DETAILED PROJECT REPORT

for

Manufacturing of Precious Jewellery

And

Gold Refining

at

PROPOSED SITE in Telangana

CONTENTS

PART A: ABOUT COMPANY/GROUP

A.1 NAME OF THE COMPANY/GROUP: **MALABAR GOLD PRIVATE LIMITED**

A.2 BACKGROUND OF THE COMPANY/GROUP

Malabar Gold Private Limited (MGPL) is a company registered under the Companies Act, 1956 at Ernakulam (Kerala) Registrar Office with Corporate Identification Number (CIN) - U52393KL2001PTC014804. Established in Kozhikode in 1993 by its visionary chairman Mr. M.P. Ahammad, it is the flagship company of the Malabar Group.

EXECUTIVE SUMMARY	
Name of the Company	MALABAR GOLD PRIVATE LIMITED
Year of Incorporation	2001
Head Office	Malabar Group Headquarters, 16/501- M, Montana Estate Peringolam, Calicut, Kerala – 673571
Business Group	Malabar Group
Industry	Gems & Jewellery
Status	Unlisted Private Company

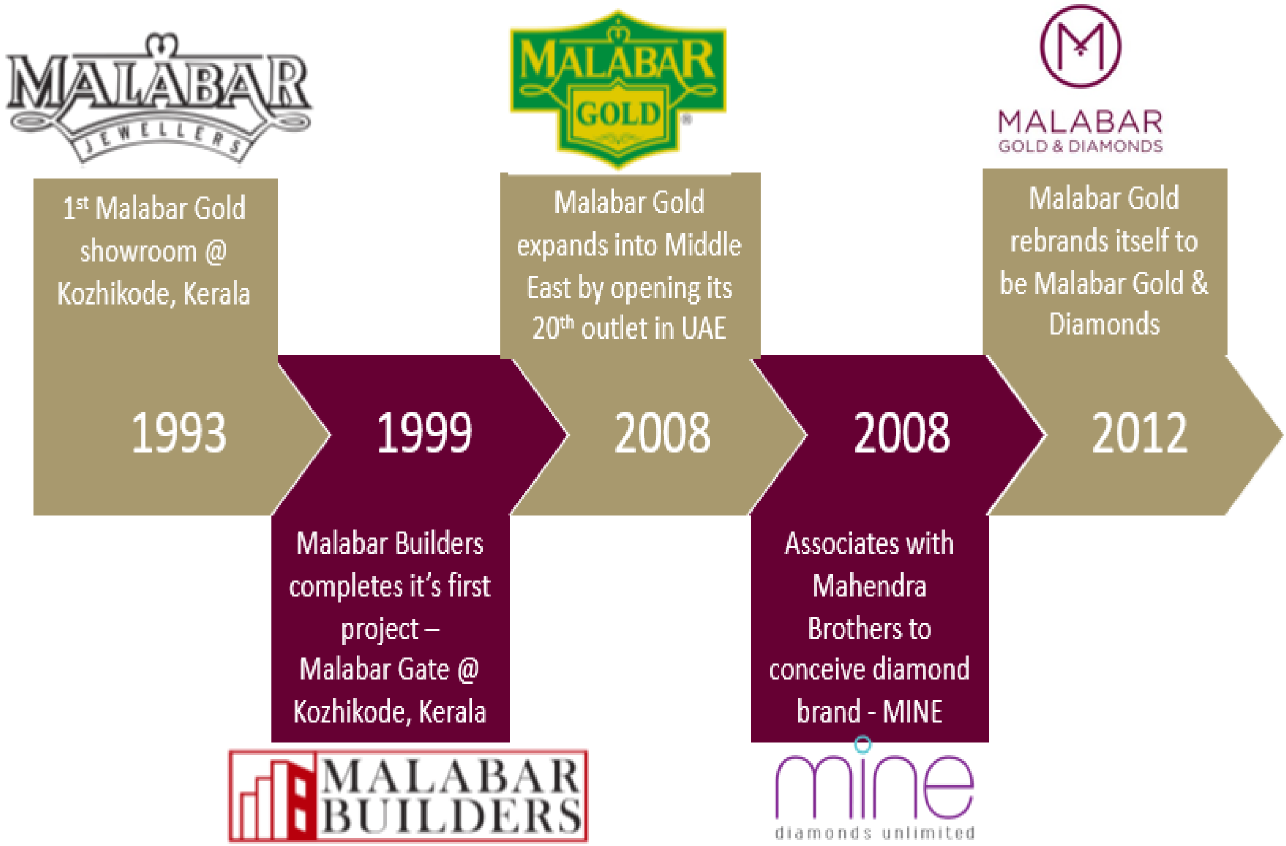
The company operates globally under the brand name "Malabar Gold and Diamonds", referred to hereinafter as "Malabar Gold" or "MGD" interchangeably, and is one of the top 5 global jewellery retailers based on annual turnover.

Malabar Gold currently runs a strong retail network of more than 250 outlets, and 14 wholesale units. In addition to the aforementioned sales points, the company has offices, design centers, and factories that are spread across ten countries – India and those in the Far East, Middle East, and North America. The company provides employment to more than 13,000 people belonging to 14 nationalities. It successfully manages multiple retail formats with presence in high streets, reputed malls, department stores and travel retail.

The company manages its Indian operations from the Group Headquarters in Kozhikode and international operations from the corporate office in Dubai, UAE, both of which are supported by regional offices at various strategic locations.

Malabar Gold has recorded solid growth since inception and foresees strong demand in coming years both from domestic and international markets. Its revenues jumped from INR 22,500 Cr to INR 24,500 Cr between FY2018 and FY2020.

MALABAR GROUP - MILESTONES



www.malabargoldanddiamonds.com

2013 — Malabar Gold & Diamonds launches e-commerce portal

2013 — Malabar Gold & Diamonds opens its 100th outlet (Gurugram, India)

2013 — Malabar Gold & Diamonds expands into Far East - 102nd outlet in Singapore

2016 — Malabar Group launches Eham Digital @ Kozhikode, Kerala

EHAM DIGITAL ELECTRONICS & HOME APPLIANCES

2018 — Malabar Gold & Diamonds opens its 200th outlet (Dubai, UAE)

Mall of Travancore — Celebrate Every Day

2018 — Malabar Group opens 'Mall of Travancore' @ Thiruvananthapuram, Kerala

2018 — Malabar Group opens Hymart Hypermarket @ Thiruvananthapuram, Kerala

Hymart HYPERMARKET

2018 — Malabar Gold & Diamonds expands into USA - 250th outlet in Chicago

2019 — Malabar Gold & Diamonds continues expansion in USA – 2nd outlet in New Jersey

The Future Awaits……

Our Verticals

$ 4.51 TURNOVER (Bn)	17 BUSINESS UNIT	4000 INVESTORS	13000 EMPLOYEES	10 COUNTRIES	29 YEARS

Corporate Social Responsibility

Malabar Group has a rich history of corporate social responsibility, a history that has grown overtime to meet the challenges of a global society. Social responsibility is an integral part of the company's business wherein the group sets aside 5% of the average net profit for social welfare activities as compared with the statutorily mandated 2%.

