distribution centres through the services of third party carrying and forwarding agents. The distribution centres in turn transport these products to the Company operated retail outlets based on specific demand requirements. These retail outlets are manned by the Company's employees and exclusively market the Company's footwear brands.

As part of its strategy to provide complete footwear solutions to customers, the retail outlets also market accessories like shoes laces, socks, shoe polish. In certain outlets, the Company also provides cosmetic services like pedicures, etc.

Out of the 1,100 retail stores, the Company has designated 84 stores as factory outlets which are used to sell merchandise at marked down prices. These factory outlets are used primarily by the Company to sell surplus or non-moving products and factory seconds stocks.

Institutional sales as well as supplies to the civil and defence agencies are also taken care of through the Company's distribution network. The Company has designated specific senior managers to oversee the marketing to this segment of buyers. The requirements are directly supplied from the Company's distribution centres.

- **Dealer Network**

The Company also uses the dealer network of the footwear industry to market its products. Through this channel, the Company supplies its products to non-exclusive wholesale distributors who in turn distribute the Company's products to independent dealers across the country. The dealers covered under this channel are non-exclusive Bata dealers and hence sell footwear and related products of other companies also.

- **Market Extension Programme**

The Company is undertaking steps to generate volume business in semi-urban markets and markets which are un-represented and under-represented footwear markets, pursuant to its Market Extension Programme, through authorised Bata dealerships. Under this programme, the Company appoints authorised dealers, subject to certain selection criteria who run outlets which exclusively market the Company's products and adhere to rules and regulations of the Company. As on date, there are 470 such outlets in the country. The dealer outlets are not manned by Bata employees but are manned by the employees of the private dealer.

Exports

The Company exports footwear to countries like United Kingdom, Middle East, France, Papua New Guinea and Singapore. Exports are primarily bucketed into exports to BSO companies and non BSO markets. In recent times sales to BSO companies has reduced to marginal amounts.

Non BSO operations can broadly be classified into three geographically defined groups:

- **United Kingdom**

This is the largest export market for the Company with canvas shoes being the main product exported. The exported products are supplied direct to leading retail chains in the UK who sell these products under their own brand name rather than that of Bata.

- **South-East Asia and Pacific Rim Countries**

The major products exported to these markets is the Bata Hawaii range of chappals /slippers. The products are sold directly to leading retail chains and under the Bata brand name.

- **Middle-East Asia**

Major products catering to this export market are leather shoes and chappals. The Company markets these products to wholesalers in the respective markets and under its own brand name.

Quality Control and Repairs

All products produced at the Company's manufacturing units are checked for quality adherence before they leave the factory premises. The techniques used for quality checks include sampling and physical tests. The merchandise are again physically tested for quality adherence by the store managers at each retail outlet. The Company estimates that no more than 1% of the total produce of the Company contains manufacturing defects leading to rejection.

Retail outlets and dealers have been empowered by the Company to repair the Company's products using local resources for which they are reimbursed by the Company.

Marketing Initiatives of the Company

In addition to products manufactured by it, the Company also sells footwear, accessories, garments etc. manufactured by international and domestic agencies/ entities. The Company has entered into an arrangement with international shoe-manufacturers such as Reebok, Adidas, M&B Footwear Private Limited, Tej International Private Limited, Sierra Industrial Enterprise Private Limited for marketing their products through the Company's retail outlets. The Company has entered into following key arrangements:

- **Reebok:** Under this arrangement, the Company will purchase shoes from Reebok as per its requirement and earn a gross margin of 36% of the retail price.
- **Adidas Marketing Private Limited:** Adidas Marketing Private Limited has agreed to provide the Company with its products in footwear, apparel, accessories at a Gross margin of 40% for footwear and 42% for apparel and accessories. Margins offered to Bata are subject to change in event of changes in the tax structure and business scenario.
- **M&B Footwear Private Limited:** M&B footwear Private Limited to provide the Company on an outright sale basis stocks of its brands "Lee Cooper" and "ID" at a margin of 40% of the retail price. M&B Footwear would advertise and promote Bata as its business partner. The term of this arrangement extend for three year starting April 30, 2003.
- **Sierra Industrial Enterprise Private Limited:** Sierra Industrial Enterprise Private Limited has agreed to supply the Company their products "Lotto", which launched in almost 50 flagship stores of Bata by mid-February 2005 and is expected to reach 250 stores by mid-August 2005. Bata has agreed to purchase the products at an agreed Gross margin of 42% of the Retail price.

- **Planet Sports Private Limited:** The Company has entered into a Consignment Agreement dated February 29, 2004 for a period of three year extending till February 29, 2007 with Planet Sports Private Limited for supply of footwear, apparel and accessories by the brand name “PUMA” at the maximum retail price or at a discounted price as provided by Planet Sports Private Limited and Bata will be entitled to a commission of 35% on the sales net of taxes.

COLLABORATIONS

Technical

The Company has entered into a Know-how and Footwear Manufacturing Licence Agreement dated November 24, 2000 and a Trademark Licence Agreement dated December 28, 1995, both with Wolverine World Wide, Inc., State of Delaware, United States of America. By these agreements, Wolverine World Wide has granted BIL an exclusive, non-transferable license to manufacture the footwear for men, women and children in accordance with the technical know-how granted by it pursuant to these agreements. Bata was also granted exclusive right to sell the footwear so manufactured bearing the trademark “Hush Puppies”, “Dog Likeness”, “Bounce & Design”, “Comfort Curve” and “Body Shoe”. In consideration of the supply of technical know-how and trademark licence, the Company pays to Wolverine World Wide, net of taxes, royalties of (a) in the case of products purchased from third party manufacturers for resale in India, five percent of the ex-factory cost (b) in the case of products manufactured by the Company, five percent of the Company’s ex-Factory cost; and (c) a lumpsum fee of US\$ 630,000. The Agreement continues in force and effect until March 26, 2005.

Wolverine World Wide, Inc. is a leading designer, manufacturer and marketer of a broad line of quality casual shoes, rugged outdoor and work footwear, and constructed slippers and moccasins. The Company’s global portfolio of owned and licensed brands includes: Bates, Hush Puppies, Sebago and Wolverine. The Company also operates a retail division to showcase its brands and branded footwear from other manufacturers, a tannery that produces Wolverine Performance Leathers™ and an apparel and accessory licensing division to extend its owned brands into product categories beyond footwear. Wolverine World Wide Inc. has its corporate headquarters in Rockford (Michigan, USA). The company had consolidated revenues of USD888.92 million for fiscal 2003. The company’s share capital consists of common stock of US\$46.66 million (Source: 2003 Annual Report of Wolverine World Wide Inc.)

The Company has entered into a Memorandum of Agreement dated May 14, 1997 with Scholl Plc, England, for supply of technical know-how and use of the ‘Scholl’ Trademark. Scholl has granted Bata a licence to sell footwear utilising the technical know-how and/or inventions owned and/or created by Scholl in compliance with the standards of Scholl. The Company, in consideration of receiving the technical know-how and other rights granted under the agreement, has agreed to pay royalty to Scholl at the rate of 5% of the net sales (calculated in the manner provided therein) of the actual marketable pairs. The Agreement specifically stipulates that Bata will sell the Scholl range of products only through its retail outlets. The said agreement is valid till May 13, 2005.

The Company has also entered into a Technical Collaboration Agreement dated December 29, 2000 with Bata Limited, Canada for a period of ten years to provide the services in the nature of (i) engineering services; (ii) construction and architectural services; (iii) research and development services; (iv) testing and quality control services; (v) footwear technology and general technical services; (vi) environmental, health and safety services; and (vii) brand development services on request by the Company. In consideration of Bata Limited, Canada providing the above mentioned services to the Company pay the royalty net of taxes amounting to i) Royalty of 1.5% of the gross turnover of the Company on domestic sales; and ii) Royalty of 1.5% of the gross turnover of the Company on export

sales, however, the total fee in any one calendar year is capped US\$ 2 Million. However, the terms of this agreement have been modified vide letter No. 120(2000)/564(2000)/PAB-IL dated December 13, 2004, wherein the cap of US\$ 2 million has been removed.

Strengths, Weaknesses, Opportunities and Threats

Strengths

- The brand 'Bata' is closely identified with footwear by consumers
- An extensive retail network of owned and franchisee stores enables the Company to reach out to consumers across the length and breadth of the country
- The Company's own tanneries located in Batanagar and Mokamehghat ensures uninterrupted supply of raw materials
- Six manufacturing locations enable the Company to schedule production to meet demand for a large number and varied categories of footwear
- Being a part of the Bata Shoe Organization gives the Company access to new designs, brands and production technologies

Weaknesses

- The Company has a large labour force resulting in high employee costs
- The Company has been in existence for more than seven decades and faces a challenge in switching to new production technologies

Opportunities

- India is a very large market and offers good demand potential for footwear which is an item of mass consumption
- Low per-capita footwear consumption in India provides opportunity to the Company which has large production capacity spread over six locations
- The Company sees potential in leveraging the 'Bata' brand for marketing other merchandise consumer products

Threats

- The Company faces competition from the unorganized market which is able to sell footwear at low cost due to lower overheads and manufacturing costs
- Opening of the Indian market to imports has resulted in the Company facing competition from cheap imports

Strategy of the Company

The Company's management has evolved the strategy of the Company after considering the Company's strengths and weaknesses. The Company believes that this strategy will enable the Company to build on the opportunities in the market.

Cost optimization and margin improvement

The Company is focusing on margin improvement and cost effectiveness programmes which have started yielding results. The Company has initiated strict control on costs in purchases and outsourcing and is looking at global sourcing for raw materials to improve the net realization. The Company has also been clearing old merchandize through discount sales, write-offs, etc. which will enable it to focus on improving sales.

Logistics and demand based production

To optimize utilization of production facilities a new logistics team focuses on obtaining specific orders from the market for best selling designs and sizes and ensures that all raw materials are available in the factories well in time so that the Company can produce and place in shops the products that consumers want. Thus the Company has been focusing on consumers and market demand which will reduce inventories and improve sales-to-stock turnover. The Company has closed five depots and converted them into C&F (carrying and forwarding) agents. It is also renegotiating transport costs to ensure a competitive transportation cost of the Company's products to the sales outlets.

Tax-free zone manufacturing base

A part of the outsourcing of manufacturing is now routed by the Company from contract manufacturers based in Himachal Pradesh and Uttaranchal which are both states offering concessions in excise, sales tax and corporate tax. The Company is also looking at and negotiating with third party manufacturing facilities in two other tax-free states of Assam and Jammu and Kashmir. The Company is thus aiming to maximize its margin improvement programme.

Rationalizing and re-engineering

As part of the rationalization of work practices, processes and modernization the Company offered Voluntary Retirement Scheme (VRS) to its work force. 1520 employees have accepted the VRS in year 2004. The Company plans to introduce a new VRS in year 2005. The VRS is expected to reduce the Company's employee cost in the medium term. The Company has modernized seventeen stores, opened twenty new stores and closed down sixty unviable stores.

Focus on collecting old outstanding dues

The Company's sales team is fully focused on collecting old outstanding amounts from wholesalers thus reducing working capital. The Company is adopting a dual policy to collect the old outstanding. On one hand the Company is negotiating settlement with the wholesalers and offering discounts to those willing to pay the reduced amount. At the same time the Company is filing legal cases against those who are not willing to settle and pay.

Training and restructuring the frontline sales force

The Company has reorganized its front line sales force and has promoted its best performing shop managers as district managers. It has undertaken an intensive training programme for its shop assistants and managers to ensure excellence in service to the customers. The Company has also undertaken a rural marketing thrust where the market is growing faster than the urban markets. The Company is bringing in young managers with fresh ideas to inspire and empower the workforce with the requisite skills.

Brands and designs

The Company is consistently trying to leverage on its established brands like Mocassino, Super Stride, Quo Vadis, Jubilee etc. at the same time create a niche for its new brands like Azaleia, Toppers, Bubblegummers, Weinbrenner and Power International. The Company has been focusing on specialty value added products for better margins. It has been continuously introducing new designs in shoes for men, ladies and children. The Company is endeavouring to break the myth of the price factor, by introducing an economy range of products that will encompass both style and quality.

Borrowings of the Company

The shareholders of the Company have in the Annual General Meeting held on June 17, 2004, given the authority to the Board of Directors to borrow up to Rs.1,000 mn against the security of the Company's assets.

Details of the borrowing of the Company – Secured and Unsecured loans is given in the Section titled “Financial Performance of the Company” on page 60 of this draft Letter of Offer.

Employees and Industrial Relations

At Batanagar, the biggest and oldest plant of the Company is located. This unit has witnessed its last industrial unrest in 1992, when there was a strike from January 3 to May 25. This strike was resolved through tripartite settlement for a term of three years, which expired in 1995. The next settlement of wages was signed at a bipartite level, without disruption of work by a long-term agreement with Bata Mazdoor Union representing employees of Batanagar and Calcutta offices.

During the years 2002, 2003 and 2004, the Company has entered into agreements with its eight recognised trade unions wherein the Dearness allowance was capped. The Long Term Agreements were concluded with the trade unions of Shop Employees and Factories located at Bataganj, Mokamehghat, Batanagar, Faridabad, Peenya and Hosur. In addition, the agreements with the All India Bata Shop Managers’ Union and the All India Bata Shop Employees Union were also concluded in January 2004. The Company’s agreement in relation to its Faridabad factory is due to expire on April 29, 2005.

Employee Categorisation

Employees of the Company are categorized along the following grades, in descending heirarchical order:

- Directors
- Senior Managers (Senior Vice President, Vice President, General Manager)
- Middle Managers
- Junior Managers
- Selling personnel
- Shop Managers
- Shop Employees

Additionally, the Company employs direct and indirect workmen on its factory sites. The number of permanent employees currently on the payroll of the Company is 9,969 as on January 31, 2005.

Training and Human Resource Development

The Company lays a great deal of emphasis on training and updating skills of its employees. To facilitate this process, the Company maintain training facilities at its factory at Batanagar. Training is imparted to employees both in the classroom as well as on the shop floor. Key programs conducted by the Company include:

- Regular training for Management Trainees conducted over a period of one year, including six months on-job and six months in allied fields for the employees
- Storemanco training for newly recruited/ promoted Shop Floor Managers conducted every two months
- Managerial skill development programs for newly recruited District Managers on a quarterly basis
- Mandarco training for middle management level employees to impart basic managerial skills
- Workers training program to provide on the job training for basic shoe making to direct workers in the Company’s factories.

Trade Unions

The Company has eight trade unions. The Company enjoys good relations with these Trade Unions and the Company has not declared any strike or lock-out for the past three years.

Property

The Company holds property including factories, godowns, depots, retail distribution centres, retail shops, office premises and living quarters.

The land on which the Company's factories are located has been acquired by the Company on ownership / long term lease basis. The Company's factories are located at the following places:

1. Batanagar, 24 Parganas (S), West Bengal.
2. Bataganj, Patna, Bihar.
3. Faridabad New Industrial Town, Faridabad, Haryana.
4. Peenya Industrial Area, Bangalore, Karnataka.*
5. Batashatak, Sipcot Industrial Complex, Phase I, Hosur, Tamil Nadu.
6. Mokamehghat, Hathidah, Bihar.

*However, in relation to a part of the land situated at Peenya admeasuring 6832 square meters of the 26,744 square meters on which the Company's retail distribution center adjoining its factory is situated, the Company had entered into a 11-year lease deed with the Karnataka Industrial Areas Development Board dated June 16, 1993. The said lease deed has since expired, and the Company is in the process of signing the sale deed with the Karnataka Industrial Areas Development Board in relation to the said land.

Apart from the above, the Company has 1625 properties, out of which (i) 21 properties are on ownership basis; (ii) 18 properties are available under registered lease deeds; (iii) 226 properties are available under an unregistered lease agreements; (iv) 695 are available on monthly tenancy basis; and (v) 665 properties by way of exchange of letters.

Subsidiaries of Bata India Limited

Bata Properties Limited (BPL)

BPL is a wholly owned subsidiary of Bata. BPL was originally incorporated on August 14, 1987 as Chandil Properties Private Limited. The Company's name was subsequently changed from Chandil Properties Private Limited to Bata Properties Limited, consequent to which the Registrar of Companies, West Bengal issued a fresh Certificate of Incorporation dated September 20, 1990.

The main object with which BPL was incorporated was to carry on the business as dealers, owners and investors in land and building.

In the year 1990, the Company and BPL entered into a Scheme of Arrangement sanctioned by the Calcutta High Court with effect from July 1, 1990, whereby the Real Estate Division of the Company consisting of properties situated at Calcutta, Raigunj, New Delhi, Agra and Kanpur were transferred to BPL. BPL, as consideration for the transfer, issued 5,250,000 equity shares to the Company of Rs. 10/- each, credited as fully paid-up. The said properties were transferred to BPL for better development and management of the property.

By another Scheme of Arrangement sanctioned by the Calcutta High Court with effect from November 1, 1991, whereby further properties belonging to the Company and situated at Uttar Pradesh, Jaipur, Chandausi, Calcutta and Jabalpur, were transferred to BPL. BPL, as consideration for the transfer, issued 3,600,000 equity shares to the Company of Rs. 10/- each, credited as fully paid-up.

BPL's subsequently reduced its share capital from Rs. 88,510,000/- consisting of 8,851,000 equity shares of Rs. 10/- each to Rs. 48,510,000/- consisting of 4,851,000 equity shares of Rs. 10/- each. This reduction was sanctioned by the Calcutta High Court vide its Order dated September 18, 1995.

Currently, BPL is engaged in the business of development, improving, and effectively utilising the properties of Bata in a planned manner and to acquire further properties for development of retail business of Bata throughout India.

Board of Directors

The Board of Directors of BPL as on January 31, 2005 consists of:

- Mr. S. J. Davies;
- Mr. Pradip Kumar Nag; and
- Mr. Hemant Sultania

Shareholding Pattern

The entire shareholding of BPL is held by Bata India Limited.

Financial Performance

The financial performance of BPL for the last 3 years is as follows:

Rs. in millions, unless otherwise indicated

Particulars	CY2001	CY2002	CY2003
Sales & Other Income	0.401	37.733	32.655
PAT	0.094	32.578	30.061
Equity Capital	48.510	48.510	48.510
Reserves *	4.360	6.938	11.053
EPS(Rs.)	0.02	6.72	6.20
Book Value(Rs.)	10.89	11.42	12.27

* Net of revaluation reserves and misc. expenditure not written off

Coastal Commercial and Exim Limited (CCEL)

CCEL was incorporated as Coastal Commercial & Exim Private Limited on October 11, 1991. The company's name was changed to Coastal Commercial & Exim Limited, for which the Registrar of Companies, West Bengal issued a Fresh Certificate of Incorporation dated September 6, 2001.

The main objects of CCEL is, inter alia, to carry on business as Exporters, Importers, buyers, traders, suppliers, and merchants.

Board of Directors

The Board of Directors of CCEL as on January 31, 2005 consists of:

- Mr. Pradip Kumar Nag, Chairman;
- Mr. M. J. Z. Mowla;
- Mr. Hemant Sultania

Shareholding Pattern

The entire shareholding of CCEL is held by Bata India Limited.

Financial Performance

The financial performance of CCEL for the last 3 years is as follows:

Rs. in millions, unless otherwise indicated

Particulars	CY2001	CY2002	CY2003
Sales & Other Income	0.48	0.48	0.48
PAT	(0.059)	(0.203)	(0.091)
Equity Capital	0.024	0.50	0.50
Reserves *	0.043	(0.159)	(0.251)
EPS(Rs.)	(25)	(4.07)	(5.02)
Book Value(Rs.)	35	7	5

* Net of revaluation reserves and misc. expenditure not written off

MANAGEMENT OF THE COMPANY

Board of Directors

The Board meets with the requirements of corporate governance and it consists of a majority of independent directors.

Sr. No.	Name of the Directors	Date of Appointment	Residential Address	Other Directorships
1	Mr. P. M. Sinha Chairman	April 16, 2004	B-787, Sushant Lok-I, Gurgaon 122002	Wipro Limited Indian Oil Corporation Limited ICICI Bank Limited Lafarge India Private Limited
2	Mr. Marcelo Villagran Bravo Managing Director	February 11, 2005	Bata House, Gurgaon Mahrauli Road, Sector 17, Gurgaon 122 002	None
3	Mr. Pradip Kumar Nag Deputy Managing Director	August 24, 2001	110, Southern Avenue, 4 th floor, flats 1 and 2, Kolkata - 700 029	Bata Properties Ltd. Coastal Commercial and Exim Ltd.
4	Mr. Jaswant Singh Director – Marketing and Commercial	August 1, 2002	3, Coral Court, SL Towers, Sector 28, Gurgaon, Haryana.	None
5	Mr. Shaibal Sinha Director - Finance	February 2, 2005	306 A, Beverly Park, Part – I, Gurgaon	None
6	Mr. Constantin Salameh	March 10, 2004	Les Esserts, CH-1279, Bogis-Bossey, Switzerland	Junior Achievement, Switzerland Connect Swiss
7	Mr. V. Narayanan	January 2, 1995	Flat No.19, The Manor, No.1 Cenotapah, Second Street, Teynampet, Chennai – 600018	Ponds Exports Limited M M Forgings Limited Hindustan Lever Limited Samcor Glass Limited UCAL Fuel Systems Limited. Foster's India Limited Chemplast Sanmar Limited FAL Industries Limited Glaxo SmithKline Pharmaceuticals Limited Rane (Madras) Limited Lafarge India Private Limited Samtel Color Limited Tamilnadu Newsprint & Papers Limited Sundram Fasteners Limited

8	Mr. A.K. Thakur Nominee Director – UTI	December 11, 1996	Flat No.71, Sai Kala Co-Operative Housing Society Limited, Sai Kala Building, Plot No. 22 – 23, Sector 30, Vashi, Navi Mumbai, –400 703	Punjab Tractors Limited UTI Securities Limited Indo Rama Cement Limited GPI Textiles Limited
9	Mr. N. Sankar	February 2, 2005	9, Cathedral Road, Chennai – 600 086	1. Sanmar Engineering Corporation Limited 2. AMP Sanmar Life Insurance Company Limited 3. Sanmar Holdings Limited 4. SHL Securities (Alpha) Limited 5. NS Family Investments Private Limited 6. NS Family Consolidations Private Limited 7. The India Cements Limited 8. F.L. Smidth Limited 9. SHL Research Foundation 10. Chennai Willingdon Corporate Foundation 11. Chennai Heritage 12. Madras Diabetes Research Foundation 13. FFE Minerals India Private Limited
10	Dr. Amit Mitra	February 2, 2005	Federation House, Tansen Marg, New Delhi 100 001	1. Gas Authority of India Limited 2. UTI India Fund 3. Steel Authority of India Limited 4. Principal PNB Asset Management

Board Committees

1. Audit Committee

The Audit Committee of the Company presently consists of the following members:

- | | | |
|---------------------|----|-----------------------------------|
| (a) Mr. V Narayanan | .. | Independent Director and Chairman |
| (b) Mr. P M Sinha | .. | Independent Director |
| (c) Mr. C Salameh | .. | Non Independent Director |
| (d) Mr. A K Thakur | .. | Independent Director |

The Audit Committee of the Company meets at least three times a year in the following pattern. One meeting is held before finalisation of annual accounts and one every six months. During the financial year ended December 31, 2004, the Audit Committee met on the following dates:

March 10, 2004
April 20, 2004
July 7, 2004
October 19, 2004

The Audit Committee has been vested with the following powers:

1. to investigate any activity within its terms of reference;
2. to seek information from any employee;
3. to obtain outside legal or other professional advice; and
4. to secure attendance of outsiders with relevant expertise, if it considers necessary.

Term of reference

The Audit Committee reviews the Reports of the Internal Auditor with the Statutory Auditors' periodically and discusses their findings. The role of the Audit Committee is as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgement by management.
 - c. Qualifications in draft audit report.
 - d. Significant adjustments arising out of audit.
 - e. The going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with stock exchange and legal requirements concerning financial statements.
4. Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
5. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
9. Discussion with External Auditors as to the areas of concern, if any.
10. Reviewing the Company's financial and risk management policies.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

2. Remuneration Committee

The Company has formed a Remuneration Committee on March 29, 2002 and this Committee at present consists of Mr. P M Sinha, Mr. C Salameh and Mr. A K Thakur. Mr P K Khaitan and Mr A L Mudaliar resigned from the Board w.e.f. February 10, 2004 and March 10, 2004 respectively. Mr. V Narayanan resigned from this Committee w.e.f. April 16, 2004 as the number of committees in which he was a member across the Board in all companies exceeded ten, the maximum prescribed under the Listing Agreement.

3. Shareholders' Grievances Committee

For details on this Committee, please refer to the paragraph titled "Grievance and Redressal System" on page 141 of this draft Letter of Offer.

4. Rights Issue Committee

The Board of Directors, in its meeting held on October 7, 2004, has appointed a Rights Issue Committee to take decisions on the Issue. Mr. S. J. Davies, the Managing Director (as on that date) and Mr. Pradip Kumar Nag, the Deputy Managing Director have been vested with full authority and power of the Board of Directors to decide all matters relating to the Issue, and also to settle all issue related problems, disputes, arrangements and negotiations on a day to day basis and to do all such other acts, things, matters and deeds which they consider should be done in connection with the Issue. Mr. A. Blanco has been inducted into this Committee as a representative of the Promoter. By a resolution passed by circulation on February 21, 2005 the Rights Issue Committee stands reconstituted by appointing Mr Marcelo Villiagran Bravo, Managing Director, Mr Pradip Kumar Nag, Deputy Managing Director and Mr Shaibal Sinha- Finance Director. The powers of the Committee remain unaltered.

Details of compensation paid and benefits in kind granted to the Directors and Whole-time directors are as follows:

The breakup of remuneration paid to Wholetime Directors from the period January 2004 to September 2004 are as follows:

Name of Directors	Designation	Salary	Contribution to pension, provident fund and Gratuity	Other benefits
Mr. S. J. Davies	Managing Director(since retired)	Rs. 2.2 Million	Rs. 0.6 Million	Rs. 0.34 Million
Mr. Pradip Kumar Nag	Deputy Managing Director	Rs. 1.8 Million	Rs. 0.48 Million	Rs. 0.47 Million
Mr. Jaswant Singh	Director, Commercial and Marketing	Rs. 1.42 Million	Rs. 0.38 Million	Rs. 0.43 Million.
Mr. Shiabal Sinha	Director – Finance	Not applicable, as	Not applicable, as	Not applicable, as

		appointed in February, 2005	appointed in February, 2005	appointed in February, 2005
Mr. Marcelo Villagran Bravo	Managing Director	Not applicable, as appointed in February, 2005	Not applicable, as appointed in February, 2005	Not applicable, as appointed in February, 2005

The terms of appointment of the Company's whole-time Directors is as follows:

(i) Mr. Pradip Kumar Nag –

Mr. Nag's terms and conditions of appointment have been approved for a period of 3 years with effect from July 01, 2002(till June 30, 2005). His emoluments, subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of net profits in case of one Wholetime Director and 10% of net profits in case of more than one Wholetime Director) are:

a) Fixed Salary:

Rs.200,000 per month. The Remuneration Committee may review and determine from time to time and make necessary changes in salary during the tenure of appointment.

b) Commission :

As may be approved by the Board for each financial year based on the net profits of the Company for that year [computed in the manner laid down in section 309(5) of the Act] and after taking into account all other relevant circumstances subject to a limit of 200% of Annual Fixed Salary.

c) Benefits :

The following benefits, among others, would be provided by the Company, subject to tax at the applicable rates.

