

DRAFT LETTER OF OFFER*(Private and Confidential)**For Equity Shareholders of the Company Only***NANDAN EXIM LIMITED***(Corporate Identity No.: L51909GJ1994PLC022719)*

[Incorporated on August 9, 1994 under the Companies Act, 1956 as 'Nandan Exim Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat at Ahmedabad. Subsequently converted in to a public limited company vide a fresh certificate of incorporation dated January 16, 2004]

Registered Office: Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405

Tel: +91-79-2571 0231-34; **Fax:** +91-79-2571 1755

(The Registered Office of the Company was originally located at 283, New Cloth Market, Ahmedabad and was shifted to the current address w.e.f. January 17, 2004)

Corporate Office: "Chiripal House" Behind Arjun Tower, 132 Ft, Ring Road, Shivranjani Cross Roads, Satellite Road, Ahmedabad 380 015.

Tel: +91-79-2673 4660-2-3; **Fax:** +91-79-2676 8656; **E-mail:** : info@chiripalgroup.com

Website: <http://www.chiripalgroup.com>

Contact Person: Mr. Dakshesh Choksi, Compliance Officer

DRAFT LETTER OF OFFER

ISSUE OF 15,18,30,188 EQUITY SHARES OF Re. 1/- EACH FOR CASH AT A PREMIUM OF Rs. 2/- PER EQUITY SHARES i.e. AT A PRICE OF Rs. 3/- PER SHARE) ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1 EQUITY SHARE FOR EVERY 2 EQUITY SHARE HELD ON RECORD DATE AGGREGATING Rs. 4554.90 LACS.

THE ISSUE PRICE IS 3 TIMES OF THE CURRENT FACE VALUE OF Re. 1 PER EQUITY SHARE.

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 Risk Factors on page no.vi to xvii carefully before taking an investment decision in this Offer.** For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities offered in the Issue have not been recommended or approved by Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to Nandan Exim Limited and the Issue, which is material in the context of this Issue, that the information contained in this 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 Bombay Stock Exchange Limited, Mumbai (BSE – 'Designated Stock Exchange') and The National Stock Exchange of India Limited (NSE). Applications are being made to these stock exchanges for permission to deal in and for official quotation in respect of the equity shares arising out of the present rights issue. The company has received in principle approvals from BSE and NSE vide letters dated ____ and ____ respectively.

LEAD MANAGER TO THE ISSUE**CANARA BANK**

Merchant Banking Division Varma Chambers,
No.11, Homji Street, Fort,
Mumbai-400001

SEBI Regn. No: INM/000002558

AMBI Regn No: AMBI/012

Ph: 022-2267 7405/406

Fax: 022-2267 7404

Contact Person : Mr.P.Sitaram

E-Mail: mbd.nandan@canbank.co.in

Website: www.canbankindia.com

REGISTRAR TO THE ISSUE**Datamatics Financial Software & Services Limited**

Plot No. A 16 and 17, Part B, Crosslane
Marol, Andheri (East), Mumbai - 400 093.

SEBI Registration No.: INR000000874

UIN MAPIN No: 100006239

Tel: +91-22-2837 5519-24;

Fax: +91-22-2835 0217

Contact Person: Mr. Dhyanesh

Email: nandanexim@dfsssl.com

Website: <http://www.dfsssl.com>

ISSUE SCHEDULE

Issue Opens On	Last Date For Receiving Requests For Split Forms	Issue Closes On
[●]	[●]	[●]

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DEFINITIONS AND ABBREVIATIONS
Conventional / General Terms

Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
CAGR	Compound Annual Growth Rate
CY	Calendar Year
D/E Ratio	Debt Equity Ratio
DTY	Draw Twisted Yarn
EGM	Extra-ordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FDY	Fully Drawn Yarn
FY/Financial Year/Fiscal Year	The twelve months ended March 31st of a particular year, unless otherwise stated.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoG	Government of the State of Gujarat
Gol	Government of India
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
IT Act	Income Tax Act, 1961 and amendments thereto
LC	Letters of Credit
MOU	Memorandum of Understanding
NAV	Net Assets Value being paid Equity Share Capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off) and debit balance of profit and loss account, divided by number of issued equity shares
NEL	Nandan Exim Ltd
OE	Open End
P/E Ratio	Price/ Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit Before Depreciation and Tax
PBIDT	Profit Before Interest, Depreciation and Tax
PBT	Profit Before Tax
POY	Partially Oriented Yarn
ROI	Return on Investment
RONW	Return on NetWorth
Security Certificate	Equity Share Certificate
Security(ies)	Equity Share(s)
USD/US\$/\$	United States Dollar
WTO	World Trade Organisation

Issue Related Terms

Articles	Articles of Association of Nandan Exim Limited
Auditors	The Statutory Auditors of the Company: M/s. J.T. Shah & Co., Chartered Accountants, Ahmedabad
Bankers to the Issue	[●] / The Bank in whom the Bank Account for Rights Issue will be opened and which act as such, in terms of this Letter of Offer
Board	Board of Directors of Nandan Exim Limited
BSE / Designated Stock Exchange	Bombay Stock Exchange Limited, Mumbai
CAF	Composite Application Form
Compliance Officer	Compliance Officer of the Company for the Rights Issue being Mr. Dakshesh Choksi, Nandan Exim Limited
Director(s)	Directors on the Board of Nandan Exim Limited
Equity Shareholders	Equity Shareholders of the Company whose names appear as: - Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in 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 of Re. 1/- each

Face Value	Face Value of Equity Shares of the Company being Re. 1/- each
FFSIL/ Lead Manager/ LM	Lead Manager to the Issue i.e. Canara Bank
Issue / Rights Issue	The issue of 15,18,30,188 Equity Shares of Re. 1/- each for cash at a premium of Rs. 2/- (Issue Price Rs. 3/- per Equity Share on rights basis to existing Equity Shareholders of the Company in the ratio of 1 (ONE) Equity Share for every 2 (TWO) Equity Shares held on Record Date i.e. [.] aggregating Rs. 4554.90 lacs as per this Letter of Offer
Issue Opening Date	The date on which the issue opens for subscription
Issue Closing Date	The date on which the issue closes for subscription
Issue Period	The period between the Issue Opening Date and Issue Closing Date and includes both these dates
Issue Price	The price at which the equity shares will be issued by the Company under this Letter of Offer
Issuer / Company / NEL	Nandan Exim Limited
Letter of Offer /LOF/ Offer Document	This Letter of Offer circulated to the Equity Shareholders and filed with the Stock Exchanges containing <i>inter alia</i> the Issue price and the number of equity shares to be issued, issue price and other incidental information
Memorandum	Memorandum of Association of Nandan Exim Limited
NSE	National Stock Exchange of India Limited
Promoter(s)	Promoters shall have the same meaning as ascribed to it under the SEBI Guidelines and which has been particularly detailed in the disclosure in this Letter of Offer
Record Date	[●]
Registered Office of the Company	Registered Office of the Company situated at Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405.
Registrar	Registrar to the Issue, Datamatics Financial Software & Services Limited
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to under this Letter of Offer in proportion to his/her/its existing shareholding in the Company as on the Record Date i.e.[.]
ROC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli at ROC Bhavan, CGO Complex, Opp. Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad –380 013.

Company / Industry Related Terms

CENVAT	Central Value Added Tax
DEPB	Duty Entitlement Pass Book
EPCG	Export Promotion Capital Goods
EXIM Policy	Export-Import Policy
ISO	International Organization for Standardization
PCB	Pollution Control Board
QA	Quality Assurance

Abbreviations

AY	Assessment Year
CDSL	Central Depository Services (India) Limited
CLB	Company Law Board
DCA	Department of Company Affairs
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
DP	Depository Participant
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FI	Financial Institution
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
INR / Rs.	Indian Rupee
NA	Not Applicable

NR	Non Resident
NRE Account	Non Resident External Account
NRI(s)	Non-Resident Indian(s)
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NTXP	New Textile Policy
OCB	A Company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a person resident outside India) Regulations 2000
RBI	The Reserve Bank of India
SCRR	Securities Contracts (Regulation) Rules, 1957 as amended from time to time
SE / Stock Exchange (s)	BSE and NSE
SEBI	Securities and Exchange Board of India
SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000

In this 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." refers to Rupees, the lawful currency of India, "US\$" refers to US dollar. References to the singular also refer to the plural and one gender also refers to any other gender whenever applicable.

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SECTION I. RISK FACTORS**1. Forward-looking Statements:**

This Letter of Offer contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “expect”, “estimate”, “intend”, “may”, “plan”, “project”, “shall”, “will” or other words or phrases of similar import. Similarly, statements that describe Company’s objectives, strategy, plans or goals are also forward-looking statements.

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

- General economic and business conditions;
- Company’s ability to successfully implement its strategy and its growth and expansion plans;
- Increasing competition in the Textile / Denim industry;
- Increases in labour costs, raw materials prices, freight rates, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries;
- Changes in the value of the Indian rupee and other currencies, in particular, the U.S. Dollar;
- Cyclical or seasonal fluctuations in the operating results due to prevailing market conditions;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the Textiles Industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this Letter of Offer. In the light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Letter of Offer might not occur and are not guarantees of future performance.

Neither the Company, its Directors and Officers, any member of the Issue Management Team nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, for purposes of the Issue, the Company and the Lead Manager to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchanges.

A.) RISK ENVISAGED BY MANAGEMENT AND MANAGEMENT PERCEPTIONS THEREOF

An investment in equity shares involves a high degree of risk. The Investor(s) should consider carefully the following risks factors, together with other information contained in this Letter of Offer before making any investment decision. Unless specified or quantified in the relevant risk factors mentioned below, the Company is not in a position to ascertain the financial and other implications of any of the other risks mentioned below. If any of the following risks actually occur, the Company’s business, financial condition and results of operations could suffer, the trading price of the Company’s equity shares could decline and investors may lose all or part of the investment.

Market data used throughout this Letter of Offer was obtained primarily from internal company reports. The information contained in this Letter of Offer has been obtained from sources believed to be reliable, but their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, the Company believes that the market data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

RISK FACTORS
Risk Factors Internal to the Company**1. There are certain Criminal cases against our Promoters/Group Companies:**

- A) There are certain Criminal cases against Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal, our promoters and our group company Chiripal Industries Ltd. as detailed in page 130 of this letter of offer. The criminal case has been filed against them in respect of certain alleged violations by erstwhile Shanti Processors Limited (since merged with Chiripal Industries Limited) (a group company) under section 132, 135 of the Customs Act, 1962 read with Section 120(B) of the Indian Penal Code for violation of the extant Excise Laws pursuant to search and seizure carried out in October 1996. The proceedings are pending before the Courts.
- B) Our group company Vishal Fabrics Pvt. Ltd. and its directors were held guilty of violating Sections 211 read with Section 209 of the Companies Act relating to maintenance of books of accounts of the company and have been imposed a penalty of Rs. 5000 each by the Addl Chief Metropolitan Magistrate, Ahmedabad.
- C) The Director General Central Excise Ahmedabad had searched the factory premises of Nova Petrochemicals Ltd.(NPL) our group company on 15th and 16th August 2002. During the investigation one of the Directors of NPL was arrested and subsequently granted bail by the Hon'ble High Court of Gujarat. The proceedings are pending before the Courts. For details please refer to page 145.

2. There are numerous cases/proceedings /disputes under the Central Excise, Customs and Income Tax laws relating to our company and group companies as detailed in pages 129 herein. The proceedings in respect of these matters are pending before the relevant authorities.**3. M/s Nova Petrochemicals Limited (a group company) had applied for in-principle approval for the listing / trading of the bonus shares of 135 lacs. The permission from BSE has been received for 101 lacs equity shares of Bonus Issue out of 135 lacs share and permission is expected for the balance 34 lacs shares. The company has requested BSE on 11th April 2007 to grant listing / trading permission for balance 34 Lacs Shares also.****4. Loss by Promoter Company / Group Company.**

M/s Nova Petrochemicals Limited, our group company has reported a loss of Rs. 522.88 Lacs for the financial year ended on March 31, 2006 and a loss of Rs. 1,745.78 for the financial year ended March 31, 2005.

Management Perception

Increased cost of raw-material and lower demand for finished product has been reason for loss during financial year ended on March 31, 2006 and same has been communicated to the shareholders in AGM of the company held on 23th Septemeber 2006.

For the Financial year ending March 31, 2005 the reason for the loss is unprecedented increase in Raw Material cost without commensurate increase in Finished Goods price, demand fluctuation, truckers strike, Flood etc. and the same has been communicated to the shareholders in AGM of the company held on 16th of September 2005.

5. Appraisal:

State Bank of India has appraised the project and the funding requirements for their sanctioning of the term loan. The appraisal report is a confidential document and has not been made available to us. State Bank of India and the consortium of banks have been informed of this rights issue which is part of the funding for the project. The details of the project and related information given in this letter of offer are based on the information given by us to the banks as approved by the Board of Directors. The Banks take no responsibility for the monitoring of the end use of the proceeds raised in the issue; the deployment of the proceeds raised in the rights issue will be monitored by the Board of Directors and relevant disclosures shall be made as per the listing agreement and the guidelines of regulatory authorities.

6. The following approvals are pending to be obtained for the project for which the Funding through this Rights issue is proposed;

S. NO.	PARTICULARS	STATUS
1	Amendment to Industrial Entrepreneur Memorandum	Pending for Power Plant and Spinning Units
2	Approval from Pollution control Board	Pending for Expansion Project
3	Electricity Connection	Approval for Sanctioned Load for 3800 KW Power is in place for balance 3490 is not applied for
4	Filing of IEM with Secretariat of Industrial Assistance	Availabale for Denim Weaving plant; Pending for Power Plant and Spinning Units

Management Perception

The company has the requisite approvals for the existing operations and shall apply for necessary approvals at appropriate stages in tune with the progress in the implementation of the project.

7. The project of the company can be delayed further, in case of delay in release of term loan by lending banks which can have a impact on profitability

The project, for which to part finance this issue is being made, was to be implemented and the commercial production should have commenced by November 2007. However delay in financial closure has resulted in delay in placing of orders for machinery and consequent delay in implementation. The consortium of banks who are financing the project through term loans has been informed of the delay and the same has been discussed by all the members of the consortium in their meeting held on January 8, 2007. Company has represented to lending banks to release the term loan in tune with the progress in the implementation of projects and avoid further delay. A contingency provision in the project cost is made to the extent of Rs 17.53 crore for meeting any escalation in costs and impact on profitability.

8. We have sanctioned power of 3800 KW as against total requirement of 7290 KW after completion of the project. The commencement of production of the full capacity being proposed may be further delayed if there is delay in obtaining sanction and release of additional power as per the requirement.

Managements Perception

The power requirement was enhanced recently by M/s Torrent Power Limited from 2500 KW to 3800 KW on 28th February 2007. The existing power is sufficient to meet the present capacity. Company shall apply for additional power as and when requirement comes as per progress of expansion project.

9. Our future growth requires additional working capital, which may not be available on terms acceptable to us.

Our business has high working capital requirements. We intend to pursue a strategy of funding our major working capital requirements from banks and other financial institutions. We may not be successful in obtaining these funds in a timely manner, or on favorable terms or at all.

10. Revenues and profitability are dependent on a number of factors, and may vary significantly from quarter to quarter. Therefore, historical financial results may not be an accurate indicator of future performance.

Managements Perception:

Growth has varied from year to year in recent years and may vary significantly in the future from year to year. The revenues and profitability are dependent on a number of factors, such as:

- Flotation of tenders by the user industries and Company's ability to be empanelled
- Introduction of new pricing policies by competitors;
- Availability of the requisite raw material at competitive prices so as to supply at the desired/contracted rates to the user industries;
- Freight rates that affect the cost of raw materials;
- Our ability to complete mergers and acquisitions and also successfully integrate with such entities;

-
- Ability to respond to changes in laws;
 - The growth rate of the domestic market and competition from Indian and non Indian denim producers;
 - Effect of global regulatory / environmental changes on products manufactured;
 - Actions, strikes, lobbying by workers at the user industries;
 - Currency exchange rate fluctuations, particularly of the Indian Rupee against the U.S. Dollar;
 - Fluctuations in interest rates; and
 - General economic and political conditions.

11. 20.19% of our sales is derived from Exports which are designated in US Dollars. Any adverse change in currency exchange rates may consequently squeeze margins.

Management Perception

While the currency risk is a concern, we do not expect any substantial adverse impact on the realizations as substantial part of our sales are in domestic market. The management will also envisage appropriate hedging mechanism to protect against adverse currency movements.

- 12. Increases in wages could reduce profit margins, cordial relationship with the workers / employees is crucial for smooth functioning of operations. Any significant increase in wage costs could have an adverse effect on the business, financial condition and results of operations. In the long term, wage increases may make us less competitive unless it is able to continue increasing efficiency and productivity, and the prices that it can charge to customers**

Managements Perception:

Historically, wage costs in the Indian industry have been significantly lower than wage costs in the developed countries for comparable skilled technical personnel. The revision of wages is mutually agreed and this helps in containing wage costs and the company is taking effective measures to increase efficiency and productivity. The relationship between the management and employees is harmonious. The company is also utilizing the contract labours abundantly available in Ahmedabad.

- 13. The Company has to maintain high inventory & Receivable levels that has carrying cost and thus have a negative effect on Return on Net worth and profitability**

Managements Perception:

The Company maintains higher inventory to avoid production losses because of non-availability of raw materials and also to gain by way of the increase in input costs. It imports its raw material that has a considerable time lag from the date of placing the order and is affected by timely availability of specification compliant vessels. The increased inventory is a timely phenomenon based on the price fluctuation and demand and supply of the raw material and is an executive decision based on the understanding of the prevailing market scenario due to imports of raw materials. The company has to match high receivable levels to be in tune with the characteristics of Industry. However 96% of the receivables of the company are within 180 days.

- 14. We are in the business of manufacturing of Denim and Grey Fabrics where the industry is cyclic. Our revenues and profitability may fluctuate depending on the capacity levels and demand and supply scenario internationally.**
- 15. We have client concentration in respect of our sales revenues (33.5% of domestic sales was to 10 clients) subjecting us to associated risks such as competitiveness and exposure.**

Management Perception

We have been dealing with clients for over 5 years and thus have long standing relationships, though there are no marketing contracts or agreements with them. We cannot however assure you that such relationship or association with these clients will continue.

- 16. We face competition in India and internationally**

We operate in a competitive environment as our principal products, denim and grey fabrics are produced by a large number of other manufacturers in India and abroad. Players in this market generally compete with each other on key attributes such as pricing and quality of products and services. We compete with our competitors on the basis of our track record of quality, distribution channels, logistical facilities and after sales relationships. There is however no assurance that we will continue to compete successfully in future.

17. Costs of raw materials which is around 60% of Selling Price may fluctuate; Volatility in raw material prices could affect the operations and profitability.

Management Perception:

India is a major producer of cotton. However the prices are susceptible to fluctuations depending on demand supply situation and global price.

18. **Certain Restrictive Covenants of the Lenders as per the Sanction Letters require prior approval of the Lenders in altering the Capital Structure of the Company. Also, there may be prepayment penalties in case of prepayment of the Loans.**

The Company has availed credit facilities with the Banks and there are certain restrictive covenants in the sanction letters for term loans and working capital loans, among other things, which require the company to obtain the approval of the lenders or provide restrictions, namely for, permission for expansion, change in capital structure, change in management, disposal of assets, declaring dividends at a time while the company is in default, undertaking material diversification in the business etc. Such restrictive covenants may hamper the company's flexibility to raise funds, restructure and compete in quickly changing scenarios, thus disabling the speedy adaption to emerging challenges.

19. **Failure to meet projections made in Prospectus by one of the Group Companies M/s Nova Petro Chemicals Limited**

M/s Nova Petrochemicals Limited is a listed company wherein one of our promoters is a joint promoter and the promoter group is part of the management. It raised the capital by way of Public Issue in May, 1995, to part finance setting up of a plant to manufacture Partially Oriented Polyester Filament Yarn (POY) for the manufacture of 11977 MT of installed capacity. The cost of the project was Rs. 5600 lacs out of which Rs.1,369.20 lacs were raised by way of an IPO at an Issue price of Rs. 30/- per Rs.10/- fully paid share and the balance being debt from State Bank of India and Bank of Baroda. The Company thru the maiden Public Issue had raised Rs. 1369.20 lacs from the public by way of issuance of 45,64,000 Equity Shares of Rs. 10/- each at a price of Rs.30/- per share by accessing the capital market in the May 1995. The company had made certain projections in the Prospectus

The Cost of Project and Means of Finance were as under:

		<i>Rs .in lacs</i>	
Cost of Project	Amount	Means of Finance	Amount
Land & Site Development	19.00	Equity	
Building & Civil Works	321.00	- Promoter	1431.00
Plant and Machinery	3221.00	- Public	1369.00
Miscellaneous Fixed Assets	569.00	Debt	
Preliminary & Preoperative Expenses	552.00	- State Bank of India	1425.00
Provision for contingency	468.00	- Bank of Baroda	1375.00
Margin Money for Working Capital	450.00		
Total	5600.00	Total	5600.00

Projected Performance vis-à-vis Actual Results

		<i>(Rs. in Lacs)</i>			
Sr. No.	Particulars	1995-96 (Projected)	1995-96 (Actuals)	1996-97 (Projected)	1996-97 (Actuals)
1	Capacity Utilisation	60%	79%	85%	84%
2	Sales	6222	2093	8895	7419
3	PBDIT	1480	318	2145	1496
4	Interest	536	117	619	594
5	Depreciation	265	52	265	671
6	Tax	0	0	157	30
7	PAT	679	149	1104	201
8	Net Cash Accruals	944	201	1369	872
9	Equity Share Capital	933	920	933	950
10	Reserves & Surplus	2453	1940	3370	2140
11	Dividend	10%	0	20%	0
12	Book Value of Shares (Rs.)	36.29	30.11	46.12	32.53
13	Earning Per Shares	7.27	3.33	11.83	2.11

Sr. No.	Particulars	1997-98 (Projected)	1997-98 (Actuals)	1998-99 (Projected)	1998-99 (Actuals)
1	Capacity Utilisation	90%	89%	95%	85%
2	Sales	9427	9980	9958	12493
3	PBDIT	2268	1828	2383	2475
4	Interest	579	647	532	808
5	Depreciation	265	750	265	939
6	Tax	333	57	434	77
7	PAT	1091	374	1152	651
8	Net Cash Accruals	1356	1124	1417	1590
9	Equity Share Capital	933	950	933	950
10	Reserves & Surplus	4228	2358	5147	2800
11	Dividend	25%	15%	25%	20%
12	Book Value of Shares (Rs.)	55.32	34.82	65.17	39.47
13	Earning Per Shares	11.69	3.94	12.35	6.85

Management Perceptions:

Reasons for variance between actual versus projected results:

1995-96 & 1996-97

In 1995-96 & 1996-97 the sales projected in the prospectus could not be achieved due to delay in delivery of machines which delayed the implementation.

We are giving here below the details of commencement of commercial production as estimated in prospectus vis-a-vis actuals.

Sr. No.	Particulars	1 st POY Line	2 nd POY Line	3 rd POY Line
1	As per Prospectus	April 1995	July 1995	October 1995
2	Actuals (As per Audited Accounts of 1995/96)	October 1995	January 1996	July 1996

The reason for decrease of PBIT was due to decrease in POY selling price in comparison to estimates.

1997-98

In 1997-1998, the Company had achieved higher sales than projected. The PBDIT had decreased on account of decrease in POY selling price in comparison to estimates.

1998-99

In 1998-99, the Company was able to surpass the estimated sales & PBDIT. The PAT had decreased in comparison to estimates due to higher depreciation and interest. However, the Cash Accruals earned in 1998-99 is higher than estimated cash accruals.

The matter has been communicated to the shareholders of the company and discussed in details in the Annual General Meetings.

20. The Promoter group has sold the following shares during the past 6 months

Name of Promoter / Promoter Group concern	Date of Sale	No. of shares sold	Average Price (Rs.)
Jyotiprasad D. Agarwal	November 21, 2006	90000	10.21
Nishi Jaiprakash Agarwal	January 12, 2007	30000	8.33
Deepak J. Agrawal	November 21, 2006	450000	10.20
Jaiprakash D. H.U.F.	December 1, 2006	500000	11.40
	January 2, 2007	50000	6.81
	January 3, 2007	100000	7.03
	January 4, 2007	200000	7.53
	January 5, 2007	200000	7.90
	January 8, 2007	250000	8.25
	January 9, 2007	525000	8.66

Jyotiprasad D. H.U.F.	December 1, 2006	500000	11.47
	December 29, 2006	25000	6.86
	January 2, 2007	50000	6.76
	January 3, 2007	100000	7.00
	January 4, 2007	200000	7.52
	January 5, 2007	200000	7.86
	January 8, 2007	250000	8.25
	January 9, 2007	300000	8.66
S. Jayprakash H.U.F.	December 12, 2006	59000	7.59
	December 12, 2006	41000	7.55
	December 13, 2006	150000	7.09
	December 28, 2006	25000	7.12
	December 29, 2006	25000	6.73
	January 2, 2007	25000	6.69
S. Vedprakash H.U.F.	November 21, 2006	200000	10.21
	December 12, 2006	30000	7.55
	December 28, 2006	25000	7.12
	December 29, 2006	25000	6.97
	January 2, 2007	25000	6.72
V. Jayprakash H.U.F.	November 21, 2006	250000	10.21
	December 12, 2006	10000	7.64
	December 28, 2006	25000	7.12
	January 2, 2007	50000	6.79

21. Contingent Liabilities: Contingent Liability not provided for as on 31st Decemeber 2006:

Estimated amount of Contracts remaining to be executed on capital amounting to Rs. 14778.85 Lacs (Previous Year Rs. 1086.23 Lacs) for which the company has opened letter of credit of Rs.48.25 lacs (Previous year Rs. 308.24 Lacs). Advance paid against such contracts is Rs. 782.94 Lacs. (Previous year Rs. 135.34 Lacs)

The company has following outstanding Bank Guarantees as on 31st Dec 2006.

	BG No	Rs.	Valid Upto	
1	34/226/2003-04 dated 8/1/04	702148	08/01/2013	For Custom
2	0170M1677 7/10/2004	117000	7/10/2013	For Custom
	Total	819148		

The company has imported certain capital equipments at concessional rate of custom duty under "Export Promotion of Capital Goods Scheme". The company has pending export obligation to the extent of Rs.10483.16 Lacs (Previous year Rs. 2893.79 Lacs) to be fulfilled during the specified period. The liability towards custom duty payable thereon in respect of unfulfilled export obligation as on 31st December 2006 is Rs.1121.54 Lacs. (Previous Year Rs. 367.19 Lacs)

22. We do not have any trademarks/patents registered in respect of our products or processes.

Risk Factors External to the Company and beyond the control of the Company

1. Globally competitive business environment

The Company operates in a globally competitive business environment. Growing competition may force it to reduce the price of its products which may reduce its revenues and margins and / or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

Management Perception: The Company constantly endeavors to add newer markets and broad base its customer base and capture new markets so as to reduce dependence on any single market. Also to maintain the competitive advantage company constantly attempts at increase its efficiency and productivity.

2. 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.

Management Perception: These are Force Majuere Conditions that affect every business in general.

3. Changes in the Government of India policies

A significant change in India's economic liberalization and deregulation policies, including the Denim/ Textile industry, could affect business and economic conditions in India generally and the business of the Company in particular. A significant change in the Indian governments or the state governments economic liberalization 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.

Management Perception: The Government of India's Economic Policies are investor friendly and market oriented, especially government is supporting industry by removing bottlenecks that hinder growth. It is expected that there won't be any unforeseeable major policy change in future, materially threatening the domestic industry.

4. Risk relating to changes in laws and regulations

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

5. 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.

6. Perils of Environmental Litigations

Failure to comply with environmental laws and regulations could result in litigation and company's business may be adversely affected. It may incur substantial expense in complying with environmental laws and regulations. Also, currently unknown environmental problems or conditions may be discovered. The company is subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from its operations. Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future.

Management Perception: Issuer follows the safety, health and an environment policy as laid down by the Indian authorities and all the clearances from concerned departments have been obtained.

7. Economic Slowdown

Any economic slowdown may result in reduced spending generally. It can also put pressures on the realizations, resulting in reduced volumes/margins and may impair the financial results.

Management Perception: The Company is geared up to absorb any minor short-term pressures of this nature.

8. Wars, natural disasters and terrorist attacks may adversely affect the markets, investor confidence, exchange rates and world economy in general and may result in loss of business and assets.

9. Fluctuation in the foreign exchange rates

Fluctuation in foreign exchange rates may affect the profitability of our Company as we import raw material and export finished product from and to various countries. The Company may face increased exposure to exchange rate fluctuations in its business of exports of goods and services.

Management Perception: The volatility impacts all the manufacturers in the entire industry. Whenever there is a change in the price of raw material, corresponding changes will be there in denim prices as well.

10. Political instability in India and other countries, can adversely affect the Company's business.

A significant change in India's economic liberalization and deregulation policies could affect the business and economic conditions in India, which in turn could have an impact on the Indian companies with a concurrent effect on the market for the Company's products.

Management Perception: The economic liberalization process is continuing in India and there is a reasonable consistency in the policies inspite of change in the governments and we have a reason to believe that it will continue through the foreseeable future.

11. Regulatory Environment

Changes in regulatory environment may have an impact on the business of the Company.

Management Perception: Such changes may have an impact on the industry as a whole.

12. Volatility In Share Prices

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 may fluctuate as a result of several factors, including:

- volatility in the Indian and Global Securities market;
- our results of operations and performance;
- performance of our competitors in the Indian denim industry and the perception in the market about investments in textile industry;
- adverse media reports on the Company or the Indian denim Industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies;
- changes in the applicable tax incentives;
- significant development in India's fiscal and environmental regulations.
- the exchange rate of USD or any other relevant currency; and
- general political and security environment in the country and across the globe.

13. Force Majeure

In future there might be a natural calamity like earthquake, Tsunami, volcano, etc. or some unforeseen event that is beyond the control of the company like war, terrorist attack etc. that might prevent us from performing our business obligations.

14. Changes In Domestic Tax Laws

Any changes in the tax laws prevailing in India particularly the income tax might lead to increased tax liability of the Company thereby putting pressures on our profitability.

Change in tax laws, particularly income tax, can have an impact on the post-tax profits of the Company

B.) NOTES TO RISK FACTORS

1. The investors are advised to refer to 'Basis of Issue Price', on Page no. 30 before investing in the Issue.
2. The Net worth of the Company prior to the Issue (as on December 31, 2006) as per the adjusted accounts is Rs.6449.43 Lacs. The Issue Size is Rs. 4554.90 lacs
3. The book value of the Equity shares of the Company as on December 31, 2006 is Rs.2.12 per share post adjustment of bonus shares in the ratio of 1:1 allotted on January 30, 2007.
4. Cost per share of the shareholding of the Promoters as on the date (post adjustment of bonus shares in the ratio of 1:1 allotted on January 30, 2007) is Rs. 0.033 and Rs. 0.037 for Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal respectively.
5. The Company has made Bonus Issue of Equity Shares in the ratio of 1 equity shares for every 1 equity shares held on the record date i.e. January 19, 2007. These bonus Issues were made through capitalization of Reserves Account.
6. The promoters/directors/key managerial personnel of the Company are interested in the company to the extent of reimbursement of expenses incurred, normal remuneration or benefits, sitting fees and their respective shareholding in the company. (Please refer interest of Promoters / Directors discussed in this Letter of Offer)
7. The Company has entered into certain related party transactions. The related party transactions cover the financial transactions carried out in the ordinary course of business and/or discharge of contractual obligations. The details of the transactions as certified by the auditors of the Company are as follows:

A) Key Management Personnel:

Sr. No.	Name	Designation
1	Shri Vedprakash Chiripal	Chairman
2	Shri Brijmohan Chiripal	Managing Director
3	Shri Deepak Chiripal	Chief Executive Officer

B) List of Other Related Parties with whom transactions have taken place during the period:

Sr. No.	Name	Sr. No.	Name
1	Nova Petrochemicals Limited	7	Vishal Fabrics Pvt. Ltd.
2	Sparrow Exports Pvt. Ltd.	8	Chiripal Enterprise Ltd.
3	Chiripal Textiles Mills Pvt Ltd.	9	Bhavna Textiles Pvt. Ltd.
4	Shanti Exports Pvt. Ltd.	10	Deepak Enterprise
5	Deepak Impex Pvt. Ltd.	11	Chiripal Charitable Trust
6	Chiripal Industries Ltd.	12	Vraj Integrated Textile Park Ltd.

C) Details of Transactions with Key Management Personnel and Related Parties of the Key Management Personnel are as follows:

(Rs. in Lacs)

Sr. No.	Nature of Transaction	Key Management Personnel				Other Related Parties			
		31-12-06	31-03-06	31-03-05	31-03-04	31-12-06	31-03-06	31-03-05	31-03-04
1	Unsecured Loans								
	Taken during the period	Nil	Nil	Nil	Nil	52.00	1087	239.75	1092.25
	Repaid during the period	Nil	Nil	Nil	Nil	52.00	1621.97	335.28	292.25
	Balance as at Balance Sheet Date	Nil	Nil	Nil	Nil	169.50	169.50	704.47	800.00
2	Advances Recoverable in Cash or Kind								
	Given during the period	Nil	Nil	Nil	Nil	834.68	2485.57	4009.69	1690.32
	Settled during the period	Nil	Nil	Nil	Nil	296.25	2571.90	4650.69	1025.38
	Balance as at Balance Sheet Date	Nil	Nil	Nil	Nil	819.21	280.79	367.12	1008.32
3	Expenditure								
	Purchase of Goods	Nil	Nil	Nil	Nil	3943.73	2621.26	2880.10	394.85
	Rent	Nil	Nil	Nil	Nil	5.71	17.34	2.58	2.96
	Electricity Charges and Maintenance Charges paid for Common Premise	Nil	Nil	Nil	Nil	Nil	2.50	2.29	1.78
	Car Rent Paid	Nil	Nil	Nil	Nil	Nil	Nil	Nil	7.62
	Donation	Nil	Nil	Nil	Nil	6.00	6.00	Nil	Nil
	Job Work Charges	Nil	Nil	Nil	Nil	90.28	3.29	Nil	Nil
4	Income Received								
	Sales	Nil	Nil	Nil	Nil	598.70	1102.05	887.26	196.23
	DEPB Sale	Nil	Nil	Nil	Nil	90.26	78.03	48.32	Nil
	Job Work	Nil	Nil	Nil	Nil	Nil	61.60	Nil	Nil
5	Amount of Expenses incurred on our behalf	Nil	Nil	Nil	Nil	Nil	Nil	9.50	13.60
6	Amount Paid on our behalf	Nil	Nil	Nil	Nil	36.30	12.79	1.18	Nil
7	Amount Paid on behalf of others	Nil	Nil	Nil	Nil	1.44	7.74	Nil	Nil
8	Amount expended on behalf of others.	Nil	Nil	Nil	Nil	Nil	0.17	279.03	Nil
9	Payment received for others	Nil	Nil	Nil	Nil	25.17	Nil	0.37	Nil
10	Amount received by others	Nil	Nil	Nil	Nil	Nil	14.69	Nil	Nil

11	Advance for capital goods	Nil	Nil	Nil	Nil	669.40	5.00	Nil	Nil
12	Capital assets purchased	Nil	Nil	Nil	Nil	Nil	Nil	2.87	Nil
13	Remuneration Paid	20.62	Nil	Nil	Nil	Nil	Nil	Nil	Nil
14	Amount Expended on behalf of others	Nil	Nil	Nil	Nil	Nil	0.17	279.03	9.69
15	Issue of Share Capital	Nil	Nil	Nil	Nil	1452.00	Nil	110	Nil
16	Subscription to Shares	Nil	Nil	Nil	Nil	Nil	Nil	0.90	Nil
17	Dividend received	Nil	Nil	Nil	Nil	Nil	Nil	20.64	Nil

PART I**SECTION II. INTRODUCTION****A.) SUMMARY****Summary of the Industry and Business of the Company****Industry**

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. It provides direct employment to about 35 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this sector has a direct bearing on the improvement of the economy of the country.

There has been resurgence in the Indian Textile Industry in the post quota period. India is emerging as one of the major outsourcing hubs as it has comparative advantage over its competitors on availability of relatively inexpensive and skilled workforce, design expertise, a large production base of basic raw materials, yarn and fabric and availability of a wide range of textiles. In the post-Multi Fibre Arrangement (MFA) era w.e.f. January 1, 2005, the textiles exports are up by 25% in 2005-06 over 2004-05. The share of textiles exports in USA imports have increase from 4% to 5% in calendar year 2005 as compared to that achieved in calendar year 2004. The share of textiles exports in extra-EU imports increased from 6% to 7% in calendar year 2005, growing at 18% year-on-year basis as compared to 5.6% growth in extra-EU imports. The country in calendar year 2005 was the third largest supplier of textiles to USA and EU.

The Cotton/ Man-made fibre textiles industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals.

(Source: Ministry of Textiles)

Denim is considered more as a fashion product and thus caters mainly to youth population; also it is highly fashion driven.

The denim industry is marked by an increasing trend in both domestic and global consumption. High growth potential is visible with the lower per capital consumption at 0.2 meter p.a. in India compared to world average of 0.5 meters pa and US consumption of 2.8 meters. Global consumption at 4.5 million meters p.a. (50% in the US) is growing at 4% p.a. India's consumption is 200 million meters p.a. and is growing at 25% pa. The domestic demand is increasing especially in the sub-urban and rural area.

Business of Nandan Exim Limited

Nandan Exim Limited is engaged in the business of manufacturing of Denim & Weaving grey fabric and is a listed arm of Chiripal group. The Company forayed into manufacturing and weaving by installing imported air jet looms in 2004-05. The Company further diversified into manufacturing of Denim Fabrics from July 2005 with an installed capacity of 100 lacs meters per annum. Both these projects were implemented at a cost of Rs 6310 lacs. The Company has installed capacity of 356,00,000 meter for manufacture of Denim and Grey Fabrics.

The main products being manufactured by NEL are Grey and Denim. Denim Fabrics woven at NEL are either made up of 100% cotton yarn or mixed with Lycra, Polyester, etc in weft depending upon the market requirement. The Company has increased its Denim Production Capacity from 100 lacs meters per annum to 200 lacs meters per annum in March 06.

The Company has also forayed into Ready Made Garment segment.

Issue Details

ISSUE OF 15,18,30,188 EQUITY SHARES OF Re. 1/- EACH FOR CASH AT A PREMIUM OF Rs. 2/- PER EQUITY SHARE (i.e. AT A PRICE OF Rs. 3/- PER SHARE)ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1 EQUITY SHARE FOR EVERY 2 EQUITY SHARES HELD ON RECORD DATE I.E. { . } AGGREGATING NOT EXCEEDING Rs. 4554.90 LACS. THE ISSUE PRICE IS 3 TIMES OF THE FACE VALUE OF THE EQUITY SHARE.

Ratio of Rights Entitlement	1 Equity Share for every 2 Equity Shares held
Record Date	[•]
Total Equity Shares under Letter of Offer	15,18,30,188 Equity Shares of Re.1/- each
Equity Shares outstanding prior to the Issue	30,36,60,376 Equity Shares of Re. 1/- each
Equity Shares outstanding after the Issue*	45,54,90,564 Equity Shares of Re. 1/- each
Use of Issue proceeds	Please see section entitled "Objects of the Issue" on page no. 18 of this Draft Letter of Offer for additional information.

* Assuming full subscription

Summary Standalone Financial, Operating and Other Data
i. Consolidated Statement of Assets and Liabilities (As Restated)

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

(Rs. in Lacs)

PARTICULARS	AS AT					
	31/12/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
ASSETS						
GROSS FIXED ASSETS	9583.76	7272.49	2733.78	1644.96	17.15	6.51
Less: Depreciation	1325.54	734.40	237.79	32.11	1.66	0.69
Net Fixed Assets – (A)	8258.22	6538.09	2495.99	1612.85	15.49	5.82
Capital Work in Progress – (B)	5357.94	1410.38	907.62	253.09	Nil	Nil
INVESTMENTS: (C)	623.03	623.03	624.5	623.60	619.20	459.60
CURRENT ASSETS, LOANS & ADVANCES:						
Inventories	3024.18	2392.37	866.23	130.54	84.15	145.77
Sundry Debtors	4520.08	2051.76	1413.45	304.02	42.03	391.73
Cash & Bank Balance	1171.57	865.17	330.88	80.25	3.50	3.24
Loans & Advances	5376.61	2106.76	650.4	1133.69	490.00	125.81
TOTAL (D)	14092.44	7416.06	3260.96	1648.50	619.68	666.55
CURRENT LIABILITIES & PROVISIONS						
Current Liabilities	2862.01	2840.43	1670.19	699.49	12.65	140.24
Provisions	734.85	411.58	119.58	15.00	37.54	18.32
TOTAL – (E)	3596.86	3252.01	1789.77	714.49	50.19	158.56
Net Current Assets- (D-E)	10495.58	4164.05	1471.19	934.01	569.49	507.99
Less: LIABILITIES						
Unsecured Loans (Pl. refer Annexure II)	10689.00	3724.85	804.47	900.00	Nil	Nil
Secured Loans (Pl. refer Annexure II)	6865.57	4715.32	2937.57	1093.48	128.65	145.68
Total – (F)	17554.57	8440.17	3742.04	1993.48	128.65	145.68
Less: DEFERRED TAX	730.77	557.78	148.75	53.79	0.55	Nil
Add: Misc. Expenditure	1.40	2.25	3.37	4.49	0.01	0.02
TOTAL	6450.83	3739.85	1611.88	1380.77	1074.99	827.75
NET WORTH (Net of Misc. Expenditure)	6449.43	3737.6	1608.51	1376.28	1074.98	827.73
Represented by						
Paid-up Equity Share Capital	1518.30	1390.00	790.00	255.00	14.85	14.85
Share Application Money	Nil	Nil	Nil	Nil	Nil	Nil
RESERVE & SURPLUS						
General Reserve	263.00	148.00	28.00	28.00	28.00	Nil
Share Premium	2193.38	622.38	69.06	Nil	Nil	Nil
Profit & Loss Account	2476.15	1579.47	724.82	1097.77	1032.14	812.90
TOTAL	6450.83	3739.85	1611.88	1380.77	1074.99	827.75

ii. Standalone Statement of Profits and Losses (As Restated)

We report that the profits of the company for the five financial years ended on 31st March, 2002, 2003, 2004, 2005 & 2006 and for the nine month period ended on 31st December, 2006 are as set out below. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustments and regroupings as are, in our opinion, appropriate

(Rs. in Lacs)

PARTICULARS	YEAR/PERIOD ENDED					
	31/12/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
INCOME						
Sales	15509.98	12477.35	5346.27	721.23	542.6	482.18
IT Services	Nil	Nil	Nil	62.54	157.88	444.06
Job Work Income	192.14	395.79	560.72	Nil	Nil	Nil
Variation in Stock	Nil	Nil	Nil	Nil	Nil	Nil
Other Income	57.49	32.55	42.44	40.39	4.37	Nil
TOTAL	15759.61	12905.69	5949.43	824.16	704.85	926.24
EXPENDITURE						
Consumption / Purchase of Material	11016.97	8830.43	4517.27	452.92	260.9	221.87
Personnel Expenses	372.79	287.1	123.81	15.96	3.76	2.46
Manufacturing, Administrative, Selling & Other Expenses (Including Software Preparation Charges)	1342.02	1055.75	549.46	128.41	151.54	137.65
Financial Exp.	679.19	361.8	217.51	37.1	11.91	12.82
Depreciation	591.15	496.61	205.68	30.44	1.77	1.68
Misc. Expenditure Written Off	0.84	1.12	1.12	1.13	0.01	0.01
TOTAL	14002.96	11032.81	5614.85	665.96	429.89	376.49
Profit before Tax	1756.65	1872.88	334.58	158.2	274.96	549.75
Less: Provision for Taxes:						
Current Tax	470	257.1	26	15	32	16.5
Deferred Tax	146.11	376.75	91.19	53.24	0.05	Nil
Less: Short/ (Excess) Provision of Income Tax & Deferred Tax.	-0.98	26.89	3.77	0.77	0.51	0.4
Less: Prior Period Items.	-0.91	-2.01	Nil	Nil	Nil	Nil
Profit After Tax	1142.43	1214.15	213.62	89.19	242.4	532.85
Add: Depreciation of earlier years W/back	Nil	Nil	Nil	1.81	Nil	Nil
Profit for the year	1142.43	1214.15	213.62	91	242.4	532.85
Adjustments Due to change in Accounting Policies (refer Annexure III)	-0.91	-1.1	2.01	-25.37	9.03	-26.07
Adjusted Profit	1141.52	1213.05	215.63	65.63	251.43	506.78
Retained Earnings of Earlier Years	1579.47	724.82	1097.77	1032.14	812.9	306.12
Transfer to General Reserve	115	120	510	Nil	28	Nil
Dividend (including tax)	129.84	238.4	78.58	Nil	4.19	Nil
Retained Earnings carried forward to subsequent year	2476.15	1579.47	724.82	1097.77	1032.14	812.9

B.) GENERAL INFORMATION**Nandan Exim Limited**

(Company Registration No.: 04-22719 of 1994-95)

(Corporate Identity No.: L51909GJ1994PLC022719)

[Incorporated on August 9, 1994 under the Companies Act, 1956 as 'Nandan Exim Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Gujarat at Ahmedabad. Subsequently converted in to a public limited company vide a fresh certificate of incorporation dated January 16, 2004]

Registered Office: Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405

Tel: +91-79-2571 0231-34; **Fax:** +91-79-2571 1755

(The Registered Office of the Company was originally located at 283, New Cloth Market, Ahmedabad and was shifted to the current address w.e.f. January 17, 2004)

Corporate Office: "Chiripal House" Behind Arjun Tower, 132 Ft, Ring Road, Shivranjani Cross Roads, Satellite Road, Ahmedabad 380 015.