The company channels its resources through two charitable trusts mentioned below functioning along with each retail showroom and focuses on below listed priority areas:

- **Malabar Charitable Trust** provides free medicines to the poorest of the patients
- **Malabar Housing Charitable Trust** helps build houses for the poor and down-trodden people

OUR PRIORITY AREAS

Women Empowerment

Housing

Health Care

Environment

A.3 BOARD OF DIRECTORS

Malabar Gold and Diamonds is managed by professional and experienced directors and all the directors have exhibited commitment for bettering the performance of the company. The current list of the Board of Directors as under:

Sl. No.	Name	Designation	Experience/Profession
1.	Mr. Ahammad M.P.	Chairman and Chief Executive Officer (CEO)	Industrialist
2.	Dr. P.A. Ibrahim Haji	Co-chairman	Industrialist
3.	Mr. K.P. Abdul Salam	Vice-chairman and Group Executive Director (GED)	Professional
4.	Mr. Asher O	Managing Director (MD), India Operations	Professional
5.	Mr. Shamlal	Managing Director (MD), International Operations	Industrialist
6.	Mr. Abdul Majeed M	Non-executive Director	Industrialist
7.	Mr. Veerankutty K.P.	Executive Director	Industrialist
8.	Mr. Mayankutty C.	Executive Director	Industrialist

1. **Mr. Ahammad M.P.** is the Founding Chairman and Chief Executive Officer (CEO) of the Malabar Group.

   An innate entrepreneur, Mr. Ahammad ventured into business of agro products and went on to set-up a spices and copra (dry coconut shell) business in 1981. He gained public trust early in his entrepreneurship journey through honest and transparent business dealings and entered into gold jewellery business by opening 'Malabar Gold', a jewellery showroom in 1993 in Kozhikode with a modest capital of INR 50 Lakhs, raised with support of friends and relatives.

   With his astute business sense and deep understanding of the sector he went to build one of the world's largest jewellery retail chains by annual turnover, which got rebranded as "Malabar Gold & Diamonds" in year 2012.

2. **Dr. P.A. Ibrahim Haji** is a serial entrepreneur having presence across education, automotive, and jewellery industries. He is the Chairman of the well-known PACE

Education Group, Founder and Vice-chairman of Indus Motor Company, and a key investor in Malabar Gold.

In 1999, he set-up PACE Education Group, an educational trust which provides education from kindergarten to higher secondary levels in Indian and British curricula along with offering undergraduate and post graduate courses in Engineering and Management in India and UAE. The Group currently employs 1,200 teaching and 500 non-teaching staff.

3. **Mr K.P. Abdul Salam** is the Vice-chairman and the Group Executive Director (GED) of Malabar Group. He has been associated with the Group for about two decades laying the foundations of the company by providing strategic direction to the Group's vision and creating an international brand through Malabar Gold and Diamonds.

   Mr. Salam has worked in diverse corporate sectors both in India and Middle East and played a pivotal role in the growth of Malabar so much so that he has become an indispensable member of the Group.

4. **Mr. Asher O.** is the Managing Director (India-operations) of Malabar Gold and Diamonds. He is a professional with expertise in accounts, taxation, and audit, and takes care of the Group's expansion in India. He joined Malabar Group in the year 2000 after having served various companies in Middle East for about seven years.

   Mr. Asher is a commerce graduate with PGDCA from NIIT and has completed the Business Leadership program of the Indian Institute of Management (IIM), Kozhikode.

5. **Mr. Shamlal** is the Managing Director of the Group for international operations. He got involved with Malabar Gold at a very early age and became an integral part of the growth of the Group. He is entrusted with the responsibility of taking the company to new geographies internationally. He has successfully expanded the group to the Gulf, Singapore, and Malaysia and raring to roll out operations in Europe, Far East, and Sri Lanka.

   Mr. Shamlal is a graduate in computer science and overseas online/e-commerce segments of the business.

6. **Mr. Abdul Majeed M** is the Non-Executive Director of the Group. He has contributed significantly to the Group's growth right since the beginning and continues to play a pivotal role in providing strategic direction to the company.

7. **Mr. Veerankutty K.P.** is the Non-Executive Director of the Malabar Group. He has been associated with the business since its inception and contributed immensely to its growth through his astute business sense and professionalism.

8. **Mr. Mayankutty C.** is the Group Executive Directors and has been associated with the company since beginning. His vision and commitment to business has helped the business grow over time and create a strong brand for the Malabar Gold and Diamonds.

A.4 LOCATIONS

Malabar Gold has retail presence in almost every major city in India and the company manages its Indian operations from the corporate office in Kozhikode. The Head Office is supported by regional offices at Ernakulam, Chennai, Bengaluru, Hyderabad, Mumbai, and Noida and the count is set to increase the with planned expansion of the company.

Registered Office: Malabar Group Headquarters, 16/501- M, Montana Estate,

Peringolam, Calicut, Kerala – 673571

The company caters to its retail outlets through nine jewellery manufacturing units and eight supply chain networks located at Thrissur, Ernakulam ,Kozhikode, Kolkata, Bengaluru, Hyderabad, Mumbai, and Coimbatore.

Malabar Gold runs its international operations from its corporate office in Dubai, UAE, which is supported by regional offices in the countries of its presence.

United Arab Emirates (UAE), Oman, Qatar, Kuwait, Malaysia, and Saudi Arabia house manufacturing and supply chain units as well.

STORE LOCATIONS (AS OF OCT 2021)

COUNTRY	STATE	NUMBER OF STORES
India	Telangana	15
	Andhra Pradesh	13
	Bihar	1
	Delhi	4
	Gujrat	3
	Haryana	1
	Karnataka	25
	Kerala	35
	Maharashtra	10
	Punjab	2
	Tamil Nadu	17
	Uttar Pradesh	6
	West Bengal	1
	Odisha	1
	Total	**134**
United Arab Emirates (UAE)		53
Qatar		14
Oman		18
Saudi Arabia		11
Kuwait		10
Bahrain		6
Singapore		3
Malaysia		4
United States of America (USA)		2
International Total		**121**
Grand Total		**255**