- (i) Accomodation;
- (ii) Medical benefits;
- (iii) Leave and Leave Travel Allowance/Concession;
- (iv) Club fees;
- (v) Car & telephone;
- (vi) Children's Education Allowance, and holiday passage for children studying outside India and members of family staying abroad;
- (vii) Personal Accident / Medical Insurance (premium not to exceed Rs. 4,000 per annum);
- (viii) Leave enchashment;
- (ix) Contribution to Provident Fund, Superannuation and Annuity Fund;
- (x) Gratuity;

Other terms and conditions:

1. Minimum Remuneration :

In the event of absence or inadequacy of profits of the Company in any financial year, Mr P K Nag will be entitled to receive such minimum remuneration as is permissible under Part II Section II of Schedule XIII of the Act.

2. Termination :

The Agreement shall provide that either party giving to the other six months' previous notice in writing.

(ii) Mr. Jaswant Singh

Mr. Singh's terms and conditions of appointment have been approved for a period of 3 years with effect from August 01, 2002(till July 31, 2005). His emoluments, subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of net profits in case of one Wholetime Director and 10% of net profits in case of more than one Wholetime Director) are:

a) Fixed Salary:

Rs.158,000 per month.

The Remuneration Committee may review and determine from time to time and make necessary changes in salary during the tenure of appointment.

b) Commission :

As may be approved by the Board for each financial year based on the net profits of the Company for that year [computed in the manner laid down in section 309(5) of the Act] and after taking into account all other relevant circumstances subject to a limit of 200% of Annual Fixed Salary.

c) Benefits:

The following benefits would be provided by the Company, subject to tax at the applicable rates.

- (i) Accomodation;
- (ii) Medical benefits;
- (iii) Leave and Leave Travel Allowance/Concession;
- (iv) Club fees;
- (v) Car & telephone;
- (vi) Personal Accident / Medical Insurance (premium not to exceed Rs. 4,000 per annum);
- (vii) Leave enchashment;
- (viii) Contribution to Provident Fund, Superannuation and Annuity Fund;
- (ix) Gratuity;

Other terms and conditions:

1. Minimum Remuneration :

In the event of absence or inadequacy of profits of the Company in any financial year, Mr Jaswant Singh will be entitled to receive such minimum remuneration as is permissible under Part II Section II of Schedule XIII of the Act.

2. Termination :

The Agreement shall provide that either party giving to the other six months' previous notice in writing.

- (iii) **Mr. Shaibal Sinha** (his terms of appointment are subject to the shareholder's approval at the next general meeting of the Company. The Company has not yet executed a formal contract with Mr. Sinha detailing these terms and conditions, although they have been approved by the Remuneration Committee and the Board):

Mr. Sinha's terms and conditions of appointment have been approved for a period of 3 years with effect from February 2, 2005(till February 1, 2008). His emoluments, subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of net profits in case of one Wholetime Director and 10% of net profits in case of more than one Wholetime Director) are:

a) Fixed Salary

Rs.2,00,000 per month.

The Remuneration Committee may review and determine from time to time and recommend to the Board necessary changes in salary during the tenure of appointment.

b) Commission :

As may be approved by the Board for each financial year based on the net profits of the Company for that year [computed in the manner laid down in section 309(5) of the Act] and after taking into account all other relevant circumstances subject to a limit of 200% of Annual Fixed Salary.

c) Benefits :

The following benefits will be provided by the Company, subject to tax at the applicable rates.

- (i) Accomodation;
- (ii) Medical benefits;
- (iii) Leave and Leave Travel Allowance/Concession;
- (iv) Club fees;
- (v) Car & telephone;
- (vi) Personal Accident / Medical Insurance (premium not to exceed Rs. 4,000 per annum);
- (vii) Leave enchashment;
- (viii) Contribution to Provident Fund, Superannuation and Annuity Fund;
- (ix) Gratuity;

Other terms and conditions:

1. Minimum Remuneration :

In the event of absence or inadequacy of profits of the Company in any financial year, Mr Shaibal Sinha will be entitled to receive such minimum remuneration as is permissible under Part II Section II of Schedule XIII of the Act.

2. Termination :

The Agreement shall provide that either party giving to the other six months' previous notice in writing.

- (iv) **Mr. Marcelo Villagran Bravo** (his terms of appointment are subject to the shareholder's approval at the next general meeting of the Company, and the approval of the Central

Government. The Company has not yet executed a formal contract with Mr. Marcelo detailing these terms and conditions, although they have been approved by the Remuneration Committee and the Board):

Mr. Marcello Villagran Bravo's terms and conditions of appointment have been approved for a period of 3 years with effect from February 11, 2005(till February 10, 2008). His emoluments, subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of net profits in case of one Wholetime Director and 10% of net profits in case of more than one Wholetime Director) are:

a) Fixed Salary

Rs. 2,50,000 per month.

The Remuneration Committee may review and determine from time to time necessary changes in salary during the tenure of appointment.

b) Commission:

As may be approved by the Board for each financial year based on the net profits of the Company for that year [computed in the manner laid down in section 309(5) of the Act] and after taking into account all other relevant circumstances subject to a limit of 200% of Annual Fixed Salary.

c) Benefits :

The following benefits would be provided by the Company, subject to tax at the applicable rates.

- (i) Accomodation;
 - (ii) Medical benefits;
 - (iii) Leave and Leave Travel Allowance/Concession;
 - (iv) Club fees;
 - (v) Car & telephone;
 - (vi) Children's Education Allowance, and holiday passage for children and family members staying abroad;
 - (vii) Personal Accident / Medical Insurance (premium not to exceed Rs. 4,000 per annum);
 - (viii) Leave enchashment;
 - (ix) Contribution to Provident Fund, Superannuation and Annuity Fund;
- Gratuity;

Other terms and conditions:

1. Minimum Remuneration :

In the event of loss or inadequacy of profits in any Financial Year during the currency of tenure of service of Mr Marcelo Villagran Bravo, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof as may for the time being be in force.

Non-executive directors:

Non-executive Directors are currently paid sitting fees of Rs. 5,000/- for attending each meeting of the Board or Committee thereof.

Non-executive Directors were paid the following sitting fees for attending Board/Committee Meetings during CY 2004.

Name	Sitting Fees (Rs.)
Mr. P. M. Sinha	45,000/-
Mr. C. Salameh	Nil*
Mr. V. Narayanan	70,000/-
Mr. A.K. Thakur	95,000/-
Mr. N. Kumar	10,000/-
Total	220,000/-

(These numbers are unaudited)

* - Mr. Salameh is not paid sitting fees since he is a nominee of the Promoter. Mr. N.Sankar and Mr. A. Mitra have joined the Company's Board in February, 2005. Hence, in 2004, no sitting fees were payable to them.

Corporate Governance

The Company considers corporate governance as the integral part of the management system. The Company has complied with SEBI guidelines in respect of corporate governance with respect to the broad-basing of the Board and constituting the committees on the Board viz. Audit Committee, Remuneration Committee and Shareholders/Investors Grievances Committee, as set out below.

Shareholding of Directors

(As on February 15, 2005)

Name of Director	Number of shares
Mr. P. M. Sinha	7,736
Mr. J. Singh	550

The other directors do not hold any Equity Shares.

Qualification Shares required to be held by Directors

As per the Article 74 of the Articles of Association of the Company, a Director need not hold any shares in the Capital of the Company to qualify him to act as a Director of the Company.

Interest of Promoters / Directors

The promoters and directors of the Company have no interest in the Company except to the extent of remuneration (received by them in their respective capacities) and reimbursement of expenses and to the extent any equity shares of the Company held by them. There are no interests of Promoters or payment or benefit to Promoters/ Directors except as mentioned elsewhere in the document.

The Company confirms that no director has any interest whatsoever (i) in the promotion of the Company or (ii) in any property acquired by the Company within two years of the date of this draft Letter of Offer.

Changes in the Directors in the last three years:

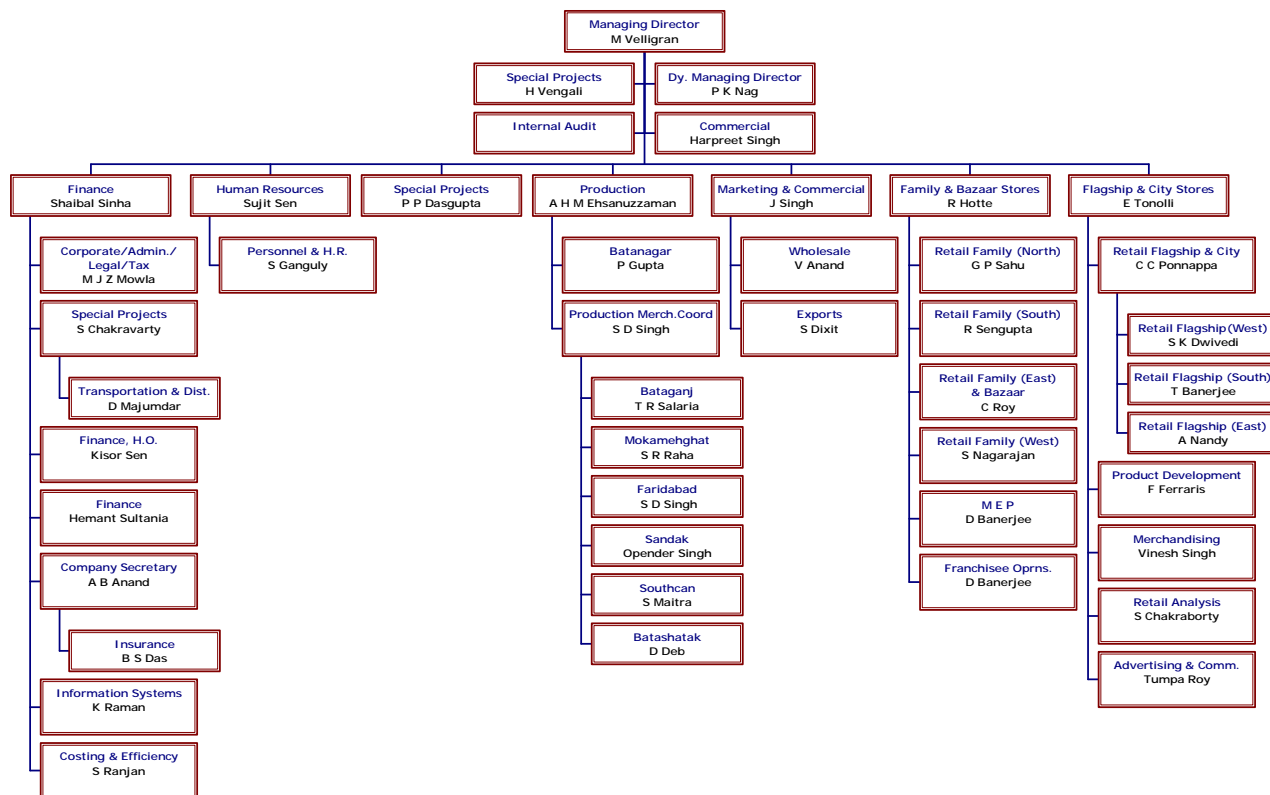
S.No.	Date of Change	Name of Director	Reason
1	March 29, 2002	Mr. M.G.V.Middleton	Appointed as Additional Director w.e.f. March 29, 2002
2	June 28, 2002	Mr. Fernando Garcia	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 28, 2002
3	June 28, 2002	Mr. G.S.M.Ghaznavi	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 28, 2002
4	June 28, 2002	Mr. Pradip Kumar Nag	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 28, 2002
5	June 28, 2002	Mr. M.G.V.Middleton	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 28, 2002
6	July 29, 2002	Mr. G.S.M.Ghaznavi	Resigned w.e.f. July 29, 2002
7	August 1, 2002	Mr. Jaswant Singh	Appointed as Additional Director (Wholetime Director – Marketing and Commercial) w.e.f. August 01, 2002
8	September 11, 2002	Mr. S.J.Davies	Appointed as Additional Director (Managing Director) w.e.f. September 11, 2002
9	September 11, 2002	Mr. Fernando Garcia	Resigned w.e.f. September 11, 2002
10	September 17, 2002	Mr. C. Morzaria	Appointed as Additional Director (Executive Vice Chairman – Marketing and Commercial)
11	June 27, 2003	Mr. Jaswant Singh	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 27, 2003
12	June 27, 2003	Mr. S.J.Davies	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 27, 2003
13	July 31, 2003	Mr. M.G.V.Middleton	Resigned w.e.f. July 31, 2003
14	July 31, 2003	Mr. Nirmalya Kumar	Appointed as Additional Director w.e.f. July 31, 2003
15	February 10, 2004	Mr. P.K.Khaitan	Resigned w.e.f. February 10, 2004
16	March 10, 2004	Mr. A.L.Mudaliar	Resigned w.e.f. March 10, 2004
17	March 10, 2004	Mr. C. Morzaria	Resigned w.e.f. March 10, 2004
18	March 10, 2004	Mr. Constantin Salameh	Appointed as Additional Director w.e.f. March 10, 2004
19	April 16, 2004	Mr. P.M.Sinha	Appointed as Additional Director w.e.f. April 16, 2004
20	June 17, 2004	Mr. P.M.Sinha	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 17, 2003
21	June 17, 2004	Mr. Constantin Salameh	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June

			17, 2003
22	June 17, 2004	Dr. Nirmalya Kumar	Appointed as Director under Section 257 of the Act at the Annual General Meeting held on June 17, 2003
23	February 2, 2005	Dr. Nirmalya Kumar	Resigned with effect from February 2, 2005
24	February 11, 2005	Mr. S. J. Davies	Resigned with effect from February 11, 2005
25	February 2, 2005	Mr. Shiabal Sinha	Appointed as additional director (Director – Finance) with effect from Resigned with effect from February 2, 2005
26	February 2, 2005	Dr. Amit Mitra	Appointed as additional director with effect from February 2, 2005
27	February 2, 2005	Mr. N. Sankar	Appointed as additional director with effect from February 2, 2005
28	February 11, 2005	Mr. M. V. Bravo	Appointed as additional director (Managing Director) with effect from February 11, 2005

Date of expiration of the current term of wholetime Directors in the Company

Name of Director	Date of Agreement	Date of appointment / reappointment	Date of expiration of current term
Mr. M. V. Bravo	To be executed after approval of the shareholders and the Central Government is received.	February 11, 2005	5 years from date of appointment i.e. February 10, 2010
Mr. Pradip Kumar Nag	Original Agreement dated July 4, 2002 read with the Supplemental Agreement dated August 16, 2004	August 24, 2001	5 years from date of appointment i.e. August 23, 2006
Mr. J. Singh	Original Agreement dated April 12, 2004 read with the Supplemental Agreement dated August 16, 2004	August 1, 2002	3 years from date of appointment i.e. July 31, 2005
Mr. Shiabal Sinha	To be executed after approval of the shareholders and the Central Government is received.	February 2, 2005	5 years from date of appointment i.e. February 1, 2010

Management Organisation Structure



Key Managerial Personnel

Name & Qualification	Age (years)	Nature of Duties/ Designation	Remuneration (Rs.) 1.1.04 to 31.12.04	Previous Experience (years)	No of years in the Present Employment (years)	Date of Commencement of Employment	Last Employment held / Designation
Mr. Marcello Villigran Bravo <u>Commercial Engineer & Bachelor of Business Administration</u>	62	Managing Director	Nil	34	With effect from 11.02.05	With effect from 11.02.05	Bata Shoe Co.(Chile Limited)

P. K. Nag B. Com (Hons), MIMA	58	Deputy Managing Director	2,765,064	39	39	9.02.1966	Bata Limited, Canada, Director "Enterprise Controlling
Mr. Shaibal Sinha B.Com, Chartered Accountant	42	Director Finance	Nil	16 and a half	With effect from 02.02.05	24.11.2004	Reckitt Benckiser, GM – Finance & Supply Chain Controller
J. Singh B. Com (Hons)	53	Director – Marketing and Commercial	2,243,386	31	2	01.08.2002	Bata Limited, Uganda
Mr. E. Tonolil Commercial School	57	Senior Vice President – Flagship and City Stores	3,423,918	35	1	16.06.2003	Bata Europe Shoe Line Builder
Mr. R. Hotte Diploma Science	43	Senior Vice President – Family and Bazaar Stores	1,141,435	23	Six Months	1.09.2004	Bata Limited - Canada
Mr. S. Sen B Sc(Hons), PGDPM & IR LLB	54	Senior Vice President – Human resources	1,172,746	24	8	7.10.1996	Shaw Wallace & Company Limited
Mr. A. H. M. Ehsanuzzaman Bsc(Mech), MBA	44	Senior Vice President – General Manufacturi ng	1,260,841	17	2	01.07.2002	Bata Limited - Bangladesh
Mr. M. J. Z. Mowla BA(Hons), LLB	59	Senior Vice President –	835,267	37	36	15.11.68	Not Applicable
Mr. H. Singh B Com(Hons) Chartered Accountant	44	Vice President – Commercial	665,776	17	17	27.07.87	Not Applicable

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees, and employees of group companies/subsidiaries/ holding companies are not included in key managerial personnel. The number of permanent employees currently on the payroll of the Company is 9969 as on January 31, 2005.

Shareholding of key managerial personnel as on February 15, 2005:

Names	No. of shares
Mr. J. Singh	550

Changes in the key managerial personnel in the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr. C Mozaria	January 30, 2001	March 10, 2004	Resignation
Mr. F. Garcia	August 24, 2001	September 11, 2002	Resignation
Mr. G. C. Bahuguna	October 18, 1965	July 16, 2001	Resignation
Mr. H. Ordonez	January 27, 2001	May 21, 2002	Resignation
Mr. D. Turner	April 16, 2001	May 29, 2003	Resignation
Mr. G. S. M Ghazanavi	June 22, 1969	May 29, 2003	Resignation
Mr. V. Balakrishnan	January 2, 1979	June 18, 2003	Resignation
Mr. E. Takchuk	June 16, 1998	September 1, 2001	Resignation
Mr. D. Boerma	March 19, 2003	June 7, 2004	Resignation
Mr S J Davies	September 11, 2002	February 11, 2005	Resignation

Loans to Key Managerial Personnel

There are no loans advanced by the Company to any of its Key Managerial Personnel.

Bonus or Profit sharing plan for Key Managerial Personnel

Managerial personnel are entitled to incentive based on profit before tax of the Company. Different percentage of fixed salary is applicable in respect of different grades of managerial personnel. However the field personnel gets a part of their incentive based on their business / sales.

The Directors are entitled to benefits / commission based on the permissible limits as given in the Companies Act, 1956.

Employees

The Company has not offered any Employees Stock Option Scheme or Employees Stock Purchase Scheme.

Payment or Benefit to Officers otherwise than in the ordinary course of business of the Company

No such payments have been made by the Company

Directors' and Officers' Liability Program (Insurance)

The Company belongs to the BSO. BSO, through one of its group entities, maintains a worldwide Directors' & Officers' Liability Program with Chubb Insurance Company of Canada, under Policy

Number 8145-5924 for the benefit of the Directors and officers employed in the group companies worldwide. This insurance policy covers all the Directors of the Company and certain officers identified by the Company for this purpose. This policy is designed to protect the personal liabilities of the Directors and officers, and covers all loss that a Director or officer becomes legally obligated to pay on account of a claim made against him/her for an alleged or actual wrongful act committed in his/her executive capacity. However, the potential claim that may arise on the Company and specifically named directors / officers of the Company, as a result of the outcome of the investigation initiated by the Directorate of Revenue Intelligence has been denied coverage under the said policy by the Chubb Insurance Company Limited. For more details on this investigation, please refer to the section titled “Outstanding Litigation and Default” on page 118 of this draft Letter of Offer.

The insurance cover expires on July 31, 2005 and the limit of liability is USD 15,000,000.

PROMOTER

Background of Promoter

The Company was originally promoted by Leader AG, St. Moritz, Switzerland, as its wholly owned subsidiary by the name of Bata Shoe Company Limited on December 23, 1931. Leader AG, Switzerland was, and still is, a member of the multi-national Bata Shoe Organisation (BSO). Consequent to the enactment of FERA, Leader AG diluted its stake in the Company to 40%. With the change in the Government of India's Industrial Policy, the Company had a rights issue in 1993, and simultaneously made a preferential allotment of 4,714,000 Equity Shares of Rs. 10/- each at a premium of Rs. 25 to Bata (BN) B.V., Amsterdam, The Netherlands, which was a 100% subsidiary company of Leader AG. As a consequence, the total holdings of the BSO group increased from 40% to 51 % of the expanded capital base.

With effect from December 20, 1993, the entire holding of Leader AG in the Company was transferred to Bata (BN) BV. The Company held another rights issue in the year December, 1996 by issue of 25,714,000 equity shares of Rs10/- each for cash at a premium of Rs. 20/- per share. The present shareholding of Bata (BN) B.V. is 51.01%.

Bata (BN) B.V. owns 26,228,000 equity shares equal to 51% of the Share Capital of Bata India Limited. Bata (BN) B.V. is a privately held investment company located in Amsterdam. Bata (BN) B.V.'s only investment is in the Share Capital of Bata India referred to above. Bata (BN) B.V. was incorporated on June 4, 1930 in Amsterdam, The Netherlands and registered as Company Number 3303 8028 at Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, The Netherlands.

The Management Board of Bata (BN) B.V. has been MeesPierson Intertrust from September 17, 2002.

Bata (BN) B.V.'s nature of activities are to be a holding company carrying on financial activities and currently the only investment is Bata Shoe Organization's 51% investment in Bata India Ltd. Bata (BN) B.V. holds bank account number EUR24.06.64.221 at MeesPierson Bank, Amsterdam. The bank account number and company registration number of the Promoter company have been submitted to the stock exchanges where the equity shares are proposed to be listed, at the time of filing the draft Letter of Offer with them.

The financial performance of Bata (BN) B.V. for the last three fiscal years is as under:

Particulars	2002	2003	2004
Equity Shares (number)			
authorised	200	200	200
issued	45	45	45
Equity Capital			
authorised	EUR 90,756.00	EUR 90,756.00	EUR 90,756.00
issued	EUR 20,420.10	EUR 20,420.10	EUR 20,420.10
Reserves	US\$ (678,255)	US\$ (1,119,720)	US\$ (1,568,943)
Sales	Nil	Nil	Nil
Profit (loss) after tax	US\$ (81,154)	US\$ (441,465)	US\$ (449,223)
Earnings per share	US\$ (1,803)	US\$ (9,810)	US\$ (9,983)

NAV	- ve	- ve	- ve
-----	------	------	------

Other than Bata India Limited, Coastal Commercial and Exim Limited and Bata Properties Limited there are no other companies in India, which have been promoted by BSO.

AUDITOR'S REPORT

To,
The Board of Directors
Bata India Limited
6A, S. N. Banerjee Road
Kolkata 700 013

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and Guidelines titled Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in the statements annexed to this report which is proposed to be included in the Letter of Offer of Bata India Limited ("the Company") in connection with the proposed Rights Issue and we report that :

THE COMPANY

- 1.00 We have examined the 'Statements of Adjusted Profits and Losses' of the Company for each of the years ending on December 31st, 1999, 2000, 2001, 2002, 2003 and nine months period ending on September 30th, 2004, and the 'Statements of Adjusted Assets and Liabilities' as at those dates enclosed **Annexure 1** and **Annexure 2** to this report and confirm that
- i) These statements, *subject to our observations vide paragraphs 1.01, 1.02 and 1.03 below*, reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the Profit and Loss Account for the accounting years ending on December 31st, 1999, 2000, 2001, 2002, 2003 and nine months period ending on September 30th, 2004 and the Balance Sheets as at December 31st, 1999, 2000, 2001, 2002, 2003 and nine months period ending September 30th, 2004 audited by us, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000;
 - ii) The Significant Accounting Policies adopted by the company are enclosed as **Annexure 3** to this report
 - iii) The Notes to the 'Statement of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' are enclosed as **Annexure 4** to this report
- 1.01 *In view of certain conditionalities as mentioned vide note no. 2 of Annexure 4 added by the Hon'ble Kolkata High Court to the scheme of demerger of Faridabad and Mokameghat production units, as approved by the general body of members, and in view of such conditionalities being upheld by the Hon'ble Supreme court, the company has decided not to pursue the said demerger. This being a matter of legal interpretation, we are unable to comment on the above decision of the company or consequential effects, if any arising thereon, on these accounts.*

- 1.02 *Duty Drawback & Sale of DEPB Licenses is accounted for based on realization instead of on accrual basis, the impact of which has not been ascertained in all of the years dealt with in this report.*
- 1.03 *In the absence of information, no bifurcation has been made of 'Turnover' of products manufactured by the company and those traded in by it.*

Subsidiaries

- 2.00 We have also examined the Statements of Adjusted Profits and Losses of each subsidiary and Statement of Adjusted Assets and Liabilities as at and for the year ending on December 31st, 1999, 2000, 2001, 2002, 2003 and nine months period ending on September 30th, 2004, enclosed as **Annexure 5** and **Annexure 6** to this report and confirm that :

These statements reflect the profits and losses, and assets and liabilities of the subsidiaries for each of the relevant periods read together with the Notes thereon as extracted in **Annexure 6(A)** and **Annexure 6(B)**, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.3 and 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000, from the Profit and Loss Accounts and Balance Sheets of those subsidiaries for the relevant periods, as audited by us.