Tel: +91-79-2673 4660-2-3; **Fax:** +91-79-2676 8656; **E-mail:** info@chiripalgroup.com

Website: http://www.chiripalgroup.com

Contact Person: Mr. Dakshesh Chokshi, Compliance Officer

Registrar of Companies: Gujarat, Dadra & Nagar Haveli, ROC Bhavan, CGO Complex, Opp Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380 013

Tel: +91-79-2743 8531; **Fax:** +91-79 2743 8371; **Email:** rocahm.sb@sb.nic.in

Existing Equity Shares listed at: Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE)

Dear Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on January 30, 2007, it has been decided to make the following offer to the Equity Shareholders of the Company:

ISSUE OF 15,18,30188 EQUITY SHARES OF Re. 1/- EACH FOR CASH AT A PREMIUM OF Rs. 2/- PER EQUITY SHARE (i.e. AT A PRICE OF Rs 3/- PER SHARE) ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1 EQUITY SHARE FOR EVERY 2 EQUITY SHARES HELD ON RECORD DATE I.E. { . } AGGREGATING NOT EXCEEDING Rs. 4554.90 LACS. THE ISSUE PRICE IS 3 TIMES OF THE FACE VALUE OF THE EQUITY SHARE.

Issue Opens On	Last date for receipt of requests for split application forms	Issue Closes On
[•]	[•]	[•]

Board of Directors of Nandan Exim Limited

The Board of Directors as on date are as under:

Name	Designation	Status
Mr. Vedprakash D. Chiripal	Executive Chairman	Executive Director, Promoter Group
Mr. Brijmohan D. Chiripal	Managing Director	Executive Director, Promoter Group
Mr. Gautam C. Gandhi	Director	Independent Director
Mr. A.C. Patel	Director	Independent Director

Brief Profile of Executive Directors

Mr. Vedprakash D. Chiripal, aged 55 years is the Executive Chairman of the Company. He also heads the Chiripal Group having interest in Textile businesses. He is a commerce graduate and has about three decades of experience in textile business

Mr. Brijmohan D. Chiripal, aged 45 years is the Managing Director of the company He is a graduate in Chemical Engineering and has almost 20 years of business experience in textile business.

Compliance Officer

Mr. Dakshesh Chokshi
Nandan Exim Limited

"Chiripal House" Behind Arjun Tower
132 Ft, Ring Road, Shivranjani Cross Roads
Satellite Road
Ahmedabad 380 015.
Tel: +91-79-2673 4660-2-3
Fax: +91-79-2676 8656
E-mail: dpc@chiripalgroup.com
Website: <http://www.chiripalgroup.com>

Bankers to the Company

The company has Consortium of 15 Bankers, lead by State Bank of India. Letters of consent have been received from the following Banks.

State Bank of India Corporate Finance Branch 58, Shrimali Society Navrangpura Ahmedabad – 380001. Tel: 26561044 / 26561045 Fax: 26561178 / 26561128	Corporation Bank Industrial Finance Branch Rangoli Complex, 1 st Floor, Ellisbridge, Ahmedabad – 380006. Tel:26579569 FaX:26579569	State Bank of Travancore P.B.No.11, Ground Floor, "Kaivanna", Ambawadi, Ellisbridge P.O., Ahmedabad – 380006. Tel:26569984 Fax:26569972
State Bank of Saurashtra Industrial Finance Branch, Gujarat Bhavan, Ellisbridge, Ahmedabad – 380006. Tel: 26584155 Fax:26583453	Karur Vysya Bank Motilal Centre, Ahram Road, Near Income Tax Circle, Ahmedabad – 380009. Tel:27546704	State Bank of Hyderabad Maninagar Branch Jawahar Chowk, Ahmedabad – 380008. TeL:25463098
Tamilnad Mercantile Bank Ltd. 1 st Floor, Opp.Orient Club, Ellisbridge, Ahmedabad – 380006. Tel: 26441897 Fax:26448034	United Bank of India P.O.bax no.170, United Bank of India Bldg., Lal Darwaja, Ahmedabad – 380 001 Tel:25506274 Fax:25506272	State Bank of Patiala Vasupujya Chambers, Income Tax, Ahmedabad – 380 0014 Tel : 27542432 Fax : 27541812
Bank Of Maharastra Mavlankar Haveli, Vasant Chowk, Bhadra, Ahmedabad – 380015 Tel : 25507901	Syndicate Bank Manikyam Apartments, Sardar Patel Nagar, Ellisbridge, Navarangpura, Ahmedabad – 380 006 Tel : 079 - 26461864	

Issue Management Team:
Lead Manager to the Issue

CANARA BANK

Merchant Banking Division
Varma Chambers, No.11, Homji Street
Fort, Mumbai-400001
Ph: 022-2267 7405/406 Fax: 022-2267 7404
E mail: mbd.nandan@canbank.co.in
Contact Person : **Mr.P.Sitaram**
SEBI Regn. No:INM/000002558
AMBI Regn No:AMBI/012

Registrar to the Issue

Datamatics Financial Software & Services Limited

SEBI Registration No.: INR000000874
Plot No. A 16 and 17, Part B, Crosslane
Marol, Andheri (East), Mumbai - 400 093
Tel: +91-22-2837 5519-24; **Fax:** +91-22-2835 0217
Website: <http://www.dfssl.com>
Email: nandanexim@dfssl.com
UIN MAPIN No: 100006239
Contact Person: Mr. Dhyanesh Gharote

Legal Advisor to the Issue

S R LEGAL

Advocates and Legal Consultants,
415, Rex Chambers, 17/19,
Walchand Hirachand Marg, Ballard Estate,
Mumbai 400 001
Tel:022- 22626061 / 65741310
E mail: srlegal2002@yahoo.co.in

Bankers to the Issue

Shall be appointed later

Auditors of the Company:

M/s. J.T. Shah & Co.
Chartered Accountants
201/202, Lalita Complex
352/3 Rasala Marg, Near Jain Temple
Navrangpura, Ahmedabad 380 009
Tel: +91-79-2644 4420/30/40
Fax: +91-79-2656 0440
E-mail: jtshahco@icenet.net

Credit Rating:

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

Debenture Trustees:

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

Monitoring Agency:

Since the issue size is less than Rs. 500 crores there is no mandatory requirement to appoint monitoring agency to monitor utilization of funds to be raised through this issue.

No Offer in the United States

The right issues and the shares of the Company are not registered under the United States Securities Act, 1933, as amended, and the Issue is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America or the territories or possessions thereof. For further details please see "Terms of the Issue" on page 28 of this Letter of Offer.

Underwriting/Standby Support

This issue is not being underwritten and/or no standby support is being sought for the said issue.

Grading of Issue :

Since this is a Rights issue, Grading by a Credit Rating Agency is not mandatory

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 under-subscribed, if the number of shares applied for falls short of the number of shares offered, after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The promoters/promoter group intends to apply for the under-subscribed portion, beyond their entitlement, if any. The under subscribed portion shall be applied for only after the closure of the Issue. Such acquisition of additional shares in such an event shall be exempt from making an open offer in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Further this acquisition will not result in change of control of the management of the company.

C.) CAPITAL STRUCTURE OF THE COMPANY

					<i>Rs. in Lacs</i>
	Number of Shares	Description of Shares	Face Value	Nominal Value	Aggregate Value
A.	Authorised Capital 500,000,000	Equity Shares	1	5,000.00	5,000.00
B.	Issued, Subscribed and Paid up Capital before the Issue 303,660,376	Equity Shares, fully paid up.	1	3,036.60	3,775.00
C.	Present Issue in terms of this Letter of Offer 15,18,30,188	Equity Shares of Re. 1/- each at a Premium of Rs. 2 per share on a Rights basis to the existing shareholders of the Company in the ratio of 1 Equity Shares for every 2 Equity Shares held as on the Record date i.e. [.]	1	1,518.30	4,554.90
D.	Equity Share Capital after the Issue <i>(assuming full subscription)</i> 45,54,90,564	Equity Shares, fully paid up	1	4,554.90	8,329.90
E.	Share Premium Account	- Before the Rights Issue - After the Rights Issue in terms of this Draft Letter of Offer	- -	738.40 3,775.00	

a.) There are no warrants, options or instruments convertible into equity shares as on date.

b.) All the existing shares are fully paid up.

Notes forming part of the Capital Structure:**1. Details of Increase in Authorized Equity Capital divided in Equity Shares of Re. 1/- each**

						<i>Rs. in Lacs</i>
Date of Change	Nature of change	AGM / EGM	Number of Additional Equity Shares	Face Value	Cumulative Authorised Share Capital	
August 9, 1994	On Incorporation	-	10,000	10		1.00
January 15, 1999	Increase	EGM	140,000	10		15.00
September 30, 2003	Increase	AGM	4,850,000	10		500.00
February 9, 2004	Increase	EGM	2,500,000	10		750.00
September 30, 2004	Increase	AGM	7,500,000	10		1,500.00
September 29, 2005	Split*	AGM	75,000,000	1		1,500.00

September 18, 2006	Increase	EGM	100,000,000	1	2,500.00
December 30, 2006	Increase	EGM	250,000,000	1	5,000.00

* Equity Shares of Rs. 10/- each were split to Re. 1/- each

**2. The existing share capital has been subscribed and allotted as under:
Equity Share Capital:**

<i>Rs. in Lacs</i>										
Date of Allotment/ Fully paid up	No. of Equity Shares	Cumulative No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Additional Paid Up Share Capital	Cumulative Paid Up Share Capital	Share Premium	Cumulative Share Premium	Considera tion	Reasons for Allotment
August 9, 1994	20	20	10	10	0.00	0.00	-	-	Cash	Subscription to the Memorandum of Association
January 16, 1999	148500	148520	10	10	14.85	14.85	-	-	Cash	Augmentation of fund
March 23, 2004	2401480	2550000	10	10	240.15	255.00	-	-	Cash	Augmentation of fund
October 15, 2004	5100000	7650000	10	10	510.00	765.00	-	-	Bonus	Bonus in the ratio of 2:1
November 26, 2004	250000	7900000	10	44	25.00	790.00	85.00	85.00	Cash	Augmentation of fund
June 3, 2005	6000000	13900000	10	20	600.00	1,390.00	600.00	685.00	Cash	Initial Public Offering
<i>Sub Total</i>	<i>13900000</i>									
September 29, 2005	139000000	139000000	1	-	-	1,390.00	-	685.00	-	Split of Shares to Re.1 paid up
October 5, 2006	12830188	151830188	1	13.25	128.30	1,518.30	1,571.70	2,256.70	Cash	Preferential Allotment
January 30, 2007	151830188	303660376	1	-	1,518.30	3,036.60	-	738.40	Bonus	Bonus in the ratio of 1:1

3. Current shareholding pattern of the Company (as on May 4, 2007)

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

Category code	Category Share Holder	No. of share holders	Total No. of Shares.	As a percentage of (A+B+C)
(A)	Share Holding of Promoters and promoters Group			
1	Indian			
(a)	Individuals/Hindu Undivided Family	20	138,545,000	45.63
(b)	Central Government/State Govts	0	0	0.00
(c)	Bodies Corporate	1	13,097,358	4.31
(d)	Financial Institutions / Banks	0	0	0.00
(e)	Any Other	0	0	0.00
	Sub Total (A)(1)	21	151,642,358	49.94
2	Foreign			
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0.00
(b)	Bodies Corporate	0	0	0.00
(c)	Financial Institutions / Banks	0	0	0.00
(d)	Any Other	0	0	0.00
	Sub Total (A)(2)	0	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	21	151,642,358	49.94
(B)	Public shareholding			
1	Institutions			
(a)	Mutual Funds/UTI	0	0	0.00
(b)	Financial Institutions / Banks	1	1,000	0.00

Category code	Category Share Holder	No. of share holders	Total No. of Shares.	As a percentage of (A+B+C)
(c)	Central Government/State Govts	0	0	0.00
(d)	Venture Capital Funds	0	0	0.00
(e)	Insurance Companies	0	0	0.00
(f)	Foreign Institutional Investors	0	0	0.00
(g)	Foreign Venture Capital Investors	0	0	0.00
(h)	Any Other (specify)	0	0	0.00
	Sub-Total (B) (1)	1	1,000	0.00
2	Non-institutions			
(a)	Bodies Corporate	859	55,146,703	18.16
(b)	i) Individuals shareholders holding nominal Shares capital up to Rs 1 lac	29,359	84,949,719	27.98
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	52	10,569,172	3.48
(c)	Any Other (Non Residents)	161	1,351,424	0.45
	Sub-Total (B)(2)	30,431	152,017,018	50.06
	Total Of Public Shareholding Public Group (B)=(B)(1)+(B)(2)	30,432	152,018,018	50.06
	Total (A+B)	30,453	303,660,376	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0.00
	GRAND TOTAL (A)+(B)+ (C)	30,453	303,660,376	100.00

Note: Post Rights shareholding shall be similar to the current shareholding pattern as the issue envisaged is a rights issue with assumption that all shareholders will subscribe to their entire Rights entitlement.

4. Details of the equity shares held by the Promoters / Promoter Group as on May 4, 2007 are as follows:

Sr. No.	Name	No. of Shares	% of Holding
1	Brij Mohan D Chiripal	31,500,000	10.37%
2	Ved Prakash D Chiripal	31,500,000	10.37%
3	Sparrow Exports Pvt. Ltd.	13,097,358	4.31%
4	Urmiladevi J. Agarwal	6,305,000	2.08%
5	Brijmohan D H U F	6,300,000	2.07%
6	Ved Prakash Devkinandan Huf	6,300,000	2.07%
7	Nidhi J. Agarwal	6,300,000	2.07%
8	Jay Prakash D. Agarwal	6,300,000	2.07%
9	Manjudevi J. Agarwal	6,300,000	2.07%
10	Jyoti Prasad D. Agarwal	6,300,000	2.07%
11	Vansh J Chiripal	6,300,000	2.07%
12	Nishi J Agarwal	6,240,000	2.05%
13	Deepak J Agrawal	5,405,000	1.78%
14	Jyotiprasad D. Huf	3,050,000	1.00%
15	Vedprakash Brijmohan (Huf)	3,005,000	0.99%
16	Jaiprakash D Huf	2,650,000	0.87%
17	Ved Prakash Jay Prakash Huf	1,500,000	0.49%
18	Ved Prakash Jyoti Prasad Huf	1,500,000	0.49%
19	S. Ved Prakash Huf	890,000	0.29%
20	S. Jay Prakash Huf	850,000	0.28%
21	V. Jay Prakash Huf	50,000	0.02%

Total	151,642,358	49.94%
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5. Top Ten Shareholders

a. Top Ten Shareholders of the Company as on May 04, 2007 (before the date of filing of the Letter of Offer with Stock Exchanges)

Sr. No.	Name of the shareholder	No. of Equity Shares of face value Re. 1/- each	% of holding
1	Brij Mohan D Chiripal	31,500,000	10.37%
2	Ved Prakash D Chiripal	31,500,000	10.37%
3	Sparrow Exports Pvt. Ltd.	13,097,358	4.31%
4	Prakash Calender Pvt Ltd	12,257,358	4.04%
5	Bhushan Processors Pvt Ltd	7,682,264	2.53%
6	Urmiladevi J. Agarwal	6,305,000	2.08%
7	BRIJMOHAN D H U F	6,300,000	2.07%
8	Jay Prakash D. Agarwal	6,300,000	2.07%
9	Jyoti Prasad D. Agarwal	6,300,000	2.07%
10	Manjudevi J. Agarwal	6,300,000	2.07%

b. Top Ten Shareholders of the Company as on April 25, 2007 (10 days prior to the filing of the Letter of Offer with Stock Exchanges)

Sr. No.	Name of the shareholder	No. of Equity Shares of face value Rs. 1/- each	% of holding
1	Brij Mohan D Chiripal	31,500,000	10.37%
2	Ved Prakash D Chiripal	31,500,000	10.37%
3	Sparrow Exports Pvt. Ltd.	13,097,358	4.31%
4	Prakash Calender Pvt Ltd	12,257,358	4.04%
5	Bhushan Processors Pvt Ltd	7,682,264	2.53%
6	Urmiladevi J. Agarwal	6,305,000	2.08%
7	Brijmohan D H U F	6,300,000	2.07%
8	Jay Prakash D. Agarwal	6,300,000	2.07%
9	Jyoti Prasad D. Agarwal	6,300,000	2.07%
10	Manjudevi J. Agarwal	6,300,000	2.07%

c. Top Ten Shareholders of the Company as on May 04, 2005 (two years prior to the date of the Letter of Offer with Stock Exchanges)

Sr. No.	Name of the shareholder	No. of Equity Shares of face value Re. 1/- each	% of holding
1	Vedprakash Chiripal	1,575,000	19.94%
2	Brijmohan Chiripal	1,575,000	19.94%
3	Jyotiprasad Agrawal	324,000	4.10%
4	Vedprakash D. HUF	315,000	3.99%
5	Brijmohan D. HUF	315,000	3.99%
6	Deepak Agarwal	315,000	3.99%
7	Urmiladevi Agarwal	315,000	3.99%
8	Jyotiprasad D. HUF	315,000	3.99%

9	Jaiprakash Agarwal	315,000	3.99%
10	Manjudevi Agarwal	315,000	3.99%

6. 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.
7. All shares issued since the date of incorporation of the Company are fully paid up.
8. There has been no revaluation of assets of the Company in the last 5 Financial Years.
9. Option to utilize interest free unsecured loans from Promoters/ Promoter Group / Persons Acting in Concert: The Company would have the option to utilize unsecured loans from the promoters / promoter group / Persons Acting in Concert either to the full extent of their entitlement, renunciations to be acquired (if any) and additional shares that they propose to apply or up to the Issue size or in part, such unsecured loans will be adjusted towards Issue of Equity Shares to the promoters / promoter group / persons acting in concert respectively against their rights entitlement, renunciations to be acquired (if any) and additional shares that they propose to apply and any shortfall in the Rights Issue subscription.
10. The Company has not availed of any bridge loans to be repaid from the proceeds of the issue. However, promoters / promoter group intend to advance unsecured loans in case there is any requirement of the same for meeting the objects of the Issue and the same are adjustable against application money payable on opening of the Issue. As on [●] the Promoters have advanced unsecured loans to the company as below (as per the list below) and have requested the Company to adjust the amount of loan towards their application money in respect of their rights entitlement, renunciations to be acquired (if any) and additional shares that they propose to apply in the present Rights Issue which the Company has agreed.

(Rs. in Lacs)

Name of the Promoter /Promoter Group Entity	Rate of Interest	Date when lent to the company	Amount
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]
Total			[●]

**Shall be updated before filing the Letter of Offer with Designated Stock Exchange.*

11. The Company has not issued any equity shares out of revaluation reserves or for consideration other than cash. The Company has made Bonus Issue of Equity Shares in October 2004 and January 2007 as per the capital structure above.
12. There are no buyback, standby or similar arrangement for purchase of Equity Shares offered through this Letter of Offer by the Promoter Group, directors and the Lead Managers.
13. The total number of shareholders / members of the Company as **May 04, 2007 is 30453**
14. The Average cost of Acquisition per share of Re. 1 each to Promoters is as under:

in Rs.

Name of the Promoter	Average cost of acquisition
Vedprakash D. Chiripal	0.033
Brijmohan D. Chiripal	0.038

15. The terms of Issue to Non-Resident Equity Shareholders/ Applicants have been presented under the “Terms of the Issue” Section of this Letter of Offer.
16. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company’s shares in the last six months except the following:

Name	Date	Transaction Type	No. of Shares	Average Price
Jyoti Prasad D. Agarwal	November 21, 2006	Sale	90000	10.21
Nishi Jaiprakash Agarwal	January 12, 2007	Sale	30000	8.33
Deepak J Agrawal	November 21, 2006	Sale	450000	10.20
Jaiprakash D. H.U.F.	December 1, 2006	Sale	500000	11.40
	January 2, 2007	Sale	50000	6.81
	January 3, 2007	Sale	100000	7.03
	January 4, 2007	Sale	200000	7.53
	January 5, 2007	Sale	200000	7.90
	January 8, 2007	Sale	250000	8.25
	January 9, 2007	Sale	525000	8.66
Jyotiprasad D. H.U.F	December 1, 2006	Sale	500000	11.47
	December 29, 2006	Sale	25000	6.86
	January 2, 2007	Sale	50000	6.76
	January 3, 2007	Sale	100000	7.00
	January 4, 2007	Sale	200000	7.52
	January 5, 2007	Sale	200000	7.86
	January 8, 2007	Sale	250000	8.25
S. Jayprakash H.U.F.	January 9, 2007	Sale	300000	8.66
	December 12, 2006	Sale	59000	7.59
	December 12, 2006	Sale	41000	7.55
	December 13, 2006	Sale	150000	7.09
	December 28, 2006	Sale	25000	7.12
	December 29, 2006	Sale	25000	6.73
S. Ved Prakash HUF	January 2, 2007	Sale	25000	6.69
	November 21, 2006	Sale	200000	10.21
	December 12, 2006	Sale	30000	7.55
	December 28, 2006	Sale	25000	7.12
	December 29, 2006	Sale	25000	6.97
V. Jayprakash H.U.F	January 2, 2007	Sale	25000	6.72
	November 21, 2006	Sale	250000	10.21
	December 12, 2006	Sale	10000	7.64
	December 28, 2006	Sale	25000	7.12
Sparrow Exports Pvt. Ltd	January 2, 2007	Sale	50000	6.79
	October 5, 2006	Preferential Allotment	3628679	13.25
	November 21, 2006	Purchase	990000	10.29
	December 1, 2006	Purchase	1000000	11.50

17. The equity shares allotted / held by the Promoter / Promoter Group are fully paid up and are not under any lock in except as mentioned below:

Sr. No.	Promoters Name	No of Shares	Lock in upto Date
1.	Shri Vedprakash D Chiripal	27800000	03.06.2008 (being

			3 years from IPO allotment date)
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2.	Shri Brijmohan D Chiripal	27800000	03.06.2008 (being 3 years from IPO allotment date)
3.	Sparrow Exports Pvt. Ltd.	2125282	06.10.2007 (being 1 year from preferential issue allotment date.)
4.	Sparrow Exports Pvt. Ltd.	5132076	06.10.2009 (as per listing guidelines)

18. No person holds any warrant, options, convertible loan or any debenture, which would entitle them to acquire Equity Shares of the Company.
19. There shall be only one denomination of the equity shares of the Company unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
20. The Company has not granted Equity Options to its employees.
21. No shares have been allotted on firm basis or through private placement in the last three years (other than as mentioned above) nor has the company bought back its equity shares in the last six months. However, the company has made a bonus issue on January 30, 2007 and has made a preferential allotment of equity shares on October 5, 2006.
22. 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 Letter of Offer have been listed or application moneys are refunded on account of the failure of the Issue.

However, If business needs of the Company so require, the Company may alter the capital structure by way of 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 Letter of Offer 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. Also if the Company goes in for Acquisition and Joint Ventures, the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such Joint Ventures. As on date, the Company does not have any intention to alter the equity capital structure by way of consolidation of the denomination of the shares or a preferential issue or an issue of bonus or rights or public issue of shares or any other securities for a period of six months from the date of opening of the present Issue.

23. The Promoters have confirmed that they intend to subscribe to the full extent of their entitlement in the Issue. The Promoters may intend to apply for additional Equity Shares in the Issue. As a result of this subscription and consequent allotment, the Promoters may acquire Equity 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 Equity Shares by the Promoters / Promoter Group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision 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"), there is no other intention/purpose for this Issue, including any intention to de-list the Company, even if, as a result of allotments to the Promoters / Promoter Group through this Issue, the Promoter / Promoter Groups 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 their 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" on the basis of which the securities of the Company continue to be listed they will either individually or jointly with other Promoters either (a) buy out the remaining shares at the price of the Issue and shall de-list 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 any other period as may be directed by SEBI or any appropriate authority. In this context, the promoters of Nandan Exim Limited have provided following undertaking:

"We hereby confirm that in case the Right Issue of the Company is completed with our subscribing to Equity Shares over and above the entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the "permissible minimum level" on the basis of which the securities of the Company continue to be listed we 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 the 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 any other period as may be directed by SEBI or any appropriate authority."

D.) PARTICULARS OF THE ISSUE

a.) Objects of the Issue

The Company proposes the present Issue to part finance the:

- Expansion of Denim capacity by 200 lac meters per annum to 400 lac meters per annum
- Setting up of spinning unit with installed capacity of 32,000 spindles to produce 50 TPD of yarn
- Setting up of 15 MW captive power plant
- Utilize the funds for general corporate purposes and to meet the expenses of the issue

b.) Cost of Project and Means of Finance

The Cost of project and its means of finance are as under:

Cost of Project

Rs. in lacs

Particulars	Spinning	Denim	Power Plant	Total
Land & site development	100.00	-	-	100.00
Civil construction & factory building	2,639.00	1,277.00	300.00	4,216.00
Plant & Machinery:				
- Imported	8,592.00	4,018.00	-	12,610.00
- Indigenous	2,310.00	3,076.00	5,380.00	10,766.00
Contingencies	818.00	531.00	404.00	1,753.00
Pre-operative expenditure	491.00	298.00	166.00	955.00
Margin money for working capital	1,300.00	1,000.00	-	2,300.00
General corporate purpose	-	-	-	654.90
Total cost of project	16,250.00	10,200.00	6,250.00	3,33,54.90

Means of Finance

Rs. in lacs

Particulars	Total
Term loan from banks	24,300.00
Preferential allotment of equity shares	1,700.00
Internal accruals	2,800.00
Rights issue equity	4,554.90
Total means of finance	3,33,54.90

We confirm that arrangements have been made for the Term Loans aggregating Rs. 24,300 lacs as detailed below:

Rs. in lacs

Lenders name	Date of sanction	Amount sanctioned
State Bank of India	May 4, 2006	4000.00
Oriental Bank of Commerce	July 14, 2006	1225.00
Syndicate Bank	August 5, 2006	2325.00
State Bank of Travancore	June 24, 2006	1925.00
State Bank of Patiala	June 23, 2006	1925.00
Indian Bank	June 19, 2006	1925.00
Bank of Maharashtra	July 19, 2006	1925.00
Corporation Bank	July 17, 2006	1225.00
Karur Vysya Bank Limited	July 20, 2006	1225.00

State Bank of Hyderabad	June 24, 2006	1225.00
State Bank of Mysore *	July 11, 2006	1225.00
State Bank of Saurashtra	August 2, 2006	1225.00
Tamilnad Mercantile Bank Limited	July 5, 2006	1000.00
United Bank of India	August 8, 2006	1925.00
TOTAL		24300.00

* Request for Revalidation of sanction is awaited.

The broad terms of the term loan under TUFs is as given below:

Company to confirm terms below

Parameter	Particulars of TUFs loan
Loan amount	Rs. 24,300.00 lacs
Interest rate	1% below State Bank Advance Rate, payable monthly All Lenders have sanctioned Term loans at par with SBI
Tenor	Door to door tenure of loan 8 years
Repayment	25 quarterly equal installments commencing from the first quarter of 2008-09 and ending in the first quarter of 2014-15
Security	i. First pari-passu charge on all fixed assets of the Company (incl. Equitable mortgage over land & building), both present and future. ii. Second charge (pari passu with all existing and proposed term lenders) on the current assets of the Company
Guarantee	Personal guarantee of all the promoter directors viz. Mr. Vedprakash D. Chiripal and Mr. Brijmohan D. Chiripal

The company has made a preferential allotment aggregating to Rs. 1,700 lacs to various entities to raise the part funding as stated above and the relevant shares have already been listed on the stock exchanges, as per listing and trading permission received from BSE vide letter DCS/PREF/SM/TRD/359/2006 dated 28th September 2006 and NSE vide letter NSE/LIST/2006/35672-B dated 21st December 2006,

Rs. in lacs

Name of the allottee	Date of allotment	No. of shares allotted*	Issue price*	Amount invested
Sparrow Exports Private Limited	October 5, 2006	3628679	13.25	480.80
Prakash Calander Private Limited	October 5, 2006	3628679	13.25	480.80
Bhushan Processors Private Limited	October 5, 2006	3701132	13.25	490.40
Tripoli Management Private Limited	October 5, 2006	1871698	13.25	248.00
Total		12830188		1700.00

* un-adjusted for 1:1 bonus

1. Land and Site Development:

The proposed project(s) will be set up at existing location of the company's plant. The site development expenses for setting up spinning unit are estimated at Rs. 100.00 Lacs.

2. Civil Works & Factory Building

The civil work cost for the construction for additional factory building, utilities, misc. foundation work and housing of turbine, generator etc has been estimated as under:

Rs. In Lacs

Project	Amount
Spinning Unit	2639.00
Denim Unit	1277.00
Captive Power Plant	300.00
Total	4216.00

3. Plant and Machinery

Spinning Unit:

a. Imported

Sr. No.	Name of the Machines	Name of the Supplier	Qty	Amount
I	20 Tons/day OE Machine			
1	Open End Rotor Spinning Machine R 40	Rieter India Pvt Ltd	4	1422.40
2	Preparatory(Blowroom & Card, Drawframe.)	Rieter India Pvt Ltd	1	784.00
II	Ring Frame (20Tones/Day)			
1	Preparatory(Blowroom & Card, Drawframe.)	Rieter India Pvt Ltd	1	851.20
2	Ring Frame	Rieter India Pvt Ltd	1	1523.20
3	Auto Coner	Schlafhorst, Zweigniederlassung der-Saurer Gmbh & Co.	1	528.00
III	10 Tones/day of Bottom Weight			
1	Preparatory	Rieter India Pvt Ltd	1	560.00
2	Comber	Rieter India Pvt Ltd	1	560.00
3	Ring Frame	Rieter India Pvt Ltd	1	1758.40
4	Auto Coner	Schlafhorst , Zweigniederlassung der	1	605.00
	Total			8592.20

b. Indigenous

Sr. No.	Name of the machines	Name of the Supplier	Qty	Amount
I	20 Tons OE Machine ZTS' 68Oi Speed Frame with 3/3 drafting	A.T.E. Marketing Pvt Ltd	1	237.70
II	10 Tones of Bottom Weight ZTS' 68Oi Speed Frame with 3/3 drafting	A.T.E. Marketing Pvt Ltd	1	237.70
III	Humifidification Plant			
1	Trumac Compact Filter	A.T.E. Marketing Pvt Ltd	3	145.19
2	Humidification Plant	Coimbatore Air Control Systems Pvt Ltd	3	236.02
IV	Accessories			
1	Electrical Weighing Machine	Alexandza Scale Co	1	5.11
2	Sintex Doff Baskets	Darshit trading Company	1	37.65
3	Sintex pallet Containor	Darshit trading Company	1	23.84
4	M.S.Dolly	Darshit trading Company	1	21.91
5	Naval PC Ring Frame	Naval Techno plast Industries Pvt Ltd	320000	39.21

Sr. No.	Name of the machines	Name of the Supplier	Qty	Amount
6	ABC Simplex Robin	Naval Techno plast Industries Pvt Ltd	160000	81.68
7	Rivetless Card CAN	Rimtex Spinning CANS India	1	233.26
8	Penguin Stretch Wrapping Machine	Soudipta Impex	3	12.88
V	Electricals	Estimates	1	621.18
VI	Maintenance Equipment	Lakshmi		49.19
VII	Yarn Conditioning Equipment	Estimates		49.19
VIII	Material Handeling Equipment	Estimates	1	25.53
IX	Lab Testing Equipments	Estimates	1	122.97
X	Vehicles	Estimates		30.00
XI	ERP	Estimates		100.00
	Total			2310.20

Denim:**a. Imported***Rs. in lacs*

Sr. No.	Name of the Machines	Name of the Supplier	Qty	Amount
1	High production Indigo sizing machine	Moenus GERA fucker - Moenus Textilmachine Gmbh	1	1034.11
2	Direct Wrapping Installation	Moenus GERA fucker-Moenus Textilmachine Gmbh	1	126.49
3	Air Jet Looms	Toyota, Japan	72	1457.30
4	Rapier Looms	Picanol	24	550.50
5	Warp Tying Machine with dressing frames	Estimates	3	36.77
6	Wet Finishing Machine	Morisson	2	800
7	LabScan XE Sensor, VSI Option, 220V	Hunterlab	1	12.15
	Total			4017.32

b. Indigenous*Rs. in lacs*

Sr. No.	Name of the machines	Name of the Supplier	Qty	Amount
1	Slasher Indigo Dyeing Sizing Range with extra Creel	Jupiter Engg.	1	859.10
2	Supper Speed Direct Wrapping Configuration	Jupiter Engg.	1	82.50
3	Aluminum Hood for Sucker Mueller 4 Chambers	A.B. Contractor	2	7.15
4	HOC Air Dryer (3200 CFM)	Airox Nigen Equip Pvt.Ltd	1	18.82
5	Colour Kitcher & Auto Dosing	KB Corporation		35.75
6	Warper Beams(1400 MM Flange Dia)	Bharat Bobbins Ltd	60	64.90
7	Weavers Beams(1400 MM Flange Dia)	Kothari Agencies	208	105.25
8	Batching Tubes(MS Pipe-4" OD)	Kothari Agencies		
9	OHTC for ZAX Looms (400 M)	Elgi (Sam International)	15	47.04
10	Vacuum Suction System	Elgi(Sam International)	2	8.61
11	Auto Controlled H Plant	Luwa India Pvt.Ltd	3	84.23
12	Ducting for H Plant	A.B. Contractor	3	22.21
13	Fabric Inspection Machine (72" Fab.Width)	Shri Narayan Cotex	6	29.02
14	Roll Packing M/c.(Stretch Wrapping M/c.)	Penguin Eng (Soudipta)	1	6.09

Sr. No.	Name of the machines	Name of the Supplier	Qty	Amount
15	Air Compressors with Dryers	Ingersoll Rand & Airox Nigers	2	184.46
16	EOT Cranes -2 Ton (Gantry)	Safex Equip Pvt.Ltd	3	41.20
17	Lift	Trio Elevators	2	14.41
18	Condensate Recovery System	Spirex Marshall Pvt Ltd	1	6.15
19	Weighing Scales -Cap 2000 kgs	Essae Teraoka Ltd	5	3.57
20	Trollies for Yarn & Fabric	Allwin Industry	10	19.08
21	Trolley for Warp Beam Loading	Prashant Gamatex	2	3.30
22	Beam Stacker	Visco machinery	2	77.84
23	Camel Hump Trolley (MOC-SS)	Kothari Aggencies	30	6.51
24	Doff Baskets -Cap-300 Ltrs	Sintex Ltd-Darshit Trading Company	208	5.31
25	Lab Equipment	Mag Engr.&Uster India	1	52.29
26	Prod.Mgmt.Software	Premier	1	43.96
27	CAD for Weaving	Autocad	1	8.02
28	ETP(Eng.Fees/Civil/Equip/Inst/Mis	Advance Environ Pvt.Ltd	1	107.33
29	Pipelines for Steam Water /Air/ Drain/Electrification equipments Cables&Wires&Lighting Control Panels & DB Transformer	Estimates		500.00
30	Boiler 15 TPH	Cethar Vessels	1	382.88
31	RO Plaqnt	Tech-Aid	1	50.19
32	Borewell	Estimates	1	15.00
33	Cooling Tower	Mihir engineers Ltd	1	31.93
34	Office Equipments with Computers, Office Admn Block, Sample Room, Training Room	Estimates		150.00
	Total			3076.10

Power plant:

The Company has finalized the plant & machinery supplier- Cethar Vessels P Ltd on turn-key basis. The steam Turbine generating set will be driven by adequate capacity of boiler using solid fuel. Like lignite, pet coke, Indian coal, imported coal. Steam turbine power plant technology is very well developed in India, and it is a proven one.

The Co Generation power generation power plant will consist of the following plant / equipment.

- AFBC high pressure Boiler of latest technology – 1 Nos. 75 ton per hour capacity at 88 kg/cm2 (g) pressure and 490 + 5 Deg. C temperature.
- Turbo – generator (TG) Set: 15 MW Turbine Generator with auxiliaries. This TG set will have extraction Facility of 20Tph Steam for process.
- Pressure Reducing and Desuperheating Station
- Coal handling and supply system.
- Air cooler, condenser along with condensate extraction pumps, piping & valves.
- Compressed Air System for instrumentation and utilities.
- Ash handling system
- Pollution control equipment
- Chimney
- Electricals and Electrical Distribution System.
- Instrumentation and control system for Boilers and Turbine.

- Cooling tower and cooling water pumps for lube oil cooler and other auxiliary.
- R.O. / D.M. plant for boiler feed water.

The boiler and turbine of high Pressure and temperature are selected for increasing the operating efficiency for power output.

Rs. in lacs

Sr. No.	Name of the Machine	Name of the supplier/Country	Qty.	Amount
1.	15 MW Cogeneration Power Plant	Cethar Vessels (P) Ltd	1	5380.00
	Total			5380.00

4. Contingencies

A contingency provision of 7.50% of plant and machinery cost of Rs. 23,376.00 lacs.

5. Pre Operative Expenditure

The details of the Preoperative Expenses are given here below:

Rs. in lacs

Sr. No.	Particulars	Total
1	Interest during construction	322.00
2	Upfront Fees	200.00
3	Other Pre-Operative Expenses including Legal, traveling, insurance and OPE's	343.00
4	Rights Issue Expenses	90.00
	Total	955.00

The Issue expenses includes the expenses for the current rights Issue *inter-alia* including travelling, management fees, printing and distribution expenses, commission, legal fees, statutory advertisement expenses and listing fees payable to the stock exchanges, among others. The total issue expenses are estimated to be approximately 2% of the total proceeds of this rights issue. The total expenses for this Issue are estimated not to exceed Rs. 90.00 Lacs. A broad breakup of the same is as under:

Rs. in Lacs

Sr. No.	Nature of Expenses	Amount
1.	Issue management fees, legal counsels fee and registrar charges	30.00
2.	Printing expenses, postage, dispatch expenses, advertisement & publicity expenses	50.00
3.	Listing fees & others expenses	10.00
	Total	90.00

6. Margin money for working capital

The working capital margin money requirement of the project is estimated at Rs. 2300 lacs, based on the calculations for the first full year of operations i.e. 2008-09 of the project.

(Rs in lacs)

Sr. No.	Particulars	Amount
		2008-09
1	Current Assets	
A	Inventory	12,374.00

		(Rs in lacs)
Sr. No.	Particulars	Amount
B	Domestic Book Debts	4,524.00
C	Advances to suppliers of raw materials	150.00
D	Advance payment of taxes	1,711.00
E	Other Current Assets	20.00
	Total Current Assets	18,779.00
2	Current Liabilities	
A	Sundry Creditors	168.00
B	Provision for taxation	2,281.00
C	Statutory Liabilities	15.00
D	Dividend Payable	343.00
E	Other current liabilities including term loan due within one year	3,896.00
	Total Current Liabilities	6,703.00
3	Working Capital Gap (WCG)	12,076.00
4	Margin -25% of WCG	3,019.00
5	Additional Margin required	2,300.00

7. Utilize the funds for general corporate purposes

The Company intends to raise funds for general corporate purposes. It is a key component of Nandan Exim strategy to grow through acquisitions and strategic partnerships. These initiatives will be governed by long term-goals and other business objectives. Accordingly, Nandan Exim intends to use a part of the proceeds received from the Issue for strategic investments and acquisitions apart from general corporate purposes. Nandan Exim may also spend a portion of the proceeds of the Issue on expansion of its business instead of financing acquisitions or joint ventures with strategic partners. Going forward, Nandan Exim believe that strategic investments and acquisitions may act as an enabler to growing business and consolidate its position in the Denim / Textile Industry in India and establish itself as a premium denim manufacturer in India. While this would be a component of NEL's strategy, presently NEL do not have any legally binding commitments to enter into any such arrangements. Nandan Exim may also pre-pay its other borrowings or use the above money for other business purposes including expansion of operations at the existing plants. The Company intends to enhance its position as a leading player in the Denim Industry in India. Accordingly, the management will have significant flexibility in applying the proceeds received from the Issue.

The Objects Clause of the Memorandum and Articles of Association of the Company enables it to undertake the activities for which the funds are to be raised in the present Rights Issue. Further, it is confirmed that the activities, which the company has been carrying out until now is in accordance with the object of Memorandum and Articles of Association of the Company.

Appraisal:

State Bank of India has appraised the project and the funding requirements for their sanctioning of the term loan. The appraisal report is a confidential document and has not been made available to us. State Bank of India and the consortium of banks have been informed of this Rights Issue which is part of the funding for the project. The details of the project and related information given in this letter of offer are based on the information given by us to the banks as approved by the Board of Directors. The Banks take no responsibility for the monitoring of the end use of the proceeds raised in the issue ; The deployment of the proceeds raised in the rights

issue will be monitored by the Board of Directors and relevant disclosures shall be made as per the listing agreement and the guidelines of regulatory authorities.

Schedule of implementation:

The proposed schedule of implementation for the three projects is detailed below:

Sr. No.	Activity	Commencement	Completion	Status (as on 28 th February , 2007)
I	Spinning			
	Land	Existing	Existing	Existing
	Building	February 06	December 07	Completed for 20 TPD of Yarn and balance in progress
	Plant & Machinery	April 06	March 08	Plant and Machinery for 20TPD installed.
II	Denim			
	Land	Existing	Existing	Existing
	Building	January 06	March 07	Completed for 3 rd Denim Line
	Plant & Machinery	December 05	March 08	The Plant and Machinery for 3 rd Denim installed
III	15 Mw Power Plant			
	Land	Existing	Existing	Existing
	Building	April 07	June 07	The Civil works yet to commence
	Plant & Machinery	February 07	September 08	The orders are yet to be placed

Funds deployed:

The total expenditure which has been incurred on the projects with sources, as of February 28, 2007 as certified by the statutory auditor for the company, M/s. J.T. Shah & Co. vide certificate dated 27 04 2007 is as detailed in the table:

Particulars	Amount invested (as on February 28, 2007)
Land , Site Development & Building (including WIP)	1260.74
Plant & Machineries	6654.73
Total	7915.47

Sources of financing of funds already deployed:

Sr No	Particulars	Amount (Rs. In Lacs)
1	Creditors for Capital Goods	3557.09
2	Term Loan from - Lakshmi Vilas Bank Limited - State Bank of Hyderabad - Karur Vysya Bank - Bank of Maharashtra - State Bank of India	2518.48
3	Private Placement / Internal Cash Accruals	1839.90
	Total Funds	7915.47

Quarterly schedule of deployment of balance fund

Rs. in lacs

Particulars	Total	Expenses incurred (upto February 28, 2007)	June, 2007	September, 2007	December, 2007	March, 2008	June, 2008	September 2008
Land & site development, & Civil construction & factory building	4316.00	1260.74	626.24	374.73	538.58	706.05	706.05	103.63
<i>Plant & Machinery:</i>	23376.00	6654.73	364.82	342.67	3316.95	6559.76	5597.85	538.00
Contingencies	1,753.00	-	466.27	-	253.76	462.30	529.83	40.40
Pre-operative expenditure	955.00	-	269.56	-	152.38	272.39	244.01	16.60
Margin money for working capital	2,300.00	-	819.20	0.00	0.00	448.29	1032.36	0.00
General corporate purpose	654.90	-	0.00	654.90	0.00	0.00	0.00	0.00
Total cost of project	33354.90	7915.47	2546.09	1372.30	4261.67	8448.79	8110.10	698.63

Contracts for the implementation of the projects

The details of the material agreements including orders for major plant & machinery, which have already been entered into for the implementation of the expansion plans of NEL as on February 28, 2007 are as follows:

Civil works

The Company has appointed SMPS Consultants, Ahmedabad for availing consultancy services for the proposed project. SMPS offers comprehensive services in planning, design engineering for diverse types of industrial and institutional projects.

The **Civil Work cost** for the construction for additional Factory Building, Utilities, Misc. Foundation etc has been estimated **at Rs 4216 lacs, as under:**

- A. Spinning Unit (Rs. 2639 lacs)**
- B. Denim Unit (Rs. 1277 lacs)**
- C. Power Plant (Rs. 300 lacs)**

Plant & Machinery

Sr No	Particulars	Name of Manufacturer	Cost (Rs. In Lacs)	Payment Terms
I	Denim			
1	Indigo Dyeing and Warping Machine (IND)	Jupiter Engineering Company	818.64	180 Days From Bill Of Exchange
2	Air Jet Looms (IMP)	Tsudakoma Corp, Japan	192.47	360 Days From B/L
3	Air Jet Looms (IMP)	Itochu Texmac Corporation	670.30	360 Days From B/L

4	Finishing Machine (IND)		135.06	180 Days From Bill Of Exchange
	Total		1816.47	
II	Spinning			
1	Ring Frame Machine		673.44	360 Days From B/L
2	Draw Frame		222.15	360 Days From B/L
3	Preparatory		812.46	360 Days From B/L
4	Open End Rotor Spinning Machine		732.66	360 Days From B/L
5	Auto Coner		319.90	360 Days From B/L
	Total		2760.61	

Interim Use of Funds

Pending utilization in the project the proceeds of the Rights issue will be deposited in a bank account, bank deposits and other securities as decided by the Board of Directors.