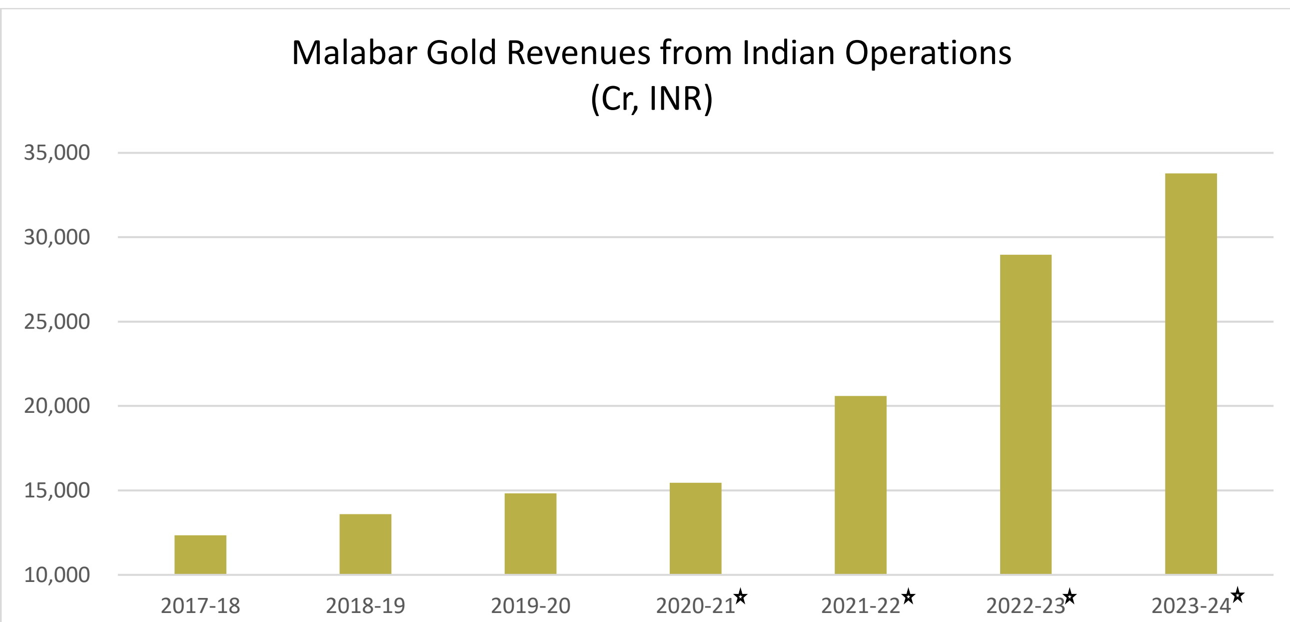
PART B COMPANY SALES, PRODUCTS, AND PRODUCTION

B.1 SALES

Malabar Group has recorded strong sales in recent years and expects this trend to gather pace with proposed expansion plan across the globe. International operations account for about 40% of the group's revenues.

Sales Revenue of Malabar Group (Rs in Crore)									
Segment Wise	India			International			Total		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Jewellery Sector	12,337	13,591	14,834	10,204	9,747	9,837	22,541	23,338	24,671
Developers	39	33	33	-			39	33	33
Other Verticals	181	230	245	-			181	230	245
Total	**12,557**	**13,854**	**15,112**	**10,204**	**9,747**	**9,837**	**22,761**	**23,601**	**24,949**

Malabar Gold projects its revenues from Indian operations to more than double in next three years with the proposed expansion plan.



**Figures for FY2020-21 are unaudited actuals and those for the next three years are estimates*

B.2 BRANDS

Malabar group is currently in the process of becoming a distinct international brand and has taken various steps to that effect. The group has adopted the following vision:

"To champion the cause of astute customer through continuous value addition in our products and services, building trust amongst consumers, pride among employees and long term returns for investors".

Following are the brands under Malabar Gold:

- **Mine** is the exclusive diamond jewellery offering from Malabar Gold and Mahendra Brothers, one of the largest DTC Sight holders and marketers of natural diamonds from India.

- **Precia** features an assortment of stunning designs, incorporating precious gems like ruby, emerald, yellow sapphire and blue sapphire. Crafted in 22K gold, the vast collection of necklaces, bangles, earrings serve the needs of uber class of consumers.

- **Divine** is a tribute to Indian tradition and its jewellery craftsmanship. Unique in design, painstakingly carved, inscribed and embedded, Divine aims to revive memories of a golden era marked by royalty, culture and a vintage lifestyle. But more than ever, Divine marks the celebration of a 5000 year bond with culture.

- **Starlet** is a brand made by Malabar Gold & Diamonds, aimed at kids. It is available in a variety of fun designs that are attractive to children and crafted using the latest in child-friendly technology. Not only are the designs playful and unique to suit the mischievous nature of children, but the metals used are 100% child-safe and non-hazardous. Starlet is the perfect gift for children of all ages.

- **Ethnix** Handcrafted Designer Jewellery is a contemporary tribute to the timeless artistry and traditions of India. The fitness of traditional craftsmanship and the legacy of ornament designing are beautifully displayed in each piece of the designer jewellery.

- **ERA** Uncut Diamond Jewellery is inspired by the cultural heritage of India. Mughal princess and emperors wore this as a symbol of prestige and heritage. Malabar Gold recreates these designs that were popular in royal families.

B.3 PRODUCTS

Gold holds a prominent place as an investment asset across the globe. In many parts of the world gold jewellery is given as gift during prominent occasions such as marriage, anniversary, or other religious and social functions. In fact, gifting gold is an extremely old tradition and in India and gifting gold jewellery during important events is embedded in our culture. Not only is the metal considered auspicious by many cultures, but it is also deemed to provide financial security – again both being strong reasons for gifting gold.

Malabar Gold and Diamonds offers various types of precious jewellery, gold coins, London Bullion Market Association (LBMA) certified bullion and high-end branded watches under its umbrella. Following are key product lines of the company:

- Gold Jewellery
- Diamond Jewellery
- Antique Jewellery
- Temple Jewellery
- Gemstone Jewellery
- Platinum Jewellery
- Zoul Collection
- Elaara Collection
- Silver Jewellery
- LBMA Certified bullion
- Gold Coins
- World Class branded Watches

B.4 MARKET OPPORTUNITY AND POSITIONING

The Gems and Jewellery sector contributes more than 7% to India's gross domestic product (GDP) and ranks among the fastest growing sectors of the economy. This is a labor-intensive sector employing about 46 Lakh people and extremely export oriented contributing about 15% to India's exports basket according to India Brand Equity Foundation (IBEF).

With about 29% of the global consumption, India ranks among leading markets for gems and jewellery. The country's market was worth INR 5.24 trillion (USD 75bn) in 2018 and expected to cross INR 7.50 trillion (USD 100bn) by 2023 according to a Confederation of Indian Industry (CII) report. Currently the sector is primarily unorganized and highly fragmented with more than 300,000 players.

As the country moves towards economic integration of the gems and jewellery sector through various policy initiatives and the sector itself moves to modern forms of retail (e-commerce etc.) organized players such as Malabar Gold are expected to significantly increase their market share. Currently there are about four-five national and ten-fifteen regional retail chains running about 1,500 stores across the country.

Malabar Gold has been in the organized retailor ship since 1993 and is poised to capture the market opportunity. The company has been opening a new store almost every week while increasing its online presence to position itself to cater to the tastes of millennials for branded and artisan jewellery.

Gems and Jewellery Export Promotion Council (GJEPC) has planned to increase gems and jewellery exports to USD 75 billion in coming years from the USD 29 billion in FY 2020, Malabar Gold would be uniquely positioned to capture this opportunity thanks to its manufacturing and refining capability in India and global market outreach for it being the largest jewellery retail chain of the world.

B.5 SERVICE OFFERINGS

Being an international retail chain Malabar Gold offers assured after sales service, and standard and guaranteed value products. Below are the key features of Malabar's offering:

- Assured lifetime maintenance
- Free jewellery insurance coverage
- Zero deduction for gold exchange facility
- BIS 916 Hallmarked ornaments.
- Guaranteed Buyback
- 14 days return policy
- Tested & Certified Diamond
- Complete Transparency
- Easy Exchange

B.6 EXISTING PRODUCTION AND NEED FOR CAPACITY EXPANSION

Malabar Gold currently manufactures jewellery products in fourteen locations, of which nine are in India and five in various other countries of its presence, and produces about twenty-eight kilograms of gold jewellery daily resulting in an annual production of more than eight thousand kilograms.

Existing Production of Malabar Gold (FY 2020-21)	
No. of manufacturing units in India	9
No. of international manufacturing units	5
Estimated annual production (Kgs) (India Operation)	8,031
Average daily production (Kgs)	28
Average no. of effective working days	291

The above units were mostly set-up in respective places as a result of the company's growth over the years and Malabar Gold deploys a strong distribution network to supply unique craft of one location to its other showrooms.

As the company is going for tremendous expansion of retail stores both in India and abroad and looking to fortify its B2B sales and exports, it needs to add to its manufacturing capability massively and looking to increase its factory contribution to 50% from the current 30%.