- 3.00 We have examined the 'Statement of Accounting Ratios' of the Company for each of the years ended December 31st 1999, 2000, 2001, 2002, 2003 and nine months ended September 30th, 2004, enclosed as **Annexure 7** to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' of the Company referred to in paragraph 1.00 above and read with the notes appended in **Annexure 4**.
- 4.00 We have examined the accompanying 'Statement of Related Party Disclosure' for the years ended December 31st, 2002, 2003 and nine months period ending on September 30th, 2004, enclosed as **Annexure 8** to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with Accounting Standard 18 (Related Party Disclosures) issued by The Institute of Chartered Accountants of India.
- 5.00 We have examined the 'Statement of dividend paid' by the Company in respect of each of the years ended December 31st 1999, 2000, 2001, 2002, 2003 and nine months period ending on September 30th, 2004, on the shares of the Company, enclosed as **Annexure 9** to this report and confirm that it correctly records the dividend proposed and declared in respect of each of those years.
- 6.00 We have examined the 'Statement of Tax Shelter' for the years ended December 31st 1999, 2000, 2001, 2002, 2003 and nine months period ending September 30th, 2004 enclosed as **Annexure 10** of this report, which in our opinion correctly reflects the 'Tax Shelter' for each of those years.
- 7.00 We have examined the 'Capitalization Statement' enclosed as **Annexure 11** to this report and report that it correctly records the matters stated therein.

8.00 We have examined the 'Cash Flow Statement' of Bata India Limited in respect of each of the years ended December 31st, 1999, 2000, 2001, 2002, 2003 and nine months period ending on September 30th, 2004 enclosed as **Annexure 12** to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.

CONSOLIDATED GROUP

9.00 We have examined the 'Consolidated Statement of Adjusted Profits and Losses' of the Company and its Subsidiaries "Coastal Commercial and Exim Limited" and "Bata Properties Limited" ('the Group') for the years ended December 31st, 2001, December 31st, 2002 and December 2003 and nine months period ending on September 30th, 2004 and the accompanying 'Consolidated Statement of Adjusted Assets and Liabilities' of the group as at those dates and significant accounting policies and notes thereto enclosed in **Annexure 13**, **Annexure 14**, **Annexure 14(A)** and **Annexure 14(B)** respectively. We report that the consolidated financial statements have been prepared by the Company in consideration of, and in accordance with, the requirements of Accounting Standard 21 (Consolidated Financial Statements), issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiaries.

10.00 We have examined the accompanying 'Statement of Segment Wise Results' for the years ended 31st December, 2002, 2003 and nine months period ending on September 30th, 2004 enclosed as **Annexure 15** to this report and confirm that statement has been prepared in accordance with Accounting Standard 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India.

11.00 We have examined the 'Other Financial Information' as **Annexure 16** to this report and report that it correctly records the matters stated therein.

We further report that *subject to our observations in paragraphs 1.01, 1.02 and 1.03*, the information mentioned in the items 3.00 to 11.00 above have been correctly computed from the figures as stated in the Statements of Adjusted Profits and Losses and Adjusted Assets and Liabilities referred to in paragraphs 1.00 and 2.00 above.

This report is intended solely for your information for inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

S. R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS

Kolkata
28th January, 2005

Per RAHUL ROY
a Partner
MEMBERSHIP NO. 53956

FINANCIAL STATEMENTS OF THE COMPANY

ANNEXURE - 1: STATEMENT OF ADJUSTED PROFITS AND LOSSES OF BATA INDIA LIMITED

(Rs. in million)

Income	I	FOR THE YEAR ENDED 31ST DECEMBER					FOR THE NINE MONTHS PERIOD ENDED 30TH SEPTEMBER
		1999	2000	2001	2002	2003	2004
Sales :							
Sales of Products (Net of excise duty)		7,315.67	7,192.23	7,207.23	6,497.26	6,740.96	5,155.83
Other Income		9.82	11.39	162.11	106.05	52.99	31.18
Total		7,325.49	7,203.62	7,369.34	6,603.31	6,793.95	5,187.01
Increase (Decrease) in Inventories	II	159.00	378.55	(266.77)	409.81	352.52	(142.61)
Total	III = I + II	7,484.49	7,582.17	7,102.57	7,013.12	7,146.47	5,044.40
Expenditure							
Raw Materials Consumed		3,684.14	3,865.56	3,419.59	3,478.64	3,800.61	2,751.44
Staff Cost		1,700.81	1,787.69	1,802.64	1,848.65	1,902.06	1,309.90
Other Manufacturing Expenses		335.40	369.18	345.38	377.82	342.66	241.49
Administrative Expenses		586.09	618.04	610.51	590.16	638.16	510.65
Selling and Distribution Expenses		508.58	518.98	717.69	653.24	554.68	420.35
Interest		68.51	89.41	91.37	83.52	78.94	68.15
Miscellaneous Expenses		81.58	72.50	98.48	100.22	72.62	154.22
Total Expenditure	IV	6,965.11	7,321.36	7,085.66	7,132.25	7,389.73	5,456.20
Net Profit / (Loss) Before Tax and Extraordinary Items	V = III - IV	519.38	260.81	16.91	(119.13)	(243.26)	(411.80)
Taxation	VI	179.73	93.57	1.88	(6.11)	(2.03)	(7.19)
Net Profit / (Loss) before Extraordinary Items	VII = V - VI	339.65	167.24	15.03	(113.02)	(241.23)	(404.61)
Extra-Ordinary Items (net of tax)	VIII	-	-	-	-	-	-
Net Profit / (Loss) after Extraordinary Items	IX = VII - VIII	339.65	167.24	15.03	(113.02)	(241.23)	(404.61)

Note : 1 The above should be read with Notes to Statement of Adjusted Profits & Losses and Assets & Liabilities, as restated appearing in Annexure : 4 and Significant Accounting Policies as appearing in Annexure : 3

Note : 2 The following adjustments have been made to the audited financial statements in accordance with the requirements of Clause No.(b) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

(Rs. in million)

	1999	2000	2001	2002	2003	2004
Net Profit after Extraordinary Items as per audited accounts	304.56	155.99	39.79	(74.10)	(260.50)	(405.22)
Adjustment for pension liability	-	-	-	(22.22)	22.22	-
Adjustment for Deferred Tax	(3.43)	3.43	(17.12)	(31.77)	49.25	-
Freight Inventorisation						
Increase / (Decrease) in Inventories	38.60	7.90	(7.90)	14.60	(53.20)	-
Lease						
Interest expense adjustment	(0.15)	(0.31)	(0.44)	(0.35)	(0.37)	(0.50)
Depreciation increase adjustment	(0.34)	(0.75)	(1.12)	(0.60)	(0.29)	(1.14)
Lease Rent decrease adjustment	0.41	0.98	1.82	1.42	1.66	2.24
Adjusted Profit	339.65	167.24	15.03	(113.02)	(241.23)	(404.61)

ANNEXURE – 2 - STATEMENT OF RESTATED ASSETS AND LIABILITIES

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES OF BATA INDIA LIMITED

(Rs in millions)

	Particulars	AS AT 31ST DECEMBER					FOR THE NINE MONTHS PERIOD ENDED 30TH SEPTEMBER
		1999	2000	2001	2002	2003	2004
A	Fixed Assets						
	Gross Block	3,291.54	3,387.63	3,326.09	3,354.11	3,441.97	3,596.53
	Less : Depreciation	(1,115.35)	(1,301.03)	(1,465.45)	(1,627.71)	(1,774.85)	(1,895.10)
	Net Block	2,176.19	2,086.60	1,860.64	1,726.40	1,667.12	1,701.43
	Less : Revaluation Reserve	(1,487.03)	(1,435.98)	(1,252.94)	(1,157.74)	(1,123.89)	(1,103.66)
	Net After Adjustment for revaluation reserve	689.16	650.62	607.70	568.66	543.23	597.77
B	Current Assets Loans and Advances						
	Inventories	1,842.05	2,243.15	1,982.43	2,364.58	2,748.72	2,553.06
	Sundry Debtors	611.77	631.20	747.08	740.83	663.62	571.92
	Cash & Bank Balances	29.68	38.78	38.09	32.22	32.45	48.16
	Loans & Advances	333.40	444.18	477.58	483.93	483.07	476.05
	Other Current Assets	101.25	171.13	197.29	149.50	145.19	320.81
	Investments	52.12	48.56	48.56	48.56	48.52	48.51
	Deferred Tax Asset	-	-	-	-	-	-
C	Liabilities and Provisions						
	Secured Loans	12.64	84.46	166.69	331.65	414.94	957.18
	Unsecured Loans	226.81	514.72	350.78	286.94	217.66	118.31
	Current Liabilities and Provisions	1,463.26	1,592.90	1,569.26	1,870.70	2,352.23	2288.06
	Deffered Tax Liability	3.43	-	-	-	-	-
	Total	1,706.14	2,192.08	2,086.73	2,489.29	2,984.83	3,363.55
	Networth = A + B - C	1,953.29	2,035.54	2,012.00	1,898.99	1,679.97	1,252.73
D	Represented by						
	Share Capital	514.22	514.22	514.22	514.22	514.22	514.22
	Reserve (Net of Revaluation Reserves)	1,439.07	1,521.32	1,497.78	1,384.77	1,165.75	1,143.73
	Less: Profit & Loss Account Debit Balance	-	-	-	-	-	(405.22)
	Networth	1,953.29	2,035.54	2,012.00	1,898.99	1,679.97	1,252.73

Note : 1 The above should be read with Notes to Statement of Adjusted Profits & Losses and Assets & Liabilities, as restated appearing in Annexure : 4 and Significant Accounting Policies as appearing in Annexure : 3.

ANNEXURE 3 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED ADJUSTED PROFIT & LOSS ACCOUNT AND CONSOLIDATED ADJUSTED ASSETS & LIABILITIES OF BATA INDIA LIMITED AND ITS SUBSIDIARIES.

Basis of Accounting

The group prepares its accounts on accrual basis in accordance with generally accepted accounting principles and under Historical Cost Convention modified by revaluation of fixed assets. For recognition of Income & Expenses, Mercantile System of Accounting is followed, except as stated otherwise.

Investments

Long Term Investments are valued at cost, unless there is a permanent decline in value thereof.

Fixed Assets

- i. Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat), taxes, incidental expenses and erection/commissioning expenses incurred upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as determined by the valuer, is considered in the accounts and the differential amount is transferred to Revaluation Reserve.

However as required by clause (v) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the outstanding balances of Revaluation Reserve account has been deducted from both fixed assets and reserves.

- ii. Fixed Assets of Bata Properties Limited are stated at their actual cost of acquisition or transfer values in case of properties transferred from Bata India Limited, the Holding Company.

Depreciation

- i. Depreciation on Fixed Assets is provided on Written Down Value method at the rates specified in Schedule XIV of the Companies Act, 1956 (as amended). Fixed Assets costing below Rs.5000 are fully depreciated in the year of acquisition.
- ii. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- iii. Assets acquired under finance lease on or after 1st April, 2001, are depreciated over the shorter of the economic life of the assets or the respective lease periods where there is no reasonable certainty that the company will obtain ownership of the assets by the end of the lease term.
- iv. Expenditures on lease hold improvement are depreciated over the period of lease.
- v. Depreciation on fixed assets of Bata Properties Limited and Coastal Commercial Exim Limited is provided on straight line Method at the rates specified in Schedule XIV of the Companies Act, 1956. Such depreciation during the period amounts to 0.14% of the total depreciation charged in the Consolidated Profit and Loss Account.

Inventories

- i. Finished goods, raw materials, work-in-progress and stores and spares are valued at lower of weighted average cost or estimated net realisable value.
- ii. Obsolete/damaged raw materials, stores and finished goods (including trading goods) etc. are valued at or under cost/estimated realisable value.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. In case of sale of goods, revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer.

Foreign Currency Transactions

Foreign Currency assets and liabilities (other than those where the group is protected against exchange fluctuations) are revalued in the accounts on the basis of exchange rates prevailing at the close of the year / period and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to the Profit and Loss Account, as the case may be.

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of the transaction is adjusted to the cost of fixed assets or charged to Profit and Loss Account as the case may be proportionately over the contract period.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of Fixed Assets are capitalized until the time all substantial activities necessary to prepare such assets for their intended use are complete. Other Borrowing costs are recognized as an expenses in the period in which they are incurred.

Intangible assets

Patents and Licenses

Costs relating to patents and licenses, which are acquired, are capitalized and amortized on a straight-line basis over their useful lives.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable

Customs, Excise Duty and Duty Drawback

- i. Customs duty on machinery lying in bond and in-transit is accounted for at the time of clearance thereof.
- ii. Excise duty on manufactured goods is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date.
- iii. Duty Drawback and sale of DEPB Licences are accounted for based on realization.

Retirement Benefits

- i. The liability for Gratuity and Pension is computed and provided as per the actuarial valuation report. The liability so provided is represented substantially by creation of separate funds and is considered sufficient to meet the liability as and when it accrues for payment in future. Expenditure in respect of early voluntary retirements is written off as a period cost.
- ii. Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account for the year / period when the contribution to the respective funds are due.
- iii. Leave encashment benefit is accounted for on basis of actuarial valuation.
- iv. Expenditure in respect of early voluntary retirements is written off over 5 years as a period cost.

Contingent Liabilities

Contingent Liabilities are determined on the basis of available information and are disclosed by way of Notes to the Accounts.

Leases

- i.** In respect of assets acquired under Finance Lease on or after 01.04.2001, the same are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit & Loss Account.
- ii.** In respect of Assets acquired under operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

Segment Reporting

The group has chosen geographical segments as primary segments. Analysis of geographical segments is based on areas where the customers are located. It is engaged primarily in manufacture and sale of footwear which is the only reportable secondary segment.

Claim Stock

Provision for claim stock is based on claims received and admitted upto the year / period end.

Taxes on Income

Tax expense comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year / period timing differences between taxable income and accounting income for the year / period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is 'virtual certainty' that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Earnings per Share

Basic earnings (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

NOTES TO THE FINANCIAL STATEMENT

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Company prepares its accounts on accrual basis in accordance with generally accepted accounting principles and under Historical Cost Convention modified by revaluation of fixed assets. For recognition of Income & Expenses, Mercantile System of Accounting is followed, except as stated otherwise.

b. Investments

Long Term Investments are valued at cost, unless there is a permanent decline in value thereof.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat), taxes, incidental expenses and erection/commissioning expenses incurred upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as determined by the valuer, is considered in the accounts and the differential amount is transferred to Revaluation Reserve.

d. Depreciation

- i. Depreciation on Fixed Assets is provided on Written Down Value method at the rates specified in Schedule XIV of the Companies Act, 1956 (as amended). Fixed Assets costing below Rs.5000 are fully depreciated in the year of acquisition.
- ii. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- iii. Assets acquired under finance lease on or after 1st April, 2001, are depreciated over the shorter of the economic life of the assets or the respective lease periods where there is no reasonable certainty that the company will obtain ownership of the assets by the end of the lease term.
- iv. Expenditures on lease hold improvement are depreciated over the period of lease.

e. Inventories

- i. Finished goods, raw materials and work-in-progress are valued at lower of cost or estimated net realisable value. Stores and Spares are valued at weighted average cost.
- ii. Obsolete/damaged raw materials, stores and finished goods (including trading goods) etc. are valued at or under cost/estimated net realisable value.

f. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. In case of sale of goods, revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, which generally coincides with delivery.

g. Foreign Currency Transactions

Foreign Currency assets and liabilities (other than those where the Company is protected against exchange fluctuations) are revalued in the accounts on the basis of exchange rates prevailing at the close of the year / period and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to the Profit and Loss Account, as the case may be.

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of the transaction is adjusted to the cost of fixed assets or charged to Profit and Loss Account as the case may be proportionately over the contract period.

h. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of Fixed Assets are capitalized until the time all substantial activities necessary to prepare such assets for their intended use are complete. Other Borrowing costs are recognized as an expense in the period in which they are incurred.

i. Intangible assets

i. Patents and Licenses

Costs relating to patents and licenses, which are acquired, are capitalized and amortized on a straight-line basis over their useful lives.

ii. Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

j. Customs, Excise Duty and Duty Drawback

- i. Customs duty on goods / assets lying in bond and in-transit is accounted for at the time of clearance thereof.
- ii. Excise duty on manufactured goods is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date.
- iii. Duty Drawback and sale of DEPB Licenses are accounted for based on realization.

k. Retirement Benefits

- i. The liability for Gratuity and Pension is computed and provided as per the actuarial valuation report. The liability so provided is represented substantially by creation of separate funds and is considered sufficient to meet the liability as and when it accrues for payment in future. Expenditure in respect of early voluntary retirements is written off as a period cost.
- ii. Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account for the year / period when the contributions to the respective funds are due.
- iii. Leave encashment benefit is accounted for on basis of actuarial valuation.
- iv. Expenditure in respect of early voluntary retirements is written off over 5 years as a period cost.

l. Contingent Liabilities

Contingent Liabilities are determined on the basis of available information and are disclosed by way of Notes to the Accounts.

m. Leases

- i. In respect of assets acquired under Finance Lease on or after 01.04.2001, the same are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit & Loss Account.
- ii. In respect of Assets acquired under operating lease, payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

n. Segment Reporting

The Company has chosen geographical segments as primary segments. Analysis of geographical segments is based on areas where the customers are located. The Company is engaged primarily in manufacture and sale of footwear, which is the only reportable secondary segment.

o. Claim Stock

Provision for claim stock is based on claims received and admitted up to the period end.

p. Taxes on Income

Tax expense comprises both current and deferred taxes. Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is 'virtual certainty' that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

q. Earnings Per Share

Basic earnings (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

- 2 Interest accrued but not due on “Secured and Unsecured Loans” has been included in “Others-Creditors for goods, services, expenses etc” under Schedule 11 – Rs 10.76 million.
- 3 Repairs are exclusive of stores and spare parts consumed estimated by management at Rs 15.75 million and wages and salaries at Rs 24.26 million.
4. Maximum amounts due from an officer of the Company at anytime during the period - Rs. Nil as on 30th September, 2004.
5. Cash / Export Credit facilities with State Bank of India, HDFC Bank and ICICI Bank are secured by hypothecation of stock of raw materials, work-in-progress, finished goods, stores and spare parts and book debts.
 - i. Term Loan obtained from State Bank of India for Voluntary Retirement Scheme is secured by an exclusive charge by way of hypothecation of Land & Building at Faridabad Factory and Land, Building and Plant & Machinery at Batanagar Factory.
 - ii. Balance with Scheduled Bank on Current Account, referred to in Schedule 8, includes an amount of Rs 0.47 million representing balance of money taken on loan for the purpose of disbursement of liability on account of Voluntary Retirement Scheme and Rs 5.00 million on account of VRS Escrow account.

6. Fixed Assets acquired under Finance Leases

- i) No fresh addition in Gross Block of Fixed Assets has been made during this period in respect of Finance Lease as per the requirement of Accounting Standard-19. Hence depreciation for the period does not include any amount towards depreciation thereon.
- ii) Carrying amount of leased assets as on 30th September:

	30.09.2004. (Rs. Million)
Gross Book Value	4.21
Net Book Value	2.30

- iii) The year-wise break up of the outstanding lease obligations in respect of assets capitalized during the period are as under :-

	30.09.2004. (Rs. Million)
Vehicles taken on lease	
Total minimum lease payments at the year end	2.14
Present value of minimum lease payments	1.91
Not later than one year	
Minimum Lease Payments	1.02
Present value	0.93
Later than one year but not later than five years	
Minimum Lease Payments	1.12
Present value	0.99
Later than five years	
Minimum Lease Payments	-
Present value	-

7. Estimated amount of contracts remaining to be executed for capital expenditure and not provided for amounted to Rs.33.19 million net of advance.
8. The scheme of demerger of production units at Faridabad and Mokamehghat under Section 391 and 393 of the Companies Act,1956 into Fashion Shoe Private Limited and BDCL Enterprises Private Limited respectively with effect from 1st January, 2002 has been modified by addition of certain conditions by Hon'ble Kolkata High Court vide its Order dated 20th May, 2003 against which the Company had filed an appeal on 13th August,2003 before the Division Bench. Such appeal has been disposed by the Division Bench on 26th March, 2004 upholding the modifications made by the Hon'ble Kolkata High Court and with one modification. The Company had filed an appeal before the Hon'ble Supreme Court against the decision of the Division Bench. The Hon'ble Supreme Court vide its Order dated 20th August, 2004 has upheld the decision of the Division Bench without any further modification. In view of the above, the Company has decided not to pursue the demerger of these two units but will work on restructuring these two manufacturing units. Therefore, the financial statements of the Company as at and for the period ending 30th September 2004 includes the estimated net assets and net loss of Rs.8.19 million and Rs.42.60 million respectively pertaining to these units.
9. **Manufacturing, Distribution, Selling and Administration expenses includes R&D Expenses Rs.18.81 million.**

10A. Related Party Transaction (Rs. In Million)

Nature of Transaction	Holding Company		Subsidiaries		Fellow Subsidiaries		Associates		Enterprises owned or significantly influenced by key management personnel & / or their relatives.		Total	
	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Sales (Refer 10B i)					5.90	5.90					5.90	5.90
Purchase (Refer 10B ii)					23.30	-					23.30	-
Purchase of Intangible Assets (Refer 10B iii)					4.53	-					4.53	-
Current A/c (Refer 10B iv A)				(21.05)							-	(21.05)
Interest free Advance given (Refer 10B iv B)			3.70								3.70	-
Interest free Advance taken (Refer 10B iv C)			13.23								13.23	-
Rent (Expenses) (Refer 10B iv D)			0.64								0.64	-
Technical Fees*							28.98				28.98	-
Remuneration (Refer 10B v)									9.20		9.20	-

*includes Cess & TDS borne by the Company

10B. Related Party Transaction Details

i) **Sales :**

Details of sales to Fellow Subsidiaries, which are material (more than 10% of the total sales to the Related Parties)

(Rs. in million)

Name of the Party	Period	Transaction Value	Outstanding Balance
Bata Shoe Bangladesh	Jan-Sept 04	5.45	5.45

ii) **Purchase :**

Details of purchases from Fellow Subsidiaries which are material (more than 10% of the total purchase from Related Parties) :

(Rs. in million)

Name of the Party	Period	Transaction Value	Outstanding Balance
Bata Singapore	Jan-Sept 04	23.30	-

iii) **Purchase of Intangible Asset (Software):**

Name of the Party	Period	Transaction Value	Outstanding Balance
Bata International Group Singapore	Jan-Sept 04	4.53	-

iv) **Transaction with Subsidiaries :**

Details of transaction with Subsidiaries which are material (more than 10% of the total transaction with the Related Parties)

A. Current Account:

(Rs. in million)

Name of the Party	Period	Outstanding Balance
Bata Properties Ltd.	Jan-Sept 04	21.90

B. Interest Free Advance Given:

(Rs. in million)

Name of the Party	Period	Transaction Value
Bata Properties Ltd.	Jan-Sept 04	3.39

C. Interest Free Advance Taken:

(Rs. in million)

Name of the Party	Period	Transaction Value
Bata Properties Ltd.	Jan-Sept 04	13.23

D. Rent Expenses:

(Rs. in million)

Name of the Party	Period	Transaction Value
Bata Properties Ltd.	Jan-Sept 04	0.28
Coastal Commercial & Exim Ltd.	Jan-Sept 04	0.36

v) **Remuneration to Directors:**

(Rs. in million)

Name of the Director	Period	Transaction Value
C Morzaria	Jan-Sept 04	1.05
S J Davies	Jan-Sept 04	3.15
P K Nag	Jan-Sept 04	2.77
J Singh	Jan-Sept 04	2.24

11. Related Party Disclosure

Nature of relationship	Name
i) Holding Company	: BATA (BN) B.V. Amsterdam
ii) Associate Enterprise	: Bata Limited, Canada
iii) Key Management Person	: C Morzaria -Executive Vice Chairman (upto March 10, 2004) S J Davies - Managing Director P K Nag - Director – Finance (till April 15, 2004) - Dy Managing Director (from April 16, 2004) J Singh - Director – Marketing & Commercial
iv) Enterprises owned by Key Management Personnel	: Nil
v) Subsidiary and Fellow Subsidiary	: Bata Properties Ltd. Coastal Commercial & Exim Ltd. British Bata - UK BataSingapore BataMalaysia BataKenya BataCzechRepublic Bata Slovensko BataShoe Bangladesh Bata Switzerland Bata Sri Lanka Bata South Africa Bata International Group, ingapore Bata France Bata Compar - Italy Bata Spain Bata Cyprus Bata Pakistan Bata Uganda Bata Martinique Bata Antilles Bata Curacao Bata Indonesia Bata Futura

12. Interest received (Schedule 14) includes:

	<u>30.09.2004.</u> <u>(Rs. million)</u>
- Refund of Income Tax	15.76
- Banks	1.02
- Others	<u>0.19</u>
Total	<u>16.97</u>

13. Contingent Liabilities not provided for in respect of:

- a. Bill receivable discounted – Rs.6.81 Million.

- b. Claims against the Company not acknowledged as debts include Excise Cases under appeal / litigation – Rs.855.78 million and others Rs.130.00 million.
- c. Guarantees/Counter guarantees given by the Company Rs.15.43 million.

14. Earnings Per Share (EPS)

30.09.2004.

Profit / (Loss) as per Profit & Loss Account (Rs. in Millions)	(405.22)
Weighted Average Number of Equity Shares (Millions)	51.42
Basic and Diluted Earning per Share (Rs.)	(7.88)
Nominal value of Share (Rs.)	10.00

15. Segment Reporting

The Company has chosen the following geographical segments as primary segments:

- Local
- Exports

(Rs. in million)

Segment Disclosure	30.09.2004.
a) Segment Revenue	
Domestic Sales (Net of Excise Duty)	5075.89
* Unallocable Revenue	79.94
Total	5155.83
b) Segment Result (Loss before Interest, Dividend and Tax)	(349.73)
* Unallocable Corporate Result (Loss)	(12.00)
Operating Result (Loss before Interest, Dividend and Tax)	(361.73)
Interest Expense	(67.65)
Interest Received	16.97
Refund of Income Tax	7.19
Total	(405.22)
c) Segment Assets	5349.51
* Unallocable Assets	366.88
Total	5716.39
d) Segment Liabilities	2255.74
* Unallocable Liabilities	1106.02
Total	3361.76
e) Fixed Asset additions (including CWIP) of the Reported Segment	164.14
f) Depreciation pertaining to Assets of the Reported Segment (excluding revaluation depreciation)	97.66

*Unallocated reconciling items (Revenue, Result, Assets & Liabilities) include amounts pertaining to the "Export" Geographical Segment, which is not a reportable segment, and other unallocable corporate assets / liabilities.

The secondary segment of the company is the business segment. Since the company is engaged primarily in the manufacture and sale of footwear, this is the only reportable secondary segment.