Monitoring of Utilisation of Funds

Our Board will monitor the utilization of the proceeds of the Issue. As per regulatory requirements, we will disclose the utilisation of the proceeds of the Issue under a separate head in our Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue. No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our directors, key management personnel or companies promoted by our promoters except in the usual course of business.

Basic Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Letter of Offer and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Minimum Subscription

If the Company does not receive the minimum subscription of 90 per cent of the net offer to public, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue.

If there is any delay in the refund of subscription amount by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. forty two days after the closure of the Issue), the Company will pay interest for the delayed period, at rates prescribed in sub-section (2) and 2(A) of Section 73 of the Companies Act, 1956. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles of the Company and shall rank *pari-passu* with the existing Equity Shares of the Company. Allottees of the Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

The Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Face Value of the Equity Shares is Re.1/- per Equity Share and the Issue Price is Rs. 3/-per Equity Share, which is 3 times of the Face Value.

Rights of the Equity Shareholders

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares, if announced;
- v. Right to receive surplus on liquidation.
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

Despatch of Refund Orders

Refund orders above the value of Rs.1,500 will be dispatched 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. Further, adequate funds would

be made available to the Registrar to the Issue for the dispatch of Letters of allotment/ securities certificates and refund orders

Interest in Case of Delay in Dispatch of Allotment / Refund Orders

The company agrees that:

- a. As far as possible allotment of securities offered to the public shall be made within 30 days of the closure of the rights issue.
- b. It shall pay interest @15% per annum (as prescribed under section 73 of the Companies Act, 1956) if the allotment has not been made and the refund orders have not been dispatched to the investors within 42 days from the date of the closure of the issue.

However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest

Period of Subscription

The subscription list for Rights issue shall remain open for at least 30 days and not more than 60 days.

Terms of Payment

The entire Issue price of Rs. 3/-per share is payable on application only.

E.) BASIS FOR ISSUE PRICE

Key Financials for the last three financial years and 9 month period ending December 31, 2006:

PARTICULARS	YEAR/PERIOD ENDED			
	31/12/06	31/03/06	31/03/05	31/03/04
INCOME				
Sales	15509.98	12477.35	5346.27	721.23
IT Services	Nil	Nil	Nil	62.54
Job Work Income	192.14	395.79	560.72	Nil
Variation in Stock	Nil	Nil	Nil	Nil
Other Income	57.49	32.55	42.44	40.39
TOTAL	15759.61	12905.69	5949.43	824.16
EXPENDITURE				
Consumption / Purchase of Material	11016.97	8830.43	4517.27	452.92
Personnel Expenses	372.79	287.10	123.81	15.96
Manufacturing, Administrative, Selling & Other Expenses (Including Software Preparation Charges)	1342.02	1055.75	549.46	128.41
Financial Exp.	679.19	361.80	217.51	37.10
Depreciation	591.15	496.61	205.68	30.44
Misc. Expenditure Written Off	0.84	1.12	1.12	1.13
TOTAL	14002.96	11032.81	5614.85	665.96
Profit before Tax	1756.65	1872.88	334.58	158.20
Less: Provision for Taxes:				
Current Tax	470.00	257.10	26.00	15.00
Deferred Tax	146.11	376.75	91.19	53.24
Less: Short/ (Excess) Provision of Income Tax & Deferred Tax.	(0.98)	26.89	3.77	0.77
Less: Prior Period Items.	(0.91)	(2.01)	Nil	Nil
Profit After Tax	1142.43	1214.15	213.62	89.19
Add: Depreciation of earlier years W/back	Nil	Nil	Nil	1.81
Profit for the year	1142.43	1214.15	213.62	91.00
Adjustments Due to change in Accounting Policies (refer Annexure III)	(0.91)	(1.10)	2.01	(25.37)
Adjusted Profit	1141.52	1213.05	215.63	65.63

Quantitative Factors:

i. Adjusted Earnings Per Share (EPS) weighted on face value of Re. 1/- as per

Year	EPS (Rs.)	Weight
2003-04	2.57	1
2004-05	4.34	2
2005-06	0.96	3
April 1, 2006 to December 31, 2006@	0.80	
Weighted Average	0.67	-

@Not Annualised

Accounting Standard 20**ii. Price Earning Ratio (PE Ratio) in relation to the Issue Price of Rs. [●] per share**

Particulars	PE Ratio
Based on Weighted Average EPS of Rs. 0.67 per share	4.49
Industry P/E# (Textile Products)	
- Highest –	60.80
- Lowest –	4.00
- Average	25.90
Industry P/E# (Textile – Cotton Blended)	
- Highest –	168.20
- Lowest –	0.50
- Average	9.70

Source: Based on "Capital Market
" Vol. XXII04 dated April 23- May 06 for Textile Industry (Products)

iii. Return on Net Worth

Year	RONW (%)	Weight
2003-04	4.75%	1
2004-05	13.38%	2
2005-06	32.44%	3
April 1, 2006 to December 31, 2006@	17.70%	-
Weighted Average	21.47%	

@ 9 Month Period

iv. Minimum Return on total Net Worth after Issue needed to maintain Pre-Issue EPS of Rs. 0.40 is 20.87% at Issue Price of Rs. 3/- per share.**v. Net Asset Value (NAV) Per Share**

Particulars	NAV (Rs.)
Net asset value as December 31, 2006	4.25
Issue Price Rs.	3.00

- Net asset value after adjustment of Bonus Issue is Rs. 2.12 per Equity Share

vi. Comparison of Financial Ratios with Peer Group

Company	Book Value Per Share	RONW (%)	EPS	PE Ratio
Nandan Exim Limited	2.12	17.70%	0.40	7.50
Peer Group:				
Aarvee Denim	59.00	32.90%	14.40	7.15
Arvind Mill	70.50	9.20%	5.30	9.06
KG Denim	29.00	31.10%	8.30	1.93

Source: Based on . Capital Market" Vol. XXII04 dated April 23- May 06 for Denim / Textile Industry. Financial ratios given in the table above is as per date provided as per the source document and does not reflect the position as on the date of this Letter of Offer.

While the peer group companies are grouped under **Cotton Blended** where as **Nandan Exim is grouped under Textile Products**

The Face Value of the Equity Shares is Rs.1/- per Equity Share and the Issue Price is Rs. 3/- each. The Issue Price is 3 times of the Face Value

vii. The Lead Manager believes that the Issue Price of Rs. 3/- is justified in view of the above qualitative and quantitative parameters. Minimum Return on total Net Worth after Issue needed to maintain Pre-Issue EPS of Rs. 0.40 is 20.87% at Issue Price of Rs. 3/- per share, whereas the company has already earned a RONW of 21.47%.

The investors may want to peruse the risk factors and the financials of the Company including important profitability and return ratios, as set out in the Auditors' report and forming part of this Letter of Offer to have a more informed view of the investment proposition.

Working Results and Other Information

Information as required in clause 6.38 of the SEBI DIP Guidelines are given below.

Save as stated in this letter of offer, there are no material changes and commitments affecting the financial position of the Company since the period ended on December 31, 2006 being the last date up to which audited information is incorporated in the letter of offer.

As on 28 02 2007 (provisional)

	Rs. Lacs
1 Sales	19894.00
2 Other Income	60.00
.3 Total Income	19954.00
4 Total Expenditure	17106.00
5 Profit Before Dep and Tax	2848.00
6 Dep	723.00
7 Profit Before Tax	2125.00
8 Tax	616.00
9 Profit After Tax before Prior Period	1509.00
10 Prior Period Items	-2.00
11 Profit After Tax After Adjustment	1511.00
10 Equity Capital	3036.60
11 EPS (Not Annualized)	0.50

Current Market Price (cum rights) of the equity shares of the Company on BSE during the period January 30, 2005 to May 04 2007 were:

Highest : Rs. 19.25 on 17/10/2006 (Face Value Re. 1)
Lowest : Rs. 2.78 on 03/04/2007 (Face Value Re. 1) (Post Bonus)
Closing Market price of the Equity Shares on BSE as on 04/05/2007 was Rs. 3.09

(source: www.bseindia.com)

F.) TAX BENEFITS

The Auditors of the Company, M/s. J.T. Shah & Co., Chartered Accountants have advised the Company vide their letter dated 20/04/2007 that under the current direct tax law, the following tax benefits *interalia* will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implication of an investment in the shares. The Statement of tax benefits certificate from the Auditors of the Company is reproduced below:

To
The Board of Directors
Nandan Exim Limited
191/1, 203/02, SAIJPUR,
GOPALPUR, PIRANA ROAD,
PIPLEJ, AHMEDABAD.

Sub: Statement of Tax Benefits

Dear Sirs,

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

The benefits discussed in enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and changing tax laws, each investor is advised to consult his own tax consultant with respect to specific tax implications arising out of their participation in the issue, particularly in view of the fact that there could be different interpretations of legislation.

Unless otherwise specified, sections referred to in the annexure are sections of Income Tax Act, 1961. All the provisions set out in the annexure are subject to conditions specified in the respective sections.

We do not express any opinion or provide any assurance as to whether :

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been or would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in preparation of this statement, We accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

FOR, J. T. SHAH & COMPANY
 CHARTERED ACCOUNTANTS

PLACE: AHMEDABAD
 DATED: 20/04/2007

(J. T. SHAH)
 PARTNER
 [M.No.3983]

ANNEXURE TO THE CERTIFICATE DATED 20/04/2007**BENEFITS UNDER THE INCOME TAX ACT, 1961****A : TO THE COMPANY**

1. The company is eligible to exemption under section 10(34) in respect of income by way of dividend received from other Domestic Companies.
2. The company is eligible to exemption under section 10(35) in respect of income by way of dividend received from mutual fund specified under section 10(23D) and other specified under takings / companies.
3. The Company is eligible to exemption under section 10(36) in respect of Long Term Capital Gain arising from transfer of an 'Eligible Equity Share in a company purchased or after the first day of March, 2003 and before the first day of March, 2004 (both days inclusive) and held for a period of 12 months or more.
4. In accordance with the provisions of section 10(38) the long-term gains arising on the transfer of securities in a transaction entered into in a recognized Stock Exchange in India and such transaction is chargeable to Securities Transaction Tax Under Chapter VII of the finance (No.2) Act, 2004, shall be exempt from income tax.
5. The long-term capital gains accruing to the company otherwise than as mentioned in 4 above, shall be chargeable to tax in accordance with and subject to the provisions of section 112 as follows :
 - a) @ 20% (Plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
 - b) In the case of certain listed shares, securities and units, in a transaction not entered into in a recognized stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)
6. The company is eligible to claim exemption in respect of tax on long-term capital gains [(not covered by section 10(36) & 10(38))] under section 54EC if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in the said section.
7. The Company is eligible to claim exemption under section 54ED in respect of Long Term Capital Gains arising from transfer of capital assets being listed securities or units (not covered by section 10(36) & 10(38)) to the extent such gains are invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in that section.
8. The short term capital gains accruing to the company, from the transfer of a short-term capital asset, being securities, in a transaction entered into in a recognized stock exchange in India, and such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (Nos. 2) Act, 2004 shall be chargeable to tax at the rate of 10% (Plus applicable surcharge and education cess) as per the provisions of section 111A.
9. The company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under section 32.

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10. The company is eligible under section 35D of the IT Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for period of five successive years subject to the limits provided and the conditions specified under the said section.
 11. The company will be entitled to claim expenditure incurred in respect of voluntary retirement under section 35DDA in five equal annual installments.

B : TO THE SHAREHOLDERS OF THE COMPANY :

I. RESIDENTS

1. Under section 10(32) of the IT Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) will be exempt from tax to the extent of Rs. 1500/- per minor child.
2. Members will be entitled to exemption, under section 10(34) in respect of the income by way of dividend received from the company.
3. The long-term capital gains accruing to the members of the company on sale of the company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).
4. As per the provision of section 88E, wherever the business income of a resident includes profit and gains from sale of taxable securities, a rebate shall be allowed from the amount of Income Tax equal to the security transaction tax paid tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying average rate of income tax on such business income as provided in the said section.
5. The short –term capital gains accruing to the members of the company on sale of the company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transaction Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
6. As per the provisions of section 112, the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
 - a. @ 20% (plus applicable surcharge and education cess) after deducting from the sale proceeds the Indexed cost of acquisition or
 - b. @ 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
7. The members are entitled to claim exemption in respect of tax on long term capital gains under section 54EC, if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in the said section.
8. In accordance with and subject to the conditions and to the extent specified in section 54ED of the Act, the shareholder would be entitled to exemption from long term capital gain tax on transfer of their assets, being a listed securities or units (not covered by section 10(36) & 10(38) to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

9. Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified in those sections.

II. NON-RESIDENTS

1. Under section 10(32) any income of a minor child clubbed in the total income of the parent under section 64(1A) will be exempt from tax to the extent of Rs.1500 per minor child.
2. Non-resident members will be entitled to exemption, under section 10(34), in respect of the income by way of dividend received from the company.
3. The long-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).
4. As per the provisions of section 88E, where the business income of an assessee includes profits and gain from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
5. The short-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transactions Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
6. As per the provisions of section 112 the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
 - a) @ 20% (Plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
 - b) @ 10% (Plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
7. The members are entitled to claim exemption in respect of tax on long-term capital gains under sections 54EC, if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.
8. In accordance with and subject to the conditions and to the extent specified in section 54ED, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by section 10(36) & 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

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9. Individuals or HUF members can avail exemption under section 54F by utilization of the sale consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.
 10. Under the provisions of section 90(2), if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.
 11. Non-Resident Indians (as defined in section 115C(e)), being shareholders of an Indian Company have the option being governed by the provisions of Chapter XII-A, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.
 - a. As per provisions of section 115E and subject to the conditions specified therein, long-term capital gains arising on the transfer of Company's shares will be charged to Income tax @ 10% (plus applicable surcharge and education cess.).
 - b. As per the provisions of section 115F and subject to the fulfillment of the conditions specified therein, the Long Term Capital gains arising on the transfer of Company's shares shall be exempted from income tax entirely/ proportionately if all or a portion of the net consideration is invested within 6 months of the date of transfer in specified assets as defined in section 115C (f) or any savings certificates referred to in section 10(4B). The amount so exempted shall, however, be chargeable to tax as long term capital gains under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
 - c. As per the provision of section 115G, Non-resident Indians are not obliged to file a return of income under section 139(1), if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-A.
 - d. Under section 115H, where a Non-Resident Indian, in relation to any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he / she may furnish to the Assessing Officer a declaration in writing, along with his/ her return of income under section 139 for the assessment year for which he/she is so assessable, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/her in relation to such income for that assessment year until the transfer or conversion (otherwise than by transfer into money of such assets.
 - e. As per the provision of section 115-I, when a Non Resident Indian, elects not to be governed by the provision of Chapter XII-A, then his/her total income shall be computed and charged in accordance with other provisions of the Income Tax Act, 1961.

III. FOREIGN INSTITUTIONAL INVESTORS

1. Income by way of dividend received on shares of the company is exempt under section 10(34) of the IT Act.
2. The long-term capital gains accruing to the members of the company on sale of the company's shares in a transaction entered into in a recognized stock exchange in India

and the transaction is chargeable to Securities Transaction Tax, would be exempt from tax as per the provisions of section 10(38).

3. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities Transaction Tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
4. The short-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and chargeable to Securities Transaction Tax would be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of section 111A.
5. Under section 115AD (1)(b)(ii), income by way of Short Term capital Gain arising from the transfer of shares (otherwise than as mentioned in 4 above) held in the company for a period of less than 12 months will be taxable @ 30% (plus applicable surcharge and education cess).
6. Under section 115AD (1)(b)(iii) income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the company will be taxable @ 10% ((plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to Foreign Institutional Investors.
7. Long Term Capital Gains on sale of shares of the company by the members shall be exempt from income tax if such gains are invested in bonds/equity shares specified in section 54EC respectively subject to the fulfillment of the conditions specified in those sections.
8. In accordance with and subject to the conditions and to the extent specified in 54ED the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
9. Under the provisions of section 90(2), if the provisions of the Double Taxation A avoidance agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.

IV. MUTUAL FUNDS

As per the provisions of section 10(23D), any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax.

BENEFITS UNDER THE WEALTH TAX ACT, 1957,

'Asset' as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in Companies and hence, shares are not liable to wealth tax.

BENEFITS UNDER THE GIFT-TAX ACT, 1958

Gift tax is not leviable in respect of any gifts made on or after Oct 1, 1988. Therefore, any gift of shares of the company will not attract gift tax.

Notes :

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The stated benefits will be available only to the sole/first named holder in case joint holders hold the shares.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if an, between India and the country in which the non-resident has fiscal domicile.

**FOR, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS**

**PLACE: AHMEDABAD
DATED: 20/04/2007**

**(J. T. SHAH)
PARTNER
[M.No.3983]**

SECTION III. ABOUT NANDAN EXIM LIMITED (ISSUER COMPANY)**A.) INDUSTRY OVERVIEW****Introduction**

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. It provides direct employment to about 35 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this sector has a direct bearing on the improvement of the economy of the country.

There has been resurgence in the Indian Textile Industry in the post quota period. India is emerging as one of the major outsourcing hubs as it has comparative advantage over its competitors on availability of relatively inexpensive and skilled workforce, design expertise, a large production base of basic raw materials, yarn and fabric and availability of a wide range of textiles. In the post-Multi Fibre Arrangement (MFA) era w.e.f. January 1, 2005, the textiles exports are up by 25% in 2005-06 over 2004-05. The share of textiles exports in USA imports have increase from 4% to 5% in calendar year 2005 as compared to that achieved in calendar year 2004. The share of textiles exports in extra-EU imports increased from 6% to 7% in calendar year 2005, growing at 18% year-on-year basis as compared to 5.6% growth in extra-EU imports. The country in calendar year 2005 was the third largest supplier of textiles to USA and EU.

The Cotton/ Man-made fibre textiles industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals.

(Source: Ministry of Textiles)

Organised Cotton/ Man-Made Fibre Textile Industry

The Cotton/ Man-made fibre textiles industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals. As on October 31, 2006, there were 1818 cotton/man-made fibre textile mills (non-SSI) in the country.

The satisfactory performance of cloth production has resulted in favorable per capita domestic availability of cloth in the country. During 2004-05, the per capita availability of cloth was 32.63 sq. mtrs., and it is expected to increase to 43.33 Sq. mtrs. during 2006-07.

Cotton & Cotton Textiles Industry

Cotton is one of the principal crops of the country and is the major raw material for the domestic textile industry. It provides sustenance to millions of farmers and contributes significantly to the country's export earnings. The country has the distinction of growing all the four cultivated species of cotton viz. *Gossypium arboretum*, *G. herbaceum* (called Desi/ Asian cotton), *G. hirsutum* (American upland types), and *G. barbadense* (Egyptian type), as also hybrid cottons.

The ratio of the use of Cotton to Man-made fibres and filament yarns by the domestic textiles industry is 56:44. India is the third largest producer of cotton (4.13 mn. metric tonnes), accounting for 16 % of global production, and the cultivated area in the country is the largest in the world (between 88-90 lacs hectares).

The states of Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu accounts for 99% of cotton cultivation in the country.

Due to focused support to Cotton growers by the Government, cotton production reached a record high of 243 lacs bales (170 kg. each) in the 2004-05 cotton season (October-September), and is expected to remain the same during 2005-06, despite a reduction in the area under cultivation. The productivity has increased from 399 Kg./hectare in (2003-04) to 463 kg./hectare (in 2004-05), and it is expected to reach 468 kg./ hectare in 2005-06.

(Source: Ministry of Textiles)

Denim Industry

Denim denotes a rugged cotton twill textile, in which the weft passes under two (*twin*- "double") or more warp fibers, producing the familiar diagonal ribbing identifiable on the reverse of the fabric, which distinguishes denim from cotton duck. A popular etymology of the word denim is a contraction of *serge de Nîmes* in France. Denim was traditionally colored blue with indigo dye to make blue "jeans," though "jean" denoted a different, lighter cotton textile. This is because our usage of jean comes from the French word for Genoa, Italy (Gênes), for whom the first denim trousers were made.

(Source: <http://en.wikipedia.org/wiki/Denim>)

Textile Scenerio at the beginning of 2007:

- 1) The Indian textile industry is in a stronger position now than it was in the last six decades. The industry which was growing at 3 – 4 percent during the last six decades has now accelerated to an annual growth rate of 9 – 10 percent. There is a sense of optimism in the industry and textiles sector has now become a 'sunrise' sector
- 2) The catalysts which have placed the industry on this trajectory of exponential growth are a buoyant domestic economy, a substantial increase in cotton production, the conducive policy environment provided by the Government, and the expiration of the Multi Fibre Agreement (MFA) on 31st December'2004.
- 3) The buoyant Indian economy, growing at the rate of 8 percent, has resulted in higher disposable income levels. The disposable income of Indian consumers has increased steadily. The proportion of the major consuming class (population that has an annual income of more than US\$ 2000) has risen from 20 percent in 1995-96 to 28 percent in 2001-02. This is expected to move up to 35 percent by 2005-06, and to 48 percent by 2009-10. This translates into a growth of 9.3 percent over the next 8 years, and will result in higher spending capacity, manifesting itself in the greater consumption of textiles.
- 4) The Indian textile industry consumes a diverse range of fibres and yarn, but is predominantly cotton based. A significant increase in cotton production during the last two – three years has increased the availability of raw cotton to the domestic textiles industry at competitive prices, providing it with a competitive edge in the global market.
- 5) The Government has also provided industry a conducive policy environment and initiated schemes which have facilitated the growth of the industry. The Technology Mission on Cotton has increased cotton production and reduced contamination levels. The Technology Upgradation Fund Scheme (TUFS) has facilitated the installation of the state-of-the-art / near state-of-the-art machinery at competitive capital cost. The rationalization of fiscal duties has provided a level playing field to all segments, resulting in the holistic growth of the industry.
- 6) Quotas which have restrained the export growth of the Indian textile industry for over four decades were eliminated with effect from January 1, 2005. This has unshackled Indian exports, and this is evident from the growth registered in the quota markets. Apparel exports to USA during 2005 have increased by 34.2 percent, while textiles exports have increased by 16 percent. Similarly, in Europe, apparel exports have increased by 30.6 percent and textiles

exports by 2.2 percent, during the corresponding period. In 2006 also the export growth in these two markets is continuing with the same trend. This increasing trend in exports is expected to continue as major global players are not inclined to source exclusively from China. India is considered as the second most preferred destination for major global retailers due to its strength of vertical and horizontal integration.

- 7) At this juncture, a strong foundation for industry has been laid on which world class manufacturing units can realize their full potential and make a mark in the international economy.

(Source: Report of the working group on Textiles and Jute Industry for The Eleventh Five Year Plan (2007-2012), Government of India, Ministry of Textiles)

SWOT analysis for the Textile Industry:

Strengths

- Strong and diverse raw material base
 - Third largest producer of cotton
 - Fifth largest producer of man-made fibre and yarn
- Vertical and horizontal integrated textile value chain
- Strong presence in entire textile value chain from raw material to finished goods
- Globally competitive spinning industry
 - Average cotton yarn spinning cost at US\$ 2.5 per kg. Which is lower than all the countries including China
- Low wages: rate at 0.75 US\$ per operator hour as compared to US\$ 1 of China and US\$ 3 of Turkey
- Unique strength in traditional handlooms and handicrafts
- Flexible production system
- Diverse design base

Weaknesses

- Structural weaknesses in weaving and processing
 - 2 percent of shuttle less looms as percentage of total looms as against world average of 16 percent and China, Pakistan and Indonesia 15 percent, 9 percent and 10 percent respectively.
- Highly fragmented and technology backward textile processing sector
- Highly fragmented garment industry
- Except spinning, all other segments are predominantly in decentralized sector.
- The rigid labour laws: proving a bottleneck particularly to the garment sector. Large seasonal orders cannot be taken because the labour strength cannot be reduced during the slack season.
- Inadequate capacity of the domestic textile machinery manufacturing sector.
- Big demand and supply gap in the training facilities in textile sector.
- Infrastructural bottlenecks in terms of power, utility, road transport etc.

Opportunities

- Quota phase out – pushing the export growth to the level of 22 percent in 2005-06.
- Buoyant domestic economy
 - Increasing disposable income levels.
 - Increasing working female population: The propensity to spend in the case of working women is higher by 1.3 times as compared to a house wife.
- Increased usage of credit cards and availability of cheap finance would also provide fillip to impulsive apparel purchases.

- The revolution in organized retailing would increase the consumption of apparel and made-ups.

Threats

- Possibility of a global recession triggered by a weakening dollar.
- Higher competition specially after 2008 when China cannot be restrained under WTO.
- Non-availability of indigenous textile machinery.
- Lack of domestic capital and absence of appetite of domestic industries to invest in the quantities envisaged for 12 percent growth target.

Opportunities for higher growth:

The Indian textiles industry, on the eve of the Eleventh Five Year Plan, is in a much stronger position than it was at any point of time in the last six decades. The abolition of quota, a buoyant economy and a conducive policy environment provided by the Government, have contributed in placing the industry on the path of rapid growth. The increase in production levels at the rate of 8-9 percent, increase in exports at the rate of 22 percent, doubling of investment during the last two years under TUFs, and similar trend continuing during the current year, clearly indicate that industry has been able to face successfully the challenges of a globalised economy.

(Source: Report of the working group on Textiles and Jute Industry for The Eleventh Five Year Plan (2007-2012), Government of India, Ministry of Textiles)

Trends in Textiles:

Per-capita availability of cloth:

Year	Cotton	Blended/mixed fabrics	100% non-cotton fabrics	Total
1991-92	13.71	2.90	6.26	22.87
1992-93	15.57	2.57	6.36	24.50
1993-94	15.92	3.58	6.72	26.22
1994-95	15.24	3.27	7.47	25.98
1995-96	16.32	3.48	8.19	27.99
1996-97	16.24	3.98	9.08	29.30
1997-98	15.94	4.57	10.41	30.92
1998-99	13.07	4.13	10.99	28.19
1999-00	14.16	4.48	11.91	30.55
2000-01	14.22	4.50	11.96	30.68
2001-02	14.82	4.69	12.46	31.97
2002-03	14.40	4.38	12.59	31.37
2003-04	13.41	4.51	13.09	31.01
2004-05	14.08	4.11	15.32	33.51

Source: O/o the Textile Commissioner; Texprocil- Profile of the Indian cotton textile industry)

Exports

The Indian textile industry is an export intensive industry and about one third of its total production is exported in same form or the other. Through export friendly Government policies and positive efforts by the exporting community, textiles exports have increased from US\$ 12.45 billion in 2002-03 to US\$ 17.08 billion in 2005-06 with an annual rate of growth of 12 percent. Clothing is the biggest segment in India's textiles export basket contributing about 49 percent to total textiles exports. The import intensity of this industry is very low, constituting about 15 percent of the total textiles exports and about 5 percent of total textiles market.

India's share in the international textiles trade was 3.83 percent in textiles and 2.43 percent in clothing with an overall share of 3.04 percent during 2004. In fact, in 1950 India had 11 percent share in global textiles trade which steadily declined to 1.80 percent in early nineties, but recovered again and reached the level of 3.04 percent in 2004. Exports of cotton based items continue to predominate in our international trade which is natural in view of India's competitive advantage in cotton. With the quota phase out, India's export in quota based countries has increased significantly and it appears that Indian textiles industry has been able to face successfully the competitive scenario and increase its market share in quota countries.

(Source: Extracts from Report of the working group on Textiles and Jute Industry for The Eleventh Five Year Plan (2007-2012), Government of India, Ministry of Textiles)

Government initiatives, policies

In order to encourage upgradation of textiles sector and to give a fillip to exports of textile products, some of the important initiatives taken are as follows

(i) Announcement of New Textile Policy:

One of the main objectives of the New Textile Policy (NTxP-2000) announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports from the present level to US \$ 50 billion by 2010, of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP- 2000, woven segment of readymade garment sector has been de-reserved from SSI and the announcement has been made for de-reservation of knitwear from SSI.

(ii) Technology Up-gradation Fund Scheme (TUFS): In view of the urgent need for stepping up the process of modernization been prescribed and this scheme remained under operation. The latest Budget also provides for capital subsidy of 10% for investments in processing (over and above 5% TUF benefit).

The Budget also announced enhanced allocation of Rs.440 crore on TUF.

(iii) Duty Exemption Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. However, these export incentives are to be reviewed shortly to make it WTO-compatible.

(iv) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market. From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

(v) Human Resource Development: Attention has also been paid to Human Resource Development in the textile sector.

Towards this end, particular mention deserves to be made of National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry. The NIFT has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar.

(Source: Ministry of Textile Annual report 2003-04)

The information in this section has been extracted from publicly available documents from various sources and has not been independently verified by the Company or the Lead Manager.

B). BUSINESS OVERVIEW

Nandan Exim Limited is engaged in the business of manufacturing of Denim & Weaving and is a listed arm of Chiripal group. The Company forayed into manufacturing and weaving by installing imported air jet looms in 2004-05. The Company further diversified into manufacturing of Denim Fabrics from July 2005 with an installed capacity of 100 lacs meters per annum. Both these projects were implemented at a cost of Rs 6310 lacs.

The main products being manufactured by NEL are Grey and Denim. Denim Fabrics woven at NEL are either made up of 100% cotton yarn or mixed with Lycra, Polyester, etc in weft depending upon the market requirement. The Company has increased its Denim Production Capacity from 100 lacs meters per annum to 200 lacs meters per annum in March 06.

Details of the Business of the Issuer

a. Location of the Units / Manufacturing facilities

The Company has 2 manufacturing facilities at Sejpur-Gopalpur and Vatva at Ahmedabad.

1. Sejpur-Gopalpur, Ahmedabad Plant - Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405.

This unit is for manufacturing of grey and denim fabrics.

Approvals Received-----for Existing unit at Piplej Ahmedabad

- a) A copy of S I A IEM Acknowledge no 3826/ SIA IMO/2003dated 30/12/2003 issued by Government of India Ministry of Industry New Delhi
- b) Central Excise Registration Certificate no AAACN53227LXMoo1 dated 07/04/2004 issued by Assistant Commissiior Central Excise Division iv (Narol) Ahmedabad.
- c) Factory License No 014802 dated 17/03/04 received from Chief Inspector of Factory to establish the Factory under Factories Act 1948.
- d) Certificate No PC/CCA/ABD/NL-81/7865 Received from Gujarat Pollution Control Board Gandhinagar Issuing No Objection Certificate to the company.
- e) A Central Sales Tax Certificate No Guj99922881 Issued by Central Sales tax (Registration and Turnover) Rules 1957.effective from 1/10/2003.
- f) A Gujarat Sales Tax Certificate No 0755005635 Issued by Gujarat Sales Tax Act 1969 .effective from 10/09/2003
- g) A Copy of Service Tax Code No AAACN5327LST001 12/02/2005 issued by Dy Commissioner of Service Tax Ahmedabad.
- h) A copy of Allotment of Code No GJ/AHD/ 50635 Dated 31/05/2004 Issued by Regional Provident Commissioner Regional Office Ahmedabad
- i) A Copy of Tax Deduction Account No AHMN00391G19/07/2001 Issued by ITO TDS 9 Ahmedabad
- j) A Weight Measurement Certificate No 30/0011 dated 18/09/2006 issued Under Weight Measurement Act Gujarat State
- k) A copy of letter received from Torrent Power AEC ltd Intimating about increase of Contract Demand Up to 3800 KW of HT 888.

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2. Vatva, Ahmedabad Plant – Plot No 596, Near Sonal Bus Stop, Vatva, Vatva Narol Road, Ahmedabad 382 405

This unit is for manufacturing of ready made garments. The company has started the implementation of the project. Presently company has installed around 70 Machines. Another 90 machines and 190 machines are going to be installed by May -2007 and June-2007. After completion of the same total machine installed would be 350 and capacity of over 5000 garments per day.

Approval Received

Factory Licence No 004103 dated 19/10/2006 received from Chief Inspector of Factory to establish the Factory under Factories Act 1948.

Pending Approvals

- a) Applied for registration- for new Unit at Vatva Garmenting Unit
- b) Applied for HT Supply Requisition for new contract Demand for 500 KW made to Torrent Power AEC Ltd Ahmedabad.
- c) Applied to Gujarat Pollution Control Board for issue of N O C of the Board.

Plant, Machinery, Technology, Process, etc.

Plant and Machinery

Ahmedabad Plant at Sejpur-Gopalpur is equipped with the following machineries:

- I. Weaving Preparatory
 - a. High Speed Spindle Driven Denim Warping Machine
 - b. High Speed Spindle Driven Bottom Weight Warping Machine
 - c. High Speed Denim Sizing Machine
 - d. High Speed Bottom Weight Sizing Machine
- II. Air Jet Looms
- III. Finishing Machine
 - a. Singeing Machine
 - b. Foam Finishing Machine
 - c. Wet Finishing Machine
- IV. Inspection Machine
- V. Sample Washing
- VI. Lab Testing Equipments

Nandan Exim's Plant at Vatva, is equipped with the following machineries:

- a. Single Needle, Bed Drop Feed, Lock Stitch M/c. With Under Bed Thread Trimmer Comp. Set.
- b. Double Needle, High Speed, Flat Bed, Double Chain Stitch Machine Complete Set.
- c. Chain Stitch Over edging Machine Complete Set.
- d. Bottom Hammering Machine Complete Set.
- e. Pneumatic Snap Fixing Machine
- f. Power driven Cloth Cutting Machine

Technology and Denim manufacturing

There are two main technologies used for spinning

- Open End
- Ring spinning

Denim industry uses OE yarn

b. Collaborations, any performance guarantee or assistance in marketing by the collaborators

Nil

c. Infrastructure facilities for raw materials and utilities like water, electricity etc.**Raw Materials**

The major raw material required for manufacture of denim and bottom weight fabrics is yarn, which will be produced from cotton inhouse. Cotton of short to medium staple will be required, which is available in Gujarat , Haryana and Punjab. Although per hectare yield of India happens to be low as compared to the world yield , India enjoys the largest acreage of cotton cultivation in the world. Indigo dyes and other chemicals are the other raw materials required for manufacture of denim fabrics , which are available in plenty.

Raw materials are locally sourced from cotton belt of near by areas.

Utilities for existing setup**Power**

		Existing	Proposed	Total
Electrical Demand	Contract	3800 KW	3490 KW	7290KW
Average Consumption	Monthly	15 lac units	14 lac units	29 lac units
Standby Capacity	Generator	Nil	Nil	Nil
Emergency Generator		Nil	Nil	Nil

Additional power requirement shall be applied for as and when the expanded capacity is commissioned. The sanction power is adequate to meet existing capacity

Water

Water required per day is 75000 litres for each line of Denim plant. Spinning plant would require 50000 litres/day in humidification & personal use. The Company is sourcing its water requirement through 2 bore wells of adequate size. Further, the Company has constructed water tank for storing water. The Company is having one Reverse Osmosis Plant and a water softening plant for treating the raw water.

Manpower

The total manpower directly employed by the Company as on February 2007 is 819 personnel. Distribution of the manpower is as follows:

Summary of Managerial, Administrative, Skilled & Unskilled Personnel

Particulars	No. of Employees
Corporate Office	
Managerial Personnel	26
Administrative Staff	46
Total	72
Plant	
Managerial Personnel	38
Administrative Staff	151
Skilled Personnel	382
Unskilled Personnel	176
Total	819

Effluent Treatment

The Company is having Effluent Treatment plant (ETP) for bringing down the levels of effluents discharged during the process of manufacture of finished products as per the norms of GPCB. The present capacity of ETP plant is 1.50 lac litres /day and the Company has applied for consent for another 1.50 lac litres/day. There is no need of ETP in spinning plant.

d. Products / Services of the Company**i. Nature of Products and end users**

Denim denotes a rugged cotton twill textile and traditionally colored blue. The company also manufactures gray fabric.

ii. Market including details of the Competition, past production figures for the industry, existing installed capacity**Competition**

Some of the domestic denim manufacturers

- Arvind Mills Limited
- Aarvee Denims and Exports Limited
- Raymond Limited
- Suryalakshmi Cotton

Past Production Figures for the Industry

The global consumption of denim is at 4.5 billion meters p.a. 50% of the same is accounted by US. The production capacity in India for denim is over 300 million meters per annum.

Existing installed capacity for the Industry

Following are the expected capacity for some of the major manufacturers in India

Sr. No.	Manufacturers	Total Post Expansion expected capacity by early 2007 in million meters
1	Arvind Mills Ltd.	140
2	Raymond (Denim Division)	40
3	Aarvee Denims and Exports Ltd.	54
4	K G Denim	30
5	Malwa Industries	20

*(Source: Clothesline April 2005)

Clothesline research shows that, taking into account the proposed capacity expansions and new entrants, by the end of 2006, India would be producing at least 390 million meters (increasing its share in the global market by 1.5%)

The per capita consumption in India at 0.2 meters as compared to world average of 0.5 meters and US of 2. meters is quite low; hence, there is a phenomenal scope for increase in the consumption of denim in India by catering to different age groups and by tapping rural areas. With changes in fashion trend and the inherent advantages of Denim Fabrics, demand is expected to grow at 25% in India. India with a population of over 1000 millions will be a major consumer of Denim in the coming years.

iii. Approach to marketing and proposed marketing set-up

The company believes that aggressive marketing to build up a substantial distribution network through dealers, agents, retail chains, garment exporters will help the company in not just surviving but growing in a highly competitive market. In addition, the company has flexibility in manufacturing various kinds of denim and bottom weight fabrics. This coupled with the company's strategy of producing as per the prevalent tastes, fashions and demand will enable the company to grow in a competitive market.

Main Customers

The Company has wide spread customer base, the top 10 Customers for the 9 months ending December 31, 2006 are as under:

Sr. No.	Name of the Customer	% of Total Sales
1	Rajat Textiles	10.32%
2	Yogesh Trading Company	4.58%
3	R K Emporium	4.31%
4	Denim Corporation	3.87%
5	Dymax Apparels Pvt Ltd	2.89%
6	Orchids	2.15%
7	Shree Bankey Bihari Fabrics	1.57%
8	Banderi Collection	1.34%
9	Vardhman Textiles	1.25%
10	Champalal Rajeshkumar Denims Pvt Ltd	1.23%
	Total	33.51%

Order Book Position:

The company sells at spot basis and as such no order book is maintained.

iv. Export possibilities and export obligations

The company has imported certain capital equipments at concessional rate of custom duty under "Export Promotion of Capital Goods Scheme". The company has pending export obligation to the extent of Rs.10483.16 Lacs (Previous year Rs. 2893.79 Lacs) to be fulfilled during the specified period. The liability towards custom duty payable thereon in respect of unfulfilled export obligation as on 31st December 2006 is Rs.1121.54 Lacs. (Previous Year Rs. 367.19 Lacs)

The exports of the company constitute 12.74% (Rs. 31.70 crores)of the total sales (Rs157.02 Crores). 63.12 % of the export sales is from top ten customer from five country , Dubai, Jeddha, Guatemala, Kuwait and Srilanka.

Business Strategy

Nandan's strategy is to become a vertically integrated player in the denim industry. The Company has been implementing the following projects which it believes will lead to high turnover, increase in profitability and market share.

Expansion of Denim

The Company has embarked on further expansion to increase the production capacity from 200 lac meters per annum to 400 lac meters per annum at a total cost of Rs 10200 lacs. The required plant and machinery to produce additional 100 lacs meters per annum of Denim has been

purchased in October 2006 and implementation / erection work is in process. The Company has already started utilizing its denim capacity of the additional 100 lacs mtrs (increase from 200 lacs mtrs to 300 lacs mtrs) in February 07. The company intends to complete its denim expansion by increase in capacity from 300 lacs Mtrs per annum to 400 lacs Mtrs per annum. The timing for this expansion will be decided taking into account the market conditions in the industry prevailing at that point of time.

Spinning Project

The Company is implementing its Backward Integration Project by installing Open Ended Machines of 32,000 spindles to produce 50 TPD of Cotton Yarn at a total cost of Rs 16250 lacs. The basic objective is to reduce the raw material cost and ensuring consistency in quality of cotton yarn.

15 MW Captive Power Plant

The Company plans to implement 15 MW Captive Power Plant for continuous and uninterrupted power supply at a total cost of Rs 6250 lacs. This will reduce the power cost. The raw material for power plant will be coal/ lignite / agro waste etc. The entire power generation will be for captive consumption.

Foray into Readymade Garments

As a measure to move towards complete vertical integration, the company is establishing itself in the readymade garment market. The company has begun the first phase of its garment manufacturing plant which is expected to be completed by July 2007.

Aggressive Marketing & Customer Centric Approach

The company believes that aggressive marketing to build up a substantial distribution network through dealers, agents, retail chains, garment exporters will help the company in not just surviving but growing in a highly competitive market. In addition, the company has flexibility in manufacturing various kinds of denim and bottom weight fabrics. This coupled with the company's strategy of producing as per the prevalent tastes, fashions and demand will enable the company to grow in a competitive market.

Quality Assurance

The company has a well-equipped quality assurance laboratory for maintaining international standard from RM testing to Finished Product. Company believes in introducing innovative products in the market and R&D activities are in place to meet this objective.

Capacity and Capacity Utilisation:

The following is the product manufactured by NEL capacities, production and sales as of March 31, 2006

Product	Unit	Installed Capacity	Production Quantity	Sales		Closing Stock	
				Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
Denim & Grey Fabrics	Lac Mtrs	304	187.30	103.33	7453.09	14.51	875.23

The following is the product manufactured by NEL capacities, production and sales as of Decemeber 31, 2006

Product	Unit	Installed Capacity	Production Quantity	Sales		Closing Stock	
				Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
Denim & Grey Fabrics	Lac Mtrs	356	139.79	120.68	8771.84	25.95	1523.46

The second line of Denim expansion project was commissioned during March-06 and third line has been commissioned during Feb -07. Production capacity utilization for 07 is in tune with levels of 06 and likely to optimize during the current year.

Competitive Strengths

- Strategic locations of plants
- Among the leading players in the business
- Skilled Manpower

Insurance

All Company's fixed and current assets are adequately insured covering all major risks. We regularly review our insurance coverage to ensure that they are sufficient to meet these regulatory requirements and business risk exposure. We have also taken workman Compensation act. All our plants are insured under Standard Fire and Special Perils Policy as mentioned below. This policy covers various items including Super Structure, Plant & Machinery, Stocks, Furniture, Fittings and Fixtures etc.

Sr. No.	Assets	Risk Covered	Amount of Insurance (Rs. In Crore)	Expiry Date
1	Land & Building	Standard Fire & Special Peril Policy including earthquake	20.50	Feb-2008
2	Plant & Machinery Including Furniture and Office Equipments	Standard Fire & Special Peril Policy including earthquake	111.75	Feb/March – 2008
3	Stock and Stock in Process	Standard Fire & Special Peril Policy including earthquake	38.00	Jan/March - 2008
4	Cash & Others	Money in Transit/Workman Compensation	1.26	Jan – 2008

Property - Land and Buildings

A summary of our properties is given below:

Sr. No.	Location	Area	Ownership and other details	Purpose
1.	Survey No. 198/1, 203/2, Saijpur-Gopalpur, Pirana Road, Piplej, Ahmedabad 382 405	28227 sq mtrs	Nandan Exim Ltd	For Implementation of Project

Sr. No.	Location	Area	Ownership and other details	Purpose
2	Vatva	4181Sq mtrs	Lease hold property from Chiripal Textile Mills P Ltd. in terms of lease agreement date	For Ready Made Garment Unit

Purchase of Property

Except as stated in this Letter of Offer and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue (if any), there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Letter of Offer, other than property in respect of which Contracts for the purchase or acquisitions were entered into in the ordinary course of business and the contracts were not entered into in contemplation of the issue nor is the issue contemplated in consequence of the contracts or the amount of purchase money is not material.

Particulars of Transactions in the Last Two Years where Vendor was Promoter / Director

The Company has not purchased any property in which any of its promoters and/or directors have direct or indirect interest in any payment made thereof. The Company has no plans, at present, to acquire any running business out of the proceeds of this issue. Save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue (if any), there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Letter of Offer, other than property in respect of which

- Contracts for the purchase or acquisitions were entered into in the ordinary course of business and the contracts were not entered into in contemplation of the issue nor is the issue contemplated in consequence of the contracts or
- The amount of purchase money is not material.

Key Industry Regulation

Over the past few years, the Indian government has removed many of the barriers hindering the growth of Indian Industry. The remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of Indian manufacturers which discourage investment are being re-looked along with an enhanced emphasis being given to infrastructure. However, certain regulations still protect small-scale sector. Please also see page 154 for further details.

C.) HISTORY, AND CORPORATE STRUCTURE OF THE COMPANY

a. History and Major Event

The Company is promoted by Shri. Vedprakash D. Chiripal and Shri. Brijmohan Chiripal on August 9, 1994 as a Private Limited Company for manufacturing, trading and export of textile products. It was converted into a limited company vide fresh certificate of incorporation w.e.f January 16, 2004.