Furthermore, the company has decided to set-up its own gold refinery rather than importing refined gold mostly for its own consumption to the take the advantage of the government's push for Make in India, rationalized duty structure, and low-cost resources.

Therefore, Malabar Gold has conceived a mega manufacturing unit for jewellery along side a gold refining unit as described in this proposal.

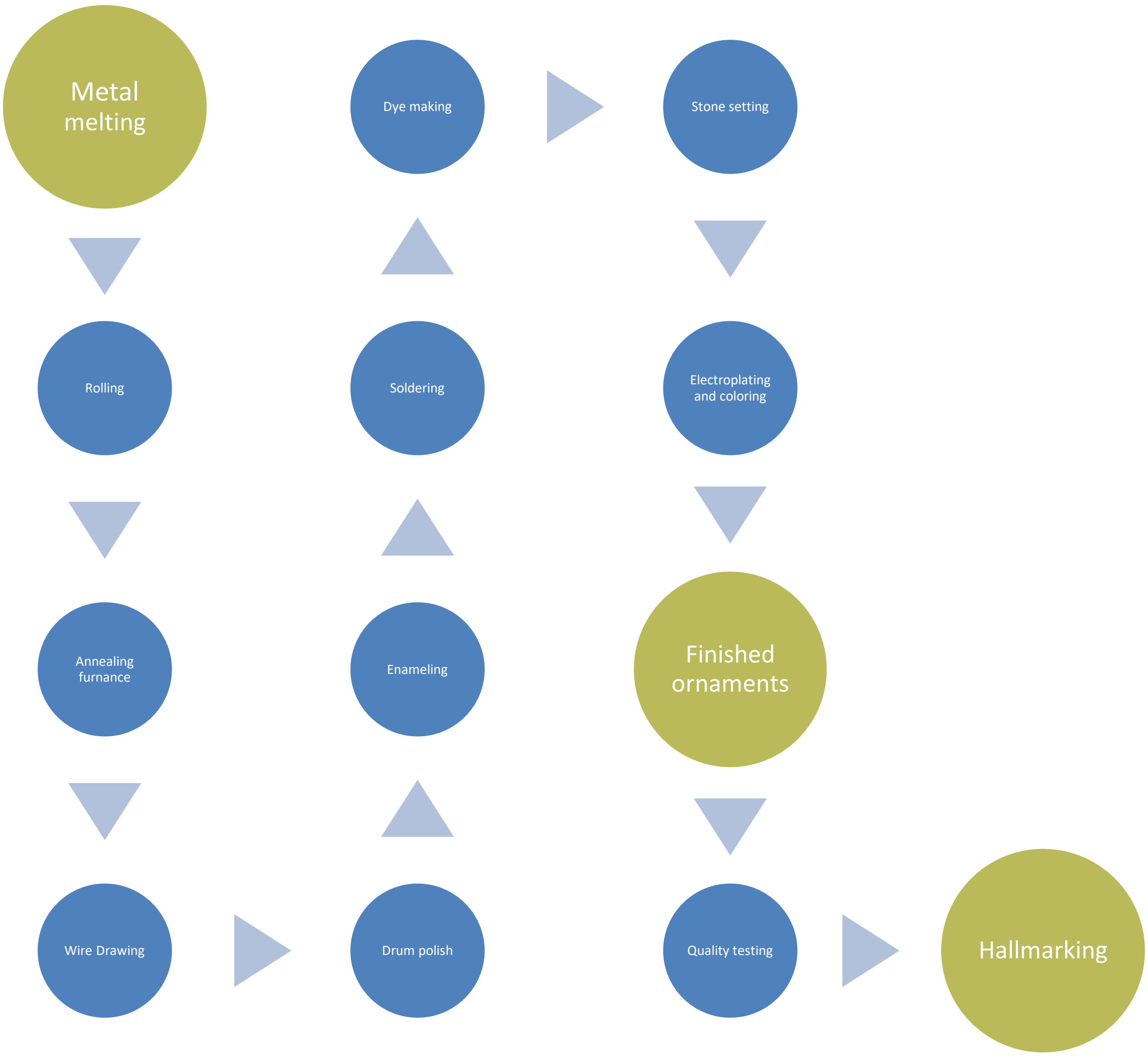
A schematic diagram of the company's existing and proposed manufacturing processes is presented below:

B.6.1 PROCESS FLOW - JEWELLERY MANUFACTURING

Below are the steps involved in manufacturing of precious metals jewellery (although it is not considered a "manufacturing" process in traditional sense):

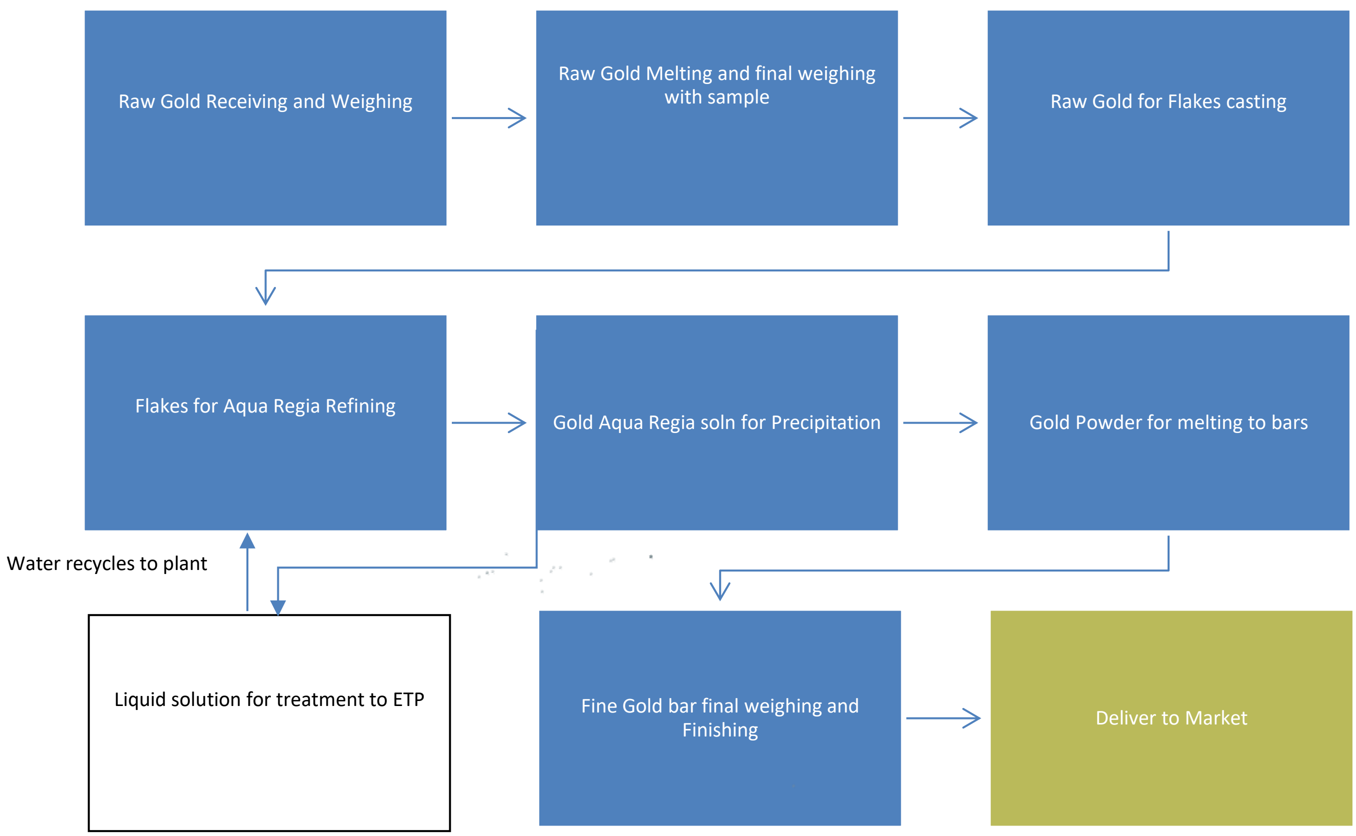
1. Metal Melting: The melting is defined by the type of element used for example Silicon, Graphite, or Induction melting. The metal is melted in small graphite cubicles of capacity 1 or 2 Kg to cast rods of 12mm diameters in 1kg weight. Melting furnaces are used to melt the precious metals and cast-iron moulds are used for drawing wires.