16. The company has not finalized and given effect to impairment charge, if any, since AS-28 issued by the Institute of Chartered Accountants of India is not mandatorily applicable to the company for the nine months period ended 30th September, 2004. The company is in the process of estimating such

impairment charge, if any, for appropriate accounting thereof in the accounts for the year ended 31st December, 2004

17. Since this is the first time the company has prepared interim financial statements for the nine months ended 30th September, 2004, prior period comparatives have not been presented in these financial statements.

ANNEXURE : 4

NOTES TO THE “STATEMENT OF ADJUSTED PROFITS & LOSSES” AND “STATEMENT OF ADJUSTED ASSETS & LIABILITIES” OF BATA INDIA LIMITED

1. As required by Clause No.(b) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the Statement of Adjusted Assets & Liabilities as at 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and 30th September, 2004 as well as Statement of Adjusted Profit and Loss account for the year ended 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and nine months period ended 30th September, 2004 have been restated for all change in accounting policies and for audit qualifications.
2. The scheme of demerger of production units at Faridabad and Mokamehghat under Section 391 and 393 of the Companies Act,1956 into Fashion Shoe Private Limited and BDCL Enterprises Private Limited respectively with effect from 1st January, 2002 has been modified by addition of certain conditions by Hon'ble Kolkata High Court vide its Order dated 20th May, 2003 against which the Company had filed an appeal on 13th August,2003 before the Division Bench. Such appeal has been disposed by the Division Bench on 26th March, 2004 upholding the modifications made by the Hon'ble Kolkata High Court and with one modification. The Company had filed an appeal before the Hon'ble Supreme Court against the decision of the Division Bench. The Hon'ble Supreme Court vide its Order dated 20th August, 2004 has upheld the decision of the Division Bench without any further modification. In view of the above, the Company has decided not to pursue the demerger of these two units but will work on restructuring these two manufacturing units. Therefore, the financial statements of the Company as at and for the period ending 30th September 2004 includes the estimated net Asset and net loss of Rs.8.19 million and Rs.42.60 million respectively pertaining to these units.
3. The company has not finalized and given effect to impairment charge, if any, since Accounting Standard 28 (Impairment of Assets) issued by the Institute of Chartered Accountants of India is not mandatorily applicable to the company for the nine months period ended 30th September, 2004. The company is in the process of estimating such impairment charge, if any, for appropriate accounting thereof in the accounts for the year ended 31st December, 2004.
4. The year wise breakup of contingent liability is as under:

(Rs. in million)

Nature	1999	2000	2001	2002	2003	2004
Bills Receivable discounted	34.70	22.80	9.18	22.47	7.47	6.81
Claims not acknowledged as debts	643.60	624.00	542.05	1062.21	1149.71	985.78
Guarantee	28.80	13.70	12.71	6.75	7.69	15.43
Total	707.10	660.5	563.94	1091.43	1164.87	1008.02

5. The year wise breakup of estimated amount of contracts remaining to be executed for capital nature and not provided for is as under:

(Rs. in million)

Nature	1999	2000	2001	2002	2003	2004
Outstanding capital commitments	49.60	20.30	28.11	29.35	29.14	33.19

6. The year wise breakup of the outstanding lease obligation in respect of assets capitalized during the reporting periods are as under

(Rs. In

Millions)

Disclosure as per Accounting Standard 19 (Accounting For Leases)						
	Nine Months period ended 30 th September	As At 31 st December				
		2004	2003	2002	2001	2000
Vehicles taken on lease						
Total minimum lease payments at the year end	2.18	4.43	5.36	6.13	5.28	3.46
Present value of minimum lease payments	1.79	3.54	4.07	4.60	3.71	2.39
Not later than one year						
Minimum Lease Payments	1.31	2.25	2.30	2.08	1.41	0.79
Present value as on 31st December / 30th September	1.05	1.75	1.73	1.54	1.01	0.55
Later than one year but not later than five years						
Minimum Lease Payments	0.87	2.18	3.07	4.05	3.87	2.67
Present value as on 31st December	0.74	1.79	2.33	3.06	2.70	1.84
Later than five years						
Minimum Lease Payments		-	-	-	-	-
Present value as on 31st December / 30th September		-	-	-	-	-

ANNEXURE: 5

STATEMENT OF ADJUSTED PROFITS & LOSSES ACCOUNT OF SUBSIDIARIES*

(Rs. in million)

		1999		Total	2000		2001		2002		2003		2004	
		BPL	COASTAL		BPL	COASTAL	BPL	COASTAL	BPL	COASTAL	BPL	COASTAL		
A	INCOME													
	Other Income	0.37	0.48	10.68	0.40	0.48	0.40	0.48	37.73	0.48	32.66	0.48	0.28	0.36
	Total	0.37	0.48	7,325,498,000.85	0.40	0.48	0.40	0.48	37.73	0.48	32.66	0.48	0.28	0.36
B	EXPENDITURE													
	Other Expenses	0.01	0.28	0.29	0.02	0.31	0.03	0.39	0.11	0.54	0.20	0.43	1.00	0.32
	Depreciation	0.12	0.02	135.94	0.13	0.02	0.17	0.02	0.22	0.02	0.36	0.02	0.12	0.02
	Interest / Finance Charges (Net)	-	-	68.37	-	-	-	-	-	-	-	-	-	-
	Total	0.13	0.30	6,844,632,000.43	0.15	0.33	0.20	0.41	0.33	0.56	0.56	0.45	1.12	0.34
C	Net Profit / (Loss) before Tax and Non-Recurring Items	0.24	0.18	480,866,000.42	0.25	0.15	0.20	0.07	37.40	(0.08)	32.10	0.03	(0.84)	0.02
	Current Tax	0.11	0.13	481.11	0.12	0.14	0.10	0.13	4.83	0.12	2.03	0.13	0.07	0.09
	Net Profit / (Loss) before Non-Recurring Items	0.13	0.05	304,565,000.19	0.13	0.01	0.10	(0.06)	32.57	(0.20)	30.07	(0.10)	(0.91)	(0.07)
	Transfer to general		-			-	-							

	reserve	-			-			-	3.25	-	3.00			
	Total	0.13	0.05	304,565,000.19	0.13	0.01	0.10	(0.06)	29.32	(0.20)	27.07	(0.10)	(0.91)	(0.07)
	Dividend	-	-	7,713,300.00	-	-	-	-	30.00	-	23.00	-	-	-
	Dividend Tax	-	-	1,696,900.00	-	-	-	-	-	-	2.95	-	-	-
	Net Profit / (Loss) after Non-Recurring Items	0.13	0.05	295,154,800.19	0.13	0.01	0.10	(0.06)	(0.68)	(0.20)	1.12	(0.10)	(0.91)	(0.07)
	Balance of Profit / (Loss) brought forward from previous year	4.00	0.05	4.05	4.13	0.10	4.26	0.11	4.36	0.05	3.68	(0.15)	4.80	(0.25)
	Balance carried to Reserves & Surplus / Balance Sheet	4.13	0.10	295,154,804.24	4.26	0.11	4.36	0.05	3.68	(0.15)	4.80	(0.25)	3.89	(0.32)

ANNEXURE 6

STATEMENT OF ADJUSTED ASSETS & LIABILITIES OF SUBSIDIARIES*

(Rs. in million)

FOR THE YEAR ENDED 31ST DECEMBER												FOR THE NINE MONTHS PERIOD ENDED 30TH SEPTEMBER	
	1999		2000		2001		2002		2003		2004		
	BPL	COAST AL	BPL	COAST AL	BPL	COAST AL	BPL	COAST AL	BPL	COAST AL	BPL	COAST AL	
FIXED ASSETS													
Gross Block	56.30	1.33	58.69	1.33	59.24	1.33	40.33	1.33	26.57	1.33	26.56	1.33	
Less: Accumulated Depreciation	(0.21)	(0.06)	(0.34)	(0.08)	(0.51)	(0.10)	(0.65)	(0.12)	(0.65)	(0.14)	(0.77)	(0.16)	
Add: Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	
Net Block	56.09	1.27	58.35	1.25	58.73	1.23	39.68	1.21	25.92	1.19	25.79	1.17	
Investments (Net of Goodwill arising on consolidation of Subsidiary Company)	0.02	-	0.02	-	0.02	-	0.50	-	0.50	-	0.50	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
Current Assets, Loans & Advances	-	-	-	-	-	-	-	-	-	-	-	-	

Sundry Debtors	-	-	-	-	-	-	31.84	-	26.03	-	10.96	-
Cash & Bank Balances	0.22	0.01	0.15	0.02	0.92	0.02	0.24	0.02	0.29	0.01	0.87	0.01
Loans, Advances & Other Current Assets	2.07	0.38	0.52	0.52	2.53	0.46	5.30	0.59	16.04	0.71	27.57	0.80
	2.29	0.39	0.67	0.54	3.45	0.48	37.38	0.61	42.36	0.72	39.40	0.81
TOTAL ASSETS	58.40	1.66	59.04	1.79	62.20	1.71	77.56	1.82	68.78	1.91	65.69	1.98
LIABILITIES												
Current Liabilities & Provisions	5.76	1.54	6.27	1.66	9.33	1.64	22.12	1.47	9.22	1.66	7.04	1.80
Total Liabilities & Provisions	5.76	1.54	6.27	1.66	9.33	1.64	22.12	1.47	9.22	1.66	7.04	1.80
NET WORTH	52.64	0.12	52.77	0.13	52.87	0.07	55.44	0.35	59.56	0.25	58.65	0.18
Represented By												
Share Capital	48.51	0.02	48.51	0.02	48.51	0.02	48.51	0.50	48.51	0.50	48.51	0.50
Reserves	4.13	0.10	4.26	0.11	4.36	0.05	6.93	(0.15)	11.05	(0.25)	10.14	(0.32)
Less: Miscellaneous Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Less: Debit in Profit / Loss A/c								-	-			

Net Worth	52.64	0.12	52.77	0.13	52.87	0.07	55.44	0.35	59.56	0.25	58.65	0.18
------------------	--------------	-------------	--------------	-------------	--------------	-------------	--------------	-------------	--------------	-------------	--------------	-------------

**ANNEXURE 6A
SIGNIFICANT ACCOUNTING POLICIES TO THE STATEMENT OF ADJUSTED PROFIT & LOSS ACCOUNT AND STATEMENT OF
ADJUSTED ASSETS AND LIABILITIES OF BATA PROPERTIES LIMITED AND COASTAL COMMERCIAL & EXIM LTD**

SIGNIFICANT ACCOUNTING POLICIES:

A. REVENUE RECOGNITION

The Companies follows mercantile system of accounting. Rental income is taken on accrual Basis.

B. FIXED ASSETS

Fixed assets are stated at their actual cost of acquisition or transfer values in case of properties transferred from Bata India Limited, the Holding Company.

C. DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV of The Companies Act, 1956.

D. Contingent liabilities are determined on the basis of the available information and are disclosed by way of the Note to the Accounts, if any.

ANNEXURE 6B

NOTES TO THE STATEMENT OF ADJUSTED PROFIT & LOSS ACCOUNT AND STATEMENT OF ADJUSTED ASSETS AND LIABILITIES OF BATA PROPERTIES LIMITED AND COASTAL COMMERCIAL & EXIM LTD

1. As required by Clause No.(b) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the Statement of Adjusted Assets & Liabilities as at 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and 30th September, 2004 as well as Statement of Adjusted Profit and Loss account for the year ended 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and nine months period ended 30th September, 2004 have been restated for all changes in accounting policies and for audit qualifications.
2. No change in accounting policy has taken place during the reporting period as aforesaid in para 1 above.
3. There has not been any audit qualification during the reporting period as aforesaid in para 1 above.

ANNEXURE: 7- ACCOUNTING RATIO'S

STATEMENT OF ACCOUNTING RATIO'S

	31ST DECEMBER					30TH SEPTEMBER
	1999	2000	2001	2002	2003	2004
Earnings Per Share (Rs.)	6.61	3.25	0.29	(2.20)	(4.69)	(7.87)
Net Assets Value per share (Rs.)	37.99	39.58	39.13	36.93	32.67	24.36
Return on Net Worth	17%	8%	1%	-6%	-14%	-32%
Equity Shares (No Of shares)	51,421,997	51,422,097	51,422,097	51,422,097	51,422,097	51,422,097
	Rs. In Millions					
Equity Capital	514.22	514.22	514.22	514.22	514.22	514.22
Reserves & Surplus (Net of Profit & Loss Account Debit Balance) (Excluding Revaluation Reserve)	1,439.08	1,521.32	1,497.78	1,384.77	1,165.75	738.51
Net Worth	1,953.30	2,035.54	2,012.00	1,898.99	1,679.97	1,252.73
Profit after tax	339.65	167.24	15.03	(113.02)	(241.23)	(404.61)

1. Earning per share: Restated profit/(loss) after tax less arrears of preference dividend, where applicable / weighted average number of outstanding equity shares.

2. Net asset value per share: Restated networth less arrears of preference dividend, where applicable / weighted average number of outstanding equity shares.

3. Return on networth: Restated profit/(loss) after tax less arrears of preference dividend, where applicable / Restated networth less arrears of preference dividend, where applicable.

ANNEXURE: 8

STATEMENT OF RELATED PARTY DISCLOSURES

(Rs. in million)

Nature of Transaction	Holding Company		Subsidiaries		Fellow Subsidiaries		Associates		Enterprises owned or significantly influenced by key management personnel & / or their relatives.		Total		
	Year / Period	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Dividend paid	Sep-04											-	-
	2003											-	-
	2002	19.67										19.67	-
Sales	Sep-04					5.90	5.90					5.90	5.90
	2003					39.56	0.50					39.56	0.50
	2002					51.81	10.92					51.81	10.92
Purchase	Sep-04					23.30	-					23.30	-
	2003					6.75	(0.46)					6.75	(0.46)
	2002					-	-					-	-
Purchase of Intangible Assets	Sep-04					4.53	-					4.53	-
	2003											-	-

	200 2									-	-
Current A/c.	Sep -04		(21.05)							-	(21.05)
	200 3		(8.35)							-	(8.35)
	200 2		17.55							-	17.55
Interest free Advance given	Sep -04	3.70								3.70	-
	200 3	27.02								27.02	-
	200 2	33.92								33.92	-
Interest free Advance taken	Sep -04	13.23								13.23	-
	200 3	52.92								52.92	-
	200 2	18.80								18.80	-
Dividend received	Sep -04	-								-	-
	200 3	23.00								23.00	-
	200 2	30.00								30.00	-
Rent (Expenses)	Sep -04	0.64								0.64	-
	200 3	0.87								0.87	-
	200 2	0.87								0.87	-

Technical Fees*	Sep -04					28.98			28.98	-
	200 3					112.10			112.10	-
	200 2					122.00			122.00	-
Remuneration	Sep -04						9.20		9.20	-
	200 3						16.72		16.72	-
	200 2						10.01		10.01	-

*includes Cess & TDS borne by the Company

ANNEXURE-9

STATEMENT OF DIVIDEND PROPOSED / DECLARED

(Rs. in million)

DIVIDEND PROPOSED	YEAR ENDED 31st DECEMBER					NINE MONTH PERIOD ENDED 30TH SEPTEMBER
	1999	2000	2001	2002	2003	2004
PARTICULARS						
No. of Equity Shares (In Millions) of Rs.10 each	51.42	51.42	51.42	51.42	51.42	51.42
Rate of Dividend (%)				-	-	-
- Interim	-	-	-			
- Final	15	15	7.5			
RS. IN MILLIONS						
Amount of Dividend	77.13	77.13	38.56	-	-	-
Tax on Dividend	16.96	7.86	-	-	-	-
Total amount of dividend	94.09	84.99	38.56	-	-	-
DIVIDEND DECLARED	YEARS					SEPT
PARTICULARS	1999	2000	2001	2002	2003	2004

No. of Equity Shares (In Millions) of Rs.10 each	51.42	51.42	51.42	51.42	51.42	51.42
Rate of Dividend (%)	-	-	-	-	-	-
- Interim	-	-	-	-	-	-
- Final	8.5	15	15	7.5	-	-
					-	-
	RS. IN MILLIONS					
Amount of Dividend	43.70	77.13	77.13	38.56	-	-
Tax on Dividend	4.37	16.96	7.86	-	-	-
Total amount of dividend	48.07	94.09	84.99	38.56	-	-

ANNEXURE 10 - STATEMENT OF TAXATION

STATEMENT OF TAX SHELTER

(Rs. in million)

S.NO	PARTICULARS	FOR THE YEAR ENDED 31ST DECEMBER					FOR THE NINE MONTH PERIOD ENDED 30TH SEPTEMBER
		1999	2000	2001	2002	2003	2004
A	Profit / (Loss) before Tax	480.87	252.99	24.55	(111.99)	(213.28)	(412.40)
		-	-	-	-	-	-
		-	-	-	-	-	-
B	Add Back Items	-	-	-	-	-	-
		-	-	-	-	-	-

	Difference in Book Depreciation & Depreciation under Income Tax Act	5.78	1.34	4.56	7.31	11.30	26.76
		-	-	-	-	-	-
	Net Disallowable / (Allowable) sum under section 43B of the I.T.Act	1.26	2.14	1.90	7.68	16.36	30.11
		-	-	-	-	-	-
	Others	1.90	2.67	0.34	51.36	49.75	26.70
	Total B	8.94	6.15	6.80	66.35	77.41	83.57
C	Deduction Items						
	Deduction under 80HHC	19.25	6.07	-	-	-	-
	Gain on Sale of Assets	-	1.12	111.40	43.11	33.80	1.25
	Others	-	-	1.63	3.86	3.34	1.48
	Total of C	19.25	7.19	113.03	46.97	37.14	2.73
D	Business Profit / (Loss)	470.56	251.95	(81.68)	(92.61)	(173.01)	(331.56)
E	Income under head Capital Gains	-	-	1.22	-	-	0.40
F	Taxable Profit / (Loss)	470.56	251.95	(80.46)	(92.61)	(173.01)	(331.16)
G	Tax Rate + Surcharge						
	January - March '99 **	0.04					
	April to December 99 **	0.04	0.04	0.04			

	MAT Rate						
H	Total Tax	17.87	9.70	-	-	-	-
		-	-	-	-	-	-
I	Less : MAT Credit	5.15	-	-	-	-	-
		-	-	-	-	-	-
J	Tax liability under MAT *	-	-	1.88	-	-	-
		-	-	-	-	-	-
K	Net Tax liability	12.72	9.70	-	-	-	-
		-	-	-	-	-	-
L	Earlier Year Tax Liability / (Refund)	2.73	-	-	(6.11)	(2.03)	(7.19)
M	Total Tax Liability	15.45	9.70	1.88	(6.11)	(2.03)	(7.19)

* Provision made for the year 2001 under section 115JB

*

** Tax Rate for the period January to March 1999 @ 35.00% and for the period April to December is @ 38.50%

ANNEXURE: 11**CAPITALIZATION STATEMENT**

(Rs. in million)

<u>CAPITALISATION STATEMENT</u>		
	Pre Issue	As adjusted for issue
	As on September 30, 2004	(Immediately after the issue)
Short Term Debt	1,006.77	1,006.77
Long term Debts	68.72	68.72
Total Debts	1075.49	1075.49
Shareholder's Funds		
Share capital	514.22	
Reserves & Surplus (Net of Profit & Loss Account Debit Balance) (Excluding Revaluation Reserve)	738.51	
Total Shareholder's Funds	1,252.73	
Long Term Debt/Equity	0.86	
Since the figures of the issue price are not fixed and in view of the fact that the shares have not been allotted as yet, the post issue figures have not been given.		

ANNEXURE: 12

STATEMENT OF ADJUSTED CASH FLOW OF BATA INDIA LIMITED

STATEMENT OF ADJUSTED CASH FLOW OF BATA INDIA LIMITED

(Rs. in million)

	30.09.2004		31.12.2003		31.12.2002		31.12.2001		31.12.2000		31.12.1999	
CASH FLOW FROM OPERATING ACTIVITIES				m								
Net Profit/(Loss) Before Tax & Extraordinary Items		(411.80)		(243.26)		(119.13)		16.91		260.81		519.39
Add: Adjustment for :												
Depreciation	98.81		131.49		131.39		135.95		141.23		136.14	
Provision for Doubtful Debts & Advances (Net)	23.04		32.65		15.88		9.43		1.97		7.21	

Gain on Disposal of Fixed Assets (Net)	(1.25)		(1.53)		(34.83)		(82.24)		(0.90)		(0.51)	
Interest income	(16.97)		(6.49)		(11.72)		(2.71)		(2.31)		(2.07)	
Dividend Income	-		(23.00)		(30.00)		-		-		-	
Voluntary Retirement Scheme Expense	64.50		-		-		-		-		-	
Gain on Foreign Exchange (Net)	(1.14)	166.99	(0.35)	132.78	(1.98)	68.74	(2.26)	58.16	(2.25)	137.74	(3.38)	137.38
		(244.81)		(110.48)		(50.39)		75.08		398.56		656.77
Add: Interest Expense		68.15		78.94		83.52		91.37		89.41		68.51
Operating Profit / (Loss) before Working Capital changes		(176.66)		(31.54)		33.13		166.45		487.97		725.28
(Increase)/Decrease in Inventories		195.66	(384.14)		(382.14)		260.72		(401.10)		(201.22)	
(Increase)/Decrease in Trade & Other Receivables		9.48	55.97		7.14		(83.90)		(60.58)		(151.21)	
Increase/(Decrease) in Current Liabilities & Provisions		(101.80)	507.06	178.89	367.36	(7.65)	20.13	196.95	4.26	(457.42)	156.69	(195.75)
Cash Generated from Operations		(73.32)		147.35		25.49		363.40		30.55		529.54
Add/(Less): Refund/(Payment) of Tax (Net) including interest thereon		43.11		-		15.41		(30.00)		(97.05)		(155.11)
Gain on Foreign Exchange (Net)		1.14		0.16		1.98		1.97		2.25		3.38
Cash Generated from Operations before extraordinary items		(29.07)		147.50		42.88		335.36		(64.25)		377.81
Payment under Voluntary Retirement		(182.00)		-		-		-		-		-

Scheme										
Payment under Kar Vivad Samadhan Scheme		-	-	-	-	-	-	-		(140.14)
Net Cash Flow from / (used) in Operating Activities	(211.07)	147.50	42.88	335.36	(64.25)					237.67
CASH FLOW FROM INVESTING ACTIVITIES										
Purchase of Fixed Assets	(140.18)	(102.79)	(94.25)	(95.70)	(127.69)				(218.50)	
Sale of Fixed Assets	1.31	3.43	37.44	14.23	3.45				4.38	
Interest Received	3.84	2.52	2.63	2.56	2.65				2.09	
Dividend Income from BPL	-	23.00	30.00	-	-				-	
Sale of investments	-	-	-	-	3.55				-	
Purchase of Investments	-	-	-	-	-				(3.39)	
Net Cash used in investing activities	(135.03)	(73.84)	(24.18)	(78.91)	(118.05)					(215.42)
CASH FLOW FROM FINANCING ACTIVITIES										
Proceeds from issue of share capital	-	-	-	-	-				0.01	
Proceeds from Term Borrowings	183.52	-	8.32	136.07	41.61				3.31	
(Repayment of) Term Borrowings	(99.35)	(68.12)	(72.16)	-	-				(84.86)	

Payment of Interest	(78.89)		(84.63)		(85.01)		(88.63)		(73.26)		(72.35)
Payment of Dividend & Dividend Tax	-		(0.02)		(38.57)		(85.00)		(94.10)		(48.08)
Increase/(Decrease) in Working Capital											
Finance	358.73		81.78		164.97		(217.78)		318.12		63.28
Repayment of Financial / Lease Liabilities	(2.20)		(2.45)		(2.13)		(1.80)		(0.98)		(0.16)
Net Cash used in Financing activities	-	361.81	-	(73.43)	-	(24.58)	-	(257.14)	-	191.39	(138.86)
Net increase / (decrease) in Cash and Cash equivalent		15.71		0.24		(5.87)		(0.69)		9.10	(117)
Add: Cash and Cash equivalent as at 1st January, 2004		32.45		32.22		38.09		38.78		29.68	146.28
Cash and Cash equivalent as at 30th September, 2004		48.16		32.45		32.22		38.09		38.78	29.68

ANNEXURE: 13

CONSOLIDATED STATEMENT OF ADJUSTED PROFIT & LOSS ACCOUNT OF BATA INDIA LIMITED AND ITS SUBSIDIARIES

(Rs. in million)

PARTICULARS	FOR THE YEAR ENDED 31ST DECEMBER			FOR THE NINE MONTHS PERIOD ENDED 30TH SEPTEMBER
	2001	2002	2003	2004
INCOME				
Sale of Products Manufactured (Net Of Excise Duty)	7,207.23	6,497.26	6,740.96	5,155.83
Total Sales	7,207.23	6,497.26	6,740.96	5,155.83
Income from Services		-	-	
Increase / (Decrease) in Inventories	(266.77)	409.81	352.52	(142.61)
Other Income	162.11	113.39	62.26	31.18
Total	7,102.57	7,020.46	7,155.74	5,044.40
EXPENDITURE				
Materials Consumed	3,419.59	3,478.64	3,800.61	2,751.44
Personnel Expenditure	1,802.64	1,848.65	1,902.06	1,309.90
Other Manufacturing Expenses	345.11	377.82	342.66	241.49
Administrative Expenses	610.51	590.18	638.19	511.47
Selling and Distribution Expenses	717.69	653.24	554.68	420.35
Interest / Finance Charges (Net)	91.37	83.52	79.05	68.15
Misc	98.48	100.22	72.62	154.22
Total	7,085.39	7,132.27	7,389.87	5,457.02
Net Profit / (Loss) before Tax and Non-Recurring	17.18	(111.81)	(234.13)	(412.62)

Items				
Taxation (Including Deferred Tax and Net of Refund of earlier years)	2.11	(1.16)	0.13	(7.03)
Dividend Tax	-	-	2.95	-
Transfer To General Reserve	-	3.25	3.00	
Net Profit / (Loss) before Non-Recurring Items	15.07	(113.90)	(240.21)	(405.59)

ANNEXURE: 14

CONSOLIDATED STATEMENT OF ADJUSTED ASSETS & LIABILITIES OF BATA INDIA LIMITED AND ITS SUBSIDIARIES.