The Company forayed into manufacturing and weaving by installing the imported air jet looms in 2004-05. The Company further diversified into manufacturing of Denim Fabrics from July 2005 with an installed capacity of 100 lacs meters per annum. The Company increased its Denim Production Capacity from 100 lacs meters per annum to 200 lacs meters per annum in March 06.

Milestones

Year	Event
1994	Incorporation and commencement of trading of fabrics in domestic and international markets.
2003-04	Commencement of implementation of Weaving (Grey) project
2004-05	Commencement of implementation of Denim Project
2005-06	Successful completion of the IPO Commencement of full scale commercial production of 10 million mtrs per annum capacity Denim Manufacturing Project in July 05 Commencement of full scale commercial production of additional 10 million mtrs per annum capacity Denim Manufacturing Project in March 06
2006-07	Commencement of implementation of spinning project, Expansion of denim project and Setting up of captive power plant (Backward Integration).

Focus Areas of Business

The company focuses on denim and intends to back ward integrate into spinning with the proposed project.

b. Main Objects

The main objects of the Nandan Exim Limited are reproduced below:

1. To carry on the business of manufacturer's representatives, agents, traders, dealers, exporters, importers, factors, consignors and consignees of all kinds, types and sizes of cloth articles goods, merchandise and commodities whether for domestic, commercial, industrial, agriculture and defense purpose / use in India or elsewhere.
2. To carry on the business of spinners, weavers, manufacturers, ginners, processors, packers, and bales of cotton, jute, hemp, silk, rayon, nylon, stretchlon, man-made synthetics, fibres, staple fibers, wool and any other fibrous materials and the cultivation thereof and the business of manufacturing, weaving, bleaching, printing and selling yarn/cloth of all types, lines and other goods and fabrics of all types, whether knitted or looped and of importing, exporting, buying, selling and/or otherwise dealing in cotton silk, art silk, rayon, nylon, stretchlon, man-made synthetics, fibres, staple fibres, wool, hemp and other fibrous materials, yarn, cloth, linen, rayon made there from and other goods and/or merchandise made there from and generally to carry on business of spinners, weavers, processors, dyers, sizers, manufacturers and/or dealers in cotton, linen, flax, hemp, jute, silk, artificial silk, rayon, man-made synthetic fibres, staple fibres, wool, yarn and cloth merchants, cleaners, combers, spinners, weavers, bleachers, dyers, printers, sizers, importers, exporters, manufacturers, purchasers, sellers, of/or otherwise dealers in all above items.

3. To carry on the business of manufacturing, weaving, bleaching, dyeing, processing, mercerising, printing, sizing, importing, exporting, purchasing, selling, and/or otherwise dealing in yarn of all types, and other fabrics made from cotton, jute, wool, silk, an silk, rayon, nylon, man-made synthetics, fibres, staple fibres, cloth of all types and other suitable materials and generally to carryon the business of spinning, weaving and processing mill proprietors in all their branches.
4. To gin kapas and to spin, weave, manufacture, dye, print, clean, press and pack cotton, linen, silk waste, dropping, fly wool, jute, hemp, flex and other fabrics, materials and thing capable of being used for dyeing, printing, combing, processing, sizing, bleaching and pressing purposes and to sell, buy or otherwise deal in all such goods, yarn, cloth and/or fibres whether made or treated or processed by the Company or not engage in any business relating to the use or dispose of any of the bye-products of the

Company and also to carryon the business of manufacturing, buying, selling, exchanging, converting, altering, importing, exporting, processing, twisting, or otherwise handling or dealing in rayon yarn (also known as continuous filament rayon or artificial silk yarn and which expression shall include all synthetic fibre or fibres whatsoever for textile use), staple fibre yarn (also known as Spun Rayon) and such other fibre or fibres or fibrous materials or all allied products, bye-products or substances or substitutes for all/or any of them or yarn or yarns for textile or other use, as may be practicable or deemed expedient.
5. To carry on the business of generation, accumulation, distribution and supply of and generally deal in electricity and explore, develop, generate, accumulate, supply and distribute or to deal in other forms of energy from any source whatsoever and to establish, operate and maintain generating stations, accumulation, tie lines, substations, workshops, transmission line and to lay down cables, wires and to manufacture, deal in, let on hire install, repair and to maintain plant, machinery, equipment appliances components and apparatus of any nature whatsoever used in connection with generation, storage, supply distributors, application of electrical energy.
6. To carry on the business of or relating to information technology, telecommunication, satellite, internet, networking, e-commerce, computer, development of software and hardware, data systems, including research and development, designing, patenting, or otherwise developing new processes and systems and providing solutions

Changes in our Memorandum of Association

Since incorporation, the following changes have been made to Memorandum of Association of Nandan Exim Limited:

January 15, 1999	Increase in Authorised Capital from Rs. 1,00,000 divided into 10,000 equity shares of Rs.10/- each to Rs. 15,00,000/- divided into 1,50,000 equity shares of Rs.10/- each by the shareholders in their EGM
September 30, 2003	Increase in Authorised Capital from Rs. 15,00,000 divided into 1,50,000 equity shares of Rs.10/- each to Rs. 5,00,00,000/- divided into 50,00,000 equity shares of Rs.10/- each by the shareholders in their 9 th AGM
September 30, 2003	Alteration of Main object clause by way of addition of Clause No. 2 to 6 after Clause No. 1 by the shareholders in their 9 th AGM
January 16, 2004	Conversion of Private Limited Company into Public Limited Company along with adoption of new set of Articles of Association
February 9, 2004	Increase in Authorised Capital from Rs. 5,00,00,000 divided into 50,00,000 equity shares of Rs.10/- each to Rs. 7,50,00,000/- divided into 75,00,000 equity shares of Rs.10/- each by the shareholders in their EGM

September 30, 2004	Increase in Authorised Capital from Rs. 7,50,00,000 divided into 75,00,000 equity shares of Rs.10/- each to Rs. 15,00,00,000/- divided into 1,50,00,000 equity shares of Rs.10/- each by the shareholders in their 10 th AGM
September 29, 2005	Sub-division of 1,50,00,000 Equity Share of Rs. 10/- each into 15,00,00,000 Equity Shares of Re. 1/- each by the shareholders in 11 th AGM
September 18, 2006	Increase in Authorised Capital from Rs. 15,00,00,000 divided into 15,00,00,000 equity shares of Re.1/- each to Rs. 25,00,00,000/- divided into 25,00,00,000 equity shares of Re.1/- each by the shareholders in their EGM
December 30, 2006	Increase in Authorised Capital from Rs. 25,00,00,000 divided into 25,00,00,000 equity shares of Re.1/- each to Rs. 50,00,00,000/- divided into 50,00,00,000 equity shares of Re.1/- each by the shareholders in their EGM

c. Subsidiaries of the Issuer Company and their business

The Company has no subsidiaries

D.) SHAREHOLDERS' AGREEMENT

There are no Shareholders' Agreement existing as on date.

Other Agreements

Except the Contracts / Agreements entered into in the ordinary course of the business carried on or intended to be carried on by the Company, the Company has not entered into any other Agreement / Contract.

Financial / Strategic Partners

There are no financial or strategic partners.

E.) MANAGEMENT
a. Board of Directors

NEL is a professionally managed organization. The Company functions under the control of a Board of Directors. The day-to-day matters are looked after by qualified key personnel, under the supervision of Managing Director.

Name, Age, Address, Designation, Occupation and Nationality	Date of Appointment and Expiry of Current Term	Qualification	Other Directorships	Compensation (April 2005 – March 2006)
Mr. Vedprakash Devkinandan Chiripal Age: 55 years, Address: 10, Nandi Hill Society, Opp. ISRO, Satellite Road, Ahmedabad 380 015. Designation: Executive Chairman (Promoter Group) Occupation: Industrialist Nationality: Indian	<i>Date of first appointment:</i> August 11, 2003 <i>Expiry of current term:</i> A.G.M. 2008-09	B.Com	<ul style="list-style-type: none"> ▪ Chiripal Industries Limited ▪ Nova Petrochemicals Limited. 	Nil
Mr. Brijmohan Devkinandan Chiripal Age: 45 years, Address: Nandanvan, 11, Nandi Hill Society, Near ISRO, Jodhpur Tekra, Satellite Road, Ahmedabad 380 015. Designation: Managing Director (Promoter Group) Occupation: Industrialist Nationality: Indian	<i>Date of first appointment:</i> December 12, 1998 <i>Expiry of current term:</i> September 30, 2009 (Not Liable to retire by rotation, 5 year contract w.e.f. October 1, 2004)	B.E. (Chemical)	<ul style="list-style-type: none"> ▪ Nova Petrochemicals Limited ▪ Shanti Exports Private Limited 	Nil
Mr. Gautam Chandrakant Gandhi Age: 71 years, Address: 9 th Floor, Sumeru Complex, Near Suvidha Shopping Centre, C.G. Road, Paldi Ahmedabad 380 007. Designation: Independent Director Occupation: Practicing Advocate Nationality: Indian	<i>Date of first appointment:</i> August 26, 2004 <i>Expiry of current term:</i> A.G.M. 2006-07	B.A.; LL.B. Advocate	<ul style="list-style-type: none"> ▪ M. G. Exim Private Limited 	0.10 lacs
Mr. Ambalal C. Patel Age 63 years, Address: 14/B, Shreyansnath Society, Behind Dharnidhar Derasar, Vasana, Ahmedabad	<i>Date of first appointment:</i> February 21, 2007 <i>Expiry of</i>	B.E. (Metallurgy); B.Sc. (Chemistry)	<ul style="list-style-type: none"> ▪ SAL Steel Limited ▪ Shree Precoated Steels Limited ▪ Panchmahal Steels Limited 	Nil

Name, Age, Address, Designation, Occupation and Nationality	Date of Appointment and Expiry of Current Term	Qualification	Other Directorships	Compensation (April 2005 – March 2006)
380 007 <i>Designation:</i> Independent Director, <i>Occupation:</i> Consultant <i>Nationality:</i> Indian	<i>current term:</i> A.G.M. 2006-07.		<ul style="list-style-type: none"> ▪ Jindal Hotel Limited ▪ Shree Gajanand Papers Limited ▪ Vishal Mellable Limited ▪ Laffans Petro Chem Limited ▪ Sumeru Industries Limited ▪ Circuit Systems Limited 	

Brief Profile of the executive and non-executive directors of the company is given below:

Mr. Vedprakash D. Chiripal, aged 55 years is the Executive Chairman of our Company. He also heads the Chiripal Group having interest in Textile businesses. He is a commerce graduate and has almost three decades of experience in textile business.

Mr. Brijmohan D. Chiripal, aged 45 years is the Managing Director of our company He is a graduate in Chemical Engineering and has almost 20 years of business experience in textile business.

Shri Gautam C. Gandhi, aged 71 years, is a partner of Legal firm C.C. Gandhi & Co. at Ahmedabad. He is an independent director on the board of our Company.

Shri A.C. Patel, aged 63 years, retired from Gujarat Industrial & Investment Corporation Limited (GIIC) as Deputy General Manager and has vast experience in project evaluation and project finance.

Details of the Borrowing Powers

Vide a resolution passed at the Extra Ordinary General Meeting of the Company held on May 1, 2004, consent of the members of the Company was accorded to the Board of Directors of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956 for borrowing any sum or sums of money, from time to time from any one or more of the company's bankers and / or from any one or more other persons firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposited, loans or bill discounting or hypothecation or lien or pledge of the company's assets and properties whether moveable or stock in trade (including raw materials, stores, spare parts and components in stock or in transit) and work in progress and all or any of the undertakings of the company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may not exceed the aggregate of the paid up share capital of the company and its free reserves, that is to say reserves not set apart for any specific purpose but, so however, that total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 500 crores (Rupees Five Hundred Crores only) exclusive of interest, and the Directors are hereby further authorized to execute such deed of debentures and debenture trust deeds of mortgage, charge, hypothecation, lien, promissory notes, deposits, receipts and other deeds an instruments or writings as they may think fit and containing such conditions and covenants as the directors may think fit.

b. Compensation of Whole Time Directors

Name: **Mr. Brijmohan Chiripal**

Designation: *Managing Director*

Tenure of Contract: October 1, 2004 thru September 30, 2009 (Five years), Supplementary Agreement dated: November 29, 2006.

Remuneration:**A) SALARY**

In the scale of Rs. 2,50,000 p.m. w.e.f. September 1, 2006

B) PERQUISITES (including allowances)

1. Housing Rent Allowance @ 60% of the Salary
2. Medical Reimbursement – Expenses incurred for the Managing Director and his family as per Company Rules.
3. Leave Travel Concession – For Managing Director and his family incurred in accordance with Company Rules.
4. Club Fees – Fees of clubs subject to a maximum of two clubs. This will not include the admission or life time membership fees.
5. Personal Accident Insurance – Premium as per Company Rules.
6. Contribution to Provident Fund, Superannuation Fund, Annuity Fund/ Gratuity Fund as per Company Rules.
7. Encashment of Leave not availed of as per Company Rules.
8. Provision of Car and Telephone as per Company Rules.
9. Any other amenities, facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

“Family” means spouse, dependent children and dependent parents of the Managing Director.

The total monetary value of perquisites to be paid to the appointee shall not exceed Rs. 1,25,000 per month.

C) MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, wherein any financial year during the tenure of appointment of the Managing Director, the Company has no profits or its profits are inadequate, the Managing Director shall be entitled to remuneration by way of salary and perquisites as provided in Schedule XIII of the Company’s Act, 1956. In addition, the MD shall be entitled to the following perquisites which shall not be considered for the computation of the ceiling on minimum remuneration specified therein:

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together, they are not taxable under the Income Tax Act, 1961.
2. Gratuity not exceeding half a month’s salary for each year of completed service;
3. Enactment of Leave as per Company Rules.

The terms of the appointment of Managing Director were modified in the meeting of the Board of Directors held on November 29, 2006 and have been approved by the shareholders in the Extra Ordinary General Meeting held on December 30, 2006.

Note: Shri Brijmohan Chiripal , vide his letter dated 15th October and the board has accepted the same in the meeting held on 15th October 2004, has voluntarily waived to receive any salary/ remuneration, though approved by the shareholders.

Non-Whole time Directors

Non-executive Directors are currently paid sitting fees of Rs. 5,000/- for attending each meeting of the Board and Rs. 5,000/- for attending each meeting of the committee thereof. However, Mr. Vedprakash D. Chiripal, has currently waived the receipt of sitting fees.

c. Compliance with Corporate Governance Requirements:

Corporate governance refers to a combination of regulations, procedures and voluntary practices that enable companies to maximize shareholder's value by attracting financial and human capital and efficient performance. NEL believes that good corporate governance contemplates that corporate actions balance the interest of all shareholders and satisfy the tests of accountability and transparency.

We are in compliance with SEBI Guidelines in respect of Corporate Governance specially with respect to broad basing of Board, constituting the committees such as Audit committee, Remuneration committee, Shareholders / Investors' Grievance committee, etc.

I. Composition of the Board of Directors

The Board of Directors of the Company consists of 4 (four) directors and has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive and independent Directors. The non-executive directors on the board of the Company are four out of which three are independent directors.

Sr. No.	Name of the Director	Status*	Date of Expiry of Terms
1.	Mr. Vedprakash Chiripal	Executive Chairman, Promoter	A.G.M. 2008-09
2.	Mr. Brijmohan D. Chiripal	Managing Director, Promoter	September 30, 2009 Not liable to retire by rotation
3.	Mr. Gautam C. Gandhi	Non-Executive Independent Director and	A.G.M. 2006-07
4.	Mr. Ambalal C. Patel	Non-Executive Independent Director and	A.G.M. 2007-08

* As per Clause 49 of the Listing Agreement

II. Audit Committee

Audit Committee is constituted by Board of Directors consist of 3 directors, represented by 2 Non-Executive Independent Director and 1 Executive Promoter Director. The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts will be reviewed by the Audit Committee, prior to their presentation to the Board along with the recommendations of the Audit Committee. Besides, Audit Committee will be authorized to exercise all such powers as are required under the amended Clause 49 of the Listing Agreement.

The current composition of Audit Committee is:

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Mr. A.C. Patel	Chairman	Non-Executive, Independent
2.	Mr. Vedprakash D. Chiripal	Member	Executive, Promoter group
3.	Mr. Gautam C. Gandhi	Member	Non-Executive, Independent

The Audit Committee met 5 times during the course of this financial year ended on March 31, 2007, on April 26, 2006; July 05, 2006; July 29, 2006, October 31, 2006 and January 30, 2007.

The scope of the Audit Committee in companies is defined under Clause 49 of the Listing Agreement dealing with Corporate Governance and the provisions of the Companies Act, 1956.

The Audit Committee performs the following functions as per the requirements contained in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956 as follows:

- Overseeing the company's financial reporting process and disclosure of financial information to ensure that the financial statements is correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- Reviewing with management the annual financial statement before submission to the board;
- Reviewing with management and external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal audit function
- Discussion with internal auditors any significant finding and follow up on such issues;
- Reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or failure of internal control system of a material nature, and then reporting such matters to the board;
- Discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussions to ascertain any area of concern;
- Reviewing the company's financial risk management policies; and
- Examining reasons for substantial default in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors, if any.

III. Remuneration of Directors

Remuneration committee:

The board of directors of the company has constituted Remuneration committee comprising of 2 directors comprising of 1 Non-Executive Independent Director and 1 Non-Executive Promoter Director.

Composition of Remuneration Committee:

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Mr. Vedprakash D. Chiripal	Chairman	Executive, Promoter group
2.	Mr. A.C. Patel	Member	Non-Executive, Independent

The Remuneration Committee met 1 time during the course of this financial year ended on March 31, 2007 on Novemebe 29th 2006.

Details of remuneration paid to directors for the year ended on March 31, 2007 are as follows:

Rs in Lacs

Director	Loans and Advances from the Company	Sitting Fees#	Salary and Perquisites	Commission	Total
Mr. Brijmohan Chiripal	Nil	Nil	Nil	Nil	Nil
Mr. Vedprakash Chiripal	Nil	Nil	Nil	Nil	Nil
Mr. Gautam Gandhi	Nil	0.10	Nil	Nil	0.10
Mr. S.T. Shah	Nil	Nil	Nil	Nil	Nil
Dr. D.K. Jain	Nil	Nil	Nil	Nil	Nil
Mr. A.C. Patel	N.A.	N.A.	N.A.	N.A.	N.A.

Includes sitting fees paid for Committee Meetings

IV. Board Procedures

The board of directors met 15 times during the financial year ended on March 31, 2007 namely May 25 2006, June 3, 2006, July 6 2006, July 29 2006, 17th, 24th & 30th August 2006, September 20th 2006, October 5th 2006, October 31 2006, November 29 2006, January 3 2007, January 30 2007, February 21 2007 and March 15, 2007.

The Company had more than 4 board meeting during the year, with a maximum time gap of four months between two meetings. Also, the maximum time gap between any two meetings was not more than three calendar months. None of the directors of the company was a member of more than 10 committees nor was the chairman of more than five committees across all companies in which they are directors.

The Company confirms that all material information has been disclosed to the Board of Directors. Also, the Report of Corporate Governance certifies that the requirement of Board procedures have been complied as per Clause 49 of the Listing Agreement entered into with Stock Exchanges.

V. Management

The Management Discussion and Analysis report forms part of the annual report to the shareholders.

VI. Shareholders

The Company has declared the quarterly results within the expected time and the same have been reported to the Stock Exchanges as per the Listing Agreement. The un-audited quarterly results were declared on the following dates and published in the national dailies and news papers as per Clause 49 of the listing agreement.

April 1, 2006 to June 30, 2006	July 29, 2006
July 1, 2006 to September 30, 2006	October 31, 2006
October 1, 2006 to December 31, 2006	January 30, 2007

Investors Relations Committee

The Company has constituted an investors relations committee comprising of 2 directors with chairman being a non-executive, non-promoter director.

The Committee looks into redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividend etc. The committee reviews the performance and recommends measures for overall improvement in quality of investor services.

Composition of Shareholders/ Investors Relations Committee

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Gautam C. Gandhi,	Chairman	Non-Executive, Independent Director
2.	Vedprakash Chiripal	Member	Executive, Promoter Director

The committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non-receipt of balance sheet, non-receipt of dividend warrants etc. During the last financial year, the Company received 10 complaints from shareholders, all of which stand resolved as on March 31, 2007.

Rights Issue committee

The Rights Issue Committee was constituted by Board of Directors in its meeting on January 30, 2007 consisting of 3 directors, 1 of whom are Non-executive Independent Directors and 2 Executive Promoter Director. The Committee would look into the matters relevant to the Rights Issue.

Composition of Rights Issue Committee

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Mr. Vedprakash D. Chiripal	Chairman	Executive, Promoter Director
2.	Mr. Brijmohan D. Chiripal	Member	Executive, Promoter Director
3.	Mr. A.C. Patel	Member	Non-Executive, Independent Director

VII. Report on Corporate Governance

The company has a separate section on Corporate Governance in the annual report, with a detailed compliance report on Corporate Governance and the same forms part of the Annual Report sent to the shareholders.

VIII. Compliance

The Company has obtained the Compliance Certificate from the Auditors of the Company dated July 7, 2006 certifying compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and has been filed along with the Annual return to the Stock Exchanges. Also, the said Compliance certificate forms part of the Annual Report sent to all the shareholders.

Compliance with Listing Agreement

The Company is, listed on BSE and NSE and has complied with the requirements under the respective Listing Agreement of the above-mentioned stock exchanges. It has paid the requisite annual listing fee to the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited for the period 2006-2007. Also no disciplinary action has been initiated by the Stock Exchanges or SEBI against Nandan Exim Limited or Directors. It is confirmed that all the issued capital is listed on both the stock exchanges.

d. Shareholding of the Directors

Sr. No.	Name	Relationship	No. of Shares	% of Share Capital
1.	Mr. Vedprakash Chiripal	Executive Chairman, Promoter	3,15,00,000	10.37%
2.	Mr. Brijmohan Chiripal	Managing Director, Promoter	3,15,00,000	10.37%

The other Directors do not hold any Equity Shares in the Company.

Qualification Shares required to be held by Directors

Directors are not required to hold any qualification shares.

e. Interest of Directors (Other than the Promoter Directors)

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The directors may also be deemed to be interested to the extent of:

- a. The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively. The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any company in which they are directors/members of, to firms in which they are partners.
- b. Remuneration of Managing Director/ Executive Directors / Whole time Directors

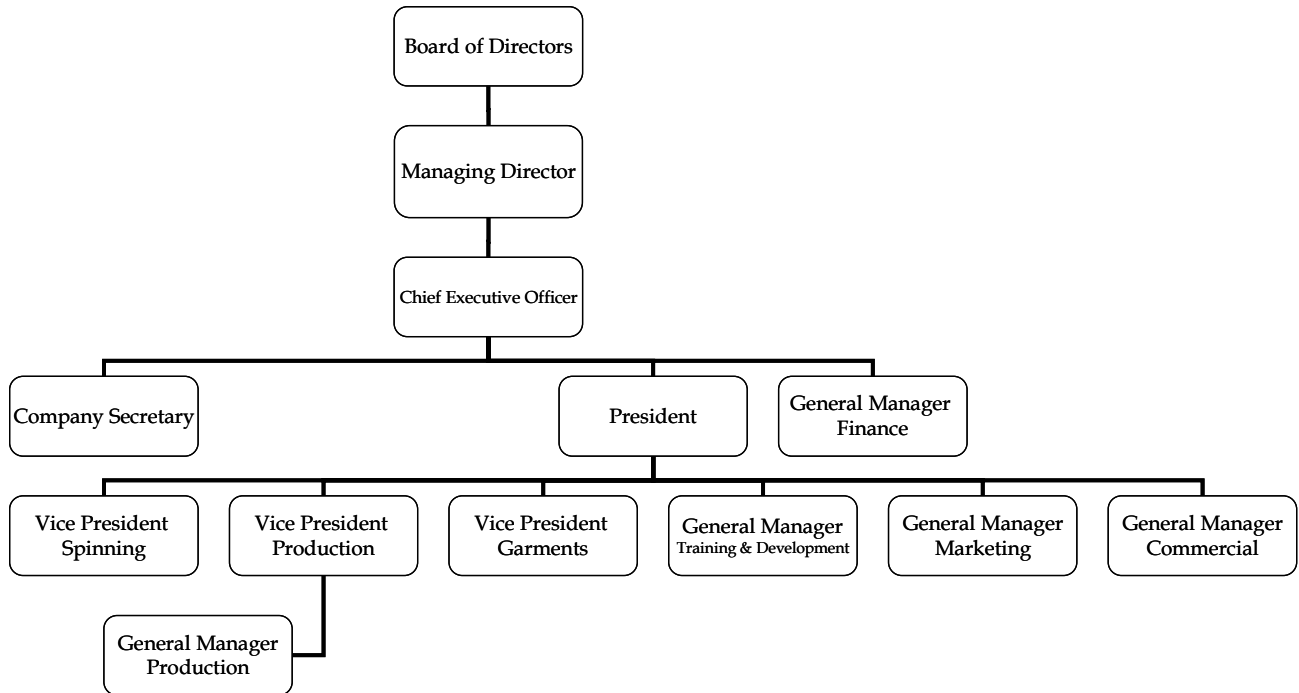
The Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Letter of Offer in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them other than contracts in the normal course of business and being permitted as per the current rules and regulations governing the same.

Changes in the Board of Directors in the last three years

The following are the changes in the Board of Directors in the last 3 years and no changes thereafter have taken place:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Gautam C. Gandhi	August 26, 2004	-	Appointment
Mr. Rajendra B. Agrawal	-	October 13, 2004	Resigned
Dr. D.K. Jain	August 4, 2004	February 21, 2007	Resignation
Mr. A.C. Patel	February 21, 2007	-	Appointment
Mr. S.T. Shah	July 18, 2005	March 2, 2007	Resignation

f. Management Organization Structure



g. Key Management Personnel

Sr. No	Name	Designation	Age	Qualification	Experience (Years)	Date of Joining	Functional Responsibility / Division	Present C.T.C. per annum (Rs. in lacs)	Compensation paid during FY 2005-06 p.a. (Rs. in lacs)	Previously Employed
1.	Deepak Chiripal	C.E.O.	28	B.Com, MBA.	5	April, 01, 2006	Management	15.00	N.A.	-
2.	Mr. Suresh Maheshwari	President	49	B. Com., C.A.	24	July 01, 2006	Administration	11.80	N.A.	Welspun India Ltd.
3.	Mr. Pinakin Patel	Vice President	46	B. Text	23	November 11, 2005	Production	10.50	4.04	Arvind Mills Ltd
4.	Mr. Praveen Gupta	Vice President	46	B. Com.	27	April 1, 2006	Garment	5.70	N.A.	Godrej and Boyce Limited
5.	Mr. Rajendra Suthar	Vice President	44	B. Text. Tech, MBA (Mktg.),	20	April 1, 2006	Spinning	5.10	N.A.	Ashima Ltd

Sr. No	Name	Designation	Age	Qualification	Experience (Years)	Date of Joining	Functional Responsibility / Division	Present C.T.C. per annum (Rs. in lacs)	Compensation paid during FY 2005-06 p.a. (Rs. in lacs)	Previously Employed
				LLB						
6.	Dakshesh Choksi	General Manager	42	B.Com, A.C.A, A.I.C.W.A	18	December 1, 2006	Finance	5.60	N.A.	Ratnani Metals & Tubes Limited
7.	Mr. G. S. Rudra Gowda	General Manager	45	B. Tech. (Textiles)	19	May 9, 2005	Production	3.61	6.41	Suryalaxmi Cotton Mills Ltd
8.	Mr. Jagdish Prasad Maheshwari	General Manager	58	B.Com.	37	March 1, 2006	Commercial	6.20	0.52	Modern Terry Towel
9.	Mr. Amar Nath	Deputy General Manager	42	M.B.A.	19	October 8, 2005	Marketing	6.60	5.88	Raymond Ltd.
10	Mr. Kamal Bagchi	Head-Quality Assurance	64	M. Tech.	32	September 1, 2006	Quality Assurance	4.20	N.A.	Arvind Mills Ltd.
11	Mr. D. N. Pandey	Asst. Manager (Bottom Weight)	42	D.T.M	15	December 20, 2004	Manufacturing	4.14	4.14	Jindal Worldwide
12	MR. Surendra Kaushik	Manager (marketing)	35	MA, MBA (Marketing)	10	December 14, 2004	Marketing	2.34	2.34	Jindal Worldwide

Brief Profile of Key Managerial Personnel:

Brief Profile of remaining Key Managerial Personnel other than directors is as follows:

Mr Deepak Chiripal (Chief Executive Officer)

Mr Deepak Chiripal is the Chief Executive Officer of NEL. He has been developing the export business and domestic market of the company and is also in charge of overall administration and supervision of the production and operations department.

Mr. Suresh Maheshwari, President

Mr. Suresh Maheshwari has joined NEL recently. He has around 23 years of rich experience in Denim. Before joining this organization, he has been associated with Modern Group of Industries and Welspun India Limited. He looks after the day to day operations of the plant.

Mr. Pinakin Patel, Vice President, Operations

Mr. Pinakin Patel has been with NEL since November, 2005 He looks after weaving unit. He has 22 years of experience in Denim Industry. Before joining this organization, he was employed with Arvind Mills Ltd. as General Manager Denim Division.

Mr. Praveen Gupta, Vice President, Garments

Mr. Gupta has around 26 years of experience and prior to joining our company was employed with Godrej & Boyce Ltd.

Mr. Rajendra A. Suthar, Vice President-Operations, Spinning

Mr. Suthar has a experience in spinning for more than 20 years. He worked in Ashima Ltd. for more than 19 years.

Mr. Dakshesh Choksi, General Manager, Finance

Mr. Dakshesh Choksi has joined NEL since December 2006. He looks after the entire finance function of NEL. He has 18 years of experience. Before joining NEL, he was employed with Ratnamani Metals and Tubes Limited.

Mr. G. S. Rudra Gowda, General Manager- Design & Development

Mr. G. S. Rudra Gowda joined Nandan Exim as General Manager (Design & Development). Before joining NEL, he was with Suryalaxmi Cotton Mills (Nagpur). He has around 19 years of experience in Denim and Bottom Weight.

Mr. J. P. Maheshwari, GM- Commercial

Mr. J.P.Maheshwari joined Nandan Exim as General Manager –Commercial and is a CA by education. He has around 37 years in textile industries in various capacities.

Dr. Vinod Jha, General Manager - Training and Development

Dr. Vinod Jha joined NEL as General Manager Training & Development. He has done his doctorate and has been awarded with Peace Mercy Award, 2004. He has vast experience of more than 30 years in training and development.

Mr. Amar Nath, DGM-Marketing

Mr. Amar Nath has joined NEL as a DGM–Marketing of Denim and has 18 years of experience in Denim

Mr. Kamal Bagchi, Head Quality Assurance

Mr. Kamal Bagchi has done his M. Tech. in textile engineering from I.I.T., Delhi having experience of more than 37 years in quality assurance from cotton to marketing, MCS, etc. He was earlier associated with Arvind Mills for more than 30 years.

Mr D N Pandey, Asst Manager (Bottom Weight)

Mr D N Pandey, Aged 42 years, Diploma holder in Textile Management, is having an experience of 15 years in manufacturing of Bottom weights, is working as Asst Manager. He was earlier associated with M/s Jindal Worldwide Ltd.

Mr. Surendra Kaushik, Manager (Marketing)

Mr. Surendra Kaushik aged 35 years is Post Graduate, MBA - Marketing having experience of 10 years and working as Manager (Marketing). He was earlier associated with M/s Jindal Worldwide Ltd.

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as director or member of senior management. None of the key managerial personnel have any relationship with the promoters or directors of the company, other than Mr. Deepak Chiripal who is nephew of Mr. Vedprakash Chiripal (Chairman) and Mr. Brijmohan Chiripal (Managing Director). Also, Mr. Vedprakash D. Chiripal (Chairman) and Mr. Brijmohan D. Chiripal (Managing Director) are promoters of the company.

Shareholding of the Key Managerial Personnel:

None of the Key Managerial Personnel other than Deepak Chiripal (holding 54,05,000 equity shares as on February 28, 2007) hold any shares of the Company as on February 28, 2007.

Bonus or Profit Sharing Plan for the Key Managerial Personnel:

Except the payment of salaries and perquisites, the company provides other benefits to the employees that are uniform to all the employees of the company and performance based ex-gratia payments. The Company does not have any profit sharing or stock option plans for any of its employees.

Loans to key managerial personnel

There are no loans outstanding against key managerial personnel as on December 31, 2006.

Changes in the Key Managerial Personnel in the last one year:

Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last one year:

Updated Changes in the Key Managerial Personnel in the last one year:

Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last one year:

Sr. No.	Name	Designation	Date of Joining	Date of Leaving	Remarks
1.	Mr. Deepak J. Chiripal	C.E.O.	April 1, 2006	-	Appointment
2.	Mr. Dakshesh Choksi	General Manager, Finance	December 1, 2006	-	Appointment
3.	Mr. Manish Raja	Manager (Finance & Costing)	March 22, 2004	April 8, 2006	Resignation
4.	Mr. Mukesh Gandhi	Manager - Civil	March 20, 2003	March 31, 2006	Resignation
5.	Mr. Mayur Barwadiya	Company Secretary	February 6, 2006	February 14, 2007	Resignation
6.	Mr. Vikram Oza	Vice President (Finance)	November 1, 2005	October 31, 2006	Resignation
7.	Mr. Suresh Maheshwari	President (Admin.)	July 01, 2006	-	Appointment
8.	Mr. Praveen Gupta	Vice President	April 1, 2006	-	Appointment

Sr. No.	Name	Designation	Date of Joining	Date of Leaving	Remarks
		(Garment)			
9.	Mr. Rajendra Suthar	Vice President (Spinning)	April 1, 2006	-	Appointment
10.	Mr. Jagdish Prasad Maheshwari	General Manager (Commercial)	March 1, 2006	-	Appointment
11.	Dr. Vinod Jha	General Manager (Training & Development)	January 1, 2007	January 31, 2007	Appointment Resignation
12.	Mr. Kamal Bagchi	Head- Quality Assurance	September 1, 2006	-	Appointment
13.	Mr. Bharat Shah	General Manager – Production	October 6, 2005	January 20, 2007	Resignation
14.	Mr. Tappar Gogai	Manager – Weaving	January 24, 2005	May 12, 2006	Resignation

h. Employees

The total manpower directly employed by the Company as on February 28, 2007 is 819 personnel. Distribution of the manpower is as follows:

Summary of Managerial, Administrative, Skilled & Unskilled Personnel

Particulars	No. of Employees
Head Office	
Managerial Personnel	26
Administrative Staff	46
Total	72
Plant	
Managerial Personnel	38
Administrative Staff	151
Skilled Personnel	382
Unskilled Personnel	176
Total	819

i. Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

The Company has no Employees Stock Option Scheme/ Employee Stock Purchase Scheme.

j. Other Benefits to the Officers of the Issuer Company

Except the payment of salaries and perquisites, the company provides other benefits to the employees that are uniform to all the employees of the company including transportation facility etc. and performance based ex-gratia payments.

F.) PROMOTERS/ PRINCIPAL SHAREHOLDERS***a. Details of Promoters being Individuals*****Name: Mr. Vedprakash D. Chiripal****Designation: Chairman (Non-Executive)**Permanent Account Number
Passport NumberAAHPC2102Q
F1680202 dated 10/12/2004
valid till 09/12/2014Driving License Number
Bank Account No.N.A.
S/B 07805
The Kalupur Commercial Co-Op
Bank Ltd.
Address: S. M. Road, Satellite
Road, Ahmedabad - 380015.

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against Mr. Vedprakash D. Chiripal other than as mentioned in this Draft Letter of Offer.

Name: Mr. Brijmohan D. Chiripal**Designation: Managing Director**Permanent Account Number
Passport NumberAACPA7904K
F1704132 dated 31/12/2004
valid till 30/12/2014Driving License Number
Bank Account No.N.A.
S/B 07864
The Kalupur Commercial Co-Op
Bank Ltd.
Address: S. M. Road, Satellite
Road, Ahmedabad-380015.

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences. There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against Mr. Brijmohan D. Chiripal other than as mentioned in this Draft Letter of Offer.

b. Details of Promoters being Company

N.A

It is confirmed that the Permanent Account Number, Voter ID Number, Bank Account details and Passport Number of Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal is being submitted to the Stock Exchanges on which Equity Shares are proposed to be listed, at the time of filing of Draft Letter of Offer with them.

c. Common Pursuits

Except **Shanti Export Pvt. Limited**, there are no common pursuits amongst Nandan Exim Limited and other group companies activities i.e. Spinning Cotton yarn and Denim manufacturing.

Shanti Export Pvt. Limited has successfully bid for acquisition of assets of M/s Arunodaya Mills Limited located at Mahendra nagar, Morbi which is in the business of manufacturing cotton yarns.

d. Interest of Promoters

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The directors may also be deemed to be interested to the extent of:

- The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively.
- The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any company in which they are directors/members of, to firms in which they are partners.
- Remuneration of Managing Director/ Executive Director / Whole time Directors
- Benefits as duly disclosed in this Letter of Offer

Particulars of nature and extent of the interest of every director in any property acquired within two years of the date of Letter of Offer or proposed to be acquired:

Save as stated in this Letter of Offer neither the Promoters nor the firms or companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment companies in NEL and earning returns thereon. None of the Promoters or the firms or companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Letter of Offer or proposed to be acquired by it. The promoters are also interested in the company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the company.

e. Payment or benefit to Promoters of the Issuer Company

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled "Compensation to Whole Time Directors" of this Draft Letter of Offer, there are no payment or benefit to promoters of the Company.

f. Related Party Transactions as per Financial Statements

The details of related party transactions please refer to page no. 71 of this Letter of Offer.

G.) CURRENCY OF PRESENTATION

In this Letter of Offer, all references to "Rupees" "Rs." are to the legal currency of India, all references to "U.S. Dollars", and "US\$" are to the legal currency of the United States and all references to "Pound Sterling", and "GBP" are to the legal currency of the United Kingdom.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Letter of Offer, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Restated Financial Statements prepared as per Indian GAAP.

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

H.) DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The Summary of dividends declared by Nandan Exim Limited is as follows:

Particulars	From 01/04/06 to 31/12/06	2005-06	2004-05	2003-04	2002-03	2001-02
Number of Equity Shares	151830188	139000000	79000000	2550000	148520	148520
Face Value	1	1	10	10	10	10
Rate of Dividend (Interim / Final)	7.5 %	15 %	Nil	Nil	25 %	Nil
Total amount of Dividend (Rs.) (Including Tax on Dividend)	12984329	23840672	Nil	Nil	418873	Nil

The amounts paid as dividend in past is not indicative of the company's dividend policy in the future.

PART II
SECTION IV. FINANCIAL STATEMENTS

Lead Manager confirms that all notes to the accounts, significant accounting policies as well as well as auditors' qualifications (if any) have been incorporated.

A.) STANDALONE FINANCIAL INFORMATION OF THE ISSUER COMPANY

From:
J.T. Shah & Co.
Chartered Accountants
201/202 Lalita Complex, 352/3, Rasala Marg,
Navarangpura,
Ahmedabad – 380 009

Auditor's Report

To,
The Board of Directors
NANDAN EXIM LIMITED
Survey No. 198/1 & 203/2
Saijpur – Gopalpur Pirana Road
Piplaj, Ahmedabad.

Reg: Right Issue of Nandan Exim Ltd. – Auditor's Report as required by Part II of Schedule II to the Companies Act, 1956.

Dear Sirs,

1. We have examined the financial information of Nandan Exim Ltd. ("the Company") Annexed to this report which have been prepared in accordance with requirements of:
 - a. Clause B of Part II of Schedule II to the Companies Act, 1956.
 - b. The Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 and
 - c. The terms of reference received from the company, requesting us to carry out work, propose to be included in the Letter of Offer of the Company in connection with its Right Issue.

Financial Information as per Audited Financial Statements:

2. We have examined the attached restated summary statement of assets and liabilities of the Company as at 31st December, 2006, 31st March 2006, 2005, 2004, 2003, 2002 and the attached restated summary statement of profit and loss for each of the years / period ended on those dates ("summary statements") (**see Annexure I, II and III**) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion appropriate and more fully described in the notes appearing in **Annexure IV** to this report. We have also examined and found correct the accounts of the Company for the period from April 1, 2006 to December 31, 2006 prepared and approved by the Board of Directors of the Company. These summary statements have been extracted from the financial statements for the year ended 31st March, 2006, 2005 and 2004 audited by us and from the financial statements for the year ended 31st March, 2002 and 2003 audited by other auditors and adopted by the Board of Directors / members for the respective years. Based on our examination of these summary statements we confirm that:

- a. The impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached summary statements:
 - b. There are prior period items which have been adjusted in the summary statements in the years to which they relate.
 - c. The extraordinary items, which need to be disclosed separately in the summary statements, are appropriately disclosed; and
 - d. There are no qualifications in the auditor's reports, which require any adjustments in the summary statements.
3. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited financial statements are enclosed as **Annexure V and Annexure VI** to this report.