2. Rolling: Cast rods are rolled into 1mm diameter rods and sent for annealing as they get hardened during the process.
3. Annealing Furnace: Annealing furnace is required for annealing (softening) of rolled wires.
4. Wire drawing: The 1mm annealed wire is drawn in 6 or 10 Pass wire drawing machine to make wires for chain machine. The size of wire depends upon the type of chain weight.
5. Dye making: Dye is mould for making desired shapes for designs. These dyes are made by dye blocks and flying punch.
6. Soldering: A soldering machine is used to solder the ornaments. All ornaments are soldered finally after the proper arrangements of balls, dyes, chains, and other remaining parts.
7. Enameling: It is a material made by fusing powdered glass to a substrate by firing, usually between 750 and 850 C (1382 and 1562 F). The powder melts, flows, and then hardens to a smooth, durable, vitreous coating on the metal.



8. <u>Drum Polish</u>: This step is used to polish the ornaments. Gold ornaments are luster polished by continuous rolling of steel balls in liquid shampoo.
9. <u>Stone Setting</u>: Stones are fixed or studded in this step.
10. <u>Electroplating/Colouring</u>: Electroplating is process in which metal ions in a solution are moved by an electric field to coat an electrode. The process uses electrical current to reduce cations of a desired material from a solution and coat conductive object with a thin layer of the material. In this step the ornament is given desired color.
11. <u>Finished Ornaments</u>: Ornaments are ready for quality testing and sale.
12. <u>Quality testing</u>: Each ornament is processed by a suitable testing method to label the assured quality.
13. <u>Hallmarking</u>: This step involves BIS Hallmarking and affixing unique identification number (HUID) to each piece.

B.6.2 PROCESS FLOW – GOLD REFINING



PART C COMPANY FINANCIALS

Financial details of the existing Company / business concerns

a. Certificate of Incorporation and Memorandum & Articles of Association – (Attached)

b. Audited Annual Reports for the last 3 years (Attached).

c. Certified Net worth of company for last 3 years.

Net worth of Malabar Gold	
Year	Net worth (INR, Cr)
2017-18	595.83
2018-19	813.55
2019-20	1,216.09

PART D DETAILS OF THE PROPOSED PROJECT

Introduction to the Project

The present proposal is based on Malabar Gold's future expansion plan that includes increasing the store footprint, both in India and abroad, as well as bringing precious metal refining in-house. Having established a strong brand, the company believes it can capture market share in new locations, aided by persistently strong demand for gold jewellery in India.

Furthermore, enthused by the Government of India's push for 'Make in India' program and the incentives offered under the Government of Telangana's Industrial Policy, Malabar Gold has decided to set-up the company's first gold refining unit, as well as a large jewellery manufacturing unit in the state of Telangana.

In view of the above, the company proposes the following:

a) The company aims to set-up both the manufacturing as well as the refining unit at the same location in Telangana. The state of Telangana offers talented artisans and the company is eager to utilize their skills and talent and to produce jewellery for the world.
b) To ensure seamless functioning of its manufacturing facility, the company needs to build an industrial housing unit as part of the project to provide accommodation to its employees adjacent or closer to the factory.
c) The proposed project will require the company to set-up an efficient supply-chain system that would caters to the demands of its retail stores and global business-to-business (B2B) demand as well as e-commerce platforms. Both the manufacturing and refining units will be critical in meeting in-house demand significantly and cater to global markets.

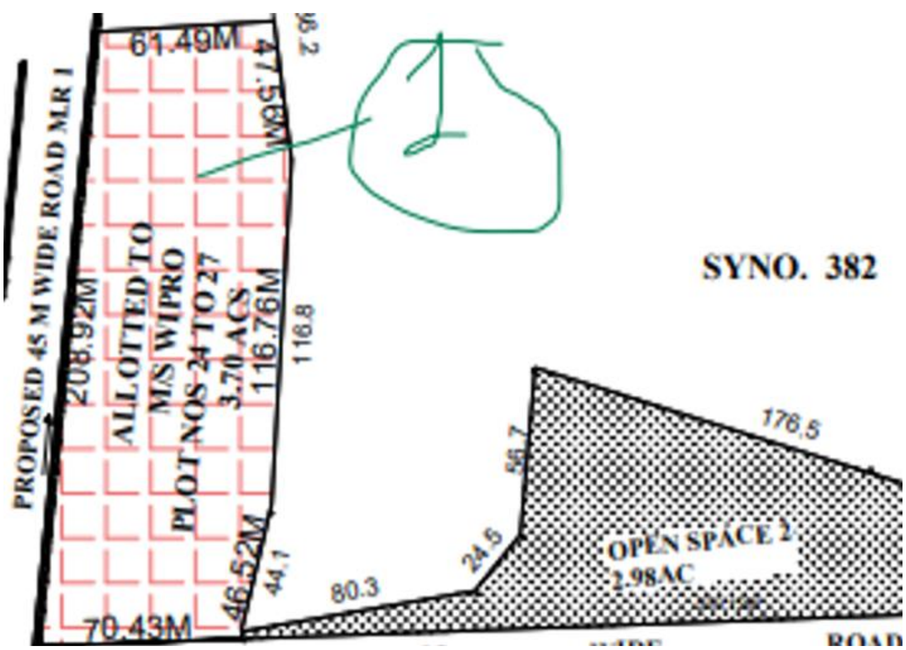
Malabar Gold aims to implement the proposed project in three phases, and expects to commence construction from December, 2021. The company aims to start commercial production from September, 2022.

The company proposes to invest up to INR 182 Cr in Fixed Capital (INR 475 Cr, including Working Capital) under the current project, that has the potential to create direct employment opportunities for approximately 2,782 people.

D.1 SPREAD OF THE PROJECT

Category		Phase-1	Phase-2	Phase-3
		FY 2022-23	FY 2023-24	FY 2024-25
Capacity in Nos (any other suitable measurement)	Gold Refining	100 to 200 Kgs Per day	200 to 300 Kgs Per day	300 to 500 Kgs Per day
	Manufacturing_ Gold Products (Per Day Kgs)	17.69	23.36	27.01
	Manufacturing _Polished Diamond products (Per Day Carat)	267.15	337.87	414.11
Fixed Capital Investment (Rs in Crore)	Gold Refining	19.00	0.00	0.00
	Silver Refining	0.00	8.00	0.00
	Electro Gold Refining	0.00	0.00	8.00
	Manufacturing_ Gold & Diamond Products	114.93	5.10	27.57
	Total	**133.93**	**13.10**	**35.57**
Direct Employment (Nos)	Gold Refining	90	120	150
	Manufacturing_ Gold & Diamond Products	1692	394	336
	Total	**1782**	**514**	**486**
Land (in Acres)	Total Land required	3.70	0	0

D.2 PROPOSED LOCATION



Malabar Gold has identified and request for Plot No 24 to 27 at Electronic Manufacturing cluster & General Industrial Park near Maheshwaram village, Rajendranagar, Ranga Reddy district, Telangana.