(Rs. in million)

	PARTICULARS	AS AT 31ST DECEMBER			AS AT 30TH SEPTEMBER
		2001	2002	2003	2004
A	FIXED ASSETS				
	Gross Block including CWIP	3,386.66	3,395.77	3,469.87	3,624.42
	Less: Accumulated Depreciation	(1,466.06)	(1,628.48)	(1,775.64)	(1,896.03)
	Net Block	1,920.60	1,767.29	1,694.23	1,728.39
	Less : Revaluation Reserve	(1,252.94)	(1,157.74)	(1,123.89)	(1,103.66)
	Net After Adjustment for revaluation reserve	667.66	609.55	570.34	624.73
B	Investments (Net of Goodwill arising on consolidation of Subsidiary Company)	0.05	0.05	0.01	0.01
		-	-	-	-
C	Goodwill	-	-	-	-
		-	-	-	-
D	Current Assets, Loans & Advances	-	-	-	-
	Inventories	1,982.43	2,364.58	2,748.72	2,553.06
	Sundry Debtors	747.08	772.67	689.65	582.88
	Cash & Bank Balances	39.03	32.48	32.75	49.04
	Loans, Advances & Other Current Assets	676.31	621.77	635.00	824.38
		3,444.85	3,791.50	4,106.12	4,009.36
E	Deferred Tax Asset (Net)	-	-	-	-
F	TOTAL ASSETS = A+B+C+D+E	4,112.56	4,401.10	4,676.47	4,634.10
G	LIABILITIES				
	Secured Loans	166.69	331.65	414.94	957.18
	Unsecured Loans	350.78	286.94	217.66	118.31

	Current Liabilities & Provisions	1,578.68	1,876.74	2,353.10	2,296.05
	Total Liabilities & Provisions	2,096.15	2,495.33	2,985.70	3,371.54
H	NET WORTH = F- G	2,016.41	1,905.77	1,690.77	1,262.56
	Represented By				
	Share Capital	514.22	514.22	514.22	514.22
	Reserves	1,502.19	1,391.55	1,176.55	1,153.56
	Less: Debit in Profit / Loss A/c	-	-	-	(405.22)
	NET WORTH	2,016.41	1,905.77	1,690.77	1,262.56

ANNEXURE : 14 (A)

SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED ADJUSTED PROFIT & LOSS ACCOUNT AND CONSOLIDATED ADJUSTED ASSETS & LIABILITIES OF BATA INDIA LIMITED AND ITS SUBSIDIARIES.

a. Basis of Accounting

The group prepares its accounts on accrual basis in accordance with generally accepted accounting principles and under Historical Cost Convention modified by revaluation of fixed assets. For recognition of Income & Expenses, Mercantile System of Accounting is followed, except as stated otherwise.

b. Investments

Long Term Investments are valued at cost, unless there is a permanent decline in value thereof.

c. Fixed Assets

i) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat), taxes, incidental expenses and erection/commissioning expenses incurred upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as determined by the valuer, is considered in the accounts and the differential amount is transferred to Revaluation Reserve.

However as required by clause (v) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the outstanding balances of Revaluation Reserve account has been deducted from both fixed assets and reserves.

ii) Fixed Assets of Bata Properties Limited are stated at their actual cost of acquisition or transfer values in case of properties transferred from Bata India Limited, the Holding Company.

d. Depreciation

i) Depreciation on Fixed Assets is provided on Written Down Value method at the rates specified in Schedule XIV of the Companies Act, 1956 (as amended). Fixed Assets costing below Rs.5000 are fully depreciated in the year of acquisition.

ii) Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

iii) Assets acquired under finance lease on or after 1st April, 2001, are depreciated over the shorter of the economic life of the assets or the respective lease periods where there is no reasonable certainty that the company will obtain ownership of the assets by the end of the lease term.

iv) Expenditures on lease hold improvement are depreciated over the period of lease.

v) Depreciation on fixed assets of Bata Properties Limited and Coastal Commercial Exim Limited is provided on straight line Method at the rates specified in Schedule XIV of the Companies Act, 1956. Such depreciation during the period amounts to 0.14% of the total depreciation charged in the Consolidated Profit and Loss Account.

e. Inventories

i) Finished goods, raw materials, work-in-progress and stores and spares are valued at lower of weighted average cost or estimated net realisable value.

ii) Obsolete/damaged raw materials, stores and finished goods (including trading goods) etc. are valued at or under cost/estimated realisable value.

f. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. In case of sale of goods, revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer.

g. Foreign Currency Transactions

Foreign Currency assets and liabilities (other than those where the group is protected against exchange fluctuations) are revalued in the accounts on the basis of exchange rates prevailing at the close of the year / period and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to the Profit and Loss Account, as the case may be.

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of the transaction is adjusted to the cost of fixed assets or charged to Profit and Loss Account as the case may be proportionately over the contract period.

h. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of Fixed Assets are capitalized until the time all substantial activities necessary to prepare such assets for their intended use are complete. Other Borrowing costs are recognized as an expenses in the period in which they are incurred.

i. Intangible assets

Patents and Licenses

Costs relating to patents and licenses, which are acquired, are capitalized and amortized on a straight-line basis over their useful lives.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable

j. Customs, Excise Duty and Duty Drawback

- i) Customs duty on machinery lying in bond and in-transit is accounted for at the time of clearance thereof.
- ii) Excise duty on manufactured goods is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date.
- iii) Duty Drawback and sale of DEPB Licences are accounted for based on realization.

k. Retirement Benefits

- i) The liability for Gratuity and Pension is computed and provided as per the actuarial valuation report. The liability so provided is represented substantially by creation of separate funds and is considered sufficient to meet the liability as and when it accrues for payment in future. Expenditure in respect of early voluntary retirements is written off as a period cost.
- ii) Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account for the year / period when the contribution to the respective funds are due.
- iii) Leave encashment benefit is accounted for on basis of actuarial valuation.
- iv) Expenditure in respect of early voluntary retirements is written off over 5 years as a period cost.

l. Contingent Liabilities

Contingent Liabilities are determined on the basis of available information and are disclosed by way of Notes to the Accounts.

m. Leases

- i) In respect of assets acquired under Finance Lease on or after 01.04.2001, the same are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and

reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit & Loss Account.

ii) In respect of Assets acquired under operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

n. Segment Reporting

The group has chosen geographical segments as primary segments. Analysis of geographical segments is based on areas where the customers are located. It is engaged primarily in manufacture and sale of footwear which is the only reportable secondary segment.

o. Claim Stock

Provision for claim stock is based on claims received and admitted upto the year / period end.

p. Taxes on Income

Tax expense comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year / period timing differences between taxable income and accounting income for the year / period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is 'virtual certainty' that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

q. Earnings per Share

Basic earnings (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

ANNEXURE : 14B

NOTES TO THE "CONSOLIDATED STATEMENT OF ADJUSTED PROFITS & LOSSES" AS REFERRED IN ANNEXURE 13 AND "CONSOLIDATED STATEMENT OF ADJUSTED ASSETS & LIABILITIES" AS REFERRED IN ANNEXURE 14 OF BATA INDIA LIMITED AND ITS SUBSIDIARIES

1. As required by Clause No.(b) of paragraph 6.18.7 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the Consolidated Statement of Adjusted Assets & Liabilities as at 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and 30th September, 2004 as well as Consolidated Statement of Adjusted Profit and Loss account for the year ended 31st December, 1999, 31st December, 2000, 31st December, 2001, 31st December, 2002, 31st December, 2003, and nine months period ended 30th September, 2004 have been restated for all change in accounting policies and for audit qualifications .
2. The scheme of demerger of production units at Faridabad and Mokamehghat under Section 391 and 393 of the Companies Act,1956 into Fashion Shoe Private Limited and BDCL Enterprises Private Limited respectively with effect from 1st January, 2002 has been modified by addition of

certain conditions by Hon'ble Kolkata High Court vide its Order dated 20th May, 2003 against which the Company had filed an appeal on 13th August, 2003 before the Division Bench. Such appeal has been disposed by the Division Bench on 26th March, 2004 upholding the modifications made by the Hon'ble Kolkata High Court and with one modification. The Company had filed an appeal before the Hon'ble Supreme Court against the decision of the Division Bench. The Hon'ble Supreme Court vide its Order dated 20th August, 2004 has upheld the decision of the Division Bench without any further modification. In view of the above, the Holding Company (Bata India Limited) has decided not to pursue the demerger of these two units but will work on restructuring these two manufacturing units. Therefore these consolidated financial statements as at and for the period ending 30th September 2004 includes the estimated net Asset and net loss of Rs.8.19 million and Rs.42.60 million respectively pertaining to these units

3. The company has not finalized and given effect to impairment charge, if any, since Accounting Standard 28 (Impairment of Assets) issued by the Institute of Chartered Accountants of India is not mandatorily applicable to the company for the nine months period ended 30th September, 2004. The company is in the process of estimating such impairment charge, if any, for appropriate accounting thereof in the accounts for the year ended 31st December, 2004.
4. The year wise breakup of contingent liability is as under:

(Rs. in million)

Nature	2001	2002	2003	2004
Bills Receivable discounted	9.18	22.47	7.47	6.81
Claims not acknowledged as debts	542.05	1062.21	1149.71	985.78
Guarantee	12.71	6.75	7.69	15.43
Total	563.94	1091.43	1164.87	1008.02

5. The year wise breakup of estimated amount of contracts remaining to be executed for capital nature and not provided for is as under:

(Rs. in Million)

Nature	2001	2002	2003	2004
Outstanding capital commitments	28.11	29.35	29.14	33.19

6. The year wise breakup of the outstanding lease obligation in respect of assets capitalized during the reporting periods are as under :

(Rs. in Million)

Disclosure as per Accounting Standard 19 (Accounting For Leases)						
	Nine Months period ended 30 th September	As At 31 st December				
	2004	2003	2002	2001	2000	1999
Vehicles taken on lease						
Total minimum lease payments at the year end	2.18	4.43	5.36	6.13	5.28	3.46
Present value of minimum lease payments	1.79	3.54	4.07	4.60	3.71	2.39
Not later than one year						
Minimum Lease Payments	1.31	2.25	2.30	2.08	1.41	0.79
Present value as on 31st December / 30th September	1.05	1.75	1.73	1.54	1.01	0.55
Later than one year but not later than five years						
Minimum Lease Payments	0.87	2.18	3.07	4.05	3.87	2.67
Present value as on 31st December	0.74	1.79	2.33	3.06	2.70	1.84
Later than five years						
Minimum Lease Payments		-	-	-	-	-
Present value as on 31st December / 30th September		-	-	-	-	-

ANNEXURES: 15**SEGMENT DISCLOSURE OF BATA INDIA LIMITED**

The Company has chosen the following geographical segments as primary segments:

❖ LOCAL
❖ EXPORTS

(Rs. in Million)

Segment Disclosure	31.12.2002	31.12.2003	30.09.2004
a) Segment Revenue			
Domestic Sales (Net of Excise Duty)	6,341.98	6,620.94	5,075.89
* Unallocable Revenue	155.28	120.02	79.94
Total	6,497.26	6,740.96	5,155.83
b) Segment Result [Profit/(Loss) before Interest, Dividend and Tax]	(79.45)	(198.06)	(349.13)
* Unallocable Corporate Result [Profit / (Loss)]	2.34	4.50	(12.00)
Operating Result (Loss before Interest, Dividend and Tax)	(77.11)	(193.56)	(361.13)
Interest Expenses	(83.74)	(79.19)	(67.65)
Interest Received	11.72	6.49	16.97
Dividend Income	30.00	23.00	-
Provision for Taxation	-	-	-
Refund of Income Tax	6.11	2.03	7.19
Total :	(113.02)	(241.23)	(404.61)
c) Segment Assets	4,328.28	4,266.08	4,247.75
* Unallocable Assets	60.00	398.73	368.52
Total	4,388.28	4,664.81	4,616.27
d) Segment Liabilities	1,571.31	2,051.69	1,989.12
* Unallocable Liabilities	917.98	933.14	1,384.43
Total	2,489.29	2,984.83	3,373.55
e) Fixed Asset additions (including CWIP) of the Reported Segment	100.65	106.36	164.13
f) Depreciation pertaining to Assets of the Reported Segment (excluding revaluation depreciation)	131.08	131.80	97.66

*Unallocated reconciling items (Revenue, Result, Assets & Liabilities) include amounts pertaining to the "Export" Geographical Segment, which is not a reportable segment, and other unallocable corporate assets / liabilities.

The secondary segment of the company is the business segment. Since the company is engaged primarily in the manufacture and sale of footwear, this is the only reportable secondary segment.

ANNEXURES: 16

OTHER FINANCIAL INFORMATION OF BATA INDIA LIMITED

AGEING SCHEDULE OF DEBTORS

(Rs. in Million)

		31ST DECEMBER					30TH SEPTEMBER
		1999	2000	2001	2002	2003	2004
Sundry Debtors							
More Than 6 months							
	Receivable from Promoter / Promoter Group Co.	(2.13)	3.08	(1.73)	-	-	0.13
	Receivable from others	63.38	93.33	169.15	219.63	273.66	388.05
	Less: Provision	(18.30)	(21.25)	(23.71)	(31.22)	(54.36)	(79.57)
Less than 6 months							
	Receivable from Promoter / Promoter Group Co.	26.62	16.34	8.35	10.95	1.67	0.33
	Receivable from others	542.20	539.70	595.02	541.47	442.65	262.98
Total		611.77	631.20	747.08	740.83	663.62	571.92

BREAK UP OF SECURED LOANS

(Rs. in Million)

A. Rupee Term Loan from Banks

Name of Bank	Sanctioned Amount (Rs. in million)	Amount Outstanding as on 30th September 2004 (Rs. in million)	Date of financing agreement	Date of Maturity	Interest Rate p.a. as applicable on September 2004	Security
State Bank of India	377.00	153.51	19th March 2004	Rs.15 million monthly wef 28th May 2004	7% p.a	First charge on Company's Fixed Assets

HDFC	30.00	30.00	28th August 2004	26th November 2004	10.50% p.a	consisting of Land & Building at Faridabad, Batanagar Factory Land & Building, and Plant & Machinery at Batanagar Promissory Note
Sub-total - A		183.51				
B.Other Secured Borrowings (Cash Credit/WCDL/Commercial Paper)						
Name of Bank	Sanctioned Amount (Rs. in million)	Amount Outstanding as on 30th September 2004 (Rs. in million)	Date of financing agreement	Date of Maturity	Interest Rate p.a. as applicable on September 2004	Security
SBI - Cash Credit	600.00	118.18	22nd September 2003	(Refer Note 1)	11.75% p.a	Hypothecation of entire current assets on pari passu basis with other consortium member banks.
HDFC - Cash Credit	50.00	55.22	14th August 2002	-do-	11.5% p.a	
HDFC - WCDL		40.00			6.5% p.a	
ICICI - Cash Credit	50.00	18.68	6th May 2004	-do-	13.75% p.a	
ICICI - WCDL		40.00			7.5% p.a	
SBI	(Refer Note 2)	400.00	4th August 2004	2nd November 2004	5.25% p.a	
UCO	-do-	100.00	4th August 2004	2nd November 2004	5.5% p.a	
Sub-total		772.07				
Interest Accrued and due on above		1.60				

Sub-total - B	773.67				
Grand Total (A+B)	957.18				

Note 1: Since these loans are in the nature of cash credit / working capital loans, they are repayable in demand; hence, date of maturity not specified

Note 2: This represents borrowing on account of commercial paper allowed as part of the main consortium agreement and overall limit as specified therein

BREAKUP OF UNSECURED LOANS

(Rs. in million)

	1999	2000	2001	2002	2003	2004
Payable to Promoter / Promoter Group Co.	-	-	-	-	-	-
Fixed Deposits	124.28	162.66	291.57	219.42	150.77	52.74
From Scheduled Banks	53.70	300.00	-	-	-	-
Security Deposits from Employees, Agents & Franchisees	48.83	52.06	59.21	67.52	66.89	65.57
Total	226.81	514.72	350.78	286.94	217.66	118.31

BREAKUP OF LOANS & ADVANCES

Rs. In Millions

	31ST DECEMBER					30TH SEPTEMBER
	1999	2000	2001	2002	2003	2004
Receivable from Promoter / Promoter Group Co.	-	-	-	-	-	-
Loans & Advances (Net of provision)	317.50	442.14	474.71	145.20	138.94	159.42
Advance Tax including TDS and refund receivable	-	-	-	336.11	342.41	313.03
Balances with Customs, Port Trust and Excise Authorities (Net of provision)	9.28	2.04	2.87	2.62	1.72	3.60
Total	326.78	444.18	477.58	483.93	483.07	476.05

Note : The amount due from subsidiaries on current account which was grouped under

Loans & Advances in 1999 has been reduced from that years figure in the aforesaid statement in accordance with the latest disclosure policy.

BREAKUP OF OTHER INCOME FOR THE YEARS WHERE IT IS MORE THAN 20% OF PBT

(Rs. in million)

<u>YEARS</u>	31ST DECEMBER		
	2001	2002	2003
Interest income	9.97	11.72	6.49
Gain on Exchange (Net)	2.26	1.98	0.35
Gain on disposal of fixed assets	82.24	34.83	1.53
Provision for Doubtful debts written back	1.81	-	-
Dividend Received	-	30.00	23.00
Duty Draw Back & Other Export Incentives	-	23.50	17.85
Miscellaneous Income	65.83	4.02	3.77
Total	162.11	106.05	52.99

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of adjusted Profits & Losses

(Rs. in million)

	2001	2002	2003	2004
Income	12 m	12 mn	12 mn	9 months
Sales :				
Sales of Products (Net of excise duty)	7207.23	6497.26	6740.96	5155.83
Other Income	162.11	106.05	52.99	31.18
Sub-Total	7369.34	6603.31	6793.95	5187.01
Increase (Decrease) in Inventories	-266.77	409.81	352.52	-142.61
Total	7102.57	7013.12	7146.47	5044.40
Expenditure				
Raw Materials Consumed	3419.59	3478.64	3800.61	2751.44
Staff Cost	1802.64	1848.65	1902.06	1309.90
Other Manufacturing Expenses	345.38	377.82	342.66	241.49
Administrative Expenses	610.51	590.16	638.16	510.65
Selling and Distribution Expenses	717.69	653.24	554.68	420.35
Interest	91.37	83.52	78.94	68.15
Miscellaneous Expenses	98.48	100.22	72.62	154.22
Total Expenditure	7085.66	7132.25	7389.73	5456.20
Net Profit / (Loss) Before Tax and Extraordinary Items	16.91	-119.13	-243.26	-411.80
Taxation	1.88	-6.11	-2.03	-7.19
Net Profit / (Loss) before Extraordinary Items	15.03	-113.02	-241.23	-404.61
Extra-Ordinary Items (net of tax)	0.00	0.00	0.00	0.00
Net Profit / (Loss) after Extraordinary Items	15.03	-113.02	-241.23	-404.61

ANALYSIS OF FINANCIAL PERFORMANCE

Comparison of CY2003 with CY2002

Revenue:

Income from sale of products was Rs.6740.96 mn in CY03 as compared to Rs.6497.26 mn in CY02. Thus, there was an increase of 3.8% as compared to the previous year. The Company sold 52.0 Million pairs of footwear in CY03 as compared to 52.2 Million pairs in CY02. Resistance of consumers to price rise in popular volume products as well as discounts to clear slow-moving stocks and under-utilization of production capacity adversely affected the operational results. Retail business during the year increased

by 6% in value, whereas wholesale sales declined primarily due to restriction of supplies as a means to recover customer outstandings. During the year export sales declined to Rs.120.02 mn compared to Rs.155.27 mn in CY02 since the Company restricted exports to markets where the export sales were not profitable.

Other income decreased from Rs.106.05 mn CY02 to Rs.52.99 mn CY03 which was a decrease of 50%. Reduction in other income in CY03 can be mainly attributed to the fact that the Company had made a gain of Rs.34.83 mn on disposal of fixed assets in CY02 as compared to only Rs.1.5 mn in CY03.

Expenditure:

Cost of raw materials consumed as a percentage of net sales increased from 53.5% in CY02 to 56.4% in CY03. The main reason for the increase in cost of raw materials was the increase in price of natural rubber and chemicals. Staff costs, manufacturing and administrative costs as a percentage of net sales reduced from 43.4% in CY02 to 42.8% in CY03. Selling and distribution expenses as percentage of net sales reduced from 10.1% in CY02 to 8.2% in CY03 on account of reduced expenditure on advertising and better control of freight and despatch costs.

Interest cost reduced from Rs.83.52 mn in CY02 to Rs.78.94 mn in CY03. Judicious mix of borrowings as well as reduction in prime lending rates resulted in reduced interest charges.

Profit/Loss before Tax

Loss before Tax increased from Rs.119.13 mn in CY02 to Rs.243.26 mn in CY03. Though the Company recorded a modest growth in turnover in CY03, the results did not improve because of additional one time charges in respect of provision for long term agreements, charging of deferred tax assets in compliance with the Accounting Standard-9 and provision for unfunded pension liability due to hike in the cost of annuities.

Net Profit/Loss

Net loss for CY03 was Rs.241.23 mn as against the net loss of Rs.113.02 mn for CY02.

Comparison of CY2002 with CY2001

Revenue:

Income from sale of products was Rs.6497.26 mn in CY02 as compared to Rs.7207.23 mn in CY01. Thus, there was a decrease of 9.9% as compared to the previous year. The Company sold 52.2 Million pairs of footwear in CY02 as compared to 59.6 Million pairs in CY01. Market resistance to price increase particularly for the volume articles contributed to the fall in turnover. This together with impact of discounts to clear slow-moving stocks as well as under-utilization at production units impacted unfavourably on the profitability of the Company.

Other income decreased from Rs.162.11 mn CY01 to Rs.106.05 mn CY02 which was a decrease of 34.6%.

Expenditure:

Cost of raw materials consumed as a percentage of net sales increased from 47.4% in CY01 to 53.5% in CY02. Staff costs, manufacturing and administrative costs as a percentage of net sales increased from 38.3% in CY01 to 43.4% in CY02. Selling and distribution expenses as percentage of net sales increased

marginally from 10.0% in CY01 to 10.1% in CY02.

Interest cost reduced from Rs.91.37 mn in CY01 to Rs.83.52 mn in CY02. Judicious mix of borrowings as well as reduction in prime lending rates reduced interest charges.

Profit/Loss before Tax

Compared to a profit before tax of Rs.16.91 mn in CY01, there was a loss before tax of Rs.119.13 mn in CY02. The loss was mainly due to sluggish market condition, under-recovery of expenses at manufacturing units and reduced turnover.

Net Profit/Loss

Compared to a net profit of Rs.15.03 mn in CY01, there was a net loss before tax of Rs.113.02 mn in CY02.

Performance of the Company during 9 months ended September 30, 2004

Revenue:

Income from sale of products was Rs.5155.83 mn during the period ended September 30, 2004. Other income was Rs. 31.18mn during this period.

Expenditure:

Cost of raw materials consumed as a percentage of net sales was 53.4% during the period ended September 30, 2004. Staff costs, manufacturing and administrative costs as a percentage of net sales stood at 40.0% and selling and distribution expenses as percentage of net sales was 8.2% during the period ended September 30, 2004. Interest cost during this period was Rs. 68.15mn.

Profit/Loss before and after Tax

Loss before Tax was Rs. 411.8 mn during the period ended September 30, 2004 and the net loss stood at Rs. 404.61mn.

Factors affecting the financial performance :

a. Company specific risks:

The Company has a large workforce resulting in high employee costs. Further the Company has been in existence for more than seven decades. The Company has five manufacturing facilities and a nation-wide retail and wholesale distribution. Reducing employee costs and restructuring and streamlining its operations is the major challenge and risk for the Company.

b. Significant economic and regulatory changes:

The government policies regarding import duties on raw materials and semi-finished inputs has an impact on the input cost. Similarly the policies regarding import of finished footwear impacts the competition in the market. In terms of consumers spending on the upper-end footwear like sports shoes and casual shoes could get reduced if the level of per capita disposable income goes down in case of an economic slow down.

c. Known trends and uncertainties:

With the era of consumerism and globalization, footwear has progressed beyond being a necessity and has become a fashion statement. The Company has to be innovative in manufacturing technology and devising new marketing strategies so that it is able to maintain and expand its customer base. The Company also faces competition from unbranded products produced by the large unorganized sector that competes on lower costs.

d. Future changes in relationship between costs and revenues:

The Company is continuously working to create efficient processes resulting in cost reduction. The Company's product range includes both economy and premium footwear targeted at different customer segments. While the economy segment contributes in terms of larger volumes the premium segment provides better margins. Hence the revenues of the Company from the economy segment is more susceptible to changes in volume and revenues from premium segment is more susceptible to price acceptability from customers.

e. Seasonality of the business:

While there is demand for footwear through out the year, there would be variations in the demand for certain categories of footwear during specific points of time. The sale of footwear for school children tends to be higher when schools start after the summer vacation. Similarly the sale of plastic footwear is higher during the monsoon season.

f. Competitive conditions:

The Company faces competition on two fronts. It faces competition from new players in the organized sector who are focusing on advertising and publicity for promoting their brands. The Company also faces competition from low cost products from the unorganized sector. The Company is facing competition by leveraging on its existing brands, promoting new brands, improving product quality and making its products cost competitive.

g. Dependence of revenues on sales volume, new products and prices

Consumers are continuously looking for newer designs and fashion in footwear and are willing to pay higher prices for the same. The Company is continuously taking steps to improve both volume of sales as well as improve price realization through introduction of new designs.

h. Turnover of each major industry segment in which the Company operates

The Company is engaged primarily in the manufacture and sale of footwear, which is the only industry segment in which the Company operates.

i. Status of publicly announce new products or business segments

The Company is continuously introducing new designs of footwear. However, the Company has not announced any new products or business segments.

j. Significant dependence on a single or few suppliers or customers

The Company sources its requirements of raw materials from multiple suppliers. The customers for purchasing footwear are spread out all over the country. Thus there is no significant dependence on a single or few suppliers or customers.

k. Unusual or infrequent events or transactions

There have been no unusual or infrequent events or transactions other than as described in this offer document.

OUTSTANDING LITIGATION AND DEFAULT LITIGATION

Save as stated herein under, there are no material outstanding/pending litigations, suits, criminal/civil prosecutions, proceedings initiated for offence (including past cases, economic offences, etc.) irrespective of whether specified in Schedule XIII of the Act and litigations for tax liabilities against the Company, directors of the Company, Promoter and companies in India promoted by the Promoter.

No disciplinary action has been taken by the SEBI/ Stock Exchanges against the Company, Directors of the Company, its Promoter and companies in India promoted by the Promoter.

Cases filed by the Company

A. Income Tax Cases

A1. The Company has filed an appeal before ITAT, Kolkata against the order of the Commissioner of Income Tax (Appeals) pertaining to assessment year 1999-2000. The Company, for this assessment year paid advance tax (on self-assessment) under Section 140A of the Income Tax Act after adjusting MAT credit for the previous year. The assessing officer did not consider the MAT credit while calculating interest under section 234B of the Income Tax Act, 1961 on delayed payment of advance tax by the Company. The Company preferred an appeal before the CIT (Appeals), which was decided in favour of the Income Tax Department. The Company has, thus filed an appeal before Kolkata Tribunal, and the same is pending. This case involves an amount of Rs.4.60 Million, which amount has already been deposited with the Income Tax Department by the Company, pending disposal of appeal.