Other Financial Information

4. We have examined the following other financial information of the Company proposed to be included in the Letter of Offer as approved by you and annexed to this report.
- a. Restated Statement of Cash flows for the years / period ended 31st December, 2006 and 31st March, 2002, 2003, 2004, 2005 and 2006 are enclosed as **Annexure V**;
 - b. Accounting ratios based on the restated profits relating to earning per share, net asset value and return on net worth is enclosed in **Annexure VIII**;
 - c. Capitalization statement as at December 31, 2006 is enclosed in **Annexure IX**;
 - d. Statement of tax shelters is enclosed in **Annexure X**;
 - e. Details of Sundry Debtors as at 31st December, 2006 appearing in **Annexure XI**;
 - f. Details of loans as at 31st December, 2006 appearing in **Annexure XII**;
 - g. The rates of dividends paid by the Company in respect of period from 1st April, 2006 to 31st December, 2006 and for the years ended 31st March, 2002, 2003, 2004, 2005 and 2006 are as shown in **Annexure XIII**;
 - h. Details regarding the working capital facilities as at 31st December, 2006 are enclosed in **Annexure XIV**;
 - i. The statement of investment made by the company as at 31st December, 2006 is enclosed in **Annexure XV**;
 - j. The effect of changes in Share Capital is enclosed in **Annexure XVI**;
5. In our view, the "financial information as per audited financial statements" and "other financial information" mentioned above have been prepared in accordance with Part II of Schedule II of the Act.
6. We further confirm that the company does not have any subsidiary within the meaning of section 4 of the Companies Act, 1956.
7. This report is intended solely for your information for inclusion in the Letter of Offer for the proposed Right Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For, **J. T. Shah & Company**
Chartered Accountants

(J. T. Shah)
Partner
M. No. 3983

Place: Ahmedabad
Date: 08-05-2007

Annexure: I**RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES**

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

(Rs. in Lacs)

PARTICULARS	AS AT					
	31/12/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
ASSETS						
GROSS FIXED ASSETS	9583.76	7272.49	2733.78	1644.96	17.15	6.51
Less: Depreciation	1325.54	734.40	237.79	32.11	1.66	0.69
Net Fixed Assets – (A)	8258.22	6538.09	2495.99	1612.85	15.49	5.82
Capital Work in Progress – (B)	5357.94	1410.38	907.62	253.09	Nil	Nil
INVESTMENTS: (C)	623.03	623.03	624.5	623.60	619.20	459.60
CURRENT ASSETS, LOANS & ADVANCES:						
Inventories	3024.18	2392.37	866.23	130.54	84.15	145.77
Sundry Debtors	4520.08	2051.76	1413.45	304.02	42.03	391.73
Cash & Bank Balance	1171.57	865.17	330.88	80.25	3.50	3.24
Loans & Advances	5376.61	2106.76	650.4	1133.69	490.00	125.81
TOTAL (D)	14092.44	7416.06	3260.96	1648.50	619.68	666.55
CURRENT LIABILITIES & PROVISIONS						
Current Liabilities	2862.01	2840.43	1670.19	699.49	12.65	140.24
Provisions	734.85	411.58	119.58	15.00	37.54	18.32
TOTAL – (E)	3596.86	3252.01	1789.77	714.49	50.19	158.56
Net Current Assets- (D-E)	10495.58	4164.05	1471.19	934.01	569.49	507.99
Less: LIABILITIES						
Unsecured Loans (Pl. refer Annexure II)	10689.00	3724.85	804.47	900.00	Nil	Nil
Secured Loans (Pl. refer Annexure II)	6865.57	4715.32	2937.57	1093.48	128.65	145.68
Total – (F)	17554.57	8440.17	3742.04	1993.48	128.65	145.68
Less: DEFERRED TAX	730.77	557.78	148.75	53.79	0.55	Nil
Add: Misc. Expenditure	1.40	2.25	3.37	4.49	0.01	0.02
TOTAL	6450.83	3739.85	1611.88	1380.77	1074.99	827.75
NET WORTH (Net of Misc. Expenditure)	6449.43	3737.6	1608.51	1376.28	1074.98	827.73
Represented by						
Paid-up Equity Share Capital	1518.30	1390.00	790.00	255.00	14.85	14.85
Share Application Money	Nil	Nil	Nil	Nil	Nil	Nil
RESERVE & SURPLUS						
General Reserve	263.00	148.00	28.00	28.00	28.00	Nil
Share Premium	2193.38	622.38	69.06	Nil	Nil	Nil
Profit & Loss Account	2476.15	1579.47	724.82	1097.77	1032.14	812.90
TOTAL	6450.83	3739.85	1611.88	1380.77	1074.99	827.75

Annexure: II

1. Details of Unsecured Loans

A. Statement of Unsecured Loans

(Rupees in Lacs)

Particular	AS AT					
	31-12-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
i) Inter Corporate deposits						
From promoters, promoter group and group companies of promoters	169.50	169.50	224.47	200.00	Nil	Nil
From other than promoters, promoter group and group companies	Nil	Nil	580.00	700.00	Nil	Nil
ii) From Banks	4880.51	2400.00	Nil	Nil	Nil	Nil
iii) From Banks under Buyers' Credit Arrangement	5638.99	1155.35	Nil	Nil	Nil	Nil
	10689.00	3724.85	804.47	900.00	Nil	Nil
Rate of Interest	-	-	-	-	NA	NA
Repayment	On Demand	On Demand	On Demand	On Demand	NA	NA

B. Terms and conditions of Unsecured loans as on 31/12/2006

Sr. No.	Name of Lender	Amount (Rs. in Lacs)	Rate of Interest %	Repayment Terms
	From Promoters, Group Companies, Associate Concerns			
1	Shanti Export P Ltd.	169.50	Nil	On Demand
	From Banks			
2	IDBI Bank Limited	2400.00	9.25	Monthly Installments of Rs. 200 Lacs each beginning from 13/02/07.
3	Karyur Vasya Bank Limited	1000.00	9.75	Monthly Installments of Rs. 100 Lacs each beginning from 01/04/07.
4	The Bank of Rajasthan Limited	480.51	9.75	Monthly Installments beginning from

Sr. No.	Name of Lender	Amount (Rs. in Lacs)	Rate of Interest %	Repayment Terms
				31/07/07.
5	United Bank of India Limited	1000.00	9.75	Repayable on 15/03/2007
	From Banks under Buyer's Credit Arrangement			Repayable On
6	Bank of India Honk Kong	306.44	LIBOR+30 BPS	07/09/2007
7	State Bank of India – Frankfurt, Germany	861.32		
		105.26	LIBOR+ 45 BPS	23/02/2007
		275.88	EURIBIOR+25 BPS	30/09/2007
		107.96	TIBOR+ 125 BPS	15/02/2008
		102.27	TIBOR+ 125 BPS	10/10/2007
		269.95	ERIBIOR+120 BPS	12/01/2007
8	State Bank of India – Honk Kong	881.39	EURIBIOR+75 BPS	05/02/2008
9	State Bank of India – Osaka, Japan	3589.84		
		335.59	TIBOR+ 125 BPS	20/03/2007
		46.70	ERIBIOR+120 BPS	20/03/2007
		292.89	TIBOR+ 125 BPS	05/12/2008
		613.64	TIBOR+ 40 BPS	24/03/2007
		192.58	TIBOR+ 40 BPS	30/05/2007
		681.61	URIBOR+30 BPS	15/10/2007
		10.88	URIBOR+30 BPS	15/10/2007
		658.82	EURIBOR+45 BPS	15/10/2007
		757.13	EURIBOR+45 BPS	30/09/2007
		10689.00		

2. Details of Secured Loans

A. Statement of Secured Loans as on 31/12/2006

Term Loans

Sr. No.	Name of the Institutions / Banks from whom Loan raised	Date of Sanction	Amount Sanctioned (Rs. in Lacs)	Type of Loan	Outstanding as on 31/12/2006 (Rs. in Lacs)	Over Dues	Rate of Interest per Annum	Repayment Schedule	Security
1	State Bank of India	04.05.2006	4000	T/L	Nil	Nil	SBAR-1%	Phase repayment ending on March, 2014-15	Note-1
2	State Bank of India	19.11.2003	1500	T/L	524.52	Nil	SBMTLR +2%	Phase repayment ending on March, 2014-15	Note-2
3	State Bank of India	16.07.2005	2220	T/L	704.79	Nil	SBAR-1.25%	Phase repayment ending on March, 2014-15	Note-2
4	Syndicate Bank	21.08.2006	2325	T/L	163.86	Nil	SBAR-1%	Phase repayment ending on March, 2014-15	Note – 1
5	Syndicate Bank (Garment)	24.08.2006	864	T/L	Nil	NIL	PLR-1.5%	Phase Repayment ending on october2013-14	Equitable mortgage of proposed factory Land and building
6	State Bank of Travancore	24.06.2006	1925	T/L	Nil	Nil	SBTPLR-1.25%	Phase repayment ending on March, 2014-15	Note-1

7	State Bank of Patiala	23.06.2006	1925	T/L	Nil	Nil	BPLR-1.25%	Phase repayment ending on March, 2014-15	Note-1
8	Indian Bank	19.06.2006	1925	T/L	Nil	Nil	BPLR+TP-2.25%	Phase repayment ending on March, 2014-15	Note-1
9	Bank of Maharashtra	19.07.2006	1925	T/L	Nil	Nil	BPLR-1.5%	Phase repayment ending on March, 2014-15	Note 3
10	Corporation Bank	17.07.2006	1225	T/L	Nil	Nil	PLR-1.25%	Phase repayment ending on March, 2014-15	Note – 4
11	Karur Vysya Bank	20.07.2006	1225	T/L	Nil	Nil	SBAR-1%	Phase repayment ending on March, 2014-15	Note – 1
12	State Bank of Hyderabad	24.06.2006	1225	T/L	Nil	Nil	SBHPLR-1.75%	Phase repayment ending on March, 2014-15	Note – 1
13	State Bank of Mysore	11.07.2006	1225	T/L	Nil	Nil	SBAR-1%	Phase repayment ending on March, 2014-15	Note – 1
14	State Bank of Saurashtra	02.08.2006	1225	T/L	Nil	Nil	BPLR-1.5%	Phase repayment ending on March, 2014-15	Note – 1

15	Oriental Bank of Commerce	14.07.2006	1225	T/L	Nil	Nil	PLR-1.75%	Phase repayment ending on March, 2014-15	Note - 4
16	Oriental Bank of Commerce	2003	1243	T/L	823.19	Nil	PLR-2%	Phase repayment ending in second quarter of 2011-12	Hypothecation of movable plant & machinery with other fix assets
17	Tamilnad Mercantile Bank	05.07.2006	1000	T/L	Nil	Nil	PLR-2.25%	Phase repayment ending on March, 2014-15	Note – 1
18	United Bank of India	08.08.2006	1925	T/L	Nil	Nil	BPLR-1.5%	Phase repayment ending on March, 2014-15	Note – 1
19	UCO Bank	19.11.2005	1140	T/L	919.73	Nil	BPLR-2%	Phase repayment ending on March, 2014-15	First charge on Immovable assets, plant & machinery with other lenders
20	Lakshmi Vilas Bank	21.12.2005	1500	T/L	854.95	Nil	BPLR-3.5%	Phase repayment ending on October, 2013	Hypothecation of movable assets plant & machinery
21	ICICI Bank Ltd	01.05.2005	6.8	Vehicle Loan	3.03	Nil	5.11%	Monthly repayment ending on May 2008	Hypothecation of Vehicle

22	ICICI Bank Ltd	07.12.2005	8.7	Vehicle Loan	5.69	Nil	2.91%	Monthly repayment ending on October 2008	Hypothecation of Vehicle
23	ICICI Bank Ltd	01.12.2006	3.4	Vehicle Loan	3.23	Nil	9.29%	Monthly repayment ending on October 2009	Hypothecation of Vehicle
24	ICICI Bank Ltd	01.01.2006	3.6	Vehicle Loan	2.45	Nil	6.82%	Monthly repayment ending on November 2008	Hypothecation of Vehicle
Total . . .					4005.44				

Note:

1. First charge, pari passu with other term lenders, on fixed assets of company and second charge on current assets of company also personal guarantee of directors Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal
2. First charge over entire fixed assets both present and future of company on pari passu basis with other lenders for project and personal guarantee of directors Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal
3. First charge pari passu charge on all fix assets of company both present and future and second pari passu charge with all existing and proposed term lenders on the current assets of company
4. First charge over entire fixed assets both present and future of company on pari passu basis with other lenders for project.

Working Capital Loans from Banks

Particulars	Outstanding as on 31/12/2006 (Rs. in Lacs)	Over Due	Rate of Interest	Security
State Bank of India				
- Cash Credit	390.67	Nil	SBAR - 1%	First Charge on hypothecation of the entire Inventory, Receivables and other Current Assets of the Company in Favour of consortium banks on pari pasu basis, second charge over the entire Fixed Assets both present and future of the company and personal guarantee of
- Standing Letter of Credit	99.99	Nil	SBAR- 1%	
- Export Packing Credit	443.87	Nil	SBAR- 1%	
- Foreign Bills Purchase	98.18	Nil	SBAR- 1%	
Uco Bank				
- Cash Credit	625.68	Nil	BPLR- 2%	

- Foreign Bills Purchase	99.94	Nil	BPLR-2%	directors Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal.
- Foreign Bills Purchase	12.96	Nil	BPLR-2%	
Oriental Bank of Commerce				
- Working Capital Demand Loan	118.03	Nil	PLR-1.75%	
- Cash Credit	454.71	Nil	PLR-1.75%	
- Export Packing Credit	342.93	Nil	PLR-1.75%	
- Foreign Bills Purchase	173.17	Nil	PLR-1.75%	
Total . . .	2860.13			

B. Statement of Secured loans

Sr. No.	Particular	AS AT					
		31-12-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
A	Term Loans from Banks						
	ICICI Bank Limited	14.4	15.93	Nil	Nil	Nil	Nil
	Lakshmi Vilas Bank	854.95	Nil	Nil	Nil	Nil	Nil
	Oriental Bank of Commerce	823.19	851.4	37.58	Nil	Nil	Nil
	State Bank of India	1229.31	1211.42	384.94	234.48	Nil	Nil
	Syndicate Bank	163.86	Nil	Nil	Nil	Nil	Nil
	Uco Bank	919.73	1021.95	1153.06	733.92	Nil	Nil
	Total . . . (a)	4005.44	3100.7	1575.58	968.4	Nil	Nil
B	Working Capital Loans						
	Oriental Bank of Commerce	1088.84	1246.91	438.26	Nil	Nil	Nil
	State Bank of India	1032.71	239.17	631.25	Nil	Nil	Nil
	Uco Bank	738.58	128.54	292.47	125.07	128.65	145.68
	Total . . . (b)	2860.13	1614.62	1361.98	125.07	128.65	145.68
	Total . . . (a) + (b)	6865.57	4715.32	2937.56	1093.47	128.65	145.68

Annexure: III**RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS**

We report that the profits of the company for the five financial years ended on 31st March, 2002, 2003, 2004, 2005 & 2006 and for the nine month period ended on 31st December, 2006 are as set out below. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustments and regroupings as are, in our opinion, appropriate.

(Rs. in Lacs)

PARTICULARS	YEAR/PERIOD ENDED					
	31/12/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
INCOME						
Sales	15509.98	12477.35	5346.27	721.23	542.60	482.18
IT Services	Nil	Nil	Nil	62.54	157.88	444.06
Job Work Income	192.14	395.79	560.72	Nil	Nil	Nil
Variation in Stock	Nil	Nil	Nil	Nil	Nil	Nil
Other Income	57.49	32.55	42.44	40.39	4.37	Nil
TOTAL	15759.61	12905.69	5949.43	824.16	704.85	926.24
EXPENDITURE						
Consumption / Purchase of Material	11016.97	8830.43	4517.27	452.92	260.90	221.87
Personnel Expenses	372.79	287.10	123.81	15.96	3.76	2.46
Manufacturing, Administrative, Selling & Other Expenses (Including Software Preparation Charges)	1342.02	1055.75	549.46	128.41	151.54	137.65
Financial Exp.	679.19	361.80	217.51	37.10	11.91	12.82
Depreciation	591.15	496.61	205.68	30.44	1.77	1.68
Misc. Expenditure Written Off	0.84	1.12	1.12	1.13	0.01	0.01

TOTAL	14002.96	11032.81	5614.85	665.96	429.89	376.49
Profit before Tax	1756.65	1872.88	334.58	158.20	274.96	549.75
Less: Provision for Taxes:						
Current Tax	470.00	257.10	26.00	15.00	32.00	16.50
Deferred Tax	146.11	376.75	91.19	53.24	0.05	Nil
Less: Short/ (Excess) Provision of Income Tax & Deferred Tax.	(0.98)	26.89	3.77	0.77	0.51	0.40
Less: Prior Period Items.	(0.91)	(2.01)	Nil	Nil	Nil	Nil
Profit After Tax	1142.43	1214.15	213.62	89.19	242.40	532.85
Add: Depreciation of earlier years W/back	Nil	Nil	Nil	1.81	Nil	Nil
Profit for the year	1142.43	1214.15	213.62	91.00	242.40	532.85
Adjustments Due to change in Accounting Policies (refer Annexure III)	(0.91)	(1.10)	2.01	(25.37)	9.03	(26.07)
Adjusted Profit	1141.52	1213.05	215.63	65.63	251.43	506.78
Retained Earnings of Earlier Years	1579.47	724.82	1097.77	1032.14	812.90	306.12
Transfer to General Reserve	115.00	120.00	510.00	Nil	28.00	Nil
Dividend (including tax)	129.84	238.40	78.58	Nil	4.19	Nil
Retained Earnings carried forward to subsequent year	2476.15	1579.47	724.82	1097.77	1032.14	812.90

Notes: -

1. Other Income includes Balance Written off, Dividend Income, Commission, Interest on TDR, Interest on delay day payment, Profit on sale of Investment, Quantity & Cash Discount and Job weaving charges.
2. Manufacturing, Selling and Administration Expenses includes

(Rs. in Lacs)

Sr. No.	Particulars	01/04/06 to 31/12/06	2005-06
1.	Job Work & Process Charges	29.77	36.65
2.	Coal, Power & Fuel	652.37	567.99
3.	Stores & Spares	41.11	20.69
4.	Professional Fees & Legal Charges	52.51	30.72
5.	Traveling, Conveyance & Vehicle Exp.	73.29	70.69
6.	Communication Exp.	26.18	19.49
7.	Selling Expense	302.51	161.42
8.	Rent, Rates & Taxes	10.58	19.14
9.	Others (includes Carriage Inward, Packing Material, Repairs, Insurance Charges, Inspection Charges, Payments to Auditors and Misc. Expenses)	153.70	128.96

Annexure: IV

Notes to Adjustments and Groupings

1. To charge the depreciation uniformly on all the assets, the company has changed the method of providing depreciation on assets other than Plant and Machinery from Written down Value (WDV) method to Straight Line Method (SLM) w.e.f. 1st April, 2003. As a result, the depreciation in respect of these assets has been recomputed from the date such assets were first put to use. Accordingly, the summary Profit & Loss Account is adjusted with corresponding effect in the carrying amount of Fixed Assets and Reserves and Surplus as per the adjustment given below Para 3.
2. To bring the accounting policy in respect of accounting for DEPB in line with the Opinion of Experts Advisory Committee of the Institute of Chartered Accountants of India, the company has decided to account the exports incentives on DEPB when the right to receive credit as per the terms of scheme is established in respect of the exports made as against the previous policy of accounting the same on realization w.e.f. 1st April, 2003. As a result, Other Income has been recomputed. Accordingly, the summary Profit & Loss Account is adjusted with corresponding effect in the carrying amount of Loans and Advances and Reserves and Surplus as per the adjustment given below Para 3.
3. Prior Period items have been adjusted to reflect the same in the accounting year to which it relates. Accordingly, the summary profit & loss account is adjusted with corresponding effect in the carrying amount of reserves and surplus and Net current assets as per the adjustment given below:

(Rs. in Lacs)

Particulars	Period / Year Ended					
	31-12-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
Profit / (Loss) After Tax	1142.43	1214.15	213.62	91.00	242.40	532.85
Adjustment on account of change in method of Providing Depreciation, as above	Nil	Nil	Nil	(1.81)	0.80	1.00
Adjustment on account of change in method of Accounting in respect of DEPB, as above	Nil	Nil	Nil	(23.56)	8.23	(27.07)
Adjustments on account of Prior Period Expenses	(0.91)	(1.10)	2.01	Nil	Nil	Nil
Adjusted Profit	1141.52	1213.05	215.63	65.63	251.43	506.78

Significant Accounting Policies:**i) Basis of Preparation of financial Statements**

The financial statements are prepared on accrual basis in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the company.

ii) Fixed Assets

Fixed Assets are stated at cost of acquisition less accumulated depreciation. All costs including financial costs till commencement of commercial production and net charges arising from exchange rate variation relating to liability incurred for the purpose of acquiring fixed assets are capitalized. Cenvat credit on capital goods is accounted for by reducing the cost of capital goods.

iii) Depreciation

Depreciation on fixed assets (excluding intangible assets) of the company is provided on straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, except depreciation on incremental cost arising on account of translation of foreign currency liabilities incurred for the purpose of acquiring fixed assets, which is amortized over the residual life of the assets.

iv) Investments

Long Term Investments are stated at cost. Provision is only made to recognize a decline other than temporary, in the value of investments.

v) Inventories

- (a) Inventories are valued at the Lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make sale. Cost in respect of Raw Materials and Trading Goods is computed on FIFO basis. Cost in respect of process and finished goods are computed on weighted average basis method. Finished goods and process stock includes cost of conversion and other costs incurred in acquiring the inventory and bringing them to their present location and condition.

- (b) Waste is valued at estimated net realizable value.

vi) Excise Duty / Cenvat

- (a) Excise duty is accounted for on the basis of payments made in respect of goods cleared and provision is made for goods lying in bonded Warehouse.
- (b) Cenvat credit on excise duty paid goods is accounted for by reducing the purchase cost of related goods.

vii) Revenue Recognition

- (a) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customers.

-
- (b) Dividend on Investment is recognized when the right to receive the payment is established.
 - (c) Exports entitlement under the Duty Entitlement Pass Book (DEPB) scheme are recognized in the Profit and Loss Account when the right to receive credit as per the terms of scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

viii) Borrowing cost

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

ix) Retirement benefits:

- (a) Liability of gratuity to employees is determined and accounted for on the basis of actuarial valuation.

x) Foreign Currency Transactions / Exchange Fluctuation

- (a) Monetary Transactions related to foreign currency are accounted for at the equivalent rupee converted at the rates prevailing at the time of respective transactions and outstanding in respect thereof are translated at year end rates.
- (b) Non-monetary foreign currency items are carried at cost.

xi) Amortization of Expenses

Preliminary and capital issue expenses are amortized over a period of five years.

xii) Provisions and Contingencies

A provision is recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

A disclosure for a contingent liability is made when there is a possible or present obligation that may, but probably will not require an outflow of resources.

Notes pertaining to Audited Financial Statements

- 1. Contingent liabilities not provided for :-**
Estimated amount of Contracts remaining to be executed on capital amounting to Rs. 14778.85 Lacs (Previous Year Rs. 1086.23 Lacs) for which the company has opened letter of credit of Rs.48.25 lacs (Previous year Rs. 308.24 Lacs). Advance paid against such contracts is Rs. 782.94 Lacs. (Previous year Rs. 135.34 Lacs)
- 2.** The company has imported certain capital equipments at concessional rate of custom duty under "Export Promotion of Capital Goods Scheme". The company has pending export obligation to the extent of Rs.10483.16 Lacs (Previous year Rs. 2893.79 Lacs) to be fulfilled during the specified period. The liability towards custom duty payable thereon in respect of unfulfilled export obligation as on 31st December 2006 is Rs.1121.54 Lacs. (Previous Year Rs. 367.19 Lacs)
- 3.** In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value on realization at least equal to the amount at which they are stated in Balance sheet. Adequate provisions have been made for all known liabilities except stated otherwise.
- 4.** Balances of Debtors, Creditors, Advances and loans etc. are subject to confirmation and reconciliation.
- 5.** Diminution in the value of investments has not been provided, as in the opinion of the Board of Directors, the same is considered to be of temporary in nature.
- 6.** Borrowing costs attributable to the acquisition or construction of Qualifying Assets amounting to Rs. 77,44,117/- (Previous Year Rs. 11,615,517/-) is capitalized by the company net of TUFS interest subsidy Rs. Nil/- (Previous Year 709,061/-).
- 7.** Foreign exchange fluctuation gain of Rs. 6,305,164/- in respect of fixed assets, pertaining to the year up to the date on which the assets are ready for its intended use (Previous Year gain Rs. 14,371,146/-) have been reduced from the cost of Fixed Assets. Foreign exchange loss of Rs.3,315,324/- (Previous Year Rs.10,18,425/-) in respect of Exports included in Sales and Operating Income. Rs.1,405,100/- (Previous Year Rs.148,225/-) in respect of various items is debited to respective items.
- 8.** Maximum amount of debit balance at any time during the year in current account with non scheduled bank is Rs. 4,119,312/- (Previous Year Rs. 1,02,61,822/-).
- 9.** Interest and Finance Charges are net of interest subsidy received/receivable under TUFS scheme amounting to Rs.10,384,905 /- (Previous year Rs. 93,09,646/-).
- 10.** Professional Fees and Legal Charges includes Rs. 3,602,289/- (Previous year Rs. 12,50,642/-) relating to borrowing cost.
- 11.** Share issue expenses (Preferential Allotment) amounting to Rs. 69,573/- are adjusted against the balance of share premium account. (Previous Year Rs. 4,668,120/-)
- 12.** To the extent of available information, at the year-end the list of SSI Units to whom the amount outstanding due for more than 30 days is as follows:

Daga Filament India Ltd., Dinesh G. Solanki, G G Electricals, Maruti Fabrication, Mahima Industries, Shree Sai Engineers, Anukool Furniture Systems Ltd., Avani

Enterprise, Aalwyn Industries, Alexandra Scale Co. B.M. International, Chamunda Fabrications, Chirag Electricals, D.D Enterprise, The Gujarat Hume Pipe and Cement, Geminy Poly Plast Industries, HCL Info systems, Industrial Woolen Felt Industries, Jaytex Corporation, K.C.Enterprise, Kothari Ceramics, Kailash Industries, Lathia Industrial Supplies Com, Mag Instruments, Maini Materials Movements Pvt. Ltd. Stretch Warp Films, Nova Flexi pack Pvt. Ltd., Natural Granites, Nova Transfers Pvt. Ltd., Patel AirTemp (India)Ltd., Swati Swith Gears (I) Pvt. Ltd., Techno Instruments, Umiya Enterprises, Welltronix, Welcome Enviro Engineers Pvt. Ltd.

13. Capital work in Progress includes expenditure during construction period as under:

Particulars	<i>(Rs. in Lacs)</i>	
	31.12.06	31.03.06
Pre Operative Expenses	27.34	23.33
Finance Charge	77.40	38.58
Professional Fees	13.45	0.62

14. The company has paid remuneration to its directors during the year as follows:

<i>(Rs. in lacs)</i>		
Sr. No.	Name	Amount
1	Shri Brijmohan Chiripal	7.84 (Nil)

15. Related Party Disclosures:

C) Key Management Personnel:

Sr. No.	Name	Designation
1	Shri Vedprakash Chiripal	Chairman
2	Shri Brijmohan Chiripal	Managing Director
3	Shri Deepak Chiripal	Chief Executive Officer

D) List of Other Related Parties with whom transactions have taken place during the period:

Sr. No.	Name	Sr. No.	Name
1	Nova Petrochemicals Limited	7	Vishal Fabrics Pvt. Ltd.
2	Sparrow Exports Pvt. Ltd.	8	Chiripal Enterprise Ltd.
3	Chiripal Textiles Mills Pvt Ltd.	9	Bhavna Textiles Pvt. Ltd.
4	Shanti Exports Pvt. Ltd.	10	Deepak Enterprise
5	Deepak Impex Pvt. Ltd.	11	Chiripal Charitable Trust
6	Chiripal Industries Ltd.	12	Vraj Integrated Textile Park Ltd.

C) Details of Transactions with Key Management Personnel and Related Parties of the Key Management Personnel are as follows:

(Rs. in Lacs)

Sr. No	Nature of Transaction	Key Management Personnel				Other Related Parties			
		31-12-06	31-03-06	31-03-05	31-03-04	31-12-06	31-03-06	31-03-05	31-03-04
1	Unsecured Loans								
	Taken during the period	Nil	Nil	Nil	Nil	52.00	1087	239.75	1092.25
	Repaid during the period	Nil	Nil	Nil	Nil	52.00	1621.97	335.28	292.25
	Balance as at Balance Sheet Date	Nil	Nil	Nil	Nil	169.50	169.50	704.47	800.00
2	Advances Recoverable in Cash or Kind								
	Given during the period	Nil	Nil	Nil	Nil	834.68	2485.57	4009.69	1690.32
	Settled during the period	Nil	Nil	Nil	Nil	296.25	2571.90	4650.69	1025.38
	Balance as at Balance Sheet Date	Nil	Nil	Nil	Nil	819.21	280.79	367.12	1008.32
3	Expenditure								
	Purchase of Goods	Nil	Nil	Nil	Nil	3943.73	2621.26	2880.10	394.85
	Rent	Nil	Nil	Nil	Nil	5.71	17.34	2.58	2.96
	Electricity Charges and Maintenance Charges paid for Common Premise	Nil	Nil	Nil	Nil	Nil	2.50	2.29	1.78
	Car Rent Paid	Nil	Nil	Nil	Nil	Nil	Nil	Nil	7.62
	Donation	Nil	Nil	Nil	Nil	6.00	6.00	Nil	Nil
	Job Work Charges	Nil	Nil	Nil	Nil	90.28	3.29	Nil	Nil
4	Income Received								
	Sales	Nil	Nil	Nil	Nil	598.70	1102.05	887.26	196.23
	DEPB Sale	Nil	Nil	Nil	Nil	90.26	78.03	48.32	Nil
	Job Work	Nil	Nil	Nil	Nil	Nil	61.60	Nil	Nil
5	Amount of Expenses incurred on our behalf	Nil	Nil	Nil	Nil	Nil	Nil	9.50	13.60
6	Amount Paid on our behalf	Nil	Nil	Nil	Nil	36.30	12.79	1.18	Nil
7	Amount Paid on behalf of others	Nil	Nil	Nil	Nil	1.44	7.74	Nil	Nil
8	Amount expended on behalf of others.	Nil	Nil	Nil	Nil	Nil	0.17	279.03	Nil
9	Payment received	Nil	Nil	Nil	Nil	25.17	Nil	0.37	Nil

	for others								
10	Amount received by others	Nil	Nil	Nil	Nil	Nil	14.69	Nil	Nil
11	Advance for capital goods	Nil	Nil	Nil	Nil	669.40	5.00	Nil	Nil
12	Capital assets purchased	Nil	Nil	Nil	Nil	Nil	Nil	2.87	Nil
13	Remuneration Paid	20.62	Nil	Nil	Nil	Nil	Nil	Nil	Nil
14	Amount Expended on behalf of others	Nil	Nil	Nil	Nil	Nil	0.17	279.03	9.69
15	Issue of Share Capital	Nil	Nil	Nil	Nil	1452.00	Nil	110	Nil
16	Subscription to Shares	Nil	Nil	Nil	Nil	Nil	Nil	0.90	Nil
17	Dividend received	Nil	Nil	Nil	Nil	Nil	Nil	20.64	Nil

16. The Company is considered to be engaged in Textile Industry with all activity revolving around this business and accordingly has only one reportable business segment. The company has identified geographical segment as its secondary business segment, the details are as follows:

Secondary Segment Information for the year ended 31st December, 2006
(Rs. in Lacs)

		India	Rest of World	Total
1	Segment Revenues	12326.26 (10855.61)	3375.86 (2017.53)	15702.12 (12873.14)
2	Segment Assets	23517.31 (14601.86)	1217.46 (1385.70)	24734.77 (15987.56)
3	Capital Expenditure during the year	2309.50 (4538.71)	1.77 (-)	2311.27 (4538.71)

17. **Earning per Share**

Particular	Unit	31-12-06	31-03-06
Numerator used for calculating Basic and Diluted Earning per Share (Profit After Tax)	Rs. in Lacs	1142.43	1214.15
Weighted average No. of shares used as denominator for calculating Basic and Diluted	No. of Shares	143059005	126671233
Nominal Value of Share	Rs.	1.00	1.00
Basic and Diluted Earning per Share	Rs.	0.80	0.96

18. **Information relating to Deferred Tax**

(Rs. in Lacs)

Particulars	31-12-06	31-03-06
Deferred Tax Assets arising out of timing difference relating to:		
- Disallowance under Income Tax Act, 1961	5.04	7.04
- Amount allowable under provisions of the Income Tax Act, 1961 in subsequent years	11.58	Nil
Total Deferred Tax Assets	16.62	7.04
Deferred Tax Liability arising out of timing difference relating to:		
- Difference of Depreciation as per Tax provisions and Company Law	747.39	564.82
Total Deferred Tax Liability	747.39	564.82
Net Deferred Tax Liability	730.77	557.78

19. The figures of the previous year have been regrouped and rearranged wherever considered necessary.
20. Additional information pursuant to the provisions of paragraph 3 and 4 of part-II and part-IV of Schedule VI of the Companies Act, 1956 for the year ended on 31st December, 2006.

(a) Licensed & Installed capacity

Particulars	Licensed capacity	Installed capacity In mtr. (Annualized)
Denim and Grey Fabrics	N.A.	35600000 (30400000)

(b) Opening Stock & Closing Stock of Finished Goods:

Particulars	Unit	Opening Stock		Closing Stock	
		Quantity	Value Rs.	Quantity	Value Rs.
Grey	Mtrs.	339999 (122150)	14074389 (5950465)	851453 (339999)	44275556 (14074389)
Denim	Mtrs.	1112873 (Nil)	73449618 (Nil)	1743074 (1112873)	108070588 (73449618)
Fabrics	Mtr.	3156782 (1726803)	81442021 (67635830)	2426088 (3156782)	54752637 (81442021)
Others	-	-	7028790 (Nil)	-	10267388 (7028790)
Total . . .		-	175994818 (73586295)	-	217366169 (175994818)

(c) Production meant for Sale:

Particulars	Units	Actual production
Grey	Mtrs.	** 3284293 (7461782)
Denim	Mtrs.	** 10694621 (6470760)

** - Production of Grey and Denim includes 738615 mtrs. (Previous year 2134556 mtrs.) and NIL mtrs. (Previous Year 133712) of goods produced for others on job work basis

(d) Purchase of Finished Goods:

Particulars	Unit	Quantity	Amount Rs.
Fabrics	Mtr.	16778268 (8271337)	430841580 (203435999)
Knitted Fabrics	Kg.	106287 (2321372)	10029936 (216147955)
Others	-	-	39893743 (69786360)
Total . . .		-	480765259 (489370314)

(e) Turnover

Particulars	Unit	Quantity	Amount Rs.
Grey	Mtrs.	2003743 (5109377)	137096556 (266033523)
Denim	Mtrs.	10064420 (5224175)	740087743 (479276465)
Fabrics	Mtrs.	17508962 (6841358)	589069644 (189172653)
Knitted Fabrics	Kgs.	NIL (2321372)	NIL (236534624)
Others	Kgs.	-	69733795 (66400368)
Total . . .		-	1535987738 (1237417633)

(f) Raw material consumed

Particulars	Unit	Quantity	Value (Rs.)
Cotton Yarn	Kgs.	7406464 (6215107)	563579528 (475428502)
Other raw materials	-	-	101402522 (48275759)
Total . . .		-	664982050 (523704261)

(g) Value of Imported & Indigenous Raw Materials, Stores, Components & Spares parts consumed

	Raw Materials		Components & Spare Parts	
	%	Value (Rs.)	%	Value (Rs.)
i. Imported	2.68 (1.68)	11191524 (15686046)	Nil (Nil)	Nil (Nil)
ii. Indigenous	98.32 (98.32)	653790526 (508018215)	100 (100)	4111344 (2068690)
Total . . .	100 (100)	664982050 (523704261)	100 (100)	4111344 (2068690)

(h) C.I.F. Value of Imports:

Particulars	Amount
Raw Materials	9412226 (13961471)
Trading Goods	23863745 (63764795)
Capital Goods	497902549 (176463599)

(i) Expenditure In Foreign Currency

Particulars	Amount (Rs.)
i. Traveling Expenses	1054919 (579500)
ii. Foreign Bank Charges	3319943 (831740)
iii. Commission paid	6106379 (859110)

(j) Earning In Foreign Currencies

Particulars	Amount
FOB Value of Export Goods	320134422 (185262679)

Note: Previous year's figures have been shown in brackets.

Annexure: VII**Restated Statement of Cash Flows***(Rs in Lacs)*

	Particulars	1/04/06 to 31/12/06	2005-06	2004-05	2003-04	2002-03	2001-02
A	Cash Flow from operating Activities						
	Restated Net profit after tax and Extraordinary items	1141.52	1213.05	215.63	65.63	251.43	506.78
	Adjustments for;						
	Provision for Tax & Deferred Tax	615.14	660.74	120.96	69.01	32.56	16.90
	Depreciation	591.15	496.61	205.69	30.44	0.97	0.68
	Interest Expense	679.19	361.80	217.51	37.10	11.91	12.81
	Amortization of Miscellaneous Expense	0.84	1.12	1.12	1.13	0.00	0.01
	Profit on sale of Shares	Nil	(0.95)	Nil	(0.06)	0.00	0.00
	Interest / Dividend Income	Nil	(0.20)	(21.01)	(13.48)	(3.78)	0.00
	Operating profit before working capital Changes	3027.84	2732.17	739.90	189.77	293.09	537.18
	Adjustments for:						
	Trade and other receivables	(2468.33)	(638.31)	(1133.60)	(261.99)	349.70	(232.72)
	Inventories	(631.81)	(1526.10)	(735.69)	(46.39)	61.61	(89.82)
	Trade Payables	1162.89	342.34	490.33	107.70	(126.14)	32.98
	Loan and advances	(2414.90)	(1267.00)	580.71	(642.45)	(363.80)	225.53
	Sub Total	(1324.31)	(356.94)	(58.33)	(653.36)	214.46	473.15
	Direct taxes paid	(229.24)	(27.73)	(19.42)	(33.99)	(16.89)	(5.10)
	Net Cash from operating activities	(1553.55)	(384.67)	(81.75)	(687.35)	197.57	468.05
B	Cash flow from Investing Activities						
	Purchase of fixed assets	(8071.81)	(4378.69)	(1312.84)	(1303.10)	(12.55)	0.00
	Purchase of investments	Nil	Nil	(0.90)	(4.40)	(159.60)	(459.60)
	Sales of investments	Nil	2.42	Nil	0.06	0.00	0.00
	Dividend received	Nil	0.20	21.01	13.48	3.78	0.00
	Net cash used in Investing Activities	(807.81)	(4376.07)	(1292.73)	(1293.96)	(168.37)	(459.60)
C	Cash flow from financing activities:						
	Proceeds from issuing shares	1700.00	1200.00	110.00	240.15	0.00	0.00
	Proceeds from borrowings	9114.40	4685.83	1748.56	1864.82	(17.03)	5.91
	Interest Paid	(633.23)	(346.52)	(217.51)	(37.10)	(11.91)	(12.81)
	Preliminary Exp incurred	(0.70)	(46.68)	(15.94)	(5.62)	0.00	0.00
	Dividend Paid	(248.71)	(197.60)	Nil	(4.19)	0.00	0.00
	Net cash used from financing activities	9931.76	5295.03	1625.11	2058.06	(28.94)	(6.90)
	Net increase in cash and cash Equivalents	306.40	534.29	250.63	76.75	0.26	1.55
	Cash and Cash equivalents (opening)	865.17	330.88	80.25	3.50	3.24	1.69
	Cash and Cash equivalents (closing)	1171.57	865.17	330.88	80.25	3.50	3.24

Statement of Accounting Ratios:

Particulars	As on 31-12-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
Face Value	1	1	10	10	10	10
Weighted Average No of Equity Shares (in Lacs) Outstanding enduring the year	1430.59	1266.71	49.69	25.50	1.49	1.49
Profit After Tax (Rs. in Lacs)	1142.43	1214.15	215.63	65.63	251.43	506.78
Earnings Per Share (EPS) (Rs.)	0.80	0.96	4.34	2.57	169.31	341.27
Return on Net worth (%)	17.70 %	32.44%	13.38%	4.75%	23.39%	61.22%
No of Equity Shares (in Lacs) at the end of year	1518.30	1390.00	79.00	25.50	1.49	1.49
Net Worth (Rs. in Lacs)	6449.43	3737.6	1608.51	1376.28	1074.98	827.73
Net Asset Value per share (Rs.)	4.25	2.69	20.36	53.97	723.79	557.33

Notes:

A. The Ratios have been computed as below:

1 Earning Per Share (Rs.):

Net Profit attributable to Equity Shareholders / Weighted Avg. no. of Equity Shares Outstanding during the year

2 Return on Networth (%):

Net Profit After Tax / Net Worth excluding Revaluation Reserve at the end of the year

3 Net Asset Value per Share (Rs.):

Net Worth excluding Revaluation Reserve at the end of the year / Number of Equity Shares at the end of year

B. The above ratios have been computed on the basis of the adjusted profits / losses for the respective years as per the statement of Profits and Losses, as stated.

C. Earnings Per Share is computed in accordance with Accounting Standard, 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India

Annexure: IX**Capitalization Statement:***(Rs. in Lacs)*

Particulars	PRE ISSUE AS AT 31/12/2006	POST ISSUE (At an offer price of Rs. 3/- per share)
Debt		
Short term debt	13379.63	13379.63
Long term debt	4174.94	4174.94
Total Debt	17554.57	17554.57
Shareholder's funds		
Share Capital	1518.30	2277.45
Reserve & Surplus	4932.53	6450.83
Less: Misc. Expenditure	1.40	1.40
Total Shareholder's Funds	6449.43	8729.68
Debt / Equity	2.70	2.01

Note :-

- In the meeting of Committee of Right Issue held on 01-05-2007 it is decided to issue one equity share of Rs. 1/- each on right basis to the shareholders for every two equity shares held by them for Rs. 3/- per share including the premium of Rs. 2/- per share.
- The Board has also decided to issue the right shares attached with warrants, convertible between 18 to 36 months with price as may be decided by the Board subject to floor price at Rs 3/- per share including premium of Rs 2/- per share and cap price of Rs 6/- per share including premium of Rs 5/- per share.
- However in the meeting of Committee of Rights Issue held on 8th May 2007 it has been decided by the committee to issue equity shares on right basis to the share holders without attached warrants

Annexure: X
Statement of Tax Shelters:

(Rs. in Lacs)

Year ending March 31	2006	2005	2004	2003	2002
Tax Rate	30%	30%	35 %	35 %	35 %
Surcharge	10%	10%	2.5 %	5 %	2 %
Education cess	2%	2%	-	-	-
Net Profit Before Tax	1872.88	334.58	158.20	274.96	549.75
Tax at Notional Rate	630.41	112.62	56.75	101.04	196.26
Adjustments:					
Export Profits U/s 80HHC, 80HHE, 10(A)	-	-	-	(195.41)	(510.38)
Deduction U/s 80M , 10(34)	(0.20)	(21.01)	(13.48)	(3.71)	
Difference Between Tax depreciation and Book Depreciation	(1025.25)	(452.71)	(276.60)	(0.01)	(0.04)
Other adjustments	(5.55)	11.49	0.65	0.05	
Unabsorbed Depreciation	(262.05)	130.82	131.23		
Unabsorbed Business Loss					
Net adjustments	(1293.05)	(331.41)	(158.20)	(199.08)	(510.42)
Tax saving thereon	434.88	112.62	56.75	73.16	182.22
Total Payable	195.53	Nil	Nil	27.88	14.04
Taxable Income as per MAT	1874.89	313.58	112.21	79.55	39.37
Tax as per MAT	157.77	24.59	8.63	6.26	3.02
Tax As per Profit & Loss Account	660.74	117.19	68.24	32.05	16.50

Annexure: XI
Age-wise analysis of Sundry Debtors:

(Rs. in Lacs)

Age wise Break-up	As on 31/12/2006
Less than six months	4340.37
More than six months	179.72
Total . . .	4520.09

Annexure: XII
Details of Loans and Advances:

(Rs. in Lacs)

	Particulars	As on 31/12/2006
1	Advances recoverable in cash or kind or for value to be received	5045.40
2	Other Deposits	53.20
3	Advance Income Tax	278.01
	Total . . .	5376.61

Annexure: XIII**Details of Dividend paid by the Company:**

Particulars	From 01/04/06 to 31/12/06	2005-06	2004-05	2003-04	2002-03	2001-02
Number of Equity Shares	151830188	139000000	79000000	2550000	148520	148520
Face Value	1	1	10	10	10	10
Rate of Dividend (Interim / Final)	7.5 %	15 %	5 %	Nil	25 %	Nil
Total amount of Dividend (Rs.) (Including Tax on Dividend)	12984329	23840672	7858278	Nil	418873	Nil

Annexure: XIV**Details regarding the working capital facilities**

The Working Capital of Rs. 5350 Lacs has been sanctioned by a consortium of following 3 banks under leadership of the State Bank of India, Corporate Accounts Group, 58, Shrimali Society, Navrangpura, Ahmedabad.

(Rs. in Lacs)

Name of Bank	Fund Based	Non Fund Based	Total
State Bank of India	2850.00	325.00	3175.00
UCO Bank	1010.00	145.00	1155.00
Oriental Bank of Commerce	795.00	225.00	1020.00
Total	4655.00	695.00	5350.00

The above working capital facilities are secured by:

Primary Security:

Working Capital loans are secured by first charge on Book Debts, Stock and other Current Assets of the Company.

Collateral Security:

The second charge over the fixed assets both present and future of the Company.

Personal Guarantee:

The facility is further guaranteed by personal guarantee of

- a) Sh. Vedprakash D. Chiripal and
- b) Sh. Brijmohan D. Chiripal.

Annexure: XV
Details of Investments

(Rs. in Lacs)

Sr. No.	Details of the Investment	Aggregate Book Value as on 31/12/2006
	<u>Quoted Investments</u>	
1	10,32,000 Equity Shares of Nova Petrochemicals Ltd of Rs.10/- Each (Previous year 1032000 Shares)	619.20
2	20,000 Equity shares of UCO Bank Ltd of Rs.10/- each (Previous Year 20000 Shares)	2.93
	<u>Unquoted Investments</u>	
	13500 Equity Shares of Chiripal Industries Ltd. of Rs. 10/- each. (Previous year 9000 Equity Shares of Shanti Processors Ltd. of Rs. 10/- each)	0.90
	Total....	623.03
	Aggregate Book Value of Quoted Investment as on 31/12/2006	622.13
	Aggregate Market Value of Quoted Investment as on 31/12/2006	517.17
	Diminution in the Value of Quoted Investment	104.96

Annexure: XVI

Details regarding changes in Share Capital

Authorised Share Capital	Nominal Value Rs.	No. of Shares	Amount (Rs. In Lacs)
As on 31/03/2002	10/-	150000	15.00
As on 31/03/2003	10/-	150000	15.00
As on 31/03/2004 (On 30/09/2003 Rs. 485 Lacs & on 09/02/2004 Rs. 250 Lacs)	10/-	7500000	750.00
As on 31/03/2005 (On 30/09/2004 Rs. 750 Lacs)	10/-	15000000	1500.00
As on 31/03/2006 (On 01/09/2005 face value of shares is split from Rs. 10/- to Re. 1/-)	1/-	150000000	1500.00
As on 31/03/2006 (Vide Resolution passed on 18/09/2006 authorised capital increased to 250000000 shares and Vide Resolution passed on 30/12/2006 authorised capital further increased to 500000000 shares)	1/-	500000000	5000.00

Issued & Paid up Share Capital	Nominal Value Rs.	No. of Shares	Amount (Rs. In Lacs)
As on 31/03/2002	10/-	148520	14.85
As on 31/03/2003	10/-	148520	14.85
As on 31/03/2004 (On 23/03/2004 Rs. 240.15 Lacs)	10/-	2550000	255.00
As on 31/03/2005 (On 15/10/04 Rs. 510 Lacs (Bonus Shares) On 26/11/04 Rs. 25 Lacs)	10/-	7900000	790.00
As on 31/03/2006 (On 10-06-05 IPO for 6000000 equity shares of Rs. 10 each. The stock was split in to the face value of Re. 1 each on 01/09/2005)	1/-	139000000	1390.00
As on 31/12/2006 (On 05/10/06 - 12830188 equity shares of Re. 1/- each was allotted on preferential basis.	1/-	151830188	1518.30

Note: The Company has allotted 51,00,000 bonus shares of Rs. 10 each on 15/10/2004 aggregating to Rs.5,10,00,000. The Company has also allotted 250000 Shares of Rs. 10 each at premium of Rs. 44 to Group Company On 26/11/04. On 10/06/2005 the company has come out with an IPO of 6000000 equity shares of Rs. 10 each with a premium of Rs. 10 per share. The equity shares of the company were split in to the face value of Re. 1/- each 10/09/2005. The company has further allotted 12830188 shares of Re. 1/- each with a premium of Rs. 12.25 per share on preferential basis.

B.) CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER COMPANY – SAME AS STANDALONE**C.) FINANCIAL INFORMATION OF SUBSIDIARY**

The Company has no subsidiaries.