D.3 TECHNICAL DETAILS OF THE PROJECT

1. Tentative Calculation on Power load requirement and Water Requirement

Load & Water detail			
Plant	Connected Load (Kw)	Running Load (Kw)	Water (KLD)
Gold Refining	500	400	5
Jewellery Manufacturing	3,500	2,800	225
Total	4,000	3,200	230

2. Application on minimum distances for certain machinery as per factories act and rules

Depending on equipment size and design, work flow, use of hazardous chemicals, and the amount of heat generated, relevant units would be kept separated from administrative and living areas as per policy guidelines.

3. Estimate on Solid wastes, liquid wastes, gaseous emissions and the space provision made by the applicant for their treatment and disposal

a. Solid waste – Waste such as discarded melting crucible scrap, assay cupels, floor sweeps, solid residues from refining process, incinerators will be used for burning volatile matters.

   Non-volatile waste materials will be treated to recover precious metals in traces, if any, and the rest shall be disposed off to an approved land-fill site for final disposal or any method applicable and permitted by law.

b. Liquid waste – Waste will be treated to neutralize it to 6-8 Ph to allay hazardous effects. Metallics present in the waste will be recovered by vaporizing the liquid matter. Te subsequent condensation of vapour will generate clean water that will be fed to water softening plant or DM water plant.

c. Gaseous waste – Effluent gases (mainly Nitrous fumes from reaction vessels of gold refining reactors and melting furnace gases) and smoke will be absorbed by acid fume scrubbers. Liquid generated from this process will be given the same treat as outlined in (b) above.

It is estimated that approximately, 200 Kgs of solid waste will be generated per day from the manufacturing of gold and diamond jewellery.

4. Category of Unit as per Pollution Control Board Norms and steps proposed to mitigate the environmental impact

Orange Category – Whereas the proposed units are not chemical manufacturing unit but will use chemicals for processing gold, the risk is mitigated by total pollution control measures and hence both facilities qualify for the "Orange" category.

As per the Central Pollution Control Board (CPCB), the category is defined as under:

(a) Red Category – Pollution Index Sore (PIS) above 60
(b) Orange Category - PIS between 41 to 59,
(C) Green Category - PIS between 21 to 40
(d) white category – PIS less than or equal to 203

5. Planning of minimum internal roads for movement of raw materials, waste materials, products etc

As per the architect's advice and the plant layout, 50% of the 1/3rd of the total plot area all around the main building will be used for utilities such as acid and water storage tanks, effluent treatment plant, DM water Plant, and vehicle parking, loading and unloading of raw material and waste products etc. The rest shall be kept open for plantation.

6. Detailed Land requirements

Description	Total Land (Acre)	Built up Area, Acres *(Including Industrial Housing)*
Phase 1	3.70	2.22
Phase 2	-	-
Phase 3	-	-
Total Requirement	**3.70**	**2.22**

D.4 TIMELINE AND PHASING OF IMPLEMENTATION

Implementation	Timeline		
	Phase-1	Phase-2	Phase-3
Start of Construction *	01st December 2021		
Start of Commercial Production	01st September 2022	01st May 2023	01st January 2024

* Within 30 days from the date of getting permission from the Govt.