A2. The Company has filed an appeal before ITAT, Kolkata against the order of the CIT (Appeals) in respect of disallowance of provision made for ESIC payments and prior period expenses. This appeal involves an amount of Rs. 3.60 million, which may result in a tax liability in the sum of Rs. 1.6 million. This amount of tax of Rs. 1.6 million has already been deposited with the Income Tax Department by the Company, pending disposal of appeal.

B. Sales Tax Cases

B1. The Company has challenged the demand of Rs. 3.47 million made by the Assistant Commissioner of Sales Tax, West Bengal, on the Company for sales tax calculated on the basis of comparison between the contract shoe cost and sales value. The Company has filed an appeal before the Deputy Commissioner of Sales Tax contending that the demand raised for additional sales tax is unjustifiable on the grounds set out in the Company's reply. This appeal is pending.

B2. The Company has filed an appeal before the Sales Tax Appellate Tribunal challenging the order passed by the Tamil Nadu Sales Tax Authority demanding sales tax on Maximum Retail Price turnover, together with penalty, aggregating to Rs. 16.20 million for the period 1987 – 2002, on the ground that the sales tax amount should be separately mentioned on the cash memo, as per the provisions of the Tamil Nadu General Sales Tax, 1959. The Company has contended that it calculates sales tax at the end and pays the same to the Sales Tax Authority. Out of the total demanded amount of Rs. 16.20 million, the Company has already deposited an amount of Rs. 4.60 million with the Sales Tax Authority. The said Appeal is pending.

B3. A truck of the Company was seized due to non-availability of road permit while moving goods from Bataganj to Jaipur Wholesale Depot in or around February, 1998. The total value of the goods was Rs. 2.5 million, on which a demand of Rs. 0.75 million was raised on the Company. This demand is challenged

by the Company in the Jaipur High Court by way of a writ petition, which is still pending. In the meantime, the Company gave a bank guarantee of Rs.0.25 million and released the goods.

B4. A demand has been made on the Company in the sum of Rs. 1.1 million for non-submission of Forms 3A for the periods 1996-1997, 1999-2000, 2001-2002 and 2001-2003. The demand has been challenged by the Company before the Sales Tax Appellate Authority and the same is pending.

B5. A demand has been made on the Company in the sum of Rs. 0.1 million for non-submission of Forms C for the period 2000-2001. The demand has been challenged by the Company before the Sales Tax Appellate Authority and the same is pending.

B6. The Excise and Taxation officer, Faridabad vide order dated September 19, 2003 raised an additional demand to the tune of Rs. Rs.3.09 million under the Haryana General Sales Tax Act, 1973 for the Assessment Year 1984-85 in respect of the use of rubber and textiles as main raw materials. The Company had challenged the case at Chandigarh High Court, but the writ petition was dismissed on January 16, 2002. In the meantime, the Company deposited Rs. 3.09 million on August 29, 2003 with Faridabad Sales Tax authority. Thereafter, Faridabad Sales Tax Authority issued an interest recovery notice of Rs.5.07 million on the said amount of Rs.3.09 million, under Section 59 of the Haryana General Sales Tax Act, 1973. The Company has filed an appeal in the Supreme Court challenging the dismissal of the writ petition by the Chandigarh High Court as well as the interest recovery notice. The matter before the Supreme Court is pending.

C. Civil Cases

C1. There are 78 cases pending in various Courts including the Additional District Judge, Delhi, Agra, Shimla, Bareilly and Jalandhar as also in the High Courts of Allahabad, Mumbai, Cuttack, etc. Most of these cases challenge an eviction order passed by these Courts against the Company, or praying for an injunction from dispossession, or challenging the direction of the Court to the Company to deposit amounts as and by way of rent. Since the relief essentially prayed for in these cases is setting aside of the eviction orders, no monetary amount is quantified.

C2. 5 money suits have been filed by the Company in different courts including (i) City Civil Court, Kolkata, (ii) Calcutta High Court, (iii) Sub-court, Ernakulam for realising dues of the Company in the aggregate amount of Rs. 7.5 million.

Infringement Cases

C3. There are in all 16 cases for and in relation to restraining various parties from using the trademark of the Company pending in various courts including Chief Metropolitan Magistrate, Kolkata, District Judge, Salem, District Judge, R R District and the Calcutta High Court. There is no monetary value involved in these cases.

D. Criminal Cases

D1. The Company has filed an appeal against M/s. J. K. Enterprises before Andhra Pradesh High Court challenging the decree passed by the Principal Civil Judge, Vishkapatnam restraining termination of the Joint Retail Venture Agreement entered into between the parties to this case till its expiry period of 15 years i.e. till September 10, 2006. Though the appeal is admitted and pending, no stay of the impugned decree has been granted.

D2. The Company has filed 20 criminal cases under section 138 of the Negotiable Instruments Act, 1881 in respect of dishonoured cheques against various of its wholesalers. These cases are pending before various Metropolitan Magistrates courts at Bankshall Court, Kolkata. The aggregate amount involved in these cases is Rs. 15.87 million. All these cases are pending.

Cases against by the Company

E. Income Tax cases

E1. There are totally of four appeals pending against the Company before the ITAT, Kolkata challenging allowance by the CIT (A) of the expenditure of the Company's contribution during different assessment years, to the Bata Welfare Sickness Benefit Society (BWSBS) every year. The assessing officer has been consistently disallowing the said contribution, despite this issue being resolved in favour of the Company by the Calcutta High Court in an earlier writ petition. The aggregate amount involved in all these 4 cases is Rs. 18.9 million approximately, on which the tax will be calculated as per the relevant assessment year. These appeals are pending.

E2. The Income Tax Department has filed an appeal before ITAT, Kolkata against the order passed by the CIT (A), allowing certain differences noticed between the balance confirmations given by the suppliers and the balance given by the company for the purchases shown in the books. These differences were allowed on being satisfied with the detailed reconciliation provided by the Company. This case pertains to the assessment years 1986-87, and the amount involved is Rs. 5.1 million, on which the tax will be calculated as per the relevant assessment year. This case is pending.

E3. Two appeals have been filed by the Income Tax Department before ITAT, Kolkata against the order passed by the CIT (A), allowing the expenditure on account of gardening, sanitation expenses, etc. as a part of miscellaneous expenditure and other business expenditure of the Company. This case pertains to the assessment years 1986-87 and 1988-89, and the aggregate amount involved is Rs. 3.33 million, on which the tax will be calculated as per the relevant assessment year. These appeals are pending.

E4. The Income Tax Department has filed an appeal before ITAT, Kolkata against the order of the CIT (Appeals) allowing the expenditure of Rs. 2.5 million, which, according to the assessing officer, were not backed up by supporting like Invoice copy, GR copy etc. for purchases pertaining to assessment year 1988-89. The tax on the said amount of Rs. 2.5 million will be calculated as per the relevant assessment year. The said appeal is pending.

E5. During the assessment year 1988-89, the Company made cash payments aggregating to Rs. 0.15 million to its employees for travelling, freight and temporary staff payments, as covered under Rule 6DDJ of the Income Tax Rules. The said expenditure was disallowed by the assessing officer. In appeal, the CIT (Appeals) ruled in favour of the Company, and allowed the said expenditure, as a deduction. The Income Tax Department has filed an appeal before ITAT, Kolkata, and the same is pending. If the Company fails, the tax on the said amount of Rs. 0.15 million will be calculated as per the relevant assessment year.

E6. An appeal has been filed before the ITAT, Kolkata by the Income Tax Department against the order of the CIT (A) allowing the provision for bad and doubtful debts made in relation to specific parties. This allowance pertains to assessment year 1998-1999, and the amount involved is Rs. 12.2 million, on which the tax will be calculated as per the relevant assessment year. This appeal is pending.

E7. The Department has filed an appeal before ITAT, Kolkata challenging the order of the CIT (A) allowing the provisioning for bad and doubtful debts by the Company against specific parties in calculation of book profit for payment of minimum alternate tax. The said appeal involves an amount of

Rs. 0.52 million, on which the tax will be calculated as per the relevant assessment year. The said appeal is pending.

F. Excise Cases

F1. Several show cause notices were issued by the Central Excise Department demanding payment of central excise duty alleged to have been collected by the Company from its customers on sale of exempted footwear. The demand was raised on the ground that the amounts as per the "Price List" showed the value as "Value inclusive of duty". These notices were issued in respect of Batanagar, Faridabad and Bangalore units, and the aggregate amount demanded is Rs. 362.95 million. In respect of Batanagar unit, the notice is pending hearing. In respect of Faridabad unit, the Company has filed an appeal before CESTAT, Kolkata against the order of the Assistant Commissioner of Central Excise, Kolkata, and an unconditional stay is granted by CESTAT, Kolkata. The appeal is pending before CESTAT, Kolkata. In respect of Bangalore unit, the Central Excise Department has filed an appeal before the CESTAT, Bangalore against the order of the Commissioner, Central Excise (Appeals), Bangalore. The appeal is pending.

F2. The Central Excise Department had served two show cause notices on the Company demanding excise duty in the aggregate sum of Rs. 8.98 million and penalty in the aggregate sum of Rs. 10 million, for manufacture of rubberised fabrics by the Company and use of the same in the manufacture of footwear after five years of manufacture of the same. The case was challenged before the appeal authorities, and finally, the matter is pending before Supreme Court on the point of law as to whether the processing of rubberised fabric, which is not vulcanised, amounts to "manufacture" under Excise law. Simultaneously, the matter was remanded to the CESTAT on the point as to whether the demand was barred by the law of limitation, and on applicability of exemption pursuant to Notification no. 214/86 dated March 25, 1986.

F3. The Excise Department had served a show cause notice on the Company in respect of Batanagar, demanding duty in the sum of Rs. 381.77 million on parts of footwear received from job worker after processing and used in manufacture of exempted footwear. The Company succeeded before the Commissioner, Central Excise, Kolkata, who directed the concerned Department to recalculate the duty on footwear only. The Company has filed an Appeal before CESTAT, Kolkata, which is pending.

F4. The Excise Department has filed an appeal before CESTAT, Kolkata against the order passed by the Commissioner, Central Excise, Bangalore in favour of the Company in respect of 3 show cause notices demanding duty in the aggregate sum of Rs. 13.39 million on parts of footwear received from job workers after processing and used in manufacture of exempted footwear. The Company contention was that it is entitled to the benefit of exemption under Notification Nos. 214/86 dated March 25, 1986 and 10/96 dated July 23, 1996. Stay has been granted by CESTAT, Kolkata, and the appeal is pending.

F5. The Company has filed one common appeal before CESTAT, Kolkata against the order passed by the Commissioner (Appeals), Central Excise, Kolkata in respect of 5 show cause notice demanding duty of the aggregate amount of Rs. 1.84 million on neoprene cement manufactured and used in the manufacture of footwear. The Company's contention is that neoprene cement is not an excisable good. Stay has been granted by CESTAT, Kolkata, and the appeal is pending.

F6. Several show cause notices have been issued by the Excise Department claiming an aggregate amount of Rs. 12.36 million for reversal of MODVAT/ CENVAT Credit allegedly wrongly availed by the Company. The basis of issuing the said notices is that the invoices on basis of which the MODVAT/CENVAT credit was claimed did not contain all prescribed disclosures. All these notices are pending hearing.

F7. A show cause notice is issued by the Excise Department demanding Rs 0.32 Million on the Company in respect of clearance of “Microsheet” from the factory without payment of duty and not observing central excise procedure and formalities. The Company has claimed the benefit under Notification No. 10/96. The said notice is pending.

F8. The Excise Department has issued a show cause notice demanding duty of Rs. 1.49 million alleging that the Company had determined the cost of footwear parts used captively on prime-cost basis, instead on a cost of production + profit basis. The Company has contended that it has been following the procedure as laid down in CBEC Circular No. 258/92/986 dated October 30, 1996, which prescribes the method for calculating the cost of captively consumed goods, and which prescribes the calculation of cost and a notional profit in the method prescribed in the said Circular. The said notice is pending hearing.

F9. The Excise Department has issued a show cause notice demanding duty of Rs. 7.03 million in respect of sale of footwear manufactured in a 100% Export Oriented Unit at Hosur, in the domestic tariff area. The Company’s contention is that it has sold footwear in the domestic area as per the provisions of Central Excise Act and Rules and also after obtaining necessary permission from the Customs Authorities. The said notice is pending.

F10. The Excise Department has issued a show cause notice demanding Rs. 25.71 million duty on parts of footwear received from job workers and used in manufacture of footwear exempted from duty. The Company’s contention is that it is entitled to the benefit of exemption under Notification Nos. 214/86 dated March 25, 1986 and 10/96 dated July 23, 1996. The said notice is pending.

F11. The Excise Department has issued a show cause notice demanding Rs. 1.77 million duty for clearance of defective footwear, which has been repaired or re-processed, without payment of necessary excise duty, on the ground that the said process amounts to “manufacture” of an “excisable good”. The Company’s contention is that it has obtained due permission from the Commissioner, Kolkata for re-entry of Defective Footwear and re-processing of the same inside its factory, and thus is entitled to clearance of the same without payment of duty. The said notice is pending.

F12. Apart from the above, there are 4 show cause notices pending against the Company issued by the Excise Authorities, the aggregate value of which is Rs. 20.01 Million.

G. Customs Cases

G1. A show cause notice has been issued by DRI, Kolkata against the Company and some of its Directors and officials, namely, Mr. S. J. Davies, former Managing Director of the Company, Mr. Pradip Kumar Nag, Deputy Managing Director, Mr. M.J.Z. Mowla, Senior Vice President, Mr. V. Balakrishnan, Vice President – Purchase, (already retired from the Company), Mr. D.K. Talukdar, Assistant Manager – Shipping, and the same is pending before the Commissioner of Customs, Kolkata. The show cause notice alleges that the Company had wrongly availed of benefit of Customs Exemption Nos. (i) 23/1998-CUS dated June 2, 1998, (ii) 20/1999-CUS dated February 28, 1999, (iii) 16/2000-CUS dated March 1, 2000, (iv) 17/2001-CUS dated March 1, 2001 and (v) 21/2002 dated March 1, 2002, for importation and use of moulds in Financial Year 1998-99. The said show cause notice alleges that the (shoe) sole manufactured using the moulds imported under the benefit of the above mentioned Notifications, was eventually used in the manufacture of the footwear with non-leather upper, whereas the above mentioned Notifications allegedly stipulates that such (shoe) soles must be used to manufacture leather footwear. The Company’s contention is that the imported moulds are designed for use in leather footwear / Industry, and there is no stipulation or condition as to actual end use. The Company had submitted its reply to the said notice, and the personal hearing was concluded on July 30, 2004, while the Order was reserved. A fresh hearing,

however, was fixed on January 12, 2005, but the same was cancelled by the Commissioner of Customs. The next date is not yet fixed. The amount involved in the said notice is Rs. 26.88 million.

G2. The Company has received two show cause notices from the Zonal DGFT, Kolkata for non-fulfillment of the Company's export obligations against advance payment of license by the Company. The cases are currently pending before the DGFT, Kolkata. The Company is in the process of submitting all the required documents in connection with fulfillment of Export obligation to DGFT, Kolkata. The amount involved in both the cases are Rs. 1.41 million and Rs. 0.10 million respectively.

G3. Apart from the above, there are 4 show cause notices pending against the Company issued by the Customs Authorities regarding importation of sports shoes from China, the aggregate value of which is Rs. 10.34 million.

H. Civil Cases

H1. There are 151 cases pending in various Courts including the Additional District Judge, Patna, Kolkata, Gauhati, Amritsar and Jhansi as also in the High Courts of Kolkata, Allahabad, etc. Most of these cases are suits seeking eviction order against the Company, or partition suits, or challenging the dismissal order refusing eviction. Since the relief essentially prayed for in these cases is eviction orders, no monetary amount is quantified.

H2. The Company had entered into an Open and Standing Contract, i.e. Price Agreement with Director General of Supplies and Disposal (DGS&D) for supply of canvas shoes. Disputes arose between the Company and the DGS&D in respect of various work orders issued during the period between January 4, 1995 to January 11, 1995, which were referred to arbitration. The sole arbitrator passed his award in favour of DGS&D for a sum of Rs. 11.36 million. The Company has challenged the arbitration award in the Delhi High Court, and stay of the award has been granted. The matter is pending.

H3. In addition, there are 15 money suits filed against the Company in the various courts including the Alipore District Court, Kolkata, Agra District Court, Debt Recovery Tribunal, Lucknow and Chennai, Tis Hazari Court, for a total sum of Rs. 11.2 million. All these suits are pending.

H4. There are two petitions filed in the Calcutta High Court seeking a winding order against the Company. One of these winding up petitions, being Company Petition No. 610 of 2004 have been filed by an architect Tag Architectonics Private Limited, on the ground that the Company has failed to pay an amount of Rs. 914,396 towards the outstanding fees for renovation work done by the architect at the head office of the Company located at Gurgaon, Haryana. The second petition being Company Petition No. 518 of 2004 has been filed by a transport company Bagai Golden Transport Company Limited on the ground that the Company has failed to pay to it transportation charges for carrying the Company's consignment, in the sum of Rs. 322,835.45. Both these petitions are pending.

H5. There are 3 writ petitions filed against the State of Bihar in respect of non-receipt of Form IXC under the Sales Tax Act, where the Company has been made a proforma party.

Infringement cases:

H6. There are three cases pending against the Company, 2 of which have been filed by Khadim Shoe (P) Limited in the Calcutta High Court, seeking cancellation of the Company's registered design no. 177386 of the Company. Further, one case has been filed by Relaxo Footwear Limited in the Court of the District Judge at Delhi seeking permanent injunction restraining the Company from allegedly making false threats to Relaxo Footwear Limited from using the trade marks "Hawai" and "Jogger".

I. Gratuity Cases

I1. There are 24 cases pending before the Calcutta High Court filed by the employees of the Company claiming gratuity under the Payment of Gratuity Act, 1972 on the ground that they were performing supervisory functions even after being promoted to the Managerial Cadre. The aggregate amount claimed in these cases is Rs. 2 million approximately. All these cases are pending.

I2. There are 3 more cases pending before the Calcutta High Court, Controller of Gratuity, Kolkata and Meerut for fixation of gratuity claims in the aggregate sum of Rs. 0.39 million.

J. Labour Cases

There are about 120 labour cases pending in various courts including the Industrial Tribunal, Assistance District Judge, Labour Court and High Court. These cases pertain to different disputes including (i) temporary workmen seeking reinstatement with back wages; (ii) challenging dismissal of service; (iii) disputing the date of retirement; and (iv) claims under Workmen Compensation Act.

K. Cases under Standards and Weights Measures Act, 1976

K1. There are 8 cases filed against the Managing Director along with other officers of the Company before (a) District Session Judge, Kozhikode (b) Second Additional Magistrate, Nellore (c) First Class Magistrate Court, Thiruvananthapuram (d) Second Additional Chief Metropolitan Magistrate Court, Bangalore (e) Additional Munsiff Magistrate Court, Annakapalee (f) Andhra Pradesh High Court (g) Karnataka High Court (h) Calcutta High Court by the Inspector of Weights and Measures of the respective jurisdiction, alleging complaints in the nature of (i) change in price of products by affixing label (ii) month and year of manufacture not mentioned on the shoe boxes and (iii) declaration on shoe boxes is not in accordance with the Standards of Weights and Measures Act, 1976 and rules thereunder. The aggregate liability in the above-mentioned cases is Rs. 0.19 million. All these cases are pending.

K2. There are 10 cases filed against certain officers of the Company before (a) Chief Judicial Magistrate, Bharuch, Gujarat (b) Chief Judicial Magistrate, Faridabad (c) Additional Chief Judicial Magistrate, Faridabad (d) Additional Chief Judicial Magistrate, Gorakhpur (e) Judicial Magistrate, First Class, Pune (f) Second Metropolitan Magistrate Court, Vijayawada (g) Special Metropolitan Magistrate Court, Kakardooma, New Delhi (h) Chief Judicial Magistrate Court, Ambala alleging complaints in the nature of (i) change in price of products by affixing label (ii) month and year of manufacture not mentioned on the shoe boxes and (iii) declaration on shoe boxes is not in accordance with the Standards of Weights and Measures Act, 1976 and rules made thereunder. The aggregate liability in the above-mentioned cases is Rs. 0.08 million approximately. All these cases are pending.

L. Consumer Court Cases

L1. 34 cases have been filed in various consumer courts in respect of defective shoes and claiming the price of the shoes and damages (in some cases). The aggregate amount claimed in these cases is Rs. 0.9 million approximately. All these cases are pending.

M. Arbitration Cases

An architect, RDG Interior Decoration Exterior Architecture Private Limited, had undertaken interior and exterior decoration work for 24 brand shops of the Company across India as well as the corporate office. Disputes arose between the parties, which they have decided to resolve through arbitration referred to the

sole arbitrator Mr. Ganendra Narayan Ray, former Judge Supreme Court of India. The arbitration is pending.

M. Criminal Cases

M1. One of the shareholders of the Company had filed a criminal complaint in the Metropolitan Magistrate Court, Ballard Estate, Mumbai in connection with non-receipt of dividend and share certificate. Paralelly, the Company has filed a Criminal Revision Application in the Bombay High Court for quashing the criminal complaint filed as stated above, and the Company has also handed over to the said shareholder duplicate share certificates as well as unpaid dividend. Both these cases are pending.

N. Miscellaneous cases

N1. There are 32 miscellaneous suits pending in various courts including Faridabad District Court, Durgapur Sub-judge Court and Kalyani Court in respect of disputes such as voluntary retirement scheme, land disputes and challenging transfer of employees from one location to another. There is no monetary amount involved.

O. Cases against the Directors

There are 2 cases pending against the directors, the details of which are set out in detail in paragraph nos. G1 and K1 above. Apart from these cases, there are no other cases pending against the Directors of the Company.

P. Bata Properties Limited (BPL)

Contingent liability as on September 30, 2004

NIL

Cases filed by BPL

NIL

Cases filed against BPL

NIL

Q. Coastal Commercial and Exim Limited (CCEL)

Contingent liability as on September 30, 2004

NIL

Cases filed by CCEL

NIL

Cases filed against CCEL

NIL

GOVERNMENTAL APPROVALS AND LICENSING ARRANGEMENTS

The Company has the following approvals from the Government authorities as required to carry on the present business. However, certain approvals have expired in respect of which, the Company has applied or is yet to apply for renewals, as indicated corresponding to the relevant licenses.

Licences/Permission/Approvals in respect of factory located at Sipcot, Batashatak, Hosur, Tamilnadu

1. Industrial Licence issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India vide letter dated July 27, 2000 bearing number CLR-4412000 for the purpose of establishing a new industrial undertaking for the manufacture of leather footwear located at Plot No.73 & 74, SIPCOT, Industrial Complex Phase – I, District Hosur (Dharampuri) in the State of Tamil Nadu. The date of expiry of this industrial license is July 27, 2002, and the Company had to commence commercial production by that date. This license was issued subsequent to the Hosur factory's conversion from an Export-oriented unit to a domestic producer, and the Company continued with commercial production in the aforesaid period. Thus, renewal application in respect of the same is not applicable.
2. Registration Certificate issued under the Central Excise Rules, 1944 by the Registering Authority dated November 29, 2001 for the purpose to cure, produce, manufacture, carry on wholesale trade/business/broker or commissioner agent or otherwise deal in excisable good, act as a user of excisable goods for special industrial purposes. This registration certificate is valid until factory carries on the activity for which it is issued or until surrendered.
3. Authorisation and consent issued by Tamil Nadu Pollution Control Board dated September 12, 2003 bearing number 8179A for the purpose of operating the industrial plant in an Air Pollution Control Area and to continue discharge of emission from the stacks under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981. This authorisation/consent is valid until March 31, 2005.
4. Renewal of consent order issued by District Environmental Engineer, Tamil Nadu Pollution Control Board bearing number 11325 A for the purpose of discharge of sewage under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974. This consent is valid until March 31, 2005.
5. Factory Running Licence issued by Block Development Officer under the provisions of the Tamil Nadu Panchayat Rules bearing number 1543 for the purpose of running the industry for manufacture of leather footwear. This licence is valid until March 31, 2005.
6. Factory Licence issued by Deputy Chief Inspector of Factories bearing number 29290 for the purpose of using premises at Sipcot Industrial Complex, Hosur as a factory. This licence is valid until December 31, 2005.

Factory located at Mokameghat, Hathidah, Bihar

1. Form 'C' issued by GoI, Ministry of Commerce and Industry dated May 31, 1954 under Rule 6 of the Registration and Licensing of Industrial Undertaking Rules, 1952. The certificate was issued in the name of Bata Shoe Company Limited bearing registration number R/25/43 and has been changed to Bata India Limited, pursuant to change of name of the Company. This certificate is issued for the

purpose of registration of the industrial undertaking in terms of Section 10 of the Industries (Development and Regulation) Act, 1951.

2. Licence issued by Inspector of Factories, Factory Inspection Department, Department of Labour and Employment bearing number 114/PTN for the purpose of operation of the factory and compliance under Rule 4 to 10 of the Bihar Factories Rules, 1950 and Section (1)(d) of the Factories Act, 1948. The licence is valid until December 31, 2005.
3. Certificate of registration issued by the Labour Superintendent for the purpose of registration under sub-section (2) of Section 7 of the Contract Labour (Regulation and Abolition) Act, 1970.
4. Licence dated March 18, 2004 granted by the Deputy Chief Controller of Explosives, Department of Explosives bearing number P/HQ/BI/15/1801(P9328) for the purpose of registration under the Petroleum Rules, 2002 for storage of Petroleum class B installation. This licence is valid until December 31, 2005.
5. Provisional Orders (three) dated February 8, 2005 issued by the Inspector of Boilers bearing numbers B/009/05, B/010/05 and B/011/05 for the purpose of registration of boilers under Section 9 of the Indian Boiler Act, 1923. These orders are valid until six months from the date of issue, that is August 7, 2005.
6. Emission Consent Order issued by the Bihar State Pollution Control Board dated January 21, 2004 bearing number T-4D for the purpose of grant of consent under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 to operate their Industrial plant at mokameghat, Hathidah. This Emission Consent Order is valid from January 1, 2004 to December 31, 2004. The Company has made a renewal application dated December 13, 2004 for renewal of the consent until December 31, 2005.
7. Discharge Consent Order dated January 21, 2004 issued by the Bihar State Pollution Control Board as constituted under the Water (Prevention & Control) Act, 1971 bearing number T-418 for as required under Section 25 and 26 of the Water (Prevention & Control) Act, 1971 to bring into use at the factory outlets for discharge of trade effluent and/or domestic sewage. This Discharge Consent Order is valid from July 1, 2003 to June 30, 2004. The Company has made a renewal application dated May 6, 2004 for renewal of certificate until June 30, 2005.
8. Authorisation issued by Member-Secretary, Bihar Pollution Control Board dated March 20, 2004 bearing number AoF-37/04/T1720 providing permission to operate a facility for collection, reception, treatment, storage, transport and disposal of hazardous wastes. This authorisation expired on March 20, 2009.