D.) FINANCIAL INFORMATION OF THE GROUP COMPANIES**GROUP COMPANIES**

The group companies within the meaning of SEBI (DIP) Guidelines, 2000 and Section 370(1) (B) of the Companies Act, 1956 are enumerated as below:

Un-Listed Group Companies:**i. Chiripal Industries Limited**

The company was incorporated as Chiripal Twisting and Sizing Pvt. Ltd. on April 27, 1988 having Registration No. 04 - 10634. The company was converted into a public limited company on October 23, 2003. The name of the company was changed to Chiripal Petrochemicals Limited (CPL) with effect from January 1, 2004 and a fresh certificate of incorporation was obtained on January 7, 2004. Further, the name of the Company was changed to Chiripal Industries Limited with effect from April 13, 2006 and a fresh certificate of incorporation was obtained on April 13, 2006. The Registered office of the company is situated at Survey No. 199, 200/1 & 200/2, Saijpur – Gopalpur, Pirana Road, Piplej, Ahmedabad – 382 405.

The Company has a production unit at its registered office at Piplej, Ahmedabad, Gujarat where it manufactures Man Made Fibres viz., Partially Oriented Yarn (POY), Fully Drawn Yarn (FDY), Texturised Yarn and Draw Twisted Yarn (DT).

Shanti Processors Limited and Priti Processors Private Limited, the group companies have been amalgamated with Chiripal Petrochemicals Limited (now known as Chiripal Industries Limited) under the Scheme of Amalgamation sanctioned by the Order of the Honorable High Court of Gujarat at Ahmedabad dated March 31, 2006. The Scheme of Amalgamation became effective from April 25, 2006 having retrospective effect from April 1, 2005 (Appointed Date).

**Salient Feature of the Scheme of Amalgamation of:
Shanti Processors Ltd. with Chiripal Industries Ltd.**

“Upon the scheme becoming finally effective, in consideration of the transfer and vesting of the Undertaking of the Transferor Company (Shanti Processors Ltd.) in the Transferee Company (Chiripal Industries Ltd.), the Transferee Company shall issue and allot at par 3 Equity Shares of Rs. 10/- each, credited as fully paid up in the Capital of the Transferee Company against 2 Equity Shares of Rs. 10/- each to the shareholders of the Transferor Company whose names are recorded in the Register of Members.”

Priti Processors Private Limited. with Chiripal Industries Ltd.

“Upon the scheme becoming finally effective, in consideration of the transfer and vesting of the Undertaking of the Transferor Company (Priti Processors Pvt. Ltd.) in the Transferee Company (Chiripal Industries Ltd.), the Transferee Company shall issue and allot at par 150 Equity Shares of Rs. 10/- each, credited as fully paid up in the Capital of the Transferee Company against 1 Equity Share of Rs. 1000/- each to the shareholders of the Transferor Company whose names are recorded in the Register of Members.”

Board of Directors, as on September 30, 2006

1. Mr. Vedprakash Chiripal
2. Mr. Jaiprakash Chiripal
3. Mr. Jyotiprasad Chiripal
4. Mr. Rajesh Bindal
5. Mr. Yogesh Thaker

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	1534500	11.10%
Relative and Friends	8942550	64.70%
Others	3345150	24.20%
Total	1,38,22,200	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	621.45	300.30	240.30
Equity Share Suspense	760.77	-	-
Share Application Money	-	155.00	110.00
Reserves (Excluding Revaluation Reserve)	7,461.43	1,755.15	1,270.98
Net Worth	8,787.78	1,978.94	1,501.32
Total Income	35,668.81	8,084.83	624.21
PAT	2,128.65	237.84	32.77
EPS (Rs.)	15.40	7.92	1.36
NAV Per Share (Rs.)	63.58	65.90	62.48
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page 129.

ii. Vishal Fabrics Private Limited

The company was incorporated on October 22, 1985 under the Companies Act, 1956 having Registration No. 04 – 8206. The Registered Office of the Company is situated at Ranipur, Narol Road, Ahmedabad – 382 405.

The Company has a processing unit at its registered office at Ranipur, Narol Road, Ahmedabad, Gujarat where it carries out weaving, bleaching, dyeing, processing, printing and sizing of Grey Fabric made from all types of Yarn viz., Cotton, Polyester, Man Made, etc.

Board of Directors, as on September 30, 2006

1. Mr. Jyotiprasad Chiripal
2. Mr. Mahavir Singh Yadav
3. Mr. Vinodkumar Shah

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	0	0.00%
Relative and Friends	8900	8.09%
Others	101100	91.91%
Total	110000	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	65.00	65.00	55.00
Reserves (Excluding Revaluation Reserve)	1,638.31	1,211.74	654.23
Net Worth	1,689.78	1,258.36	705.07
Total Income	8,012.02	6,221.75	4,708.43
PAT	373.11	200.65	178.09
EPS (Rs.)	574.02	308.69	323.80
NAV Per Share (Rs.)	2,599.66	1,935.94	1,281.94
Face Value Per Share (Rs.)	100.00	100.00	100.00

The Equity Shares of Vishal Fabrics Private Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

iii. Sparrow Exports Private Limited

The company was incorporated on November 17, 1994 under the Companies Act, 1956 having Registration No. 55 – 62794. The Registered Office of the Company is situated at C – 142, Lajpat Nagar I, New Delhi – 110024.

The Company is engaged into trading of Textile Goods viz., Gray Cloth, Processed Fabrics and Hosiery Fabric.

Board of Directors, as on September 30, 2006

1. Mr. Sanjay Bindal
2. Mrs. Pritidevi Chiripal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	2010	0.86%
Relative and Friends	233020	99.14%
Others	-	-
Total	235030	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Share Capital	23.50	23.50	23.50
Reserves (Excluding Revaluation Reserve)	271.28	129.47	127.68
Net Worth	294.79	152.97	151.17
Total Income	860.40	519.41	1,077.22
PAT	140.77	1.75	3.63
EPS (Per Share) (Rs.)	59.89	0.74	1.54
NAV Per Share (Rs.)	125.43	65.08	64.32
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Equity Shares of Sparrow Exports Private Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies

(Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

iv. Chiripal Enterprises Limited

The company was incorporated on May 12, 1988 under the Companies Act, 1956 having Registration No. 04 – 10691. The company received the Certificate for Commencement of Business on July 12, 1988. The Registered Office of the Company is situated at 283, New Cloth Market, Ahmedabad – 380002.

The Company generates income from trading of Processed Fabrics and Investments.

Board of Directors, as on September 30, 2006

- i. Mr. Jaiprakash Chiripal
- ii. Mr. Anand Agarwal
- iii. Mr. Deepak Chiripal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	45010	11.02%
Relative and Friends	311390	76.25%
Others	52000	12.73%
Total	408400	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

Rs in lacs

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Share Capital	40.84	40.84	40.84
Reserves (Excluding Revaluation Reserve)	375.66	368.43	133.52
Net Worth	416.50	409.27	174.36
Total Income	130.14	326.13	10.72
PAT	7.23	234.91	9.73
EPS (Per Share) (Rs.)	1.77	57.52	2.38
NAV Per Share (Rs.)	101.98	100.21	42.69
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Equity Shares of Chiripal Enterprises Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

v. Vraj Integrated Textile Park Limited

The company was incorporated on December 30, 2005 under the Companies Act, 1956 having Registration No. U45300GJ2005PLC47423. The company received the Certificate for Commencement of Business on January 12, 2006. The Registered Office of the Company is situated at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015.

The Company is incorporated recently and there is no commercial production undertaken. The company has been setup as a Special Purpose Vehicle (SPV) by a group of entities, with an objective to facilitate various Textile Manufacturers to develop, operate, maintain and upgrade their infrastructure facilities. The company is also planning to setup an Integrated Textile Park in the name and style of “Vraj Integrated Textile Park”.

Board of Directors, as on September 30, 2006

- i. Mr. Rajesh Bindal
- ii. Mr. Navin Saraogi
- iii. Mr. Yogesh Bhavsar
- iv. Mr. Prakash Shekhani
- v. Mr. Jaiprakash Chiripal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	50000	71.43%
Relative and Friends	20000	28.57%
Others		
Total	70000	100.00%

Financial Highlights

The Audited financial highlights for the year ended March 31, 2006 (first year of operation) is as follows:
(in Rs. Lacs)

Particulars	2006
Share Capital	7.00
Reserves (Excluding Revaluation Reserve)	-
Net Worth	7.00
Total Income	-
PAT	-
EPS (Per Share) (Rs.)	-
NAV Per Share (Rs.)	10.00
Face Value Per Share (Rs.)	10.00

The Equity Shares of Vraj Integrated Textile Park Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section ‘Outstanding Litigation, Defaults and Material Development on Page no. 129

vi. Red Events India Private Limited

The company was incorporated on July 31, 2006 under the Companies Act, 1956 having Registration No. U92490GJ2006PTC048803. The Registered Office of the Company is situated at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015.

The Company is incorporated recently and there is no commercial activity undertaken. The company has been setup with an objective to carry on the business to organize, arrange, co-ordinate, sponsor, advertise all types of entertainment programme, events, parties, shows, exhibition, wedding and other ceremony, to act as franchisee,

contractors, vendors to run & manage party plots, banquet halls, cinema theatres, multiplex, shopping malls, hotels, restaurants and to act as printing agency, graphic designer and advertising agency.

Board of Directors, as on September 30, 2006

- i. Mr. Saurabh Agrawal
- ii. Mr. Brijmohan Chiripal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	10000	100%
Relative and Friends	-	-
Others	-	-
Total	10000	100%

Financial Highlights

This being the first year after incorporation of the company, no audited financial results have been prepared.

The face value of the share is Rs. 10/- per share.

The Equity Shares of Red Events India Private Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129.

Partnership Concern

i. Deepak Finance Corporation

Deepak Finance Corporation, a partnership firm was established January 27, 1997, and reconstituted on 01 04 2004. The business of the partnership is carried on at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015.

The business of the partnership is to accept deposits and financing.

The current partners with their profit and loss sharing ratios are as follows:

Sr. No.	Partner	Profit Share (%)	Loss Share (%)
1.	Mr. Deepak J. Chiripal	25	25
2.	Mr. Jyotiprasad D. Chiripal	20	20
3.	Mrs. Urmiladevi J. Chiripal	5	5
4.	Mr. Jyotiprasad D. Chiripal acting in his capacity of the Karta of Jyotiprasad D. Chiripal HUF	5	5
5.	Mr. Brijmohan D. Chiripal	20	25
6.	Mrs. Pritimohan D. Chiripal	5	10
7.	Ms. Shalu J. Chiripal	5	5
8.	Ms. Priyanka B. Chiripal	5	5
9.	Minor Ronak B. Chiripal	5	0
10.	Minor Ruchi B. Chiripal	5	0
	Total	100	100

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	241.85	(65.51)	109.35
Total Income	43.12	44.49	65.41
Net Profit	0.99	3.39	2.48

ii. Vishal Finance Corporation

Vishal Finance Corporation, a partnership firm was established on January 27, 1997. The business of the partnership is carried on at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015. The business of the partnership is to accept deposits and financing.

The current partners and their profit and loss sharing ratios are as follows:

Sr. No.	Partner	Profit Share (%)	Loss Share (%)
1.	Mr. Vishal V. Chiripal	30	30
2.	Mr. Vedprakash D. Chiripal	20	20
3.	Mrs. Savitri V. Chiripal	5	5
4.	Mr. Jaiprakash D. Chiripal acting in his capacity of the Karta of Jaiprakash D. Chiripal HUF	5	5
5.	Mr. Jaiprakash D. Chiripal	15	25
6.	Mrs. Manjudevi J. Chiripal	5	5
7.	Ms. Shivani V. Chiripal	5	5
8.	Ms. Nishi J. Chiripal	5	5
9.	Minor Ayushi J. Chiripal	5	0
10.	Minor Vansh J. Chiripal	5	0
	TOTAL	100	100

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	217.91	(137.55)	(30.73)
Total Income	81.58	122.88	89.39
Net Profit	1.32	2.59	3.14

iii. Shree Balaji Exports

Shree Balaji Exports, a partnership firm was established on January 27, 1997. The business of the partnership is carried on at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015. The business of the partnership is to accept deposits and financing.

The current partners and their profit and loss sharing ratio are as follows:

Sr.	Partner	Profit Share	Loss Share (%)
-----	---------	--------------	----------------

No.		(%)	
1.	Mr. Amit Bindal	5	5
2.	Mr. Brijmohan D. Agarwal	15	15
3.	Mr. Jyotiprasad D. Agarwal	20	20
4.	Mrs. Manjudevi J. Chiripal	10	10
5.	Mrs. Pushpadevi P. Bindal	5	5
6.	Mr. Rikin Agarwal	5	5
7.	Mrs. Urmiladevi J. Agarwal	20	20
8.	Mr. Vishal Vedprakash Agarwal	20	20
	TOTAL	100	100

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'	
	2005	2004
Capital Account	-0.05	5.23
Total Income	7.58	29.26
Net Profit	1.39	7.84

* The figures for FY 06 are not available, as the company has closed down its business from 01 04 2005.

iv. Vishal Developers

Vishal Developers, a partnership firm was established on September 4, 2004. The business of the partnership is carried on at Basement, Urmi Duplex, Ellisbridge, Ahmedabad-380006. The business of the partnership is to build and develop housing projects.

The current partners and their profit and loss sharing ratios are as follows:

Sr. No.	Partner	Profit Share (%)	Loss Share (%)
1.	Mr. Yogesh Chandrakant Bhavsar	10	10
2.	Mr. Vipul Chandrakant Bhavsar	17	17
3.	Mr. Blavant Ramkumar Agrawal	15	15
4.	Mr. Vinay Blavant Agrawal	15	15
5.	Mr. Kumar Rajendraprasad Agrawal	6.50	6.50
6.	Mr. Navin Sushil Saraogi	10.00	10.00
7.	Mr. Deepak Jyotiprasad Agrawal	26.50	26.50
	TOTAL	100.00	100.00

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'	
	2006	2005
Capital Account	0.50	0.38
Total Income	-	-
Net Profit	-	-

Vishal Developers had started building and developing the housing projects in Financial Year 2004-05 and the expenditure incurred towards the housing project known as "Vraj Homes" has been treated as construction work-in-progress in the accounts. The income from the housing project will be recognized on completion of the project.

v. Vyom Developers

Vyom Developers, a partnership firm was established on October 4, 2004. The business of the partnership is carried on at Basement, Urmi Duplex, Ellisbridge, Ahmedabad-380006. The business of the partnership is to build and develop housing projects.

The current partners and their profit and loss sharing ratio are as follows:

Sr. No.	Partner	Profit Share (%)	Loss Share (%)
1.	Mr. Yogesh Chandrakant Bhavsar	15	15
2.	Mr. Vipul Chandrakant Bhavsar	12	12
3.	Mr. Balvant Ramkumar Agrawal	15	15
4.	Mr. Vishal Balvant Agrawal	15	15
5.	Mr. Kumar Rajendraprasad Agrawal	6.50	6.50
6.	Mr. Navin Sushil Saraogi	7.50	7.50
7.	Mr. Vishal Vedprakash Chiripal	14	14
8.	Mr. Vedprakash Devkinandan Chiripal	7.50	7.50
9.	Mr. Brijmohan Devikinandan Agrawal	7.50	7.50
	TOTAL	100.00	100.00

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'	
	2006	2005
Capital Account	0.50	0.50
Total Income	-	-
Net Profit	-	-

Vyom Developers had started building and developing the housing projects in Financial Year 2004-05 and the expenditure incurred towards the housing project known as "Vraj Garden" has been treated as construction work-in-progress in the accounts. The income from the housing project will be recognized on completion of the project.

Proprietary Concern

i. Ruchi Enterprises

Ruchi Enterprises is a proprietary concern of Mr. Brijmohan D. Chiripal which was started during the financial year 2002-03. The business of the concern is carried out from 283, New Cloth Market, Ahmedabad – 380002.

The concern is engaged in the business of trading in Textile Goods.

Commencement of business: 26 09 2002.

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	5.44	4.90	4.50
Total Income	39.24	132.98	309.48
Net Profit	0.54	0.40	1.95

ii. Ronak Textile Mills

Ronak Textiles Mills is a proprietary concern of Vedprakash D. HUF which was started in the financial year 1996-97. The business of the concern is carried out from 283, New Cloth Market, Ahmedabad – 380002.

The concern is engaged in the business of trading in Textile Goods.

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	-39.56	-42.85	-37.65
Total Income	95.24	233.49	1032.63
Net Profit	3.30	2.70	1.50

iii. Vedprakash Jaiprakash HUF

Mr. Vedprakash Chiripal is the Karta of Vedprakash Jaiprakash HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	60.17	40.27	37.42
Total Income	50.57	18.89	18.90
Net Profit	19.89	2.85	4.61

iv. Vedprakash Jyotiprasad HUF

Mr. Vedprakash Chiripal is the Karta of Vedprakash Jyotiprasad HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	47.95	31.74	34.50
Total Income	44.45	16.14	15.87
Net Profit	13.45	2.68	2.76

v. Vedprakash & Brothers HUF

Mr. Vedprakash Chiripal is the Karta of Vedprakash & Brothers HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	65.41	42.04	38.61
Total Income	53.75	31.58	31.38
Net Profit	23.37	3.44	4.75

vi. S. Jyotiprasad HUF

Mr. Jyotiprasad Chiripal is the Karta of S. Jyotiprasad HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	45.95	33.83	30.91
Total Income	42.81	22.34	19.03
Net Profit	12.12	2.92	2.73

vii. S. Vedprakash HUF

Mr. Vedprakash Chiripal is the Karta of S. Vedprakash HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	53.97	38.03	35.82
Total Income	42.77	16.97	17.67
Net Profit	11.44	2.21	5.14

viii. V. Brijmohan HUF

Mr. Brijmohan Chiripal is the Karta of V. Brijmohan HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	49.02	31.28	28.46
Total Income	42.89	17.65	15.51
Net Profit	11.75	2.82	2.15

ix. V. Jaipakash HUF

Mr. Vedprakash Chiripal is the Karta of V. Jaipakash HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	53.73	35.99	33.36
Total Income	43.30	13.64	14.53
Net Profit	11.74	2.63	4.44

x. V. Jyotiprasad HUF

Mr. Vedprakash Chiripal is the Karta of V. Jyotiprasad HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	49.44	33.28	33.28
Total Income	41.31	21.96	21.76
Net Profit	10.53	2.63	4.39

xi. Keshoram Dwarkadas HUF

Mr. Vedprakash Chiripal is the Karta of Keshoram Dwarkadas HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	49.01	35.31	30.94
Total Income	23.36	26.37	23.63
Net Profit	9.20	4.37	2.42

xii. Devkinandan and sons HUF

Mr. Vedprakash Chiripal is the Karta of Devkinandan and sons HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	40.27	33.27	29.41
Total Income	21.18	22.72	20.58
Net Profit	7.00	3.86	3.23

xiii. Vedprakash Brijmohan HUF

Mr. Vedprakash Chiripal is the Karta of Vedprakash Brijmohan HUF. The business of the concern is carried out from 283, New Cloth Market, Outside Raipur Gate, Ahmedabad.

The concern is engaged in the business of trading in hosiery fabrics. The concern also derives its income from Rent and Investments.

Financial Highlights

The Un-audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Capital Account	36.41	31.73	29.28
Total Income	35.76	18.51	18.78
Net Profit	4.68	2.45	3.76

DETAILS OF OTHER COMPANIES/ FIRMS WITH WHICH PROMOTERS ARE ASSOCIATED:

i. Shanti Exports Private Limited

The company was incorporated on September 22, 1998 under the Companies Act, 1956 having Registration No. 04-34969. The Registered Office of the Company is situated at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015.

The Company is engaged into trading of Textile Goods viz., Gray Cloth and Processed Fabrics and other Textile Related Materials. The company is also generating income through Lease Rentals.

Board of Directors, as on September 30, 2006

- i. Mr. Brijmohan Chiripal

ii. Mr. Pawan Agarwal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	105	0.19%
Relative and Friends	55943	99.81%
Others	-	-
Total	56048	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

Particulars	(in Rs. Lacs)		
	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	560.48	560.48	560.48
Reserves (Excluding Revaluation Reserve)	422.37	395.06	368.52
Net Worth	982.85	955.54	929.00
Total Income	3,357.09	2,414.05	285.92
PAT	27.32	26.54	52.65
EPS (Rs.)	48.74	47.35	93.93
NAV Per Share (Rs.)	1,753.59	1,704.85	1,657.50
Face Value Per Share (Rs.)	1,000.00	1,000.00	1,000.00

The Equity Shares of Shanti Exports Private Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

ii. Chiripal Textile Mills Private Limited

The company was incorporated on June 19, 1981 under the Companies Act, 1956 having Registration No. 04 – 4442. The Registered Office of the Company is situated at 283, New Cloth Market, Ahmedabad – 380 002.

The Company is engaged into trading of Textile Goods viz., Gray Cloth and Processed Fabrics. The company is also generating income through Lease Rentals and Investments.

Board of Directors, as on September 30, 2006

i. Mr. Rishi Agarwal

ii. Mr. Vishal Chiripal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	240	9.80%
Relative and Friends	2210	90.20%
Others		
Total	2450	100.00%

Financial Highlights

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	24.50	24.50	24.50
Reserves (Excluding Revaluation Reserve)	96.17	70.30	65.35
Net Worth	120.67	94.80	88.06
Total Income	32.50	131.62	11.43
PAT	27.54	5.80	2.48
EPS (Rs.)	1123.90	236.70	101.31
NAV Per Share (Rs.)	4925.27	3869.19	3594.29
Face Value Per Share (Rs.)	1000.00	1000.00	1000.00

The Equity Shares of **M/s Chiripal Textile Mills Private Limited** are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

iii. Bhavana Textiles Private Limited

The company was incorporated on January 5, 1995 under the Companies Act, 1956 having Registration No. 55 – 62088. The Registered Office of the Company was situated at B – 86, Okhla Industrial Area, Phase – II, New Delhi. The company has shifted its Registered Office to C – 142, Lajpat Nagar I, New Delhi – 110024 on August 30, 2005.

The Company is engaged into trading of Textile Goods viz., Grey Cloth and Processed Fabrics. Income is also generated through Lease Rentals and Investments.

Board of Directors, as on September 30, 2006

- i. Mr. Bimalkumar Balsaria
- ii. Mr. Bijaykumar Agarwal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	110	0.17%
Relative and Friends	34810	52.72%
Others	31110	47.11%
Total	66030	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	6.60	6.60	6.60
Reserves (Excluding Revaluation Reserve)	122.01	86.57	85.80
Net Worth	128.62	93.17	92.39
Total Income	77.52	314.66	366.93
PAT	35.44	4.40	(4.15)
EPS (Rs.)	53.68	6.66	(6.28)
NAV Per Share (Rs.)	194.79	11.11	139.91
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Equity Shares of Bhavana Textiles Private Limited are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

iv. Deepak Impex Private Limited

The company was incorporated on March 1, 2000 under the Companies Act, 1956 having Registration No. 04 – 37454. The Registered Office of the Company was situated at Chiripal House, 132 FT Ring Road, Shivaranjani Cross Road, Satellite Road, Ahmedabad – 380015. The company has shifted its Registered Office to 233, Near Raipur Gate, New Cloth Market, Ahmedabad – 380 002.

The Company is engaged into trading of Textile Goods viz., Grey Cloth and Processed Fabrics.

Board of Directors, as on September 30, 2006

- i. Mr. Bhupesh Tiwari
- ii. Mr. Narendra Gulabsinghani

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	500	0.27%
Relative and Friends	63000	33.58%
Others	124100	66.15%
Total	187600	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	18.76	18.76	18.76
Reserves (Excluding Revaluation Reserve)	11.51	9.23	8.75
Net Worth	30.27	27.99	27.51
Total Income	389.07	135.33	11.44
PAT	2.28	0.48	0.78
EPS (Rs.)	1.21	0.25	0.42
NAV Per Share (Rs.)	16.13	14.92	14.67
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Equity Shares of **M/s Deepak Impex Private Limited** are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory / bank / institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

v. Hexa International Private Limited

The company was incorporated on October 11, 1999 under the Companies Act, 1956 having Registration No. 04 – 36701. The Registered Office of the Company was situated at 283, New Cloth Market, Ahmedabad 380002. The company shifted its Registered Office to 233, New Cloth Market, Ahmedabad – 380002 on July 29, 2004.

The Company is engaged into trading of Textile Goods viz., Gray Cloth and Hosiery Fabrics. The company is also generating income through Investments.

Board of Directors, as on September 30, 2006

- i. Mr. Amit Bindal
- ii. Mr. Haribhagwan Agarwal

Shareholding Pattern, as on September 30, 2006

Name of the Shareholder	No. of Shares	% Holding
Directors	1000	0.20%
Relative and Friends	28500	5.73%
Others	468000	94.07%
Total	497500	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For the Financial year Ended March 31'		
	2006	2005	2004
Share Capital	49.75	49.75	19.75
Share Application Money	0.00	0.00	29.90
Reserves (Excluding Revaluation Reserve)	184.57	181.72	60.94
Net Worth	234.05	231.13	80.28
Total Income	1885.57	1023.00	102.09
PAT	2.85	0.79	0.65
EPS (Per Share) (Rs.)	0.57	0.16	0.33
NAV Per Share (Rs.)	47.04	46.46	40.65
Face Value Per Share (Rs.)	10.00	10.00	10.00

The Equity Shares of **M/s Hexa International Pvt. Ltd.** are not listed and it has not made any Public or Rights Issue in the preceding three years. The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company. There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

vi. Chiripal Charitable Trust

The charitable trust was formed on January 25, 1985 with the following Trustees:

1. Mr. Vedprakash D. Chiripal
2. Mr. Jyotiprasad D. Chiripal
3. Mr. Jaiprakash D. Chiripal

The office of the Trust is located at 283, New Cloth Market, Ahmedabad.

Registration No.: E - 5956

The objects of the trust are:

1. Spread of all and/ or every kind of Education including Mental, Physical, Technical, Spiritual or Moral in any manner and/ or granting scholarships, contributions, etc. to Individuals, Institutions, Colleges, Schools and Running Hostels, Libraries and Reading Rooms.
2. Donations to Institutions who are doing the work of Moral, Spiritual and Educational uplift of Humanity.
3. Establishment and/ or maintenance, running or support of hospitals, dispensaries, maternity homes, clinics and/ or contributing for the support of such public charitable institutions.
4. Grant of medical aid to the poor and needy.
5. Relief to Poverty in any manner.
6. Setting up or helping by endowing orphanages or poor.
7. Setting up houses for the benefit of orphans and/ or other deserving person.

8. Distribution of free food and clothing to the poor and needy.
9. Sinking of wells and/ or setting up tube wells etc. whenever there may be scarcity of water in any area.
10. To establish, maintain or help such institutions engaged in the welfare of animals, destitutes and other disabled person.
11. Relief in all forms to persons affected by calamities like floods, earthquakes, famine, epidemic, fire and other causes.
12. The creation, maintenance, supply or support of physical centres for advancement of health and hygiene.
13. To establish, contribute to, construct or maintain Dharmashalas (Inns) and Rest Houses.
14. Subscribe and donate or accept to the institutions having their objects or object similar thereof.
15. Accept or make any donation, contribution either in cash or in kind or in any form to any person or such institution which have object or objects in conformity with the objects of the trust.
16. To use the Trust Fund or its income for any other charitable objects.

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

Particulars	(in Rs. Lacs)		
	For the Financial year Ended March 31'		
	2006	2005	2004
Total Income	50.23	5.94	5.87
Surplus	28.31	(14.46)	1.58
Corpus	181.97	151.97	141.16

LISTED VENTURES OF THE PROMOTERS: Besides the Issuer the Promoters of the Company have only one listed entity namely:

i. M/s Nova Petrochemicals Limited

The Company was incorporated on December 23, 1993 and was awarded a certificate of commencement of business on January 5, 1994. Registered No 04 – 20927. The Registered Office of the company is situated at Survey No. 396/ 403, Moraiya Village, Sarkhej – Bavla Highway, Tal. Sanand, Dist. Ahmedabad – 382210.

It approached capital markets with an Initial Public Offering of Equity Shares in the year 1995.

The Company has a production unit at Survey No. 396/ 403, Moraiya Village, Sarkhej – Bavla Highway, Tal. Sanand, Dist. Ahmedabad – 382 210 where it manufactures Man Made Fibres viz., Partially Oriented Polyester Filament Yarn (POY), Polyester Texturised Yarn (PTY), Draw Twisted Yarn (DTY), Fully Drawn Yarn (FDY) and Polyester Chips. The revenues are generated from sale of Partially Oriented Polyester Filament Yarn (POY), Texturised Yarn, Draw Twisted Yarn, Fully Drawn Yarn and trading of Cloth.

Board of Directors, as on September 30, 2006 (Annual Return)

1. Vedprakash Chiripal, Chairman
2. Shyam Gupta, Managing Director
3. Jyotiprasad Chiripal
4. Mohan Gupta
5. R. S. Rathore
6. Sunilkumar Gupta
7. Brijmohan Chiripal
8. R. C. Jain
9. B. C. Rastogi
10. V. D. Gupta
11. S. N. L. Agarwala
12. K. M. Pradhan (Nominee Director – IDBI)

Shareholding Pattern, as on March 31, 2007 (Latest as per the Stock Exchange Information)

Name of the Shareholder	No. of Shares	% Holding
Promoters	17664972	65.43%
Mutual Funds & UTI	0	0.00%
Bank/FI	1200	0.00%
Private Corporate Bodies	5181722	19.19%
Indian Public	3515784	13.02%
NRIs/ OCBs	636322	2.36%
Total	27000000	100.00%

Financial Highlights

The Audited financial highlights for the last 3 years are as follows:

(in Rs. Lacs)

Particulars	For Financial Year Ended March 31,		
	2006	2005	2004
Share Capital	1,350.00	1,350.00	1,350.00
Reserves (Excluding Revaluation Reserve)	4,478.55	5,027.37	6,713.14
Net Worth	5,828.55	6,377.37	8,063.14
Total Income	48,369.13	39,449.48	40,441.19
PAT	(522.88)	(1,745.78)	687.99
EPS (Rs.)	(3.87)	(12.93)	5.10
NAV Per Share (Rs.)	43.17	47.24	59.73
Face Value Per Share (Rs.)	10.00	10.00	10.00

Prices of shares

The existing Equity shares of the Company are listed on Bombay Stock Exchange (BSE-Designated Stock Exchange) and National Stock Exchange (NSE). The high and low closing prices recorded on BSE and NSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

(a) Bombay Stock Exchange Limited (BSE):
Price for the last three years

Year	High			Low			Average Closing Price for the Year (Rs.)
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
2005	December 14, 2005	121.70	10233	April 27, 2005	34.05	1990	56.70
2006	March 13 2006	159.90	419692	December 7, 006	12.90	114949	60.94
2007	January 2, 2007	23.65	11774	March 30, 2007	14.00	15585	17.63

Source: <http://www.bseindia.com>

Price for the last six months

Month	High			Low			Total Volume for the Month
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
November 2006	November 6, 2006	39.75	1370	November 30, 2006	16.00	29881	548331
December 2006	December 29, 2006	27.45	318656	December 7, 2006	12.90	114949	2494789
January 2007	January 2, 2007	23.65	11774	January 9, 2007	18.40	102355	641501
February 2007	February 7, 2007	19.20	9875	February 27, 2007	15.45	8716	167059
March 2007	March 15, 2007	17.45	9697	March 30, 2007	14.00	15585	218555
April 2007	April 11, 2007	19.22	54965	April 2, 2007	14.00	4650	230614

Source: <http://www.bseindia.com>

(b) National Stock Exchange Limited (NSE):**Price for the last three years**

Year	High			Low			Average Closing Price for the Year (Rs.)
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
2005	21, December 2005	122.00	860	27, January 2005	34.15	4961	56.64
2006	13, March 2006	159.85	219830	7, December 2006	12.80	103967	60.81
2007	2, January 2007	24.80	8102	2, April 2007	13.55	3628	17.76

Source: <http://www.nseindia.com>

Price for the last six months

Month	High			Low			Total Volume for the Month
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
November 2006	8, November 2006	40.00	2854	30, November 2006	15.60	84685	1141401
December 2006	29, Decemeber 2006	28.65	187721	7, Decemeber 2006	12.80	103967	2425974
January 2007	2, January 2007	24.80	8102	17, January 2007	19.00	33832	578482
February 2007	1, February 2007	19.25	20300	27, February 2007	15.60	5001	124845
March 2007	16, March 2007	17.70	7557	30, March 2007	14.00	20841	177999
April 2007	11, April 2007	19.25	64554	2, April 2007	13.55	3628	273218

Source: <http://www.nseindia.com>

The Company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company has not made a public/ rights issue in the last 3 years. There are no defaults in meeting any statutory/bank/institutional dues except as mentioned below. No proceedings have been initiated for economic offences against the Company. The company has constituted investor grievance committee and has complied with

listing agreement entered into with the Stock Exchanges. The company is a loss making company and has incurred Net Loss for the Financial Year 2006 to the tune of Rs. 522.88 Lacs and in the Financial Year 2005 to the tune of Rs. 1745.78 Lacs.

There are no litigations pending by or against the company except as disclosed under section 'Outstanding Litigation, Defaults and Material Development on Page no. 129

Nova Petrochemicals Ltd has informed BSE on 23rd April 2007 that the Board of Directors of the Company at its meeting held on April 21, 2007, inter alia, has decided the Draft Scheme for the demerger was placed in the meeting and the said scheme has been approved.

In order to avoid competition amongs the two promoters groups - Chiripal Group and Gupta Group – decided to demerge NPL into Nova - 1 and Nova - 2 and to be allotted to Gupta Group and Chiripal Group respectively.

The said demerger is proposed to be formalized u/s. 391 & 394 of the company's act 1956. The demerger scheme is being filed in the Highcourt of Gujarat.

Other relevant details about the group companies

There are no sales or purchase between companies in the Promoters' group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under "Related Party Disclosures" on Page no. 129 of this Letter of Offer.

E.) CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

Nil

F.) MANAGEMENT'S DISCUSSION AND ANALYSIS

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

a. Overview of the Business of NEL / Business Outlook:

International competitive market environment continues to put pressure on the company's selling prices of products. Further, in view of the sharp increase in raw material prices consequent upon the price movement of crude oil and steep increase in freight rates will affect the margin of the company's products adversely. The company is making concerted effort to contain overhead cost and improve efficiencies.

Key Strengths and Growth Drivers

The Company is a well-established and reliable manufacturer of denim in the market through its sustained efforts and emphasizes on product quality, continuing improvements and competitive pricing. Research and Development is on going process resulting in discovering and implementation of new and improvised methods, concepts so as to improve the product quality, achieves cost effectiveness and optimum utilization of capacity.

Although the market environment reminds to be challenging, the Company through its continuous customer centric initiative, is confident of driving growth to maintain its leadership in the industry. Operational efficiency, Cost effectiveness, increase in export market and optimum utilization of production capacity will be major factors for the business growth and profitability for year ahead.

Finance and Financial Risks

Financial risks could include high foreign currency exposure arising from payment for raw materials vis-à-vis export earnings. The company being a net user of foreign exchange is vulnerable to depreciation in the value of the rupee.

As a measure of prudent foreign exchange management and as a matter of policy, the company does not speculate on foreign currencies except booking for forward cover for import payments. Imports on revenue account are paid, as and when due, by market purchase of foreign exchange and also partially out of export earnings.

Risks and Concerns

The company being manufacturer of denim has its usual risks associated with textile operations. The company endeavors to keep its safety standards at peak level.

b. Significant Development Subsequent to Last Financial Period

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

c. Factors that may affect Results of Operations

Except as otherwise stated in this Letter of Offer, the Risk Factors given in this Letter of Offer and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting industrial activity;
- Increasing competition in the industry;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Manufacturers' defects or mechanical problems with Company's plant & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies, in particular, the U.S. Dollar;
- Cyclical or seasonal fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

d. Discussion on Results of Operations**Analysis of Financial Performance of Nandan Exim Limited**

The following discussion of our financial condition and results of operations should be read together with the audited financial statements for 9 month period ended on December 31, 2006, and financial year ending March 31, 2006, 2005, 2004 respectively including the notes thereto and the reports thereon which appear in the letter of offer. The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards

(Rs. In Lacs)

PARTICULARS	YEAR/PERIOD ENDED					
	31/12/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
INCOME						
Sales	15509.98	12477.35	5346.27	721.23	542.6	482.18
IT Services	Nil	Nil	Nil	62.54	157.88	444.06
Job Work Income	192.14	395.79	560.72	Nil	Nil	Nil
Variation in Stock	Nil	Nil	Nil	Nil	Nil	Nil
Other Income	57.49	32.55	42.44	40.39	4.37	Nil
TOTAL	15759.61	12905.69	5949.43	824.16	704.85	926.24
EXPENDITURE						
Consumption / Purchase of Material	11016.97	8830.43	4517.27	452.92	260.9	221.87
Personnel Expenses	372.79	287.1	123.81	15.96	3.76	2.46
Manufacturing, Administrative, Selling & Other Expenses (Including Software Preparation Charges)	1342.02	1055.75	549.46	128.41	151.54	137.65
Financial Exp.	679.19	361.8	217.51	37.1	11.91	12.82
Depreciation	591.15	496.61	205.68	30.44	1.77	1.68
Misc. Expenditure Written Off	0.84	1.12	1.12	1.13	0.01	0.01
TOTAL	14002.96	11032.81	5614.85	665.96	429.89	376.49

Profit before Tax	1756.65	1872.88	334.58	158.2	274.96	549.75
Less: Provision for Taxes:						
Current Tax	470	257.1	26	15	32	16.5
Deferred Tax	146.11	376.75	91.19	53.24	0.05	Nil
Less: Short/ (Excess) Provision of Income Tax & Deferred Tax.	-0.98	26.89	3.77	0.77	0.51	0.4
Less: Prior Period Items.	-0.91	-2.01	Nil	Nil	Nil	Nil
Profit After Tax	1142.43	1214.15	213.62	89.19	242.4	532.85
Add: Depreciation of earlier years W/back	Nil	Nil	Nil	1.81	Nil	Nil
Profit for the year	1142.43	1214.15	213.62	91	242.4	532.85
Adjustments Due to change in Accounting Policies (refer Annexure III)	-0.91	-1.1	2.01	-25.37	9.03	-26.07
Adjusted Profit	1141.52	1213.05	215.63	65.63	251.43	506.78
Retained Earnings of Earlier Years	1579.47	724.82	1097.77	1032.14	812.9	306.12
Transfer to General Reserve	115	120	510	Nil	28	Nil
Dividend (including tax)	129.84	238.4	78.58	Nil	4.19	Nil
Retained Earnings carried forward to subsequent year	2476.15	1579.47	724.82	1097.77	1032.14	812.9

e. Comparison of Recent Financial Years / Periods with Previous Financial Years / Periods

Financial performance for the 9 month period ended December 31, 2006 vs. Financial year 2005-06

- i. **Sales:** The turnover of the Company during nine months ended 31.12.06 is Rs 15702.12 lacs against turnover of Rs 12873.14 lacs for the year ended 31.03.06. The commercial production on two Denim Lines commenced in July 05 and March 06 and accordingly during the nine months period ended on 31.12.06, the company was able to operate two denim lines for the entire period of nine months resulting into improvement in sales.
- ii. **Other Income :** The Company has earned other income of Rs 57.49 lacs during nine months period ended 31.12.06 against other income of Rs 32.55 lacs for the year ended 31.03.06. The fixed deposits placed by Company with Banks toward margin for letter of credit for capital goods has gone up during this period, resulting into increased interest income during the period.
- iii. **Operating expenses:** The operating expense has increased to Rs 1714.81 during nine months period ended 31.12.06 as compared to Rs 1342.85 lacs for the year ended 31.03.06. The operating expense has gone up due to implementation of project by appointing additional manpower and increase in administrative, selling and other expenses.
- iv. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs 679.19 lacs during nine months period ended 31.12.06 from Rs. 361.80 lacs for the year ended 31.03.06 on account of availment of additional working capital facilities and term loan for the expansion projects.
- v. **Depreciation:** The Depreciation has gone up to Rs 591.15 lacs during nine months period ended 31.12.06 from Rs. 496.61 lacs for the year ended 31.03.06 on account of increase in gross block due to commencement of the expansion projects.
- vi. **Profit after tax:** The Profit after tax is at Rs 1142.43 lacs during nine months period ended 31.12.06 while it was at Rs 1214.15 lacs for the year ended 31.03.06. The profit has gone up due to implementation of Project and increase in Sales.

Financial performance for the FY 2005-06 vs. Financial Year 2004-05

- i. **Sales:** The turnover of the company increased from Rs 5906.99. lacs for the year ended 31.03.05 to Rs 12873.14 lacs for the year ended on 31.03.06. The increased sales were the result of commencement of commercial production on two denim lines in July 05 and March 06.

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- ii. **Other Income :** The Company has earned other income of Rs 32.55 lacs for the year ended on 31.03.06 as against other income of Rs 42.44 lacs as on for the year ended 31.03.05. The company had earned lower dividend income of Rs 0.20 lacs in FY 2005-06 as against dividend income of Rs 21.00 lacs earned for the year ended on 31.03.05. This resulted in Company earning lower other income in comparison to previous year.
 - iii. **Operating expenses:** The operating expense have gone up to Rs 1342.85 lacs for the year ended on 31.03.06 as compared to Rs 673.27 lacs as on for the year ended 31.03.05. The operating expense have gone up due to implementation of project by appointing additional manpower and increase in administrative, selling and other expenses.
 - iv. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs. 361.80 lacs for the year ended on 31.03.06 from Rs 217.51 lacs as on for the year ended 31.03.05 on account of availment of additional working capital facilities and term loan for expansion projects which has resulted in higher interest cost.
 - v. **Depreciation:** The Depreciation has gone up to Rs. 496.61 lacs for the year ended on 31.03.06 from Rs205.68 lacs for the year ended 31.03.05 on account of increase in gross block due to commencement of expansion projects.
 - vi. **Profit after tax:** The Profit after tax is at Rs 1214.15 lacs for the year ended on 31.03.06 against Rs 213.62 lacs for the year ended 31.03.05. The profit has gone up due to implementation of Project and increase in Sales.

Financial performance for the FY 2004-05 vs. FY 2003-04

- i. **Sales:** The turnover to the company has gone up from Rs 783.77 lacs for the year ended on 31.03.04 to Rs 5906.99 lacs for the year ended on 31.03.05. The company had implemented the weaving project in a phased manner in the year ended on 31.03.04. Thus the Company had the benefit of the same for the entire year ended on 31.03.05. The trading sales of the Company had also gone up resulting in increased sales for the year ended on 31.03.05 in comparison to for the year ended on 31.03.04.
- ii. **Other Income:** The Company has earned other income of Rs 42.44 lacs for the year ended on 31.03.05 as against other income of Rs 40.39 lacs last years for the year ended on 31.03.04. The other income has marginally gone up in the year ended on 31.03.05 due to higher dividend received by the Company.
- iii. **Operating expenses:** The operating expense has increased to Rs 673.27 lacs for the year ended on 31.03.05 from Rs 144.37 lacs for the year ended on 31.03.04. The operating expenses have gone up due to implementation of project by appointing additional manpower and increase in administrative, selling and other expenses.
- iv. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs 217.51 lacs for the year ended on 31.03.05 from Rs 37.10 lacs for the year ended on 31.03.04 on account of availment of additional working capital facilities and term loan for expansions project.
- v. **Depreciation:** The Depreciation has gone up to Rs 205.68 lacs for the year ended on 31.03.05 to Rs. 30.44 lacs for the year ended on 31.03.04 on account of increase in gross block due to commencement of expansion projects.
- vi. **Profit after tax:** The Profit after tax is at Rs 213.62 lacs for FY 2004-05 as against Rs 89.19 lacs in the year 2003-04. The profit has gone up due to implementation of Project and increase in Sales.

Financial performance for the FY 2003-04 vs. FY 2002-03

- i. **Sales:** The turnover of the company has gone up from Rs 700.48 lacs for the year ended on 31.03.03 to Rs 783.77 lacs for the year ended on 31.03.04. The company had installed the looms in January 2004 which contributed to sale.
- ii. **Other Income :** The Company has earned other income of Rs 40.39 lacs for the year ended on 31.03.04 as against the year ended on 31.03.03 other income of Rs 4.37 lacs. The other income has gone up for the year ended on 31.03.04 due to higher export incentives.

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- iii. **Operating expenses:** The operating expense have gone down to Rs 144.37 lacs for the year ended on 31.03.04 as compared to Rs 155.30 lacs for the year ended on 31.03.03. The operating expenses have gone down due to decrease in job work charges.
- iv. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up for the year ended on 31.03.04 to Rs 37.10 lacs from Rs.11.91 lacs for the year ended on 31.03.03 on account of availment of Term Loans expansion projects which has resulted in higher payment of interest.
- v. **Depreciation:** The Depreciation has gone up to Rs 30.44 lacs for the year ended on 31.03.04 to Rs. 1.77 lacs for the year ended on 31.03.03 on account of increase in gross block due to implementation of projects.
- vi. **Profit after tax:** The Profit after tax has gone down to Rs 89.19 lacs for the year ended on 31.03.04 from Rs 242.90 lacs for the year ended on 31.03.03. The same can be attributed to higher depreciation, interest and provision for deferred tax.