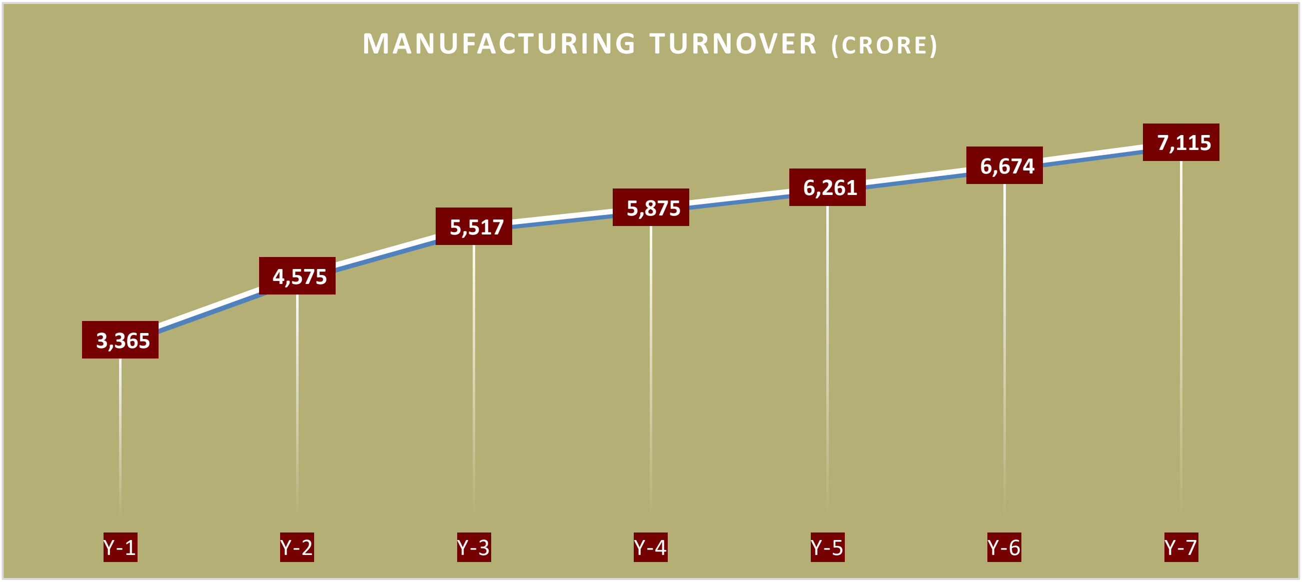
D.5 PROJECT COST ESTIMATES

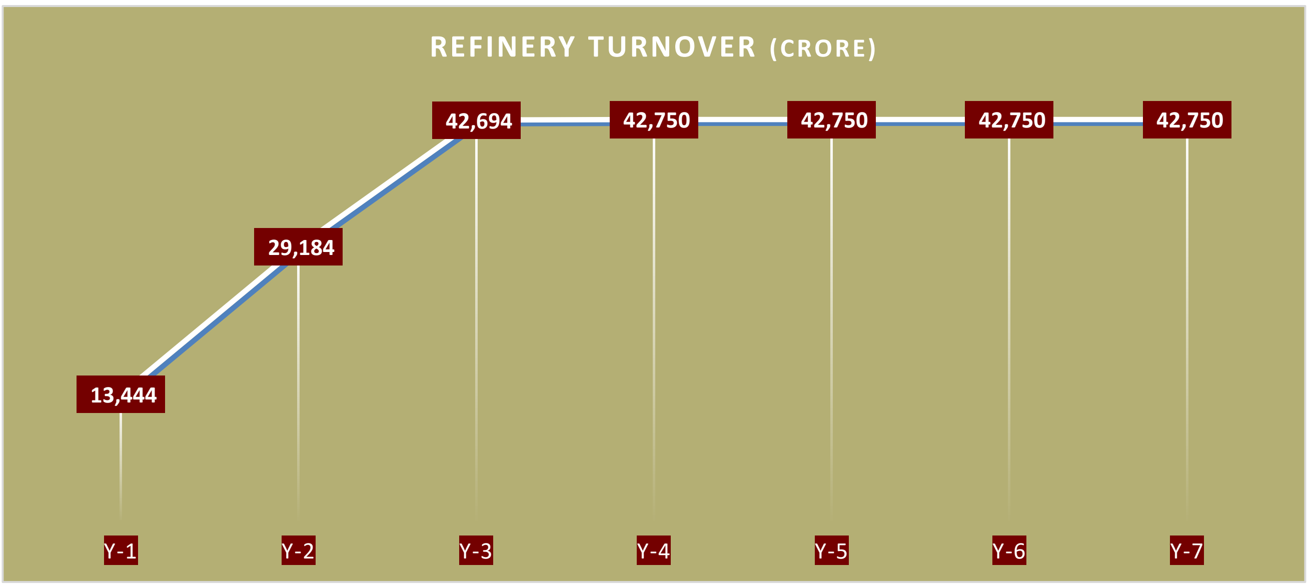
Capital Expenditures	Rs in Crore								
	Phase-1		Phase-2		Phase-3		Total		
	Gold Refining	Jewellery Manufacturing	Gold Refining	Jewellery Manufacturing	Gold Refining	Jewellery Manufacturing	Gold Refining	Jewellery Manufacturing	Total
Land	1.27	6.36	-	-	-	-	1.27	6.36	7.63
Building & Civil Works	8.73	43.53	0.50	-	0.50	1.57	9.73	45.10	54.83
Building interiors, Electricals & Furnishing	-	28.75	-	-	-	-	-	28.75	28.75
Machines including Computers	9.00	36.29	7.50	5.10	7.50	26.01	24.00	67.40	91.40
Total Cost	19.00	114.93	8.00	5.10	8.00	27.57	35.00	147.60	182.61
	133.93		13.10		35.57		182.61		

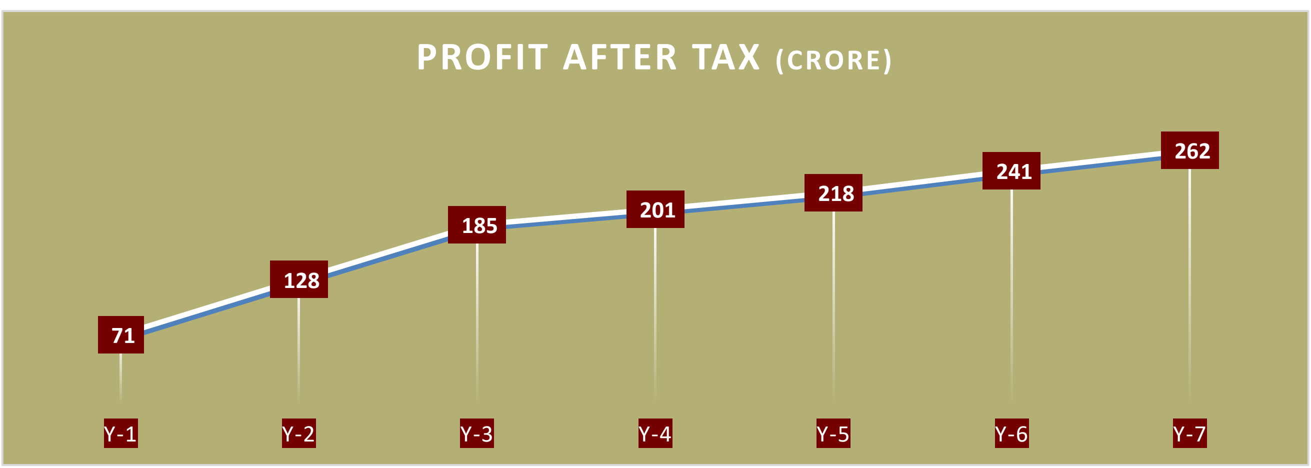
D.6 MEANS OF FINANCE

Capital Expenditures		Rs in Crore			
		Phase-1	Phase-2	Phase-3	Total
Total Cost		**133.93**	**13.10**	**35.57**	**182.61**
Promoter Contributions/ Internal Accruals	50%	*66.97*	*6.55*	*17.79*	*91.30*
Debt	50%	*66.97*	*6.55*	*17.79*	*91.30*

D.7 DETAILED FINANCIAL WORKINGS







Projected Income Statement_ (Rs in Crores)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenue from Operation_ Manufacturing	3,365	4,575	5,517	5,875	6,261	6,674	7,115
Revenue from Operation_ Refinery	13,444	29,184	42,694	42,750	42,750	42,750	42,750
Total Income	**16,808**	**33,760**	**48,211**	**48,625**	**49,011**	**49,424**	**49,865**
Expenses :							
Changes in inventory	-170.97	-102.53	-87.44	-10.52	-11.23	-11.97	-12.75
Purchase & Direct Expenses	16,789	33,561	47,899	48,209	48,566	48,945	49,349
Employee benefit expenses	23.16	36.93	49.03	51.67	54.57	57.76	61.27
Other Administrative Expenses	18.12	27.98	36.86	39.27	41.91	44.82	48.02
EBITDA	**149.1**	**236.3**	**313.0**	**335.1**	**359.7**	**387.6**	**418.9**
Depreciation & Amortisation Expenses	19.93	18.19	16.93	14.82	13.33	12.06	11.06
Finance Cost	20.53	24.47	17.37	18.06	18.85	13.69	14.50
Profit before allocation expenses	**108.7**	**193.7**	**278.7**	**302.2**	**327.5**	**361.9**	**393.4**
Allocation Expenses	6.98	12.44	17.90	19.41	21.04	23.25	25.27
PBT	**101.7**	**181.2**	**260.8**	**282.8**	**306.5**	**338.6**	**368.1**
Tax Expenses	27.0	46.5	66.2	71.5	77.3	85.3	92.6
CSR Provision @5%	3.7	6.7	9.7	10.6	11.5	12.7	13.8
PAT	**70.9**	**128.0**	**184.8**	**200.7**	**217.7**	**240.7**	**261.7**
GP %	**1.13%**	**0.89%**	**0.83%**	**0.88%**	**0.93%**	**0.99%**	**1.06%**
EBITDA %	**0.89%**	**0.70%**	**0.65%**	**0.69%**	**0.73%**	**0.78%**	**0.84%**
PAT %	**0.42%**	**0.38%**	**0.38%**	**0.41%**	**0.44%**	**0.49%**	**0.52%**

Projected Cash Flow Statement_ (Rs in Crores)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Opening Cash & Cash Equivalents	-	124.81	152.26	154.96	255.40	268.55	269.08
Cash Inflows :							
Share Capital inflow	159.76	51.35	26.98	10.74	12.02	11.77	12.29
Loan fund	235.90	51.35	26.98	10.74	12.02	11.77	12.29
Profit before depreciation after interest & tax	90.88	146.15	201.74	215.50	231.04	252.73	272.74
Total	**486.5**	**248.8**	**255.7**	**237.0**	**255.1**	**276.3**	**297.3**
Cash Outflows :							
Asset additions	133.93	13.10	12.93	5.01	6.74	5.38	5.52
Investments	-	81.99	1.45	125.51	229.18	189.67	281.89
Loan Repayment	1.71	1.71	115.33	1.71	1.71	75.78	1.74
Effect on changes in working capital	226.08	124.60	123.30	4.32	4.30	4.91	5.52
Total	**361.7**	**221.4**	**253.0**	**136.6**	**241.9**	**275.7**	**294.7**
Closing Cash & Cash Equivalents	**124.81**	**152.26**	**154.96**	**255.40**	**268.55**	**269.08**	**271.74**