Factory located at Bataganj, Patna – 800 018

1. Form 'C' issued by GoI, Ministry of Commerce and Industry dated May 31, 1954 under Rule 6 of the Registration and Licensing of Industrial Undertaking Rules, 1952. The certificate was issued in the name of Bata Shoe Company Limited and has been changed to Bata India Limited, pursuant to change of name of the Company bearing registration No.R/25/44 for the purpose of certification that the industrial undertaking has been registered in terms of Section 10 of the Industries (Development and Regulation) Act, 1951.

2. Emission Consent Order dated August 15, 2003 issued by the Bihar State Pollution Control Board as constituted under the Air (Prevention & Control of Pollution) Act, 1981 bearing number 2963 providing consent under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 to operate their Industrial plant. This Emission Consent Order was valid from October 1, 2003 to September 30, 2004. The Company has made an application for renewal of the consent order by an application dated September 2, 2004.
3. Discharge Consent Order dated February 15, 2003 issued by the Bihar State Pollution Control Board as constituted under the Water (Prevention & Control) Act, 1971 bearing number 2962 for the purpose of providing consent under Section 25 and 26 of the Water (Prevention & Control) Act, 1971 to bring to their existing outlets for discharge of trade effluent and domestic sewage. The Discharge Consent Order was valid from October 1, 2003 to September 30, 2004. The Company has made an application dated September 2, 2004 for renewal of Discharge Consent Order.
4. Renewal of Licence dated July 29, 2004 issued by the Joint Chief Controller of Explosives, Department of Explosives, Government of India bearing number P-12(6)641/Bi-2567 for the purpose of importation of 30 K.J. petroleum under the Petroleum Act, 1934. This licence is valid until December 31, 2006.
5. Renewal of Licence issued by the Joint Chief Controller of Explosives, Department of Explosives, Government of India bearing number Bi-3402 for the purpose of importation of 18.5 K.J. petroleum under the Petroleum Act, 1934. This licence is valid until December 31, 2007.
6. Licence issued by the Factory Inspection Department under Rule 4 to 10 of the Bihar Factories Rules, 1950 bearing number PT 1968/718 for the purpose of operation of the factory. This licence was valid until December 31, 2004. The Company has made an application dated December 24, 2004 made to the Inspector of Factories for renewal of the Factory Licence.
7. Certificate of Registration issued by the Assistant Commissioner of Labour bearing registration number F.T. 19 for the purpose of registration under sub-section (2) of Section 7 of the Contract Labour (Regulation and Abolition) Act, 1976.

Factory located at Batanagar, 24 Parganas (South)

1. Form 'C' issued by GoI, Ministry of Commerce and Industry dated May 31, 1954 under Rule 6 of the Registration and Licensing of Industrial Undertaking Rules, 1952. The certificate was issued in the name of Bata Shoe Company Limited bearing registration number No.R/24/50 and has been changed to Bata India Limited, pursuant to change of name of the Company. This certificate is issued for registration of the industrial undertaking in terms of Section 10 of the Industries (Development and Regulation) Act, 1951.
2. Consent to operate under Section 25 and 26 of the of the Water (Prevention and Control of Pollution) Act, 1974 as amended and Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 issued by the West Bengal Pollution Control Board bearing number 4222/C-021947 for the purpose to continue operation of the industrial unit and to discharge liquid effluent and to emit gaseous effluent from the premises/land of the industrial unit. This consent is valid from January 1, 2005 to December 31, 2005.
3. Authorisation of the West Bengal Pollution Control Board bearing number 375/30/WPB-E/97 for the purpose of operating a facility for collection, reception, treatment, storage, transport and disposal of

hazardous wastes under Rules 3(c) & 5(5) of the Hazardous Waste (Management & Handling) Rules, 1989. This authorisation is valid until November 29, 2005.

4. Renewal of the Licence issued by the Joint Chief Controller of Explosives, Department of Explosives bearing number P.12(5)726/BEN-5114 for the purpose of Petroleum Storage at the factory. This licence expires on November 23, 2004. The Company has made an application for renewal of the Licence by an application dated November 23, 2004.
5. Provisional Order under Section 9 of the India Boilers Act, 1923 issued by the Inspector of Boilers bearing number 2657 for the purpose of permission to use the water-tube boiler bearing registry number WBL/11296. An application for renewal of the certificate is to be made within six months from the date of issue, i.e. June 9, 2005.
6. Provisional Order dated June 3, 2004, under Section 9 of the Indian Boilers Act, 1923, was issued by the Inspector of Boilers, West Bengal bearing number 2643 for the purpose of grant of permission to use the water-tube Boiler bearing Registry no. WBL/11274. Prior to the grant of this Order, inspection was carried out by the Deputy Chief Inspector of Boilers around the period May 24, 2004 and May 28 2004 and grant or refusal of the final permission is awaited by the Company.
7. License to work a Factory issued by Directorate of Factories, Government of West Bengal dated April 11, 2003 bearing number 2260 under the Factories Act, 1948. This licence expired on December 31, 2004. The Company has made an application dated December 27, 2004 for renewal of the license.
8. Certificate of registration issued by the Assistant Commissioner of Labour dated December 21, 1974 bearing number S/15/79/C1/LC for the purpose of registration under sub-section (2) of Section 7 of the Contract Labour (Regulation & Abolition) Act, 1970.
9. Public performance licence issued by Phonographic Performance Limited bearing number CS/03/Sr/96 for the purpose of authorising the company to perform all sound recordings controlled by the Phonographic Performance Limited. This licence is valid from June 11, 2003 to June 10, 2006.
10. Certificate of Registration issued by the Administrative Officer, Electricity Duty, Government of West Bengal bearing number 07-186 for the use of generating plants manufactured by SKL and General Motor. This registration is valid until September 22, 2007.
11. Certificate of Registration issued by the Administrative Officer, Electricity Duty, Government of West Bengal bearing number 07-312 for the purpose of use of generating plants manufactured by Electre. This registration is valid until February 9, 2007.
12. Central Excise Registration Certificate dated August 5, 2003 issued under Rule 9 on Central Excise Rules, 2002 by the Assistant Commissioner of Central Excise bearing registration number AABCB1043QXM004 for the purpose of registration for manufacture of excisable goods. The Registration Certificate remains valid till the Company carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.

Factory located at Plot No. 474 & 476, Peenya Industrial Area, Bangalore

1. Consent order granted by the Environmental Officer, Karnataka State Pollution Control Board dated July 6, 2004 bearing number 92/KSPCB/RO-PEENYA/AEO-2/IND/APC/PIA/LG/2004-05/1430 for the purpose of operation of their industrial plant at the factory premises in the air pollution control

area as notified and to continue to make existing discharge of emission from the 320 KVA DG Set, 500 KVA DG Set and Thermopack Boiler. This consent order was valid until December 31, 2004. The Company has made an application dated October 4, 2004 to the Karnataka State Pollution Control Board for renewal of the consent for the year 2005.

2. Authorisation dated May 18, 2000 issued by the Member-secretary under the Karnataka State Pollution Control Board bearing number KSPCB/HWMC/Aec-1/DEO-3/SEO-1/2000-01/202 for the purpose of operation of a facility for collection, storage and disposal of hazardous waste on the factory premises. This authorisation expires on May 18, 2005.
3. License to import and store petroleum in an installation premises issued by the Controller of Explosives, Department of Explosives bearing number P.12.(SC)/MY-3191(a) for the purpose of use of Petroleum Class B & C installation within the factory premises at Peenya. The said license is valid till December 31, 2007.
4. Licence issued by the Assistant Labour Commissioner to Golden Hawk Security & Manpower Services under Section 12(1) of the Contract Labour (Regulation and Abolition) Act, 1970 bearing number CLA/C-124 granting permission to work in the establishment of Bata India Limited. This registration is valid until January 16, 2006.
5. Certificate of Registration dated December 12, 1997 issued by Assistant Labour Commissioner bearing registration number ALC-I/CLA/P2/02-03 for the purpose of registration of Bhagawan Alwa Crown Security Private Limited under sub-section (2) of Section 7 of the Contract Labour (Regulation and Abolition) Act, 1970.
6. Certificate of Registration issued by the Registering Authority under the Karnataka sales Tax Act, 1957 bearing number 30500016 for the purpose of registration as a dealer under Section 10(1) of the Karnataka Sales Tax Act, 1957. This registration is valid until cancelled.
7. Central Excise Registration Certificate issued by the Superintendent of Central Excise dated December 3, 2001 bearing number registration number AABCB1043Q-XM-005 for the purpose of manufacture of footwear.

Factory located at N.I.T., Faridabad Township, Punjab - I

1. Form 'C' issued by GoI, Ministry of Commerce and Industry dated November 7, 1952 under Rule 6 of the Registration and Licensing of Industrial Undertaking Rules, 1952. The certificate was issued in the name of Bata Shoe Company Limited bearing Registration No.R/24/51 and has been changed to Bata India Limited, pursuant to change of name of the Company. This certificate is for the purpose of registration of the industrial undertaking in terms of Section 10 of the Industrial (Development and Regulation) Act, 1951.
2. Consent granted by the Environmental Engineer, Haryana State Pollution Control Board under letter No.HSPCB/294 dated July 29, 2003 bearing number HSPCB/Consent/2004/1592 for the purpose of grant of consent under the Water (Prevention & Control) Act, 1971 and Air (Prevention & Control of Pollution) Act, 1981. This consent is valid until March 31, 2005. The Company has made an application dated 19th January, 2005 to the Environmental Engineer, Haryana State Pollution Control Board for extension of the said consent for 2005 to 2006.
3. Renewal of Factory Licence issued by the Chief Inspector of Factories, Haryana bearing number GGN/B-22/373 for the purpose of use of the factory. This licence was valid until December 31, 2004.

The Company has made an application dated November 18, 2004 for renewal of the Factory Licence to the Chief Inspector of Factories.

4. Licence for acquisition and possession of sulphur issued by the Deputy Commissioner, Faridabad bearing registration number 1/Arm/Fbg/97 for the purpose of acquisition and possession of sulphur. This licence was valid until December 31, 2004. The Company has made an application November 15, 2004 for renewal of the licence.
5. Certificate of Registration issued by Labour Commissioner, Haryana and Registering Officer, Haryana, Chandigarh under Section 6 of the Contract Labour (Regulation & Abolition) Act, 1970 bearing number RCD-192/FBD/CID-407/RSN-407 as required under Section 6 of the Contract Labour (Regulation & Abolition) Act, 1970. This registration expires of December 31, 2005.
6. Registration Certificate issued by Superintendent of Central Excise bearing number AABCB1043 as required under Rule 9 of the Central Excise Rules, 2001.

Other Clearances, Approvals and No Objection

1. Registration of firms for indigenous stores as manufacturers issued by Director General of Supplies and Disposals bearing number DGS&D/REGN/CAL/L-036/2004/B as required for participation in DGS&D tenders. This registration is valid until December 14, 2009.
2. Recognition of In-house Research & Development Unit dated July 9, 2004 issued by Government of India, Ministry of Science & Technology, Department of Science bearing number TU/IV-RD/497/2004 for the purpose of recognition of In-house Research and Development at a. Batanagar b. Faridabad. This registration is valid until March 31, 2007.
3. Certificate of Recognition issued by the Joint Director of Foreign Trade, Government of India dated May 15, 2001 bearing number 11383 according to the Company the status of an "Export House", valid for a period of three years effective from April 1, 2001 to March 31, 2004 in accordance with the provisions of the Exim Policy. The Export House Certificate was renewed for a period of three years till March 31, 2007 vide Letter No. 02/56/050/00001/AM'02 dated May 14, 2002 issued by the Office of the Joint Director General of Foreign Trade, Kolkata.

Reserve Bank of India approval for royalty payment under the Foreign Technology Collaboration dated September 6, 2000

The Company is in receipt of RBI approval dated October 23, 2000 for making royalty payments to be made under the foreign technology collaboration dated September 6, 2000 to Bata Limited, 59 Wynford Drive, North York Drive, North York (Toronto) Ontario M3C1K3, Canada. Clause 4(a) of the RBI letter provides that royalty payments shall be made at "1.5 % on the internal sales and exports of the gross turnover on domestic sales and export, subject to a maximum of USD 2 million per annum". The royalty is net of taxes and tax liability (if any) and shall be borne by the Company. Further, the royalty is payable for ten years during the period of the foreign technology collaboration agreement. The above-mentioned letter has been amended by RBI letter dated December 13, 2004 by which Clause 4(a) of the RBI letter has been amended to royalty is "payable at the rate of 1.5 % both on internal sales and exports of gross turnover".

OTHER REGULATORY AND STATUTORY DISCLOSURES

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this draft Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

Authority to the Offer

The present Rights Issue has been authorized by the Board of Directors at its meeting held on October 7, 2004 and December 3, 2004 and by the shareholders of the Company by a resolution passed at the Extraordinary General Meeting held on February 2, 2005.

Eligibility for the Issue

Bata India Limited is an existing Company under the Act, whose equity shares are listed on BSE, NSE and CSE. It is eligible to offer this Rights Issue in terms of Clause 2.4.1 (iv) of the SEBI Guidelines. The Company, its Promoter, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further, the Promoter, the Company, group companies, associate companies are not detained as wilful defaulters by RBI / governmental authorities.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGERS ICICI SECURITIES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY

ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS ICICI SECURITIES LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 9, 2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- “1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

WE CONFIRM THAT:

- a. THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- c. THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**
- 4. IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS**

THE FILING OF THE DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.”

Caution

The Company accepts no responsibility for statements made otherwise than in this draft Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports, etc. after filing of the draft Letter of Offer with SEBI. The Lead Manager and the Company shall update the draft Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

Disclaimer With Respect To Jurisdiction

This draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations hereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Kolkata, India only.

The draft Letter of Offer has been filed with SEBI, Mittal Court, 'A' Wing, Nariman Point, Mumbai – 400 021, for its observations. The final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Act.

Disclaimer Clause of the Stock Exchange

Disclaimer Clause of BSE

The Stock Exchange, Mumbai (“the Exchange”) has given vide its letter dated [●] permission to the Company to use the Exchange’s name in this draft Letter of Offer as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this draft Letter of Offer; or
- (ii) Warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and its should not for any reason be deemed or construed that this draft Letter of Offer has been cleared or approved by the Exchange.

“Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

Disclaimer Clause of NSE

As required, a copy of this draft Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated [●] permission to the Issuer

to use the Exchange's name in this draft Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE that this draft Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this draft Letter of Offer nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Issuer.

Disclaimer Clause of CSE:

The Calcutta Stock Exchange, has, vide its letter dated [●], given its permission to the Company to use the name of the Exchange in the draft Letter of Offer as one of the stock Exchanges on which the Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

This Exchange does not in any manner –

Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Documents; or

Warrant that the Company's securities will be listed or will continue to be listed on this Exchange; or

Take any responsibility for the financial or other soundness of this Company, its promoters, management or any scheme or project of this Company;

And it should for any reason be deemed or construed that this Offer 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 this Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

The draft Letter of Offer was filed with SEBI, Mittal Court, Nariman Point, Mumbai 400 021. The final Letter of Offer has been filed with the stock exchanges and SEBI. All the legal requirements applicable till the date of filing the draft Letter of Offer with the stock exchanges and SEBI has been complied with.

Listing

The existing Equity Shares are listed on BSE, NSE and CSE. The Company has made applications to BSE, NSE and CSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this draft Letter of Offer. The Company has received in principle approval from BSE, NSE and CSE vide letters dated [●], [●] and [●] respectively.

If the permission to deal in and for an official quotation of the securities is not granted by BSE, NSE or CSE, within six weeks from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this draft Letter of Offer. If such money is not paid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any Equity Shares therein, or otherwise induces a Company to allot, or register any transfer of Equity Shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”

Consents

The Company has entered into the following agreements with its lenders:-

- (i) Agreement of Loan for Overall Limited dated March 23, 2004 with State Bank of India;
- (ii) Loan Agreement dated December 6, 2004 with State Bank of India; and
- (iii) Working Capital Consortium Agreement dated November 18, 2002 with State Bank of India, and HDFC Bank Limited.

All the above mentioned agreements, inter alia, stipulate that the lender, being the Company, shall not alter its capital structure without the prior written permission of the lenders. Accordingly, the Company, vide its letters, both dated February 17, 2005 to the State Bank of India and HDFC Bank Limited in respect of the aforesaid loan agreements requested for their respective consents in respect of this Rights Issue. State Bank of India, vide its letter dated February 18, 2005, has granted permission to the Company to raise its equity share capital by way of a rights issue HDFC Bank Limited has vide its letter dated February 18, 2005 granted its consent to the proposed rights issue of the Company.

By virtue of the fact that Mr. P.M.Sinha, Chairman of the Company, is also on the Board of ICICI Bank Limited, vide its letter dated CB/1376, ICICI Bank Limited has, in terms of Section 20 of the Banking Regulation Act, 1949 and the Master Circular on Loans and Advances dated July 29, 2002, imposing restrictions on loans and advances to companies in which the bank's Directors are Directors, not renewed its fund-based facilities to the Company, and the same has expired on February 20, 2005. However, ICICI Bank Limited continues to provide some non-fund based facilities to the Company.

Government Approvals

No consent of the Government of India is required by the Company for this Issue. Neither the Central Government of India nor RBI accepts any responsibility for financial soundness of the Company or the correctness of statements made in this Letter of Offer.

The Company has complied with all the applicable guidelines / directions issued by RBI from time to time.

The Company does not propose to enter new activities through this Rights Issue of Equity Shares for which any further approvals are required to be obtained.

The Company has the necessary approvals from the Government authorities as required to carry on the present business. However, certain approvals have expired in respect of which, the Company has applied or is yet to apply for renewals, as indicated corresponding to the relevant licenses.

Expert Opinion

Save and otherwise stated in this draft Letter of Offer, the Company has not obtained any expert opinions.

Underwriting

The present Issue is not underwritten.

Expenses of the Offer

The expenses for the Rights issue are estimated to be around Rs.24mn i.e. at approximately 3.5-4.1% of the issue amount. The expenses for the issue will include issue management and marketing fees payable to the Lead Manager of Rs. 11.2mn, Registrar's fees of Rs. 0.45mn, Legal Advisor's fees of Rs. 0.75mn, Auditor's fees of Rs. 0.60mn, printing and distribution costs estimated at Rs. 8mn, advertisement cost estimated at Rs. 2mn, other expenses and contingencies estimated at Rs. 1mn. The expenses for the issue will be borne out of the proceeds of the issue.

Past Capital issues by the Company

The Company has held a rights issue in the year December, 1996 in the ratio 1:1 by issue of 25,714,000 Equity Shares of Rs.10.0/- each at a premium of Rs. 20.0 per share.

The Company has held a rights issue in the year January, 1993 in the ratio 1:1 by issue of 10,500,000 Equity Shares of Rs.10/- each for a cash at a premium of Rs.20/- per share.

The Company issued 500,000 Equity Shares of Rs.10/- each by the Company and offered for sale 100,000 Equity Shares of Rs.10/- held by Messrs. Leader A.G. at a premium of Rs. 20 per share.

Promise versus Performance

The details of the Promise vs. Performance for Bata are given below:

Details of last three issues made by Bata are given below:

The Company made an issue of 25,714,000 equity shares of Rs. 10 each for cash at a premium of Rs. 20 per share aggregating to Rs. 77,14,20,000 on rights basis in the ratio of 1:1. The issue opened on December 16, 1996 and closed on January 17, 1997. The objects of the issue were to reduce borrowings, creditors and the interest burden and to augment long term resources to meet the working capital requirements of the Company.

The promise-v/s-performance in respect of the rights issue was as under:

Rs in million		
	CY1996	
	Projected	Actual
Gross Sales	6,000	5,905
PBDIT	325	333.7
PBT	20	41.5
PAT	20	41.5

The Company made an issue of 10,500,000 equity shares of Rs. 10 each for cash at a premium of Rs. 20 per share aggregating to Rs. 315 million rights basis in the ratio of One Share for every One Equity Share held and an issue of 4,714,000 equity shares of Rs. 10 each for cash at a premium of Rs.25 as reserved shares to Bata (B.N.) B.V. Amsterdam aggregating Rs.165 million. The issue opened on January 14, 1993 and closed on February 15, 1993. The objects of the issue were - Setting up an Export oriented unit in Tamil Nadu for manufacturing 1 million pairs of leather and sports footwear per year, Modernization of its production units including acquiring assets for improved pollution control and research and development, Expansion and upgradation of its retail network and augmenting the Company's long term resources for working capital. The total cost of the projects was estimated at Rs.376.8 million and Rs.155 million was to be utilised towards additional working capital. The export oriented unit was duly commissioned and commercial production commenced during the year 2004.

The promise-v/s-performance in respect of the rights issue was as under:

(Rs. in million)

	CY1992		CY1993		CY1994		CY1995	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Net sales	4,174	3,828.2	5,196	4,602.7	6,602	4,836.6	8,106	5,027.4
Cash Profit/ (Loss)	37.0	(55.1)	214.0	233.3	293.0	79.9	363.0	(299.1)
PAT / (Loss)	5.0	(85.6)	156	199.3	218	9.8	281	(421.6)

The Company made a public issue of 500,000 equity shares of Rs. 10 each together with an offer for sale of 100,000 equity shares of Rs.10 each both at a premium of Rs. 20 per share aggregating to Rs. 18 million.

The issue opened on June 25, 1973. The scheduled closing date was July 4, 1973. The objects of the issue was to implement the scheme approved by the Controller of Capital Issues for Indian participation in the share capital of the Company as well as the augment the financial resources of the Company.

STOCK MARKET DATA

The Company's shares are listed on BSE, NSE and CSE. The high and low closing prices recorded on NSE BSE and CSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

- NSE

Year ending December 31,	High (Rs.)	Date of High	Vol. on date of High	Low (Rs.)	Date of low	Vol. on date of low	Average price for the year (Rs.)
2002	49.45	8-Jul-02	1,089,691	31.85	11-Nov-02	34,216	37.56
2003	70.55	29-Dec-03	540,827	26.1	31-Mar-03	33,884	39.66
2004	96.25	27-Dec-04	1,124,324	38.75	24-Mar-04	83,304	64.39

Source: www.nseindia.com

- BSE

Year ending December 31,	High (Rs.)	Date of High	Vol. on date of High	Low (Rs.)	Date of low	Vol. on date of low	Average price for the year (Rs.)
2002	49.45	08-Jul-02	657,190	31.85	11-Nov-02	10,563	37.53
2003	70.55	29-Dec-03	267,297	26.15	31-Mar-03	23,473	39.66
2004	96.25	27-Dec-04	631,990	38.80	24-Mar-04	171,239	64.25

Source: Bloomberg

- CSE

Year ending December 31	High (Rs.)	Date of High	Vol. on date of High	Low (Rs.)	Date of low	Vol. on date of low	Average price for the year (Rs.)
2002	50.80	08-Jul-02	16,000	32.00	11-Nov-02	100	41.69
2003	64.90	03-Dec-03	1,250	24.00	02-Apr-03	20010	43.23
2004	91.50	24-Dec-04	14,000	38.70	24-Mar-04	200	70.28

Source: Official Quotation Published by CSE

Market price was Rs.86.65 (closing price) on 06-Dec-2004, the trading day immediately following the day on which Board Meeting was held (03-Dec-2004) to finalise offer price for Rights Issue.

Monthly high and low prices for the preceding six months and volume of transactions on the respective dates of high and low:

- **NSE**

Month	High (Rs.)	Date of High	Vol. on date of High	Low (Rs.)	Date of low	Vol. on date of low	Total volume for the month
July	57.8	26-Jul-04	252,228	47.9	8-Jul-04	131,684	2,257,150
August	76.75	30-Aug-04	2,268,872	56.85	2-Aug-04	108,920	10,225,079
September	76.05	28-Sep-04	2,156,229	68.60	20-Sep-04	221,569	11,533,986
October	75.05	5-Oct-04	196,512	65.10	25-Oct-04	95,708	3,529,999
November	84.45	23-Nov-04	981,277	70.50	2-Nov-04	325,545	5,889,007
December	96.25	27-Dec-04	1,124,324	78.15	1-Dec-04	283,183	10,940,504
January	98.00	31-Jan-05	198,088	82.00	24-Jan-05	43,561	3,172,391
February	92.95	1-Feb-05	468538	74.8	22-Feb-05	108883	8,897,814

Source: www.nseindia.com

- **BSE**

Month	High (Rs.)	Date of High	Vol. on date of High	Low (Rs.)	Date of low	Vol. on date of low	Total volume for the month
July	57.85	26-Jul-04	116,207	47.90	8-Jul-04	70,630	1,251,254
August	76.3	30-Aug-04	1,104,118	56.80	2-Aug-04	26,916	5,012,177
September	75.95	28-Sep-04	1,140,534	68.55	20-Sep-04	112,555	5,037,463
October	75.05	7-Oct-04	54,614	64.90	25-Oct-04	25,983	1,227,502
November	84.45	23-Nov-04	582,362	70.50	2-Nov-04	282,867	3,313,877
December	96.25	27-Dec-04	631,990	78.15	1-Dec-04	139,217	5,683,664
January	97.70	04-Jan-05	264,318	82.00	24-Jan-05	12,798	1,396,536
February	93	1-Feb-05	351418	74.85	22-Feb-05	49045	4392404

Source: Bloomberg

- **CSE**

Month	High (Rs.)	Date of High	Vol. On date of High	Low (Rs.)	Date of low	Vol. on date of low	Total volume for the month
-------	------------	--------------	----------------------	-----------	-------------	---------------------	----------------------------

August	73.00	27-Aug-04	7,100	59.25	04-Aug-04	2,600	11,100
September	79.00	30-Sep-04	1,150	69.10	28-Sep-04	9,050	19,800
October	73.05	11-Oct-04	250	73.05	11-Oct-04	250	250
November	74.80	17-Nov-04	1,000	72.25	04-Nov-04	290	1,290
December	91.50	24-Dec-04	14,000	83.25	24-Dec-04	14,000	14,000
January	97.80	31-Jan-05	18,000	86.25	31-Jan-05	18,000	18,000

Investor Grievances and Redressal System

The Company has constituted the following two committees for speedy redressal of the investor grievances:

Share Transfer Committee

In accordance with Clause 49 paragraph VI (D) of the Listing Agreement of the Stock Exchanges on which the Company's shares are listed, the Board has unanimously delegated the powers of share transfers to Mr. A B Anand, Vice-President & Company Secretary, who is also the Compliance Officer, and Mr. A Banerjee, Registrar, in order to expedite the process of share transfers, issue of duplicate certificates and certificates after splits / consolidation / renewal and re-materialisation. This Committee meets at least once in a fortnight to expedite all matters relating to transfers, etc.