Internal Control and Adequacy

Company has an adequate internal control system commensurate with its size. Our Company's systems and control address

- Implementation of management policies to ensure that the transactions have been accurately recorded and promptly reported.
- Reviews compliance with statutes.
- Operational efficiency

The Internal Audit Department carries out the Audit in the above areas and also Post Audit checks and ensures the adequacy of internal control through reviews. Their reports are submitted to and discussed with the audit Committee of Directors.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events, to the best of our knowledge, other than as described in this Letter of Offer, which may be called "unusual" or "infrequent".

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

There have been no significant changes in the laws governing the Denim Textile industry in the recent past. The Company's raw material prices are driven by international cotton prices or. The prices are prone to fluctuations. Similarly, the prices of finished products of the company Denim are also driven by international prices and import tariff structures. The margins on these products vary widely without any consistency; the revenues of the company will therefore fluctuate from year to year. These economic changes could significantly affect income from continuing operations.

3. Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Uncertainty prevails in availability of continuous supply of raw materials of the Company. Occasionally, few raw materials though available are at uneconomical prices, which result in pressure on margins and values. In addition to above, high foreign currency exposure which is vulnerable to depreciation of Rupee and expected hardening of interest rates may affect company's operating, margins and profits. Other than as described in this Letter of Offer, to our knowledge, there are no known trends or uncertainties that have or had or are expected to have a materially adverse impact on revenue or income of the Company from continuing operations.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

The recent trend in continuous increase in International prices of raw materials compared to the prices of finished products may further shrink margins in future. Following the steep increase in price of crude oil during the past years, the cost of raw material also rose substantially. With entering long-term contract for supply of raw material, the reasonable portion of such increase will be curtailed by the Company. On the financial front

the company is taking steps towards better working capital management and financial re-structuring for reducing the interest cost. The Company is continuously working to create efficient processes resulting in cost reduction and have a better control over its activities. Other than as described in this Letter of Offer, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The increase / decrease in turnover is only on account of increase in sales prices and volume.

6. Total turnover of each major industry segment in which the Company operated

The Company is operating only in one segments namely Denim.

7. Status of any publicly as announced new products a business segment

The company has firm plans in place to go in for the projects envisaged under headings Cost of Project. Besides, we intend to make a move in the direction of forward integration with a foray in garmenting. There has been no announcement of any new products or business segment.

8. The extent to which the business is Seasonal

The business of the company is not seasonal. However there are significant variations in the quarterly revenues and profits because of various factors like general economic conditions, scheduled plant shut down etc.

9. Dependence on single or few suppliers / customers

Majority of Raw material of the company is sourced domestically. Company is not depending on any single supplier.

10. Competitive conditions

The Company is in the business of manufacture and sale of denim. Denim fabric is also manufactured by Arvind Mills Ltd, Aarvee Denims Ltd, KG Denim, Malwa Industries and other regional players.

Domestic denim production is dominated by the few organized players who have integrated facilities and technology and large economies of scale, and the unorganized sector is virtually absent. With recent spurt in demand, the industry is witnessing not only capacity additions by the existing manufacturers but also entry of new players.

Following are the expected capacity for some of the major manufacturers in India

Sr. No.	Manufacturers	Total Post Expansion expected capacity by early 2007 in million meters
1	Arvind Mills Ltd.	140
2	Raymond (Denim Division)	40
3	Aarvee Denims and Exports Ltd.	54
4	K G Denim	30
5	Malwa Industries	20

*(Source: Clothesline April 2005)

Clothesline research shows that, taking into account the proposed capacity expansions and new entrants, by the end of 2006, India would be producing at least 390 million meters (increasing its share in the global market by 1.5%)

The per capita consumption in India at 0.2 meters as compared to world average of 0.5 meters and US of 2. meters is quite low; hence, there is a phenomenal scope for increase in the consumption of denim in India by catering to different age groups and by tapping rural areas. With changes in fashion trend and the inherent advantages of Denim Fabrics, demand is expected to grow at 25% in India. India with a population of over 1000 millions will be a major consumer of Denim in the coming years.

In revenue terms, the Global Denim Fabrics industry is worth \$ 50 billion and uses up 5.5 billion meters. The Production Capacity is around 7 billion meters. The market size is projected to touch \$90 billion by 2012, which translates to a volume growth of around 8%. Of this, China is the largest player with a market share of 30% and India comes second producing almost 15% of Global Denim. Bulk of Demand comes from US and Europe.

(Source: Brand Finale- DNA Money dtd 17.04.2007)

About 50% of global denim capacity is now concentrated in Asian mills, and the bulk of this is in China. Meanwhile, several other countries have built new, vibrant denim industries. In Turkey, for example, jeans exports surged by 30% in value terms to US\$1.4 bn in 2005.

Turkey, Bangladesh, Pakistan, China are also in denim expansion mode. Competition from these countries exists not only on the export markets, but also on the domestic market, where all large garment manufacturers and exporters depend on imported fabrics from China. Chinese imports are mainly because of the price and delivery factors. For denim commodity fabrics, Chinese prices are much lower than Indian prices, and clothing producers often prefer importing denim made in China.

Global demand is set to rise by 5-6% in the coming year, but global supplies will grow by a faster 8%. Manufacturers' capacities are increasing significantly, buoyed by low cotton prices and the more liberal trading environment following the end of quotas. In the Indian city of Ahmedabad alone, mills will supply around 500 mn metres by the end of 2006.

(Source: Industry Report from the Internet)

SECTION V. LEGAL AND OTHER INFORMATION**OUTSTANDING LITIGATIONS AND DISPUTES**

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 other than those disclosed below.

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. There are no pending proceedings initiated for Economic Offences against the company except as stated herein.

a. Outstanding Litigations involving Nandan Exim Limited:**Filed against the Company**

- i. **Criminal Laws:** Nil
- ii. **Securities Law:** Nil
- iii. **Statutory Laws including Tax Disputes:**

Central Excise, Customs, Service Tax and DGFT Law:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Show cause notice No. V.52-55/15-24/ Demand OA-I/Nandan/06-07 Commissioner Central Excise, Ahmedabad issued to Nandan Exim Limited.	It is alleged that the company cleared goods without payment of duty under notification no. 30/2004-CE dated July 9, 2004 by availing credit of inputs used in the manufacture of the final goods.	The company has replied to the SCN on July 17, 2006 to the commissioner and requested for the perusal for hearing. The hearing is awaited.	Rs. 195.08 lacs
F. No. STC/4-32/PREV/05-06-Gr.I/181689 Dated October 26, 2005	A show cause notice has been issued seeking clarification for commission received during FY 2003-04 and payment of selling commission	The company claims that service tax is not applicable on sale of DEPB licenses vide its reply to the SCN dated February 1, 2006. No further communication received by the company in the matter.	Not Quantified

iv. Civil Laws and Arbitration Matters: Nil**v. Claim against the Company:** Nil**vi. Others:** Nil**Filed by the Company**

- i. **Criminal Laws:** Nil
- ii. **Securities Laws:** Nil
- iii. **Statutory Laws including Tax Disputes:** Nil
- iv. **Civil Laws and Arbitration matters:** Nil
- v. **Others:** Nil

Amounts Owed to Small Scale Undertakings

None of the persons selling goods and materials and/or rendering services as claimed to be small-scale undertaking. We do not owe sum exceeding 1 lacs outstanding of Small scale underataking of Nandan Exim Limited except to six firms or companies amounting to Rs. 1962731.00 as on 31/12/2006.

Defaults

There are no defaults outstanding in meeting statutory dues, institutional dues and towards instrument holders like debentures, fixed deposits etc.

b. Litigations involving Subsidiary Companies:

NEL has no subsidiaries

c. Outstanding Litigations involving Promoters and Group Companies:
Litigations involving Promoters
Mr. Vedprakash Chiripal:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Criminal Case No. 893 of 2000 Chief Judicial Magistrate, Bhuj. Union of India through Deputy Commissioner of Customs (Legal), Kandla Vs. Chiripal Industries Ltd., Shanti Processors Ltd. & Mr. Vedprakash Chiripal, Mr. Brijmohan Chiripal and three others.	Prosecution for alleged offence committed that is punishable under section 132 & 135 of the Customs Act, 1962 based on Order No. S/10-5/SIB/96 dated February 8, 2000. A criminal case under section 132, 135 of the Customs Act, 1962 read with Section 120(B) of the Indian Penal Code in connection with fraudulent evasion or attempted evasion or prohibition etc. in respect of fabrics made from 100% Polyester Filament Yarn against Advance License issued under DEEC scheme and availing duty free imports, etc. has been filed in the matter of search & seizure carried out by Commissioner of Excise & Customs on October 11, 1996	The case is in personal capacity as well as in capacity as Directors of Chiripal Industries Ltd. The Criminal case was transferred from Bhuj Court to Gandhidham Court pursuant to order passed by sessions Judge on 5.07.2005. The case is not listed till date before Gandhidham court.	Not Quantified
Assessment Order U/s. 143 (3) of the I.T. Act, 1956 dated December 13, 2006 by ACIT, Circle 11, Ahmedabad.	The Assessing Officer had disallowed interest payments and & the trust income the same is disputed	An appeal has been filed before Commissioner of Income Tax (Appeals), on 16 th January 2007 Ahmedabad. No hearing has happened. Part payment of Rs. 1.25 Lacs was made towards the demand on 26.02.2007. The appeal is still pending.	Rs. 2.25 lacs

Mr. Brijmohan Chiripal:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Criminal Case No. 893 of 2000 Chief Judicial Magistrate, Bhuj.	Prosecution for alleged offence committed that is punishable under section 132 & 135 of the Customs Act, 1962 based on	The case is in personal capacity as well as in capacity as Directors of Chiripal Industries Ltd. In an appeal against the order of	Not Quantified

Union of India through Deputy Commissioner of Customs (Legal), Kandla Vs. Chiripal Industries Ltd., Shanti Processors Ltd. & Mr. Vedprakash Chiripal, Mr. Brijmohan Chiripal and three others	Order No. S/10-5/SIB/96 dated February 8, 2000. A criminal case under section 132 & 135 of the Customs Act, 1962 read with Section 120(B) of the Indian Penal Code in connection with fraudulent evasion or attempted evasion or prohibition etc. in respect of fabrics made from 100% Polyester Filament Yarn against Advance License issued under DEEC scheme and availing duty free imports, etc. has been filed in the matter of search & seizure carried out by Commissioner of Excise & Customs on October 11, 1996	Commissioner of Customs, Kandla, GEGAT (now CESTAT) has set aside the penalty imposed against Mr. Brijmohan Chiripal; however he continues to be a party to the Criminal case filed against him based on the original order of Commissioner of Customs, Kandla. The Criminal case was transferred from Bhuj Court to Gandhidham Court pursuant to order passed by sessions Judge on 5.07.2005. The case is not listed till date before Gandhidham court.	
Assessment Order U/s. 143 (3) of the I.T. Act, 1956 dated December 22, 2006 by ITO, Wd, 11 (1), Ahmedabad	The Assessing Officer had disallowed interest payments and trust income along with additions of certain income and the same is disputed.	An appeal has been filed before Commissioner of Income Tax (Appeals), on 16.01.2007 Ahmedabad. No hearing has happened. Shri Brijmohan Chiripal has paid and a sum of Rs. 0.75 towards the demand on 26.02.2007. The appeal is pending.	Rs. 1.49 lacs

Litigations involving Promoter group companies (irrespective of the fact whether they are companies under the same management with the issuer company as per section 370 (1B) of the Companies Act, 1956)

1. Chiripal Industries Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company, except the following:

Filed against the Company

i. Criminal Laws:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Criminal Case No. 893 of 2000 Chief Judicial Magistrate, Bhuj. Union of India through Deputy Commissioner of Customs (Legal), Kandla Vs.	Prosecution for alleged offence committed that is punishable under section 132 & 135 of the Customs Act, 1962 based on Order No. S/10-5/SIB/96 dated February 8, 2000. A criminal case under section 132, 135 of the Customs Act, 1962 read with Section 120(B)	The case is in personal capacity as well as in capacity as Directors of Chiripal Industries Ltd. The Criminal case was transferred from Bhuj Court to Gandhidham Court pursuant to order passed by sessions Judge on 5.07.2005. The case is not listed till date before Gandhidham court.	Rs. 12.00 lacs

Chiripal Industries Ltd., Shanti Processors Ltd. & Mr. Vedprakash Chiripal, Mr. Brijmohan Chiripal and three others	of the Indian Penal Code in connection with fraudulent evasion or attempted evasion or prohibition etc. in respect of 12000 kgs. of fabrics made from 100% Polyester Filament Yarn against Advance License issued under DEEC scheme and availing duty free imports, etc. has been filed in the matter of search & seizure carried out by Commissioner of Excise & Customs on October 11, 1996 <i>(One of the defendants in the matter is erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>		
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ii. **Securities Law:** Nil

iii. **Statutory Laws including Tax Disputes:**

Income Tax Disputes:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Assessment order for the assessment year 2003-2004 under section 143(2) of the Income Tax Act dated 31.03.2006 passed by ITO ward 8(3) Ahmedabad. Appeal No. __ of 2006 Commissioner of Income Tax (Appeals)	The Income Tax Officer has disallowed certain payments made by the company in the said order. <i>(Matter pertains to erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>	The company has preferred an appeal against the said order on April 28, 2006. The appeal is still pending.	Rs. 26.24 lacs
Assessment order under section 143(3) of the Income Tax Act dated 28.12.2006 passed by Deputy Commissioner of Income Tax Circle 8 Ahmedabad.	Demand of Rs 12000/- payable in the order dated 28.12.2006 for the assessment year 2004-2005. <i>(Matter pertains to erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>	The appeal made by the company on 25.01.2007, the matter is still pending.	Rs. 0.12 Lacs
Order passed under section 271(1)(b) of the Income Tax Act 1961 passed by	Penalty of Rs. 20000/- imposed for Non compliance of Notice. <i>(Matter pertains to erstwhile Shanti Processors Limited</i>	Appeal filed. The matter is still pending.	Rs. 0.20 Lacs

DCIT Circle 8 Ahmedabad for the assessment year 2004-2005 on 17.11.2005 to Shanti Processors Ltd.	<i>merged with Chiripal Industries Ltd.)</i>		
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Central Excise, Customs and DGFT:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Chiripal Industries Limited, Vedprakash Chiripal, Brijmohan Chiripal and Others before Custom Excise & Gold Control appellate Tribunal WZB Appeal Mumbai. Apple no. C/37/97/BOM filed by Chiripal Twisting & Sizing Pvt. Ltd. now merged with Chiripal Industries Ltd.	The Customs has alleged fraudulent exports of polyester fabrics and duty free imports of PFY / PSY & other items under DECC scheme in contravention of the provisions of Customs Act, 1962. (Order no. S/10-5/SIB/96 dated February 8, 2000) <i>(One of the defendants in the matter is erstwhile Shanti Processors Limited since merged with Chiripal Industries Ltd.)</i>	Appeal was filed before commissioner kandla. The Said authority imposed penalty of Rs. 20 Lacs. The further Appeal was preferred in Tribunal in which penalty of Rs. 2 Lacs of Brijmohan D. Agrawal one of the director was dropped. The company had filed petition before Tribunal which was rejected there after appeal was preferred before GUJART HIGH COURT against Tribunal. The matter was remanded to the tribunal. The appeal is pending for consideration.	Rs. 18.00 lacs
Appeal No. V.2C59/24/AI/2007 filed before the Commissioner of Central Excise (Appeals) Ahmedabad against a. SCN filed no. V.54/15-9/Demand/Chiripal/2005 of Rs. 34,46,772/- b. SCN filed no. V.54/15-52/Demand/Chiripal /05-06 of Rs. 25,77,665/- making total Demand Rs. 60,24,437/-	Alleged non-payment of National Contingent Calamity Duty (NCCD) & interest thereon. Appeal against order no. 33 and 34 dated November 22, 2006 by Additional Commissioner Excise.	Appeal filed by the company at Commissioner of Central Excise (Appeals), Ahmedabad Not listed till date for hearing.	Rs. 60.24 lacs + Interest
SCN File No. V-54-60/15-31/demand/OA-I/Chiripal/06-07/1318 dated June 2, 2006 Joint Commissioner Excise Ahmedabad - I	Simultaneous availment of Cenvat credit and clearing goods i.e. Polyester Filament yarn without payment of duty	The Company has replied to the show cause notice on July 17, 2006 and has requested a personal hearing. However no hearing has happened till date.	Rs. 12.64 lacs+ Penalty + Interest
S.A.[E] No. ___ / 2007. The Customs and	The Excise Authorities raided the premises of the factory on	The Company has deposited Rs. 100.00 lacs and has applied	Rs. 100.04

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Central Excise Settlement Commission, Additional Bench at Mumbai	November 1-2, 2001 and on the basis of the same; they ordered investigation of the matter. The investigation completed and show cause notice no. V. 52-55/15-19/offence/0A-1/Shanti/06-07/1092 was issued. The appeal preferred before the settlement commissioner. <i>(Matter pertains to erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>	for Settlement by an application to The Customs and Central Excise Settlement Commission, Additional Bench at Mumbai. Hearing for the same was fixed on 3 rd April 2007.	lacs
SCN V.52-60/15-231/ Dem / 2004 dated August 13, 2004 of Additional Commissioner of Central Excise, Ahmedabad	Availing accumulated deemed credit in cervat credit account in (alleged) violation of Cervat Credit Rules post amendment <i>(Matter pertains to erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>	The Company has replied to the SCN on September 16, 2006 The additional commissioner passed an order confirming the demand and imposed the penalty of Rs. 20 Lacs. The company is in the process of filing an appeal before the commissioner (Appeal) Ahmedabad.	Rs. 40.26 lacs+ Penalty of Rs. 20 Lacs
SCN no. V.52/3-04/Div IV/DA dated 1.08.2003, SCN no. V.52/3-104/Div IV /DA dated 20.08.2003 and SCN no. V. 52/3-104/03-04/Div. IV DA 3.07.2003 issued by Assistant Commissioner of Central Excise, Ahmedabad. Issued to Shanti Processors Ltd.	Cotton Hosiery is exempt from excise pursuant to notification and the same is denied by the Central Excise department. <i>(Matter pertains to erstwhile Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>	The company has replied to the SCN vide on August 29, 2003 20 th September 2003, 29 th August 2003 and September 10, 2003. The matter is technical therefore pending in call books of the Commissioner of Excise, Ahmedabad I Board	Rs. 129.80 lacs
Appeal No. E/2341/04-MUMBAI-Commissioner of Central Excise Ahmedabad v/s Shanti Processors Ltd.	The Director General of Anti Evasion, Mumbai had conducted a seizure at the premises of the company and alleged incorrect claim of certain exemption availed by the company. Order passed by the Commissioner of Central Excise, Ahmedabad – I in favour of the Company and demand was dropped. Excise Department has preferred an appeal against the order by application filed on July 26, 2004. <i>(Matter pertains to erstwhile</i>	Matter is pending with Custom Excise and Service Tax Appellate Tribunal, Mumbai. The matter is not heard till date.	Rs. 29.89 lacs

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
	<i>Shanti Processors Limited merged with Chiripal Industries Ltd.)</i>		
F.No. S.B.No. 1194040 dated April 29, 2006 issued by Assistant Commissioner of Customs, Excise ICD Sabarmati Ahmedabad	Alleged misdeclaration in Shipping Bill and ARE-1. Submitted before the Supt. Of Customs Ahmedabad	The company has replied to the SCN on July 14, 2006. The representatives of the company appeared at the hearing on July 28, 2006 and the order for the same is awaited.	Rs. 3.44 lacs
SCN no. F.No. V.54/03-10/06-07/ Div. V/DA dated December 12, 2006 Issued by Joint Commissioner of Central Excise, Ahmedabad to Chiripal Industries Ltd.	Alleged non-payment of National Contingent Calamity Duty (NCCD) on POY and FDY while clearing the said goods for captive consumption for manufacture of texturised yarn, crimped yarn, twisted yarn, MM knitted fabrics etc.	The company has replied to the SCN on January 17, 2007 and requested for personal hearing.	Rs. 14.13 lacs

iv. Civil Laws and Arbitration Matters:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Civil suit no. 1692/2006 before city civil court Ahmedabad filed by Chetak Roadways (India) Limited v/s Goenka Impex Pvt. Ltd. Saudher Enterprise and Shanti Processors Ltd.	The company had sent goods through plaintiff Chetak Roadways (India) Ltd. who delivered to Sudhir Enterprise without any authority. The company made correspondence and recovered Rs. 5,35,211/- the value of goods. The Plaintiff filed a suit for the recovery of the said amount of Rs. 5,35,211/- claiming that the money received by the company is illegal and recovery made from the plaintiff was not proper.	The suit is pending before the city civil court Ahmedabad.	Rs. 5.35 lacs
CHICAGO PNEMATIC sales division of Atlas Copco (India) Ltd. supplier of the compressor issued notice	By the notice the company claimed for the payment of money for the goods supplied and the notice for the winding up	The company replied the notice on 31.12.2005 towards advocate Bhikhubhai Patel whereby refuted the claim and informed that for the breach of warranty. The company had referred the matter to the consumer Dispute	Rs. 8.25 Lacs + Interest

SMT/SB 155 dated 12 th December 2005 through CRAWFORD BALLEY & CO Advocates Mumbai	Redressal forum at Ahmedabad. Thereafter no further correspondence or winding up petition received by the company.
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v. **Claim against the Company:** Nil

vi. **Others:** Nil

Filed by the Company

i. **Criminal Laws:** Nil

ii. **Securities Laws:** Nil

iii. **Civil Laws and Arbitration matters:**

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Complaint No. 22 / 2005 filed by Chiripal Twisting & Sizing Pvt. Ltd. now Chiripal Petroleum Ltd Now Chiripal Industries Ltd. M/s. Chiago Pneumatics Sales Division of Atlas Copco (India) Ltd. before the Consumer Disputes Redressal Forum at Ahmedabad	The company had purchased certain compressors from Chicago Pneumatics. The compressors were delivered on 28.02.2004 and stopped working on 3.08.2004 i.e. within 12 months from the date of supply. The erection engineers could not set right the compressors. The supplier could not repair it. Machines stopped working abruptly. The company alleged for breach of warranty for the compressor supplied by the supplier & compliant file for the damages of Rs. 20 Lacs before the consumer Dispute Redressal Forum Ahmedabad.	The case is pending before the Redressal forum	Rs. 20.00 lacs

iv. **Others:** Nil

2. M/s Shanti Processors Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company. The company has since merged with Chiripal Industries Limited.

3. M/s Priti Processors Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases

where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company. The company has since merged with Chiripal Industries Limited.

4. M/s Vishal Fabrics Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company, except the following:

Filed against the Company:

i. Criminal Laws:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
53 of 2006 Chief Metropolitan Magistrate, Ahmedabad ROC, Gujarat Vs. Directors of Vishal Fabrics Pvt. Ltd	A criminal case has been filed against directors of Vishal Fabrics Limited namely Mr. Rajesh Bindal, Mr. Damodar K. Agrawal, Mr. Mahavirsingh Yadav, Mr. Vinodkumar Shah and Mr. Jyotiprasad Agrawal for alleged violation / contravention of Section 211 read with Schedule VI of the Companies Act, 1956	The case pending before the trial court at Ahmedabad. The company and its Five Directors filed an application before the company Law Board Mumbai for compounding of the offence under section 621A on 25.07.2006 The hearing for the same is awaited	Not Quantified
Petition before Company Law Board western region Bench Mumbai for shifting the Registered office from Gujarat to Delhi Dated 26.06.2006. filed under section 17 of the Companies Act 1956 by Vishal Fabrics Pvt. Ltd.	The company had made a petition under section 17 of the act for shifting the registered office of the company from State of the Gujarat to Delhi.	Hearing of the petition started. No final order passed by the Company Law Board till the date.	Nil

ii. Securities Law: Nil

iii. Statutory Laws including Tax Disputes:

Income Tax Disputes:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Order under Section 201(1) & 201 (1A) of the IT	Alleged failure to deduct T.D.S. u/s 194 I on rent towards plant & machinery together with	The company has filed an appeal on June 21, 2006 before commissioner of Income Tax	Rs. 3.22 lacs

Act. Dated May 29, 2006	furniture, fittings and land appurtenant thereto.	(Appeals). The appeal is still pending.	
Assessment order dated March 31, 2006 Appeal filed with CIT (Appeals) XIV, Ahmedabad on April 28, 2006	The ITO has not accepted the valuation of stock as made by the company and has passed an order u/s 143(3) on March 31, 2006	The company has filed an appeal against the order on 28.04.2006. The appeal is still pending.	Rs.12.77 lacs
Notice received from Circle-8/ u/s. 221of (1) of IT Act dated December 19, 2005 for demanding Rs. 1.66 lacs	The company is in receipt of an Income Tax notice for a demand of Rs. 1.66 lacs as against the returned refund claim of Rs. 3.89 lacs.	The company has applied for rectification of demand notice vide its letter dated January 1, 2006	Rs. 1.66 lacs

Central Excise, Customs and DGFT:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
SCN no. F. No. V-52/3-49/03-04 / DIV IV/DA dt. June 23, 2003 issued to Vishal Fabrics Pvt. Ltd. by Assistant Commissioner of Central Excise, Div IV, Ahmedabad - I	The matter pertains to alleged wrongful availment of deemed credit / CENVAT Credit for fabrics.	The company has not replied to the SCN as the matter is a technical and is with Central Board of Custom and Excise	Rs. 20.35 lacs
SCN F. No. V-52/3-99/2001 /DA Dated May 6, 2002 issued to Vishal Fabrics Pvt. Ltd. by Deputy Commissioner of Central Excise, Div V, Ahmedabad - I	The matter pertains to alleged wrongful availment of deemed credit / CENVAT Credit	The company has not replied to the SCN as the matter is a technical and is with Central Board of Custom and Excise.	Rs. 59.64 lacs
SCN F.No. V. 52-55/15.10/Offence/OA-I/Vishal /06-07/1205 Dated May 15, 2006 issued by Joint Commissioner of Central Excise, Ahmedabad I to Vishal Fabrics Pvt. Ltd.	Search conducted by Preventive wing of Central Excise Ahmedabad-I Commissionerate on January 28-29, 2003 and alleged contravention of Rule 9(1) read with Rule 173F of erstwhile Central Excise Rules, 1944	The company has approached Settlement Commission on July 31, 2006 The Company has received an order on 7.02.2007 whereby the company is required to pay interest. The company has already deposited Rs. 10.06 Lacs.	Rs. 10.06 lacs Plus Interest.
SCN V-52/3-141/03-04/Div.IV/DA Dated June 6, 2003 issued to Vishal Fabrics Pvt. Ltd. by Assistant Commissioner, Central Excise, Division IV,	Dispute for duty on Hosiery Fabrics. Show Cause Notice as to why central excise duty for the goods falling under heading No.60.01 of the tariff cleared by the company should not be recovered with penalty & interest.	The company has filed its reply on August 29, 2003. The hearing was completed on October 19, 2005 and the order is pending.	Rs. 64.86 lacs

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Ahmedabad - I			
SCN V-52/3-142/03-04/Div.IV/DA Dated August 18, 2003 Assistant Commissioner, Central Excise, Division IV, Ahmedabad – I to Vishal Fabrics Pvt Ltd.	Dispute for duty on Hosiery Fabrics. Show Cause Notice as to why central excise duty for the goods falling under heading No.60.01 of the tariff cleared by the company should not be recovered with penalty & interest.	The company has filed its reply on August 29, 2003. The hearing was completed on October 19, 2005 and the order is pending.	Rs. 44.41 lacs

Textile Committee, Ministry of Textiles

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Notice bearing no. TC/Cess/Sur/2006-2007/A/c issued by textile Commissioner Govt. Of India Ministry of Textiles Dated 11.12.2005 to Vishal Fabrics Pvt. Ltd.	The company is in receipt of a notice dated November 11, 2005 from Textiles Committee, Ministry of Textiles for recovery of textile cess leviable and not paid by the company to the tune of Rs. 11.42 lacs.	The company is in receipt of a notice of demand under Textiles Committee (Cess) Rules, 1975 dated December 12, 2005. On non-payment of the above the matter the company received notice under section 152 of Land Revenue law. The company has appealed to the Tribunal at Mumbai for the condonation of delay and application for the stay on January 29, 2007. The hearing for the same is awaited.	Rs. 11.99 lacs

Labour law:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Workmen Compensation Case No. 196/92 Dated July 18, 1992 filed by Suresh Bhikhabhai against Chiripal Textile and Dilip Surti	Mr. Suresh Bhikhabhai worked on contract under contractor Mr. Dilip Surti in Exposing Dept. and was injured by stiping which is used in Exposing Dept. for stiper screen. A chemical fell on his body due to negligence while working. The company had provided safety measures but avoidance of the same led to injury to the employee.	He has filed the case for compensation in 1992 against the company and the contractor is co-defendant. The case is still pending.	Rs. 2.00 lacs
Application (T) 54/2003 Dated April 16, 2003 Before Presiding Officer, Labour Court, Ahmedabad filed by Krishna Singh	Mr.Krishna Singh Ramdev Singh was temporary worker in Export Dyeing Dept. and has alleged that his employment was wrongfully terminated	The company has made its written submission on February 17, 2005. The matter is pending in the honorable Labour court.	Rs. 0.50 lacs + rein- statement with back wages w.e.f

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Ramdev Singh against Vishal Fabrics Private Limited & others.			March 26, 2003
Recovery Application No. 2107/2003 Dated December 23, 2003 Before Presiding Officer, Labour Court, Ahmedabad filed by Krishna Singh Ramdev Singh against Vishal Fabrics Private Limited others.	Mr.Krishna Singh Ramdev Singh was temporary worker in Export Dyeing Dept. and has alleged that his employment was wrongfully terminated. He is claiming for Wages for part of February 2003, Leave Encashment, Bonus and Overtime	The company has filed a written statement on 17 th February 2005. The matter is still pending before the Honorable Labour Court.	0.31 lacs + 18% interest
Recovery Application 2155/2002 dated Before Presiding Officer, Labour Court, Ahmedabad by Jethabhai Kachrabhai and Babuben Jethabhai against Chiripal Textiles and Govind T. Panchal	Jethabhai Kacharabhai, father of Mr. Pankaj (a worker) was working under a contractor, Mr. Govind Panchal who expired in accident. The contractor was having a workman compensation policy and the workman's father and part of the claim was paid by the Insurance Company. A recovery application is filed for payment made to the beneficiary being late which was due to non-submission of required documents intime by the applicant. Now the claim is for penalty, interest on due amount on account of late payment.	The company has made a written submission dated March 28, 2003 before the Labour Court. The matter is still pending before the Honorable court.	Rs.1.26 lacs
BIR Application no. 127/ 2003 dated April 16, 2003 Before Labour Court, Ahmedabad Filed by Manjibhai Mahendra Yadav against Vishal Fabrics Pvt. Ltd and others.	Manjibhai Mahendrabhai Yadav was working in Export Dyeing Dept. and has alleged that his employment was wrongfully terminated.	The defendants have made written submissions dated February 17, 2005. The application is still pending before the Honorable Labour court.	Rs. 0.50 lacs
T Application No. 11/2005 dated January 31, 2005 Before Labour Court, Ahmedabad filed by Shri Mahendra Kashiram Lodha against Vishal Fabrics Pvt. Ltd.	Mr. Mahendra Kashiram Lodha has filed a case against Company for reinstatement with back wages	The company made a written submission dated December 6, 2005 before the court. The application is still pending before the Honourable Labour Court.	Rs. 0.50 lacs
Recovery Application	Mr. Mahesh Nagjibhai Desai	No claim papers available in the	Nil

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
1126/2005 dated October 14, 2005 Before Presiding Officer, Labour Court, Ahmedabad filed by Shri Mahesh Nagjibhai Desai against Vishal Fabrics Pvt. Ltd.	working as a Driver has claimed bonus and retrenchment compensation along with certain other benefits allegedly due	recovery application.. The company has made a written submission in June, 2005 The company has paid all the legal dues by cheque. The matter is still pending before the Honorable Court.	
W.C. Case Application No.14 of 2000 before Labour Court, Nadiad filed by Bhalabhai Vajesingh against Chirirpal Textile Mills Pvt Ltd.	Compensation claimed for permanent disability due to loss of right hand in an accident by Bhalabhai Vajesingh	The matter is pending before the court	Rs. 0.25 lacs
(T) Application 06/2005 dated January 17, 2005 Before Labour Court, Ahmedabad filed by Manjibhai Mahendrabhai Yadav against Vishal Fabrics Pvt. Ltd. & others	Mr. Manjibhai Mahendrabhai was working in Export Dyeing Dept. as a worker. While, Management had started rationalization process, it came to his knowledge about his non-productive workmanship. Thereafter he stopped his duty and later on he filed the case and asked for legal dues for his wrongful termination from the services by the company.	No claim papers submitted before the court. The company has made a written submission June, 2005. The matter is still pending before the Honorable Labour Court.	Nil

- iv. **Civil Laws and Arbitration Matters:** Nil
- v. **Claim against the Company:** Nil
- vi. **Others:** Nil

Filed by the Company

- i. **Criminal Laws:** Nil
- ii. **Securities Laws:** Nil
- iii. **Civil Laws and Arbitration matters:** Nil
- iv. **Others:** Nil

5. M/s Sparrow Exports Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company.

6. M/s Chiripal Enterprises Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases

where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

7. M/s Vraj Integrated Textile Park Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

8. M/s Red Events Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

9. M/s Deepak Finance Corporation

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the partners of the firm.

10. M/s Vishal Finance Corporation

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the partners of the firm.

11. M/s Shri Balaji Exports

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the partners of the firm, except the following:

Filed against the partners:

i. Statutory Laws including Tax Disputes:

Income Tax Disputes:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Order U/s 143 (3) by ACIT,, Circle 11, Ahmedabad dated December 18, 2006	A survey u/s 133A of the I.T. Act was carried out at the business premises on October 20, 2003. Further the deductions u/s 80 HHC were disallowed for A.Y. 2004-05	The firm has preferred an appeal on 21.01.2007. The matter is yet to be decided. The firm has paid a sum of Rs. 0.50 Lacs against the demand of Rs. 0.65 lacs on 26.02.2007. The appeal is still pending.	Rs. 0.65 lacs

- ii. **Civil Laws and Arbitration Matters:** Nil
- iii. **Claim against the firm:**
- iv. **Others:** Nil

Filed by the firm

- i. **Statutory Laws including Tax Disputes:** Nil
- ii. **Civil Laws and Arbitration matters:** Nil
- iii. **Others:** Nil

12. M/s Vishal Developers

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the partners of the firm.

13. M/s Vyom Developers

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the partners of the firm.

14. M/s Ruchi Enterprises (Proprietor: Brijmohan Chiripal)

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

15. M/s Ronak Textiles (Proprietor: Vedprakash HUF)

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

16. Vedprakash Jaiprakash HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

17. Vedprakash Jyotiprasad HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

18. Vedprakash & Brothers HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

19. S. Jyotiprasad HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

20. S. Vedprakash HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

21. V. Brijmohan HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

22. V. Jaipakash HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

23. V. Jyotiprasad HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

24. Keshoram Dwarkadas HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

25. Devkinandan and sons HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

26. Vedprakash Brijmohan HUF

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards deposits, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not

have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the proprietor.

27. M/s Nova Petrochemicals Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company, except the following:

Filed against the Company:

i. Criminal Laws:

(a) CRIMINAL PROCEEDINGS AGAINST COMPANY/DIRECTOR'S ARREST

Shri Jyotiprasad D. Chiripal was arrested during the search of the premise of M/s Nova Petrochemical limited on 15th and 16th August 2002 by the Director General Central Excise, Ahmedabad and subsequently granted bail by the honorable highcourt of Gujarat. The Investigation was to ascertain illicit manufacture and removal of POY through export oriented unit in local market without payment of duty.

Thereafter showcause notice was issued to M/s Nova Petrochemical Limited after four years on 30th June 2006. The hearing was fixed on 30th April 2007 was adjourned. The next date of hearing yet to be intimated to the company. The adjudication is still pending and the company is suitably defending the matter before the adjudication authority. The company believes that clearance of POY to EOU was in accordance with Government Scheme and Prevailing Laws.

ii. Securities Law:

a. Allotment of 135 lacs bonus shares in the ratio of 1 equity share for 1 held on record date (March 20, 2006) to existing shareholders of the company on January 9, 2007:

The company has proposed issue of 1,35,00,000 bonus shares in the ratio of 1:1 at a meeting of board of directors held on January 28, 2006 and the same was approved in the shareholders meeting held on 4.03.2006. The record date for the bonus issue was fixed at March 20, 2006. The company had applied for in-principle approval for the listing of bonus shares on 7.03.2006. The in-principle approval was received from BSE (for 101 lacs equity shares), NSE and ASE on 25.01.2007, 4.01.2007 & 23.02.2007 respectively. The company has allotted the shares on January 9, 2007. The trading permission for the same is awaited

iii. Statutory Laws including Tax Disputes:

Income Tax Disputes:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Appeal no. 2624/AHD-2004 filed on 6.8.2004 Before the Income Tax Appellate Tribunal Ahmedabad filed for the Assessment year 2001-2002	The Company has received Demand Notice for the A.Y 2001-02 for Rs.239.44 lacs constituting Tax Liabilities Rs.159.00 Lakhs and Interest Rs.80.44 Lakhs. The department has disallowed the Export Income, made certain disallowances and has accordingly raised demand including interest on the assessed income. The Company had preferred an	Against this demand the company filed an appeal before ITAT Ahmedabad. The appeal is still pending.	Rs.239.44 lacs

	<p>appeal before the Commissioner of Income Tax (Appeals) that was partially allowed. CIT(A) allowed the exemption in favour of the Company amounting to Rs. 6,33,06,829/- and for the balance income of Rs. 4.04 crores a demand of Rs. 2.39 Cores raised by the company.</p>		
<p>Appeal no. 1828/07/2001 dated 14.08.2001 for the Assessment year 1998-99.</p>	<p>The company has received the demand notice for the assessment year 1998-99 of Rs. 10.50 Lacs. The demand includes interest under section 234B and 234C of the Income Tax Act 1961 on Minimum Alternate Tax. The Company filed appeal before CIT Appeals.</p>	<p>The authority passed the order in favour of the company. But the department preferred an appeal to ITAT. The case is still pending before ITAT.</p>	<p>Rs. 10.49 Lacs</p>
<p>Appeal no. 801/A/2002 dated 27.03.2002, for the Assessment year 1999-00.</p>	<p>The company has received the demand notice for the assessment year 1999-00 for Rs. 15.98 Lacs. The demand includes interest under section 234B and 234C of the Income Tax Act 1961 on Minimum Alternate Tax. The Company filed appeal before CIT Appeals.</p>	<p>The authority passed the order in favour of the company. But the department preferred an appeal to ITAT. The case is still pending ITAT.</p>	<p>Rs. 15.98 Lacs</p>
<p>Appeal no. 1149/AHD/2002 dated 19.04.2002 for the Assessment year 2000-2001 .</p>	<p>The company has received the demand notice for the assessment year 2000-01 for Rs. 15.41 Lacs. The demand includes interest under section 234B and 234C of the Income Tax Act 1961 on Minimum Alternate Tax. The Company filed appeal before CIT Appeals.</p>	<p>The authority passed the order in favour of the company. But the department preferred an appeal to ITAT. The case is still pending before ITAT.</p>	<p>Rs. 15.41 Lacs</p>
<p>Appeal no. 54/2003-2004 for the Assessment year 2003-2004 filed on 12.04.2006.</p>	<p>For Assessment year 2003-2004 Asst. Commr. Of Income Tax passed the Assessment order disallowing exemption u/s. 10A amounting to Rs. 2,89,42,468/- and raised demand of Rs. 63,19,869/-. Later on the Assessing officer has reduced demand to the tune of Rs. 29,19,270/- against this the company paid the tax amounting to Rs. 20,00,000/- and for the balance demand of</p>	<p>Against the demand of Rs. 9,19,270/- the company filed an Appeal before Commissioner of Income Tax (Appeal). The matter is still pending before the Income tax Appeals.</p>	<p>Rs. 63.19 Lacs</p>

	Rs. 9,19,270/- company filed appeal to CIT in February 2007		
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Sales Tax

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
For the assessment year 2001-2002 the order passed by the Dy. Sales Tax Commissioner, Corporate on 5.07.2005 whereby the Demand of Rs. 3.07 Crores raised to the company .	The demand of Rs. 3.07 crores is comprising of interest & penalty only. Against the demand the company preferred an appeal in August 2005 before the appellate Authority. The Hearing for the same is awaited. The Company has prayed for not to levy Interest and penalty. For interest and penalty the company approached High Court under Sales Tax Samadhan Scheme which was dismissed by High Court. The company filed as SLP before the Supreme Court of India.. The Company has also prayed for not to levy interest & penalty in SLP filed before the Supreme Court.	The Hearing of Appeal is awaited. The SPL is also pending before the Supreme Court.	Rs. 3.07 Cores
For the Assessment year 2002-2003 the order passed by the Deputy Sales Tax Commissioner, Corporate on 31.01.2006 whereby the demand of GST : 23.32 Crores CST : 2.14 Crores 25.46 Crores Was made	Appeal preferred before the Appellate authority on 31.03.2006. The Hearing for the same is awaited. The company has also paid Rs. 41.34 Lacs to the Sales Tax Department under "SAMADHAN YOJANA" In the year 2006. The order for the same is awaited for the remaining amount of sales Tax of Rs. 1.56 crores of LDO, the Company has made an appeal before the Appellate authority.	The Hearing of Appeal is awaited.	Rs. 25.46 Crores

Central Excise, Customs and DGFT:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Appeal No. E/S/1174/05 and E/1401 of 2005 Customs, Excise & Service Tax Appellate Tribunal, Mumbai	The Commissioner Appeals has confirmed the demand of Rs. 42.80 lacs for yarns captively consumed within the factory on the ground that Notification No. 67/95-CE would not cover duties	The company has appealed against order in original no. 01/Commissioner/ Adjudication/2005 dated February 17, 2005 and has applied for stay of condition of pre-deposit of duty. The	Rs. 42.80 lacs

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
	(NCCD) levied under the 7 th schedule to the Central Excise Tariff Act, 1985 and interest u/s. 11AB	company has deposited Rs. 5,01,742/- as per the stay order of CESTAT Mumbai dated 16.08.2005. The application for stay extension filed on 26.02.2007 before CESTAT Ahmedabad. The matter is still pending.	
Appeal No. C/1112 & 1116 of 2004, filed before Customs, Excise & Service Tax Appellate Tribunal, Mumbai.	The company has imported a second hand machine that was cleared and subsequently the matter was adjudicated by Commissioner of Customs, Ahmedabad vide order no. O-I-O No. 5/Comme/2004 dated June 30, 2004 has imposed redemption fine of Rs. 10.00 lacs u/s. 125 of the customs act and a penalty of Rs. 5.00 lacs each on the company and its director. The appeal preferred against the fine and penalty.	An amount of Rs. 17.08 lacs was paid. The company has applied to CESTAT, Mumbai to stay the recovery of the balance amount till the disposal of appeal. The stay order for the same was granted on 4.01.2005. The application for the extension of stay was filed before CESTAT Ahmedabad on 26.02.2007. The hearing for the same is awaited.	Rs. 20.00 lacs or Rs. 2.92 lacs
55/C-778/SLR/93-94/AC	The company is in receipt of a notice dated January 17, 2005 from Textiles Committee, Ministry of Textiles for recovery of textile cess leviable and not paid by the company to the tune of Rs. 41.32 lacs.	The company is in receipt of a notice of demand under Textiles Committee (Cess) Rules, 1975 dated January 17, 2005. The company has replied vide letter dated February 12, 2005. The decision from the authority is awaited.	Rs. 41.32 lacs
STC/4-79/Nova/SCN-83/GTO/04 dated September 30, 2004 Filed by Deputy Commissioner of Central Excise, Div-V (Service tax) Ahmedabad –I	The company is in receipt of a show cause notice as regarding payment of service tax on goods transportation services availed by it in past and the said demand is emanating from a retrospective amendment. The demand is for the period during 16.11.1997 to 2.06.1998 with interest and penalty.	The company has replied to the SCN on October 25, 2004. The company is of the view that the demand is time barred and not liable to pay service tax with interest /penalty.	Rs. 2.16 lacs
S/26-Misc.-120/2005IID Asst. Commissioner of Customs, Group II D, JNCH	Show Cause notice received demanding Rs.24.42 lacs for erroneously short levying of duty on import of polyester chips. Reason for short levy is international price of polyester chips has increased.	The Company has filed reply on May 20, 2005 and the decision from the authority is awaited.	Rs. 24.42 lacs
Representation of	The matter pertains to	The Company had made a	Nil

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
the company dated to The Secretary, Industries and Mines Department, State of Gujarat vide application dated November 2, 2004. and Special Civil Application No. 4250 of 2004 dated September 14, 2005.	eligibility of the company for Premier / Prestigious Unit scheme 1995-2000 conferring certain benefits.	representation to the State of Gujarat for considering its eligibility to the scheme and the High Court of Gujarat has disposed its stay application and has finalized the interim stay order granted in favour of the company in relation to the payment of interest and penalty shall continue till the final disposal of the Representation. The representatives of the company had a personal hearing with State level high powered committee to decide the matter. After hearing the said committee rejected the company's request. The company filed a SLP(C) no. 2768/2000 before the Honorable Supreme Court of India. The admitted on 23.02.2007. The SLP hearing for the same is awaited.	