Projected Balance Sheet (Rs in Crores)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
ASSETS							
Property, Plant & Equipment's	114.00	108.90	104.90	95.09	88.50	81.82	76.27
Investments	-	81.99	83.44	208.95	438.13	627.80	909.69
Current Assets:-							
Inventories	182.54	298.56	397.57	408.10	419.33	431.29	444.04
Financial Assets :							
Trade Receivables	123.99	225.98	288.94	295.33	301.40	307.60	313.92
Other Current Assets	12.14	26.30	38.45	38.44	38.44	38.44	38.44
Cash & Cash Equivalents	124.81	152.26	154.96	255.40	268.55	269.08	271.74
Total Assets	**557.5**	**894.0**	**1,068.3**	**1,301.3**	**1,554.3**	**1,756.0**	**2,054.1**
EQUITY AND LIABILITIES							
Equity Share Capital	159.76	211.11	238.09	248.83	260.85	272.62	284.92
Reserves & Surplus	70.94	198.90	383.72	584.40	802.11	1,042.78	1,304.47
Current Liabilities :							
Financial Liabilities: Borrowings	232.48	282.12	193.78	202.81	213.12	149.07	161.37
Other Current Liabilities	2.18	2.72	3.19	3.19	3.19	3.22	1.48
Trade Payables	92.12	199.15	249.49	262.07	275.07	288.32	301.87
Total Equity & Liabilities	**557.5**	**894.0**	**1,068.3**	**1,301.3**	**1,554.3**	**1,756.0**	**2,054.1**

Debt repayment Schedule (Rs in Crore)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Bank Loan	160.90	51.35	26.98	10.74	12.02	11.77	12.29
Principal repayment	1.71	1.71	115.33	1.71	1.71	75.78	1.74
Finance Cost	13.03	16.97	9.87	10.56	11.35	6.19	7.00
Principal + Finance Cost	14.74	18.68	125.19	12.27	13.06	81.97	8.74

Debt Service Coverage Ratio (DSCR)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
EBITDA	149.12	236.34	312.96	335.05	359.72	387.64	418.94
Principal + Finance Cost	14.74	18.68	125.19	12.27	13.06	81.97	8.74
DSCR	10.12	12.65	2.50	27.31	27.54	4.73	47.94
Average DSCR	**18.97**						

Payback Period (Rs in Crore)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Initial Cash Outlay	395.66						
Annual Cash Inflows	70.94	127.96	184.81	200.68	217.71	240.67	261.69
Cumulative Cash Inflows	70.94	198.90	383.72	584.40	802.11	1,042.78	1,304.47
Payback Period (Years)	**3.1**						

Internal Rate of Return (IRR) (Rs in Crore)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Initial Cash Outlay	-395.66						
Annual Cash Inflows	70.94	127.96	184.81	200.68	217.71	240.67	261.69
IRR %	**33.37%**						

Computation of Income Tax on Profits (Rs in Crore)							
Particulars	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Profit before tax & after allocation Expenses	101.7	181.2	260.8	282.8	306.5	338.6	368.1
Add: Depreciation asper Companies Act	18.38	15.65	13.55	11.93	10.86	9.95	9.24
Less: Depreciation asper Income tax Act	12.80	11.98	11.23	10.55	10.15	9.67	9.26
Taxable Profit	107.3	184.9	263.1	284.1	307.2	338.9	368.1
Tax@ 25.17%	27.0	46.5	66.2	71.5	77.3	85.3	92.6

Computation of Allocation Expenses (Rs in Crore)							
Particulars	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Profit before tax & allocation	108.7	193.7	278.7	302.2	327.5	361.9	393.4
PLI Provision @1.5%	1.63	2.91	4.18	4.53	4.91	5.43	5.90
Directors Remuneration	5.35	9.54	13.72	14.88	16.13	17.82	19.37
Total Allocation Expenses	**6.98**	**12.44**	**17.90**	**19.41**	**21.04**	**23.25**	**25.27**

Computation of CSR (Rs in Crore)							
Particulars	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Profit after Tax	74.7	134.7	194.5	211.2	229.2	253.3	275.5
CSR Provision @ 5%	3.73	6.73	9.73	10.56	11.46	12.67	13.77

D.8 PROJECT RISK AND CHALLENGES ALONG WITH MITIGATION MEASURES

S No	Risk	Mitigation
1	Raw Material Sourcing (scrap gold and dore for refining to utilize the refining capacity)	MGD has strong linkages with mining companies globally. The company is also opening Gold Purity and Verification Centres for collection of scrap gold in domestic market to ensure adequate supply.
3	Working Capital Financing	MGD has a rich history and track record and strong banking relationships that should allow the company to arrange for credit lines as compared with unorganized players of the industry.
4	Competition from other players in jewellery manufacturing	MGD is an established player in the industry and offers unique designs and after sales service that helps build customer loyalty. The government's intention to introduce only hallmarked gold distribution in the country will help the company overcoming such challenges going forward.
5	Unfavorable demand for gold and gold jewellery	There is a growing trend that consumers want to opt for branded / hallmarked gold articles, be it jewellery or bullion, and this trend should help MGD mitigate such risks. The government of India's push for hallmarking should also aid MGD in increasing market share.
6	Availability of skilled manpower	Skilled craftsmen and goldsmiths are crucial to the company and the state of Telangana has a robust talent pool. The company also aims to mitigate this risk by providing frequent trainings to its employees to upgrade their skills and bring in new talent
7	Strikes and other disruptions	The company will have its business continuity planning (BCP) in place.

PART E SUPPORT REQUIRED FROM THE GOVERNMENT OF TELANGANA

Malabar Gold requests following support from the government of Telangana for the it proposed investment in the state:

a. Allotment of 3.7 acres of land as identified in Plot No. 24 to Plot No. 27 at the Electronic Manufacturing Cluster and General Industrial Park near Maheshwaram village, Rajendranagar, Ranga Reddy district @1.4 Crores per acre, the prevailing rate as indicated during the site visit of the company, for the construction of Manufacturing & Refining units.

b. Allotment of additional 2.2 acres of land in adjoining area or close vicinity of the land mass mentioned under point "a." above at the same rate for industrial housing as this is an integral part of business and required for the smooth functioning of the manufacturing units.

c. The overall investment of INR 182.6 Cr be awarded the "Mega" status for its estimated employment creation for 2,782 people and be provided tailor made incentives and support as per the state's industrial policy for manufacturing.

d. Accordingly, Malabar Gold requests that it be awarded with the reimbursement of Net SGST for a period of Ten (10) years from the date of commencement of commercial operations.

e. Provision of basic amenities such as power and water at our site. Reimbursement of power cost of Rs. 2 per unit for a period of 7 years from the commencement of production and water supply at 50% of the price of existing industrial supply rate for the initial 7 years from the commercial start of the production.

f. Furthermore, the company requests for interest subvention of 3% on any financial borrowing for initial 5 years from the start date of commercial production.

g. In addition, the company requests all other standard incentives for the project including those for clean and green investments as per the state's policy

h. Facilities of ease of doing business for labor related legislations such as:
   - Hiring of contract workers
   - Prevention of flash strikes
   - Facilitating fast track single window for all industrial clearances, and
   - Permission for operating in night shifts