Shareholders' Grievance Committee

All investor complaints, which cannot be settled at the level of the Share Transfer Committee, are forwarded to the Shareholders' Grievance Committee for final settlement.

The Shareholders' Grievance Committee of the Company presently consists of the following members:

- (a) Mr. A.K. Thakur, Non Executive Director; and
- (b) Mr. Pradip Kumar Nag, Deputy Managing Director.

Confirmations of Stock Exchanges

The Company has been issued a letter dated September 23, 2004 from the Investor Grievance Cell of NSE that as on date of issue of the said letter, there are no investor complaints pending redressal from the Company.

Details of investor grievances

The details of investor grievances during the last two years is as under:

Particulars	Year ended December 31, 2003	Year ended December 31, 2004
Investor grievances outstanding at	NIL	NIL

beginning of the year		
Received during the year	189	53
Resolved during the year	189	53
Investor grievances outstanding at end of the year	NIL	NIL

Changes in the auditors in the last three years

There are no changes in the auditors for the last three years.

Capitalisation of Reserves or profits (during the last five years)

No Capitalisation of Reserve has taken place in the last five years.

Revaluation of assets, if any (during the last five years)

THERE HAS BEEN NO REVALUATION OF ASSETS BY THE COMPANY IN THE LAST FIVE YEARS.

TERMS OF THE ISSUE

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this draft Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

Ranking of the Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company. The Equity Shares allotted pursuant to this offer shall rank *pari-passu* in all respects with the existing Equity Shares of the Company including in respect of dividends.

Principal Terms and Conditions of the Issue

Equity Shares

Face value

Each Equity Share shall have the face value of Rs.10/-

Issue Price

Each equity share is of face value of Rs. 10 each and is being offered at a premium of Rs. 35 to Rs. 44 per share.

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Share for every four equity shares held as on the Record Date.

Market lot

The Equity Shares of the Company are tradable only in dematerialized form. The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio (“**Consolidated Certificate**”).

In respect of the Consolidated Certificate, the Company will upon receipt of a request from the Equity Shareholder, be returning the share certificates issued for the entire holding, duly split as desired by the shareholders within a week’s time from the request of the Equity Shareholder. No fee would be charged by the Company for splitting the Consolidated Certificate.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Terms of payment

100% of the issue price per Equity Share shall be payable on application.

Nomination Facility

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s)) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company located at 6A S. N. Banerjee Road, Kolkata 700 013, West Bengal, India or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF.

Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

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

This Rights Issue will become undersubscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The undersubscribed portion shall be applied for only after the close of the Issue. The Promoters shall only subscribe to the extent of their entitlement. They shall not subscribe to any undersubscribed portion as per the relevant provisions of the law.

The above is subject to the terms mentioned under the “Basis of Allotment”.

Arrangement for Odd Lot Equity Shares

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Share for every four equity shares held as on the Record Date.

Basis of the Offer

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity shares on a rights basis.

The Equity Shares are being offered for subscription in the ratio of one Equity Share for every four Equity Shares held by the Equity Shareholders.

The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on [•] at the close of business hours shall be entitled to the equity shares on the Rights basis in the ratio of One equity share for every four equity shares held by them.

Option to subscribe

The Equity Shareholders are given the option to receive the share certificates or hold securities in dematerialised form with a depository. (Refer the “Terms of Issue” for details)

Rights Entitlement

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

Fractional Entitlement

If the shareholding of any of the Equity Shareholders is not in multiple of four, then the fractional entitlement of such holders shall be ignored. Shareholders holding less than four shares will be offered one new equity share out of those new Equity Shares not subscribed by the existing shareholders or available after consolidation of the fractional entitlements. Shareholders whose fractional entitlements are being ignored would be given preferential allotment of one additional share each if they apply for additional shares.

Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-tenants with benefits of survivorship subject to provisions contained in the Articles.

Offer to Non-Resident Equity Shareholders/ Applicants

Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder.

Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them.

The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued. However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI.

The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

Issue of Duplicate Equity Share Certificate

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

Printing of Bank Particulars on refund orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders / refund warrants, which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Option Available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Apply for his entitlement in full
- Apply for his entitlement in full and also apply for additional Equity Shares
- Renounce the entire entitlement (or part of entitlement).

Renounees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

How to Apply

The prescribed colour of the CAF for various shareholder categories is as follows:

Category	Colour of Composite Application Form
Residents, NRI applying on a non-repatriation basis	CAF Printed with Black Ink
NRI, or FII applying on a repatriation basis	CAF Printed with Black Ink with separate advise for NRI holders

For Resident Indian Shareholders on Non-Repatriation basis

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the draft Letter of Offer.

Payment should be made in cash (not more than Rs.20,000) or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

For Non-Resident Shareholders on Non-Repatriation basis

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the Reserve Bank of India, in the matter of Refund of application moneys, allotment of Equity Shares, issue of Letters of Allotment/ certificates/ payment of dividends etc.

For NRIs holding shares on non-repatriation basis, payment may also be made by way of cheque drawn on Non-Resident Ordinary (NRO) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of shares will be on non-repatriation basis. If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

All cheques/bank drafts accompanying the CAFs should be crossed “A/c Payee Only” and made payable to “Bata – Rights Issue NR”. The CAF duly completed together with the amount payable on application must be deposited with the collecting bank/collection centres indicated on the reverse of the CAF, on or before the close of banking hours on or before the Issue closing date. A separate cheque or bank draft must accompany each CAF. Reference number of CAF should be mentioned on the reverse of the Cheque/Draft. New Demat account shall be opened for holders who have had a change of status from Resident Indian to NRI.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares
- Part B: Form for renunciation
- Part C: Form for application for renounees
- Part D: Form for request for split application forms

Acceptance of the Rights Issue

You may accept the Offer and apply for Equity Shares offered, either in full or in part by filling Block III of Part “A” of the enclosed CAF and submit the same along with the application money payable to the “Bankers to the Issue” or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Mumbai /demand draft payable at Mumbai (net of demand draft charges and postal charges) to the Registrar to the Issue by registered post.

Renunciation

As an equity shareholder on the Record Date, you have the right to renounce your entitlement of the Equity Shares in full or in part in favour of any other person(s) including individuals non resident Indians, limited companies, statutory corporations/ institutions, Trusts (registered under the Indian Trust Act, 1882) and societies (registered under the Societies Registration Act, 1860 or other applicable laws) minors (through their legal guardians) provided that such Trusts, Societies or legal entities are authorized under their constitution/ rules/ bye-laws to hold Equity Shares in the Company. Renounee(s) need not be existing members of the Company. However, renunciation in favour partnership firms, and HUFs, foreign

nationals (unless approved by RBI or other relevant authorities) or any person situated or having jurisdiction where the offering in terms of this draft Letter of Offer could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board will not be accepted. Joint renunciation in favour of more than three individuals will not be accepted.

As per notification no. FEMA 20/2000-RB dated May 3, 2000 and notification no. FEMA 94/2003-RB dated June 18, 2003, issued by RBI, RBI has granted general permission to Indian companies to issue rights/ bonus equity shares to existing non resident Indians and non-residents may apply for issue of additional shares and the investee company may allot the same subject to the condition that the overall issue of shares to non residents in the total paid up capital does not exceed the sectoral cap. In other words, non residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above, the shares offered on rights basis by the company and also renounce the shares offered either in full or part thereof in favour of person named by them. However, this facility would not be available to investors who have been allotted such shares as OCBs.

Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. **The Board reserves the right to reject the request for allotment to renounees in its sole and absolute discretion without assigning any reasons therefor.**

Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the Form of Renunciation (Part B of the CAF) duly filled in shall be conclusive evidence in favour of the Company of the person(s) applying for Equity Shares in Part C to receive allotment of such Equity Shares. The renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' must not be used by the renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any shares in favour of any other person.

Procedure for Renunciation

To renounce the whole offer in favour of one renounee

If you wish to renounce this offer in whole, please complete Part B of the CAF. In case of joint holders, all joint holders must sign this part of the CAF in the same order as per the specimen signatures recorded with the Company. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split by applying to the Registrars to the Issue.

Please indicate your requirement for Split Forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrars to the Issue so as to reach them latest by the close of business hours on [●], 2004. On receipt of the required number of split forms from the Registrars, the procedure as mentioned in para (a) above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has/have renounced the Equity Shares, does not match with the specimen signature(s) as per the records of the Company, the application is liable to be rejected.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person, or persons, not more than three, who is/are not already joint holders with you, it shall amount to renunciation and the procedure as stated above shall have to be followed. Even a change in the sequence of the joint holders shall amount to renunciation and the procedure for renunciation, as stated above shall have to be followed.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money. However, any right of renunciation is subject to the express condition that the Board/Committee of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncees without assigning any reasons therefor.

Please note that:

- (a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- (b) Request for split form should be made for a minimum of 100 Equity Shares or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- (c) Only the person to whom this draft Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- (d) Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made in the manner prescribed in the under the paragraph titled "Basis of Allotment" on page 156 of this draft Letter of Offer. The renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

In case of application for additional Equity Shares by non-resident Equity Shareholders, the allotment of additional securities will be subject to the permission of the Reserve Bank of India.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

You may exercise any of the following options with regard to the Equity Shares offered to you, using the enclosed CAF.

Sr. No.	Options available	Action required
----------------	--------------------------	------------------------

1	Accept your entitlement to all the Equity Shares offered to you.	Fill in and sign 'Part A' of the CAF
2.	Accept your entitlement to all the Equity Shares offered to you and apply for additional Shares	Fill in and sign 'Part A' of the CAF after indicating in Block IV the number of additional Equity Shares applied for.
3.	Accept only a part of your entitlement of the Equity Shares offered to you (without renouncing the balance).	Fill in and sign 'Part A' of the CAF Mention in column no. III the number of shares applied for.
4.	Renounce all the Equity Shares offered to you to one person (Renounee) (Joint Renounees are considered as one renounee) (Joint renounee cannot exceed more than three) without applying for any equity shares offered to you.	Fill in and sign 'Part B' of the CAF indicating the number of Equity Shares renounced and hand over the entire CAF to the renounee. The renounee must fill in and sign 'Part C' of the CAF.
5.	Accept a part of the Equity Shares offered to you and then renounce the balance to one Renounee.	Fill in and sign 'Part D' of the CAF for Split Forms after indicating the required number of Split Application Forms and send the entire CAF to the Registrars to the Issue so as to reach them on or before the last date for receiving requests for Split Forms indicated in the CAF. On receipt of the Split Forms take action as indicated below: i) For the Equity Shares, if any, which you want to accept, fill in and sign 'Part A' of one Split Composite Application Form. ii) For the Equity Shares you want to renounce, fill in and sign 'Part B' in the required number of Split Composite Application Forms indicating the number of Equity Shares renounced to each renounee. iii) Each of the renounee should then fill in and sign 'Part C' of the respective Split Composite Application Form for the Equity Shares accepted by the renounee.
6.	Accept a part of the Equity Shares offered to you and renounce the balance to more than one renounee. (Joint renounees are considered as one)	Follow the procedures stated in (5) above for obtaining the required number of Split Composite Application Forms and on receipt of Split Composite Application Forms follow the procedure as stated in (5) (ii) and (iii) above.
7.	Introduce a joint holder or change the sequence of joint holders.	This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in and sign Part C.

Applications for Equity Shares should be made only on the CAF, which are provided by the Company. The CAF should be completed in all respects as explained under the head "INSTRUCTIONS" indicated on the reverse of the CAF before submission to the Banker to the Issue at its collecting branches mentioned on the reverse of the CAF on or before the closure of the subscription list. Non resident shareholders/ Renounee should forward their applications to Banker to the Issue as mentioned in the CAF for Non Resident Equity Shareholders. No part of the CAF should be detached under any circumstances. **For applicants residing at places other than designated Bank Collecting branches.**

Applicants residing at places other than the cities where the bank collection centers have been opened should send their completed CAF by registered post to the Registrars to the Issue, Intime Spectrum Registry Limited, alongwith bank drafts payable at Mumbai in favour of “Name of Bank - Bata Rights Issue” crossed “A/c Payee only” so that the same are received on or before Closure of the Issue (i.e. [•], 2004). **Please note that applicants should not deduct any bank charges or postal charges while remitting the application monies.**

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue, are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned above:

All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the Subscription List to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Managers to the Issue or the Registrars to the Issue except as mentioned above.

The applicants are requested to strictly adhere to these instructions. Failure to do so could result in the applications being liable to be rejected with the Company, the Lead Managers and the Registrar not having any liability to such applicants.

In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrars to the Issue, Intime Spectrum Registry Limited, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address.

In case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.

Availability of Duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID no. and his / her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilise the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he/ she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Applications under Power Of Attorney

In case of applications made under a Power of Attorney or by limited companies or bodies corporate or registered societies or mutual fund or trust, the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, together with a certified true copy thereof along with a copy of the Memorandum and Articles of Association and/or Bye-Laws must be attached to the CAF and the banks branch where the application has been submitted at the time of making the application or lodged for scrutiny separately indicating the serial number of the CAF with the Registrars to the Issue after submission of the CAF to the Bankers to the Issue or any of the designated branches as mentioned on the reverse of the CAF, failing which the applications are liable to be rejected. Such authority should reach the Registrar to the issue within 10 days from the date closure of the subscription list and such

authority received be thereafter, may not be considered. The original(s) will be returned to the applicant after retaining the certified copy thereof.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Mumbai/ Demand Draft payable at Mumbai which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Date of Closure of the Issue and should contain the following particulars:

- Name of Issuer
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of Equity Shares held as on Record Date
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid @ Rs. [•] per Equity Share
- Particulars of Cheque/ Draft
- Savings/ Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN/GIR number and Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs.50,000/- or more for the applicant and for each applicant in case of joint names, and
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company

Payments in such cases, should be through a cheque/ demand draft payable at Mumbai be drawn in favour of the Bankers to the Issue marked “A/c Payee” and marked “**Name of Bank - Bata Rights Issue**”.

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their Rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Last Date of Application

The last date for submission of CAF is [•]. The Board/ Committee of Directors will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Issue opens.

If the CAF together with the amount payable is not received by the Bankers to the Issue/ Registrar on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/

Committee of Directors, the offer contained in this draft Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the heading “Basis of Allotment”.

Unique Identification Number – MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be. In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application Form. Application forms from specified investors being body corporate not providing their UIN or UIN application status, in cases where they have applied for such UIN before December 1, 2004, shall be liable to be rejected.

General Instructions for Applicants

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, and father’s / husband’s name must be filled in block letters.
- (c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai (net of demand draft charges and postal charges) and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for a total value of Rs.50,000/- or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs.50,000/- or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle / Ward / District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the CAFs. Forms without this information will be considered incomplete and are liable to be rejected.

- (e) Applicants are advised to provide information as to their savings/ current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to print the said details in the Refund Orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (f) The payment against the application should not be effected in cash if the amount to be paid is Rs.20,000/- or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.
- (g) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to make investment and sign the application along with a copy of the Memorandum & Articles of Association and / or bye laws must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closure Date, then the application is liable to be rejected.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (j) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, interalia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of Equity Share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company (i.e. [●]) in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in dematerialised form.
- (l) Split forms cannot be re-split.

- (m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.
- (n) Applicants must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgement slip at the bottom of the CAF.
- (r) An applicant which is a mutual fund can make a separate application in respect of each scheme of the fund and such applications shall not be treated as multiple applications. The application made by the asset management company or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.
- (s) Mode of payment for Resident Equity Shareholders/ Applicants

All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed "A/c Payee only" and marked "**Name of Bank - Bata Rights Issue**". Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft for the full application amount favouring the Bankers to the Issue, crossed "A/c Payee only" and marked "**Name of Bank - Bata Rights Issue**" payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar will not be responsible for postal delays or loss of applications in transit, if any.

- (t) Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident Equity Shareholders, the following further conditions shall apply:

Payment by Non-Residents must be made by demand draft / cheque payable at Mumbai (net of demand draft charges and postal charges) or funds remitted from abroad in any of the following ways:

1. Application with repatriation benefits

- (a) By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- (b) By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or

- (c) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable at Mumbai; or
- (d) FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

2. Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked “**Name of Bank - Bata Rights Issue-NR**” payable at Mumbai and must be crossed “A/c Payee only” for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Note:

In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the aforesaid Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

In case application received from Non-Residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Disposal of Application and Application Money

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of

the Issue.

Basis of Allotment

1. Subject to provisions contained in this Letter of Offer, the Articles of Association of the Company and approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:
 - a. Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renounee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
 - b. Preferential allotment of one additional share each to shareholders whose fractional entitlements have been ignored and have applied for additional shares.
 - c. Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as rights and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.
 - d. Allotment to the renounees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a), (b) and (c) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.
2. The Company shall retain no over subscription.
3. The issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion shall be applied for only after the close of the issue. The promoters or any other person shall subscribe to such undersubscribed portion as per the relevant provisions of the law. If any person presently in control of the company desires to subscribe to such undersubscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the undersubscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.
4. After taking into account the allotments made under 1(a), 1(b), 1(c) and 1(d) above, if there is still any under subscription, the unsubscribed portion shall be disposed off by the Board or Committee of Directors authorised in this behalf by the Board upon such terms and conditions, through such securities (Equity Shares) and to such person / persons and in such manner as the Board/ Committee of Directors may in its absolute discretion deem fit, as a part of the rights Issue and not preferential allotment.

Allotment to promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement.

Allotment Letters / Refund Orders

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

The Company shall ensure despatch of the Letters of allotment/ share certificates / refund orders above the value of Rs.1,500/- by Registered Post/ Speed Post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs.1,500/- shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked "A/c payee" and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for dispatch of the Letters of allotment/ security certificates / refund orders.

In case the Company issues Letters of Allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Act or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the share certificates.

Allotment / Refund

Where an applicant has applied for additional shares and is allotted lesser number of equity shares than applied for, the excess application money paid shall be adjusted first towards allotment money and balance, if any will be refunded to the applicant.

The Company will issue and dispatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the Date of Closure of the Offer. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Equity Share certificates / Letters of Allotment or Letter(s) of Regret together with refund orders exceeding Rs 1,500/-, if any, will be despatched by registered post/ speed post at the sole/first named applicant's address within 42 days from the date of the closing of the subscription list. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked "A/c payee" and would be drawn in the name of the sole/ first applicant. Refund orders upto Rs 1,500/- will be despatched under the Certificate of Posting. Adequate funds will be made available to the Registrars for the purpose.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialised form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

In case the Company issues Letters of allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates.

As regards allotment/ refund to Non-Residents, the following further conditions shall apply

In case of Non-Residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The Equity Share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Equity Share Certificates

Letter(s) of Allotment/ Equity Share certificates or Letters of Regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within six weeks, from the date of closure of the subscription list. In case the Company issues Letters of Allotment, the relative Equity Share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such Letters of allotment (if any) to be exchanged later for Equity Share certificates. Export of Letters of Allotment (if any)/ Equity Share certificates to non-resident allottees will be subject to the approval of RBI.

For non resident applicants, refunds, if any, will be made as under:

Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/ FCNR/ NRO cheques, refunds will be credited to NRE/ FCNR/ NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

Equity Shares in Dematerialised Form

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Company and AMI Computers (I) Limited, the Registrar to the Company, have signed a tripartite agreement with CDSL on April 12, 2000 and with NSDL on April 29, 1999, which enables the investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Rights Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and dematerialised form should be made. If such applications are made, the application for physical securities will be treated as multiple

applications and is liable to be rejected. In case of partial allotment, allotment will be done in DEMAT option for the shares sought in DEMAT and balance, if any, will be allotted in physical shares.

Procedure for availing this facility for allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. **Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.**
2. For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original equity shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. If incomplete / incorrect Beneficiary Account details are given in the CAF the applicant will get Equity Shares in physical form.
5. The Rights Equity Shares allotted to investors opting for dematerialized form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, Refund Order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's Depository Participant will provide to him the confirmation of the credit of the Rights Equity Shares to the applicant's Depository Account.
6. Renouncees will also have to provide the necessary details about their Beneficiary Account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Last Date for Submission of Composite Application Form

The last date for receipt of the CAF, by the Banker to the Issue and its Collecting Branches, together with the amount payable, is on or before the close of banking hours, on [●], 2005. If the CAF together with the amount payable is not received by the banker to the Issue at its Collection Branches on or before the close of banking hours on or before [●], 2005, the offer contained in this draft Letter of Offer shall be deemed to have been declined, and the Board shall utilise this entitlement for allotting the Equity Shares as mentioned under the heading "Basis of Allotment".

Undertakings by the Company

- The complaints received in respect of the captioned Rights Issue shall be attended to by the Company expeditiously and satisfactorily.
- All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the shares are to be listed will be taken within seven working days of finalisation of basis of allotment.
- The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- The share certificates / refund orders to the non-resident Indians shall be dispatched within the specified time.
- No further issue of securities shall be made till the securities issued/ offered through the captioned Rights Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.

Utilisation of Proceeds

The application monies received will be kept in a separate bank account and the Company will not have access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the issue has been received. No interest will be paid on application monies received.

The Board of Directors declare that all moneys received out of issue of shares through the offer document shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73.

For further instruction, please read the Composite Application Form carefully.

Important

Please read this draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All inquiries in connection with this draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed "Bata - Rights Issue" on the envelope) to the Registrar to the Issue at the following address:

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup

Mumbai – 400 078

Tel: (022) 5555 5454

Fax: (022) 5555 5353

E-mail: ipo@intimespectrum.com

1. It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing on page i of this draft Letter of Offer.

-
2. The Rights Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum 60 days.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statement disclosed in this draft Letter of Offer, any circumstances that materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

In addition to the Lead Manager, the Issuer is also obliged to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

The following Contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this draft Letter of Offer) which are or may be deemed material, have been entered or are to be entered into by the Company. These Contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 6A, S. N. Banerjee Road, Kolkata - 700 017, West Bengal from the date of this draft Letter of Offer until the date of closure of the Issue between 10.00 am to 1.00 pm on any working day.

Material Contracts

1. Engagement Letter dated November 30, 2004, received from the Company appointing ICICI Securities Limited to act as Lead Manager to the Issue.
2. Memorandum of Understanding dated March 7, 2005, entered into with the Lead Manager to the Issue.
3. Engagement Letter dated January 21, 2004 received from the Company appointing M/s. Crawford Bayley & Co. to act as the Legal Counsel to the Issue.
4. Memorandum of Understanding dated February 14, 2005 entered into between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue

Documents

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation of the Company dated December 23, 1931 (issued under the Indian Companies Act, 1913).
3. Certificate of Incorporation of the Company dated April 6, 1956 (issued pursuant to the Act).
4. Fresh Certificate of Incorporation of the Company consequent to change of name dated April 18, 1973.
5. Fresh Certificate of Incorporation of the Company consequent to change of name dated April 23, 1973.
6. Copy of the resolution passed at the meeting of the Board of Directors held on October 7, 2004 and December 3, 2004 and the resolution passed by shareholders in the Extra-ordinary General Meeting held on February 2, 2005 approving this Issue.
7. Consents of the Directors, Company Secretary, Auditors, Lead Manager to the Issue, Legal Counsel to the Issue, Bankers to the Issue and Registrars to the Issue, to include their names in the draft Letter of Offer to act in their respective capacities.
8. Draft of the Resolution by Circulation dated February 11, 2005 circulated by the Company to its Directors seeking their approval for appointment of Mr. Marcelo Villagran Bravo as the Managing Director of the Company.
9. Agreement between the Company and Mr. Pradip Kumar Nag dated 4th July, 2002 and Supplementary Agreement between the Company and Mr. Pradip Kumar Nag dated 16th August, 2004. Agreement between the Company and Mr. Jaswant Singh dated 12th April, 2004 and Supplementary Agreement between Company and Mr. Jaswant Singh dated 16th August, 2004.
10. Letter dated January 28, 2005, from M/s. S. R. Batliboi & Co., Chartered Accountants confirming Tax Benefits as mentioned in this draft Letter of Offer.
11. The Report from the Auditors dated January 28, 2005.
12. The Annual Reports of the Company for the last 5 Financial Years.
13. Copies of the initial listing application made to the Stock Exchanges.
14. Copies of the in-principle approval from the Stock Exchanges.
15. Letter No. [●] dated [●] issued by The Securities and Exchange Board of India for the Issue.

16. Resolution of the Committee of Directors authorized by the Board of Directors approving the draft Letter of Offer on March 4, 2005
17. Due Diligence Certificate dated March 8, 2005 from ICICI Securities Limited.
18. Tripartite Agreement dated April 29, 1999 between the Company, AMI Computer (India) Limited and NSDL for offering depository option to the investors.
19. Tripartite Agreement dated April 12, 2000 between the Company, AMI Computers (India) Limited and CDSL for offering depository option to the investors.
20. Copy of consent letters dated February 18, 2005 from State Bank of India and HDFC Bank Limited, consenting for alteration of the capital structure of the Company pursuant to the Issue.

DECLARATION

No statement made in the Letter of Offer contravenes the provisions of the Act and the rules made there under. All the legal requirements connected with the Issue under the Act as also the guidelines (including SEBI Disclosure and Investor Protection Guidelines), instructions issued by Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992, Government and other competent authorities in this behalf have been complied with.

Yours faithfully

For Bata India Limited

Signed by All Directors

Mr. P. M. Sinha
Chairman

Mr. N. Sankar

Mr. A. K. Thakur

Dr. Amit Mitra

Mr. V. Narayanan

Mr. Constantin Salameh

Mr. Marcelo Villagran Bravo (Chief Executive Officer)
Managing Director

Mr. Pradip Kumar Nag
Deputy Managing Director

Mr. Jaswant Singh
Director – Marketing and Commercial

Mr. Shaibal Sinha (Chief Financial Officer)
Director – Finance

Place: Kolkata

Date: March 8, 2005

Encl: Composite Application Form