Labour Laws:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Ref.: LCA. No. 163/99 before Presiding Officer, Labour Court, Ahmedabad dated September 4, 1999	Mr. Jigneshkumar G. Pandya was working with the Company as supervisor. It is alleged by him that he was dismissed from the job by an oral order dated February 20, 1997 and has claimed for reinstatement with back wages along with overtime wages , P. F etc.	The Company in its reply dated December 24, 2002 has stated that allegations made by the applicant are not true and the application should be dismissed. The case is still pending.	Not quantified
T Application No. 385/2002 dated February 12, 2002 before Presiding Officer , Labour Court, Ahmedabad against Nova Petrochemicals Ltd.	Babanbhai Maruti Gayakwad was working as Head Peon in Nova Petrochemical Ltd. He has alleged that he was beaten by watchman of the company and he was dismissed from the job on November 28, 2001. He has made a claim for reinstatement with back wages.	The Company in its reply dated July 23, 2002 has stated that allegations are not true and the employee has left the company at his own will. The case is pending.	Not quantified
Recovery Application No. 2068/2002 dated. December 17,	Babanbhai M. Gayakwad has alleged that he was dismissed without any cause	The company has made written submission on February 13, 2003 and the case is still	Rs. 0.87 lacs

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
2002 before Presiding Officer, Labour Court, Ahmedabad made by Babubhai M. Gayakwad against Nova Petrochemicals Ltd.	dismissed from service w.e.f. November 11, 2001. and claimed salary for the period November 1, 2001 to November 28, 2001 overtime, leave encashment and Bonus	pending before the Honorable Court.	
Recovery application no. 214/2 dated 23.01.2002	Babanbhai M. Gayakwad has demanded an amount of Rs. 83300/- from the company towards Leave Pay, sick leave pay, festival Leave pay, C.L. pay, and overtime.	The company has made written submission on May 28, 2002 and the case is still pending before the Honorable Court.	Rs. 0.83 Lacs
2069/2002 dated 12 th December 2002, filed before the preceding officer Labour court Ahmedabad by Atul Umatiya	Mr. Atulbhai N. Umatiya has alleged that his employment was terminated wrongfully and has claimed for conveyance allowance, overtime wages, salary outstanding etc.	The Company in reply dated 17.12.2002 stated that allegations made is not true. The case is pending before the Honorable Labour court.	Rs. 1.24 lacs
T Application No. 70/2005 dated May 6, 2005 before Justice, Labour Court , Ahmedabad by Ashokkumar K. Chavda against Nova Petrochemicals Ltd.	Mr. Ashokbhai Kanjibhai Chavda working as a store clerk has alleged that he was dismissed orally on February 22, 2005. He has claimed for re-instatement with back wages, outstanding salary, overtime wages etc.	The company has replied vide its submission dated 06 05 2005 and the case is not finally disposed off till date.	Rs. 1.46 Lacs
Application No. 864/02 filed before the Labour Court Ahmedabad.	Allegation for illegal termination of the services and Demanded reinstatement with full back wages.	The Company in reply dated 10/02/2003 stated that allegations made are not true. The case is pending before the Honorable court.	Rs. 5.14 Lacs

iv. **Civil Laws and Arbitration Matters:**

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Summary suit no. 466 of 2005 before the High Court at Mumbai by Rishabdev Technocable Ltd.	Suit filed by Rishabdev Technocable Ltd. Mumbai for recovery of disputed amount for the goods i.e cables supplied to the company.	Arbitrator appointed by Bombay High Court. The company has filed a counter claim and for damages before the Arbitrator . Arbitration proceeding are in progress the Arbitration. No award received till date	Rs. 106.53 lacs + Interest of Rs. 69.48 Lacs

v. **Claim against the Company:**

vi. **Others:**

Debts Recovery Tribunal:

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Recovery Application No. 278 of 1997 against Gujarat Synthetics Oxide Private Limited & Others by Union Bank of India	Nova had acquired certain properties from Konika Leasing Private Limited that were allegedly under mortgaged by depositing the original title deeds with Bank of India as Equitable mortgage. The Bank has made the company a party the claim against Gujarat Synthetics and Konika Leasing.	The matter is pending. The company is involved in the case as a purchaser of property allegedly under equitable mortgage. The company had made an application for waiver as a bonafide purchase of the Property under section 21 before Honorable Debts recovery Appellate tribunal at Mumbai on 7.02.2007. The hearing for the same is awaited.	Rs. 2.25 lacs

Filed by the Company

- i. **Criminal Laws:** Nil
- ii. **Securities Laws:** Nil
- iii. **Statutory Laws including Tax Disputes:** Nil
- iv. **Civil Laws and Arbitration matters:**

Case No. , Date and Authority / Place, Parties to the Case	Brief description of the case	Status	Amount Involved
Special Civil Suit No. 205 of 2005 filed by M/s. Nova Petrochemical Ltd. against Rishabdev Technocables Ltd filed before Honourable Principal Civil Judge court at Ahmedabad District (Rural) court on 21.11.2005	The company has made a counter claim against the defendant for not supplying the cables as per agreed specifications and supply of inferior quality of cables	The matter is pending before the District (Rural) court Ahmedabad.	Rs. 88.90 lacs + Interest

- v. **Others:** Nil

28. Shanti Exports Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company except the following.

Filed by the Company

- i. **Criminal Laws:** Nil
- ii. **Securities Laws:** Nil
- iii. **Statutory Laws including Tax Disputes:**
- iv **Wealth Tax**

Case No. , Date and Authority / Place,	Brief description of the case	Status	Amount Involved
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Parties to the Case			
Assessment order under section 16(3) of the wealth Tax Act 1961 passed on 28.12.2006 by Wealth Tax officer ward 8(3) Ahmedabad for the Assessment year 2001-2002 to Shanti Exports Pvt. Ltd.	By the passing the order the rent income received by the company added in the Wealth for the assessment year 2001-2002.	The company preferred an appeal and filed the same on 25.01.2007. The hearing for the same is awaited.	Rs. 6.45 Lacs

29. Chiripal Textile Mills Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

30. Bhavana Textiles Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

31. Deepak Impex Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

32. Hexa International Private Limited

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the company

33. Chiripal Charitable Trust

There are no outstanding litigations, disputes, non-payment of statutory dues, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the trustees.

The company, promoters and Directors certify that except as stated herein;

- There are no outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under the Companies Act 1956 (1 of 1956).
- There are no such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.

- There are no disciplinary action/ investigation has been taken by Securities and Exchange Board of India(SEBI)/ Stock Exchanges against the Company, its directors , promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- There are no cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- There are no pending litigation, disputes, defaults, non-payment of statutory dues, proceedings initiated for offences (including past cases and irrespective of whether specified in paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against the promoters and there business ventures.
- There are no pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Letter of Offer and that no litigations have arisen and the Company and its Directors take full responsibility of the information mentioned in the Letter of Offer.
- There is no winding up proceeding against the company

In the opinion of the Company there have been no material developments after the date of latest balance sheet, which would have an impact on the performance and the prospects of the Company other than what has been set out in this Letter of Offer.

REGULATIONS AND POLICIES

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

The Company is incorporated under the Companies Act, 1956 has to comply with the provisions of the said Act, the Rules made there under by the Central Government as also the administrative instructions given by the Governmental authorities from time to time.

The company is also a listed company and the provisions of the Securities (Contracts) Regulation Act, 1956 and the Rules made there under, the Securities and Exchange Board of India Act, 1992 and the Rules and Regulations made there under, the provisions of the Listing agreement entered into with the stock exchanges, the Depositories Act, 1996 and the Rules made there under are also applicable.,

The Company is engaged in the business of manufacturing the company is engaged in the business of manufacturing Weaving and Denim. For the purpose of the businesses undertaken by the Company, we are required to obtain licenses and approvals depending upon the prevailing laws and regulations as applicable. The Labour related Acts and Regulations, The environmental laws and regulations, the Commercial Laws and Provisions that are applicable to the Company include

- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Contract Labour (Regulation and Abolition) Act, 1970;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Environment Protection Act, 1986, and Rules, 1986;
- Water (Prevention and Control of Pollution) Act, 1974, and Rules, 1975;
- Water (Prevention and Control of Pollution) Cess Act, 1977, and Rules, 1978;
- Air (Prevention and Control of Pollution) Act, 1981, and Rules, 1982;
- Inter-state Migrant Workmen Act, 1979;
- Hazardous Waste (Management and Handling) Rules, 1989; and
- Workmen's Compensation Act, 1922.
- Income Tax Act and Rules
- Central Excise Act, Central Excise Tariff Act and Rules
- Customs Act and Customs Tariff Act and Rules
- Central Sales Tax Act, Central/Gujarat State Value Added Tax Act and Rules
- The Foreign Exchange Management Act and Regulations and notifications made by the Reserve Bank of India there under

Investment Approvals (FIPB/ RBI, etc.)

As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment / transfer of the Equity Shares to NRIs/ FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to relevant RBI guidelines and subject to the Indian tax laws and regulations and any other applicable laws.

STATUTORY APPROVALS AND LICENCES
GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Governments and various Governmental agencies required for our present business and except as mentioned below, no further materials approvals are required for our present business.

It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the Government does not take any responsibility for the financial soundness of the company or for the correctness of any of the statements or any commitments made or opinions expressed.

The Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further approvals are required by the company for carrying on the present business activities of the Company. No further approvals from any Government authority/Reserve Bank of India (RBI) are required by the Company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

It must, however, be distinctly understood that in granting the above approvals, the Government, RBI and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed in the Letter of Offer.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

LICENCES AND APPROVALS:**LICENCES FROM DIFFERENT AUTHORITIES**

PARTICULARS	ISSUING AUTHORITY	NAME OF THE ACT	REGISTRATION NO.	ISSUED ON	VALIDITY PERIOD	REMARKS
GENERAL COMPLIANCES						
Certificate of Incorporation	<i>Registrar of Companies, Gujarat Ahmedabad</i>	<i>of Companies Act, 1956</i>	<i>L51909GJ1994PLC 022719</i>	<i>August 9, 1994</i>	<i>Lifetime of the company</i>	
Certificate of Commencement of Business	Not Required					
Industrial Entrepreneur Memorandum with SIA/Registration under Industries (Development and Regulation) Act.	Government of India, Ministry of Industry, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance vide their letter dtd 19/08/05 has issued the SIA Approval.					

PAN	Deputy Commissioner of Income Tax (PAN)	Income Tax Act, 1961	AAACN5327L	09/08/1994	Lifetime of the company	
TAN	Income Tax Deptt.	Income Tax Act, 1961	AHMN00391G	19-07-2001	Lifetime of the company	
Certificate of Importer – Exporter Code (IEC)	Director General of Foreign Trade (DGFT)	Export Import Policy	0894009851	25.11.1994	Lifetime of the company	
Service Tax Registration	Commissionerate of Service Tax	Finance Act, 1994	AAACN5327LST001	12.02.05	Lifetime of the company	
Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952	Regional Provident Commissioner, New Delhi	Employees Provident Fund & Miscellaneous Provisions Act, 1952	GJ/AHD/50635	31.05.2004	Lifetime of the company	
Registration under Employees' State Insurance Act, 1948	Employees' State Insurance Commission, New Delhi	Employees' State Insurance Act, 1948	Not applicable	N A	N A	
ISO Certification	Not Availed					
ISO Certification	Not Availed					
Registration Under Central Sales Tax Act and Registration Under Value Added Tax, 2005	Registration Under Central Sales Tax Act and Registration Under Value Added Tax, 2005 for all the branches are laid down herein below					

Registration of Branches of the company under Central Sales Tax Act and Registration under State Value Added Tax Acts/ State Sales Tax Acts:

S. No.	Branches	Registration Details		
		VAT/ State Sales Tax Registration No.	Central Sales Tax Registration No.	Compliances under the relevant Acts
1.	Ahmedabad Unit	24075500563	24575500563	a) The filling of returns are done.

LICENSES FOR FACTORY UNIT t)

Particulars	Issuing Authority	Covered under (Name of the Act)	Registration No.	Issued on	Validity Period	Remarks
Factory Licence	Chief Inspector of Factory, State of	Factories Act, 1948	14802	17/03/2004	31 12 2007	Renewable on expiry
Permanent Registration Certificate as a SSI with the District Industries Centre	District Industries Centre	Industries (Development & Regulation) Act, 1951	N.A.	N.A.		
Licence to Manufacture	Directorate of Agriculture, Govt. of		Mr. Bhupesh Sharma (Chiripal House)	Lifetime of the company		
Consent to establish under Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981 For E - 442	State Pollution Control Board	Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981	PC/CCA/ABD/NL-81/7865	2006	2010	
Consent to Operate under Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981 For E - 443	State Pollution Control Board	Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981	PC/CCA/ABD/NL-81/7865	2006	2010	
Authorization for operating a facility for collection, reception, storage and transport of Hazardous Waste	State Pollution Control Board	Hazardous Waste (Management and Handling) Rules, 1989	PC/CCA/ABD/NL-81/7865	2006	2010	
Environment Clearance Registration	Ministry of Environment & Forests, IA Division	EIA Notification dated 27 th January 1994	PC/CCA/ABD/NL-81/7865	2006	2010	
Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952	Regional Provident Commissioner,	Employees Provident Funds and Miscellaneous Provisions Act, 1952	GJ/AHD/50635	2004	Lifetime of the company	

Registration under Employees' State Insurance Act, 1948	Employees' State Insurance Commission	Employees' State Insurance Act, 1948	Not covered		NA	
Registration under Contract Labour (Regulation & Abolition) Act, 1970	Labour Department,	Contract Labour (Regulation & Abolition) Act, 1970	01/55/2004	2004	Lifetime of the company	
Registration under Central Excise Act	Superintendent of Central Excise Assistant Commissioner of Central Excise	Central Excise Act, 1944	AAACN5327LXM001	2004		
Registration under Sales Tax Act	Sales Tax officer,)	Central Sales Tax Act	24575500563	Lifetime of the company		
		State Sales Tax Act.	24075500563	Lifetime of the company		
Tax Identification No. under VAT Act	Sales Tax officer,	VAT Act	N.A.	Lifetime of the company		
Entry Tax Registration	Business Tax officer,	Tax on Entry of Goods into Local Area Act, 1999.	-			
Recognition of In-house R&D Units	Ministry of Science & Technology, Government of India		N.A.			
Standard Weight & Science Instrument	Inspector Standard Weight & Science	Certification of the machines used for weighing	30/0011	2006	Lifetime of the company	

ELECTRICITY AGREEMENT:

The company has obtained sanction of 3800 KW of Power from Torrent Power AEC Ltd vide their letter dtd 28.02.07

1. Incorporation Details:

- 1.1. Certificate of Incorporation No. 04-022719 dated August 9, 1994 under the Companies Act, 1956 as 'Nandan Exim Private Limited' issued by the Registrar of Companies, Gujarat at Ahmedabad.
- 1.2. Fresh certificate of incorporation dated January 16, 2004 subsequent to conversion of company from private limited to public limited company

2. Labour Licenses:

- 2.1 Registration Certificate under Section 7 (2) of the Contract Labour (Regulation and Abolition) Act 1970 and the Rules permitting the Company to employ any number of contract labour through approved contractors with effect from 16 03 2004 for its Piplej (Area) vide Certificate No. 1 55 2004
- 2.2 Gratuity policy and trust – Not Applicable
- 2.3 Registration under Employees Provident Fund - GJ/AHD/50635
- 2.4 Registration under ESI Act – Not Applicable

3. Regulatory / Investment Approvals:

- 3.1 Government of India, Ministry of Commerce and Industry, *Secretariat for Industrial Assistance*, Public Relation and Complaints Section has vide certificate number 3826/SIA/IMO/2003 dated December 30, 2003 has given its approval to the Company to manufacture of denim fabric and weaving.
- 3.2 *Non Agriculture Permission* received from Collector, Ahmedabad for plot of land at survey number 198/1 vide its letter number CB/LND-1/LRC-65-B/NA/SR-11/2004 dated September 8, 2004 and for Survey No.203/2 vide letter no. CB/LND-1/LRC-65-B NA SR-45/04/05 dated December 17, 2004 respectively.
- 3.3 Building Plan Approval, issued by Ahmedabad Urban Development Authority (AUDA), for survey no 198/1, 203/1, 203/2, 199, 200/1+2, 204, 205/2/P vide letter no. PRM/58/1/2004 dated May 30, 2006.
- 3.4 Zoning certificates issued by the Ahmedabad Urban Development Authority (AUDA), classifying the land bearing survey numbers 198 and 203 as *General Industrial Zones* vide their letter dated January 7, 2004 and December 20, 2002 respectively.
- 3.5 Registration and license of factory building under the Factories Act, 1948 vide Registration Number 17115/1836/2M(1) and License No. 014802 issued on January 27, 2004.
- 3.6 Letter number BS/HT-888/880 dated February 28, 2007 by Torrent Power Limited allotting Service No. HT – 888 to the Company approving raise in contract demand from 2500 KW to 3800 KW with effect from September 1, 2005.
- 3.7 Consents and Authorisation under Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environment (Protection) Act, 1986 issued by Gujarat Pollution Control Board, Gandhinagar, vide Consent Order No.: 7327 valid up to July 27, 2010 for manufacture of Grey Cotton fabrics and Denim fabrics vide their letter number PC/CCA/ABD/NL-81/7865 dated March 23, 2006.

4. Tax related Registrations:

- 4.1 Assistant Commissioner of Central Excise Division IV (Narol) Ahmedabad has issued the *Central Excise* Registration Number AAACN5327LXM001 vide its letter dated April 07, 2004.
- 4.2 Income Tax Permanent Account Number (PAN) AAACN5327L allotted by the Income Tax Department
- 4.3 Allotment of Tax Deduction Account Number AHMN00391G under section 203A of the Income Tax Act, 1961
- 4.4 *Central Sales Tax* Number Guj99922881 effective from October 01, 2003, issued by Sales Tax Officer Ahmedabad vide its letter dated March 20, 2004.
- 4.5 *Gujarat Sales Tax* Number 0755005635 effective from September 10, 2003, issued by Sales tax Officer Ahmedabad vide its letter dated November 24, 2003 and subsequent modification in the Registration Number to 24075500563 with effect from January 16, 2004.
- 4.6 Allotment of service tax code number AACN5327LST001 issued by Office of the Deputy Commissioner of Service Tax, Ahmedabad vide their letter dated February 12, 2005.
- 4.7 Certificate issued on November 25, 1994 by Government of India, Ministry of Commerce granting Importer-Exporter Code number 0894009851 to the Company.

However, the company is yet to obtain the following approvals that are required for the business:

LICENSES & COMPLIANCES FOR PROPOSED NEW PROJECT (EXPANSION OF CAPACITY)

S. NO.	PARTICULARS	STATUS
1	Amendment to Industrial Entrepreneur Memorandum	Pending for Power Plant and Spinning Units
2	Approval from Pollution control Board	Pending for Expansion Project
3	Electricity Connection	Approval for Sanctioned Load for 3800 KW Power is in place for balance 3490 is not applied for
4	Filing of IEM with Secretariat of Industrial Assistance	Availabale for Denim Weaving plant; Pending for Power Plant and Spinning Units

The Company has applied for renewal of Air and Water Pollution board approvals vide its letter dated 28/7/05 and GPCB has vide consent order no 7327 dated 16/2/06 has given consent valid upto 27/07/2010 for use of outlet for the discharge trade effluent emission due to operation of the industrial plant for the manufacturing of grey cotton fabrics and denim fabrics.1`

SECTION VI. OTHER REGULATORY AND STATUTORY DECLARATIONS**A) Authority for the Present Issue**

The present issue of Equity Shares is being made pursuant to the Resolution passed at the Board Meeting held on January 30, 2007 and May 1, 2007 for approval of the Issue on Rights basis to the existing Equity Shareholders of the Company in the ratio of **ONE (1) Equity Share for every TWO (2) Equity Shares** held on Record Date i.e, [.]

The Draft Letter of Offer has been approved at the Committee / Board meeting held on **May 08, 2007**

B) Prohibition by SEBI

The Company, its Promoters, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

The listing of any securities of the issuer has never been refused at any time by any of the Stock Exchanges in India or abroad. Further the Promoters, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

C) Eligibility for the Issue

Nandan Exim Limited is an existing company under the Act, whose equity shares are listed on BSE and NSE. It is eligible to offer this Rights Issue in terms of Clause 2.4.1 (iv) of the SEBI (Disclosure and Investor Protection) Guidelines, 2000. The Company, its Promoters, its Directors or any of the Company's associates or group companies have not been prohibited from accessing the capital market under any order or direction passed by SEBI. None of the Directors of the promoter company, have been prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoters, their relatives (as per the Companies Act, 1956), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

D) Disclaimer Clause

SEBI Disclaimer Clause:

AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MERCHANT BANKER, CANARA BANK, MERCHANT BANKING DIVISION, FORT, MUMBAI 400 001 HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 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 OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER CANARA BANK, MERCHANT BANKING DIVISION, FORT, MUMBAI 400 001 HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 08/05/2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT 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 OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER 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 OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
- d. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND
- e. WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITER(S) TO FULFILL THEIR UNDERWRITING OBLIGATIONS”.

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

E) Caution

The Issuer Company accepts no responsibility for statements made otherwise than in this 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/her 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 Letter of Offer with SEBI. The Lead Managers and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

F) Disclaimer with respect to Jurisdiction

This Rights Issue of Equity Shares is made in India subject to Indian Laws. This issue of Equity Shares is being made to persons resident in India and NRIs/ FIs etc. subject to requisite approvals. No person other than a member as on the Record Date and those in favour of whom the shares offered to such member had been renounced by him shall apply for subscription in the equity shares offered through this document.

This Letter of Offer does not, however, constitute an offer to sell or an invitation to subscribe to the equity shares of the Company in any other jurisdiction to any person to whom it is unlawful to make an offer in such jurisdiction. Any person into whose possession this Letter of Offer comes is required to inform himself about and to observe any such restrictions.

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

Disclaimer Clause of the Stock Exchange

Disclaimer Clause of Bombay Stock Exchange Limited (BSE):

“Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter dated {.} permission to the Company to use the Exchange’s name in this 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 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 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 it should not for any reason be deemed or construed that this 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 the NSE

National Stock Exchange Limited ("the Exchange") has given vide its letter dated [.] permission to the Company to use the Exchange's name in this 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 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:

- iv. Warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- v. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- vi. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this 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".

G) FILING

- i. The Draft Letter of Offer has been filed with SEBI at Mumbai and also with the Bombay Stock Exchange Limited at Mumbai and the National Stock Exchange of India Limited at Mumbai.
- ii. A copy of the documents referred to as Material Contacts / Documents in this Letter of Offer has been kept open for inspection at the Registered Office of the Company.
- iii. Copy of this Letter of Offer along with the relevant material documents shall be filed with Stock Exchanges. All the legal requirements applicable till the filing of the Letter of Offer with Stock Exchanges have been complied with.

H) LISTING

The existing equity shares of the Company are listed on BSE (Designated Stock Exchange) and NSE. The Equity Shares to be issued through this Issue would also be listed on the Stock Exchanges mentioned above. The Company will make applications to the BSE and NSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this Letter of Offer.

The Company has made applications for in-principle approval for listing to the said Stock Exchanges. The in-principle approvals from these stock exchanges are received on [.] and [.] respectively for listing of the equity shares.

If the permission to deal in and for an official quotation of the securities is not granted by Designated Stock Exchange mentioned above, within six weeks from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this 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.

I) CONSENTS

Consents in writing of the Directors, Auditors, Bankers to the Company, , Registrar, Advisors to the Issue, Legal Advisors to the Issue, Lead Managers, Company Secretary to act in their respective capacities have been obtained and filed along with a copy of the Offer Document with SEBI, as required under section 60 of the Act and such consent have not been withdrawn upto time of delivery of the Letter of Offer. Consent from the Bankers to the Issue shall be obtained as and when Bankers To The Issue appointed.

M/s J.T. Shah & Co., Chartered Accountants, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which appears in this Letter of Offer and also of the tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of signing this Letter of Offer.

Except as above and as stated in this Letter of Offer, the Company has not obtained any other expert opinion.

J) EXPENSES OF THE ISSUE

The expenses for this Issue include issue management fees, printing and distribution expenses, legal fees, advertisement expenses, depository charges, trustee fee and listing fees to the Stock Exchanges, among others.

The expenses of the Issue payable by the Company inclusive of fees payable to the Lead Managers, other intermediaries to the Issue, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees, brokerage and other miscellaneous expenses are estimated to be approximately 2% of the total proceeds of this Issue. The total expenses for this Issue are estimated not to exceed Rs.90.00 Lacs. A broad breakup of the same is as under:

		<i>Rs. in Lacs</i>
Sr. No.	Nature of Expenses	Amount
1.	Issue management fees, legal counsels fee and registrar charges	30.00
2.	Printing expenses, postage, dispatch expenses, advertisement & publicity expenses	50.00
3.	Listing fees & others expenses	10.00
	Total	90.00

K) DETAILS OF FEE PAYABLE

Lead Manager to the Issue

The total fees payable to the Lead Managers will be as per the Memorandum of Understanding signed with the Lead Manager, a copy of which is available for inspection at the Registered Office of the Company. The Lead Managers will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage and communication expenses.

Registrar to the Issue

The fees payable to the Registrar to the Issue is set out in the relevant document, copies of which are available for inspection at the Registered Office of the Company. The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

L) UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The Issue is not underwritten. No underwriting commission, brokerage and selling commission will be paid for this Issue.

M) PREVIOUS PUBLIC OR RIGHTS ISSUE

The Company has made public issue of equity in May 2005 during the previous five years. The details of issue of capital have been outlined in the paragraph on the build up of the share capital under the capital structure.

N) PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

Other than the Bonus shares issued the details of which are appearing under the head 'Share Capital History of the Company', it has not issued any shares for consideration other than by cash.

O) COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

Except as stated in the Offer Document, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares of the Company since its inception. No underwriting, brokerages or selling commission will be payable for this issue.

The company has not made any rights issue in the last five years.

P) PREVIOUS ISSUE OF CAPITAL DURING LAST THREE YEARS

Nandan Exim Limited has made its maiden public issue in May 2005. Besides NEL no other group company has made any capital issue to public during the last three years. Also, there are no other listed companies under the same management within the meaning of erstwhile section 370(1) (B) of the Companies Act, 1956 other than M/s **Nova Petrochemicals Limited**.

Q) PROMISE VERSUS PERFORMANCE

1) Issuer Company i.e. Nandan Exim Limited

The Company had raised the Equity capital by way of Public Issue in the May 2005, but no projections were made in the Prospectus.

The Cost of Project and Means of Finance were as under:

<i>Rs .in lacs</i>	
Cost of Project	Amount
Land and Site development	239.33
Civil Construction & Factory Building	600.01
Plant & Machinery	
Imported	3071.00
Indigenous	979.54
Miscellaneous Equipments	173.17
Pre-operative Expenditure	326.91
Contingencies	253.15
Margin Money for Working Capital	667.03
Total Project Cost	6310.14

<i>Rs .in Lacs</i>	
Means of Finance	Amount
Promoter's contribution	
Equity Capital from Promoters at par of Rs.10/-	240.15
Fresh equity at premium of Rs.34/- and face value of Rs.10/-	110.00
Sub total	350.15
Internal Cash Accruals	211.14
Loans & Advances to be brought back	420.00
Funds committed by group companies/friends & relatives (non-interest bearing and non-withdrawable unsecured loans)	245.85
Fresh equity from Public at Rs.10 per equity share	600.00
Fresh Premium from Public at Rs.10 per equity share	600.00
Total Promoters Contributions	2427.14
Rupee Term Loan	3883.00
Total Means of Finance	6310.14

The Company through the maiden Public Issue had raised Rs. 1200.00 Lacs from the public by way of issuance of 60,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 10/- per share by accessing the capital market in May 2005. The entire project was completed as per schedule and commercial production started in May 2005.

The company confirms that the IPO monies were deployed as stated in the Prospectus.

Projected Performance vis-à-vis Actual Results

1) Group Company

i. Nova Petrochemicals Limited

Nova Petrochemicals Limited is a listed company wherein the promoters are part of the management. It raised the capital by way of Public Issue in May, 1995, to part finance setting up of a plant to manufacture Partially Oriented Polyester Filament Yarn (POY) for the manufacture of 11977 MT of installed capacity. The cost of the project was Rs. 5600 lacs out of which Rs.1,369.20 lacs were raised by way of an IPO at an Issue price of Rs. 30/- per Rs.10/- fully paid share and the balance being debt from State Bank of India and Bank of Baroda. The company had made certain projections in the Prospectus

The Cost of Project and Means of Finance were as under:

Rs .in lacs

Cost of Project	Amount
Land & Site Development	19.00
Building & Civil Works	321.00
Plant and Machinery	3221.00
Miscellaneous Fixed Assets	569.00
Preliminary & Preoperative Expenses	552.00
Provision for contingency	468.00
Margin Money for Working Capital	450.00
Total	5600.00

Rs .in lacs

Means of Finance	Amount
Equity	
- Promoter	1431.00
- Public	1369.00
Debt	
- State Bank of India	1425.00
- Bank of Baroda	1375.00
Total	5600.00

The Company thru the maiden Public Issue had raised Rs. 1369.20 lacs from the public by way of issuance of 45,64,000 Equity Shares of Rs. 10/- each at a price of Rs.30/- per share by accessing the capital market in the May 1995.

Projected Performance vis-à-vis Actual Results

(Rs. in Lacs)

Sr. No.	Particulars	1995-96 (Projected)	1995-96 (Actuals)	1996-97 (Projected)	1996-97 (Actuals)
1	Capacity Utilisation	60%	79%	85%	84%
2	Sales	6222	2093	8895	7419
3	PBDIT	1480	318	2145	1496
4	Interest	536	117	619	594
5	Depreciation	265	52	265	671
6	Tax	0	0	157	30
7	PAT	679	149	1104	201
8	Net Cash Accruals	944	201	1369	872
9	Equity Share Capital	933	920	933	950
10	Reserves & Surplus	2453	1940	3370	2140
11	Dividend	10%	0	20%	0
12	Book Value of Shares (Rs.)	36.29	30.11	46.12	32.53
13	Earning Per Shares	7.27	3.33	11.83	2.11

Sr. No.	Particulars	1997-98 (Projected)	1997-98 (Actuals)	1998-99 (Projected)	1998-99 (Actuals)
1	Capacity Utilisation	90%	89%	95%	85%
2	Sales	9427	9980	9958	12493
3	PBDIT	2268	1828	2383	2475

4	Interest	579	647	532	808
5	Depreciation	265	750	265	939
6	Tax	333	57	434	77
7	PAT	1091	374	1152	651
8	Net Cash Accruals	1356	1124	1417	1590
9	Equity Share Capital	933	950	933	950
10	Reserves & Surplus	4228	2358	5147	2800
11	Dividend	25%	15%	25%	20%
12	Book Value of Shares (Rs.)	55.32	34.82	65.17	39.47
13	Earning Per Shares	11.69	3.94	12.35	6.85

Reasons for variance between actual versus projected results:

1995-96 & 1996-97

In 1995-96 & 1996-97 the sales projected in the prospectus could not be achieved due to delay in delivery of machines which delayed the implementation.

We are giving here below the details of commencement of commercial production as estimated in prospectus vis-a-vis actuals.

Sr. No.	Particulars	1 st POY Line	2 nd POY Line	3 rd POY Line
1	As per Prospectus	April 1995	July 1995	October 1995
2	Actuals (As per Audited Accounts of 1995/96)	October 1995	January 1996	July 1996

The reason for decrease of PBIT was due to decrease in POY selling price in comparison to estimates.

1997-98

In 1997-1998, the Company had achieved higher sales than projected. The PBDIT had decreased on account of decrease in POY selling price in comparison to estimates.

1998-99

In 1998-99, the Company was able to surpass the estimated sales & PBDIT. The PAT had decreased in comparison to estimates due to higher depreciation and interest. However, the Cash Accruals earned in 1998-99 is higher than estimated cash accruals.

R) Outstanding Debentures or Bonds and Redeemable Preference Shares and Other Instruments

Outstanding Debentures or Bonds and Redeemable Preference Shares and Other Instruments issued by Nandan Exim Limited Outstanding as on the Date of Letter of Offer and Terms of Issue:

Nandan Exim Limited has not made any public or rights Issue of Debentures, Redeemable Preference Shares, Public deposits or any other instruments except as disclosed in this Letter of Offer.

S) STOCK MARKET DATA

The existing Equity shares of the Company are listed on Bombay Stock Exchange (BSE-Designated Stock Exchange) and National Stock Exchange (NSE). The high and low closing prices recorded on BSE and NSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

1. Bombay Stock Exchange Limited (BSE):

Price for the last three years

Year	High			Low			Average Closing Price for the Year (Rs.)
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	

Year	High			Low			Average Closing Price for the Year (Rs.)
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
2005	December 29, 2005	11.20	368247	December 30, 2005	10.6	113041	10.63
2006	October 17, 2006	19.20	4054047	December 26, 2006	6.20	1151099	12.72
2007	January 11, 2007	9.45	1502890	March 29, 2007	2.75	512766	4.38
2005	September 30, 2005	127.75	369433	December 27, 2005	9.45	112728	63.33
2006	October 17, 2006	19.25	9308186	December 22, 2006	6.12	3341245	12.73
2007	January 11, 2007	9.30	1371889	April 3, 2007	2.78	355455	4.35

Source: <http://www.bseindia.com>

Price for the last six months

Month	High			Low			Total Volume for the Month
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
November 2006	November 1, 2006	16.55	8353972	November 23, 2006	9.70	1360154	42931027
December 2006	December 1, 2006	11.65	3503334	December 22, 2006	6.12	3341245	45170559
January 2007	January 11, 2007	9.30	1371889	January 18, 2007	4.25	77336	20917842
February 2007	February 6, 2007	5.39	956945	February 27, 2007	3.60	633517	7944853
March 2007	March 2, 2007	3.79	366435	March 29, 2007	2.80	238566	6576712
April 2007	April 11, 2007	3.70	620329	April 3, 2007	2.78	355455	4307914

Source: <http://www.bseindia.com>

The high and low prices of the Company's shares as quoted on the Bombay Stock Exchange Limited, Mumbai (BSE) immediately after the Board of Directors approved the Rights issue at the meeting held on January 30, 2007 was as follows:

Date	Volumes	High (Rs.)	Low (Rs.)
January 31, 2007	829454	5.30	4.91
February 1, 2007	798254	4.75	4.67

Source: <http://www.bseindia.com>

2. National Stock Exchange of India Limited (NSE):

Price for the last three years

Source: <http://www.nseindia.com>

Price for the last six months

Month	High			Low			Total Volume for the Month
	Date	Price in Rs	Volume (Nos)	Date	Price in Rs	Volume (Nos)	
November 2006	November 1, 2007	16.75	5080362	November 23, 2006	9.80	1057313	32098283

December 2006	December 1, 2006	11.80	4092001	December 26, 2006	6.20	1151099	46185385
January 2007	January 11, 2007	9.45	1502890	January 18, 2007	4.25	44274	27420325
February 2007	February 6, 2007	5.40	1249255	February 27, 2007	3.60	1136738	13383288
March 2007	March 2, 2007	3.20	577877	March 29, 2007	2.75	512766	11244368
April 2007	April 11, 2007	3.85	625642	April 2, 2007	2.75	331215	7864921

Source: <http://www.nseindia.com>

The high and low prices of the Company's shares as quoted on the National Stock Exchange of India Limited, Mumbai (NSE) immediately after the Board of Directors approved the Rights issue meeting held on January 30, 2007 was as follows::

Date	Volumes	High (Rs.)	Low (Rs.)
January 31, 2007	397856	5.30	5.05
February 1, 2007	207168	4.80	4.80

Source: <http://www.nseindia.com>

Compliance with Listing Agreement

The Company is, listed on BSE and NSE and has complied with the requirements under the respective Listing Agreement of the above-mentioned stock exchanges. It has paid the requisite annual listing fee to the Bombay Stock Exchange Limited and NSE for the period 2006-2007. Also no disciplinary action has been initiated by the Stock Exchanges or SEBI against Nandan Exim Limited or Directors.

T) INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The company has appointed the registrar to the issue, to handle the investor grievances in co-ordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and branch. The company would monitor the work of the registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue, namely, Datamatics Financial Software and Services Limited will handle investor's grievances pertaining to the issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the company. The company would also be co-ordinating with the registrar to the issue in attending to the grievances to the investor. The company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

Sr. No.	Nature of complaint	Time Table
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Non Receipt of Share Certificate	Within 7 days of receipt of complaint subject to production of satisfactory evidence
3.	Transfer of Shares	Within 30 days
4.	Change of Address Notification	Within 7 days of receipt of information
5.	Any other complaint in relation to Rights issue	Within 7 days of receipt of complaint with all relevant details

Redresses of investors' grievance are given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. During the financial year 2006-07 the Share Grievance Committee met four times - 26th April 2006, 29th July 2006, 29th November 2006 and 30th January 2006. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialisation/ rematerialisation are handled by well equipped professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

Status of Complaints:**M/s Nandan Exim Ltd (Issuer Company)**

Particulars	Status
No. of Shareholders complaints as of March 31, 2007	Nil
Total number of complaints received and disposed during January 1, 2007 to March 31, 2007	10
Total number of Investor complaints received and disposed during the current financial period 2006-07 commencing April 1, 2006	Nil
Status of complaints	All complaints received during the last financial period have been resolved
Time normally taken by the Company for disposal of various types of investor grievances	Most of the investor grievances have been attended to within 14 days.

Also there are no other listed companies under the same management within the meaning of erstwhile section 370(1) (B) of the Companies Act, 1956 other than **M/s Nova Petrochemicals Limited** under the same management within the meaning of erstwhile section 370(1) (B) of the Companies Act, 1956.

The Status of Investors Complaints for M/s Nova Petrochemicals Limited is as under:

Particulars	Status
No. of Shareholders complaints as of March 31, 2006	Nil
Total number of complaints received and disposed during April 1, 2006 to March 31, 2007	28
Total number of Investor complaints received and disposed during the current financial period 2006-07	28
Status of complaints	All complaints received during the last financial period have been resolved. Outstanding NIL
Time normally taken by the Company for disposal of various types of investor grievances	Most of the investor grievances have been attended to within 14 days.

U) CHANGES IN AUDITORS

There has been no change in the Auditors of the Company during the last three years.

V) CAPITALIZATION OF RESERVES OR PROFITS DURING LAST 5 YEARS

The Company has not capitalized any reserves during the past 5 years other than by way of Bonus Issue and as mentioned in this Draft LOF.

W) REVALUATION OF ASSETS DURING THE LAST 5 YEARS

None of the Assets of the Company have been revalued in the last 5 years.

SECTION VII. OFFERING INFORMATION**TERMS OF THE PRESENT ISSUE****Principal Terms of the Offer**

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.

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.

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.

Option to subscribe

The Equity Shareholders are given the option to hold the share certificates or hold securities in dematerialised form with a depository. (Refer the Terms of Issue for details)

Principal Terms and Conditions of the Issue:**Offer:****The offer is of Equity Shares :****Face value**

Each Equity Share shall have the face value of Rs.1/-

Issue Price

Each equity share is of face value of Re. 1/- each and is being issued at a price of Rs. 3/- per share.

Entitlement Ratio

The offer is on right basis to the existing Equity Shareholders of the Company in the ratio of one equity Shares for every two equity shares held as on the Record Date. In case entitlement results in a fraction, the fraction will be rounded to the next higher integer and the number of shares offered through this letter of offer shall stand increased to the extent of such rounding off.

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 Ahmedabad 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 under subscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The under subscribed portion shall be applied for only after the close of the Issue. The Promoters & Promoters group can subscribe to such under subscribed portion as per relevant provisions of Law. If any person in control of the Company desires to subscribe to such under subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Take Over) Regulations 1997, such allotment of the Under-Subscribed portion will be governed by the provisions of the SEBI(Substantial Acquisition of Shares and Takeover)Regulations , 1997.The above is subject to the terms mentioned under the .Basis of Allotment.

Some of the members of the Promoter/Promoter group intend to subscribe to additional shares beyond their entitlement if the issue is under subscribed. The Acquisition of additional securities in such an event shall be exempt from making an open offer in terms of provision to Regulation 3(1)(b)(ii) of SEBI (Substantial Acquisition of Shares and Takeover)Regulations , 1997.Further this acquisition will not result in change of control of the management of the Company.

Arrangement for Odd Lot Equity Shares

In case entitlement results in a fraction, the fraction will be rounded to the next higher integer and the number of shares offered through this letter of offer shall stand increased to the extent of such rounding off.

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 two Equity Share 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 shares for every two equity share held by them.

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-holders 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 there under. 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 reparability 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 regional language daily where the Registered office of the company is situated 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 for NRI holders

For Resident Indian Shareholders

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 NEL . Rights Issue NR.. The CAF duly completed together with the amount payable on application must be deposited with the collecting bank/collection centre 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 therefore.**

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 [•] 2006. 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.

Renounee(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 renounees without assigning any reasons therefore.

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 renounee(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. The renounees 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.

<p>4. Renounce all the Equity Shares offered to you to one person (Renouncee) (Joint Renouncees are considered as one renouncee) (Joint renouncee cannot exceed more than three) without applying for any equity shares offered to you.</p>	<p>Fill in and sign .Part B. of the CAF indicating the number of Equity Shares renounced and hand over the entire CAF to the renouncee. The renouncee must fill in and sign .Part C. of the CAF.</p>
<p>5. Accept a part of the Equity Shares offered to you and then renounce the balance to one Renouncee.</p>	<p>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 renouncee. iii) Each of the renouncee should then fill in and sign .Part C. of the respective Split Composite Application Form for the Equity Shares accepted by the renouncee.</p>
<p>6. Accept a part of the Equity Shares offered to you and renounce the balance to more than one renounce. (Joint renounces are considered as one)</p>	<p>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.</p>
<p>7. Introduce a joint holder or change the sequence of joint holders</p>	<p>This will be treated as a renunciation. Fill in and sign Part B and the renounces must fill in and sign Part C.</p>

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/ Renounce 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, Datamatics Financial Software & Services Limited along with bank drafts payable at Mumbai in favour of ...Name of Bank NEL Rights Issue. crossed .A/c Payee only Net off demand draft commission and postal charges so that the same are received on or before Closure of the Issue (i.e. [•], 2006). Such applicants should sent the application signed by all the holders of the shares in the same sequence and orders as they appear in the Register of Members of the Company by Registered Post along with the Cheques/Demand Drafts net of demand draft and postal charges payable at Mumbai only to the Registrar to the Issue at the under mentioned address to reach on or before the last date for submission of the CAF.

Datamatics Financial Software & Services Limited

Plot No. A 16 and 17, Part B, Crosslane
Marol, Andheri (East), Mumbai - 400 093.

SEBI Registration No.: INR00000874

Tel: +91-22-2837 5519-24; **Fax:** +91-22-2835 0217

Contact Person: Mr. Dhyanesh

Email: nandanexim@dfssl.com

Website: <http://www.dfssl.com>

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, Datamatics Financial Software & Services 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. Please note that the request for duplicate CAF should reach to the Registrar to the issue within 15 days from the issue opening date.

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 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 - NEL 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..

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. In case the sole / First applicant and Joint Applicant(s) is /are not required to obtain PAN, each of the applicant(s) shall mention “not applicable” and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN which has not been allotted each of the applicant(s) should mention “applied for” in their CAF. Further, where

the applicant(s) has mentioned "applied for" or "not applicable" the sole / first applicant and each of the joint applicant(s), as the case may be, would be required to submit form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114 B of the Income Tax Rules, 1962 or form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to Income Tax in respect of transactions specified in Rule 114 B of the Income Tax Rules 1962 as may be applicable, duly filled along with a copy of any one of the following documents in support of the address; a . a ration card b. passport c. driving license d. Identity card issued by any institution e. copy of the electricity bill or telephone bill showing residential address f. any document or communication issued by any authorities of the Central Government, State Government or Local Bodies showing residential address and any other documentary evidence in support of address given in the declaration. **It may be noted that form 60 and form 61 have been amended vide a notification issued on December 1st 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All applicants are requested to furnish, where applicable, the revised form 60 or form 61 as the case may be.**

- (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 renounee(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 postdated 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 - NEL Rights Issue**”. Applicants residing at places other than places where the bank collection centers 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 - NEL 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 - NEL 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 undersubscribed 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 dispatch 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 centers 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 dispatched 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 centers 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 up to Rs 1,500/- will be dispatched 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 dematerialized 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.

Interest in case of delay on Allotment/Dispatch:

The company will issue and dispatch letter (s) of allotment / share certificate (s) and/or Letter (s) of Regret along with the Refund Orders, if any, credit the allotted securities to the beneficiary account within a period of 6 weeks from the date of closure of the subscription list. Such refund orders, in the form of MICR warrants / cheques / pay orders marked "Account Payee" would be drawn in the name of sole / first applicant and will be payable at par at all the centers where the applications were originally accepted, risk, except for those who have opted to receive refunds through ECS facility or RTGS or Direct credit. If such money is not paid within 8 days from the day the company becomes liable to pay it, the company shall, as stipulated under Section 73 (2)/ (2A) of the Companies Act, 1956 pay that money with interest at the rate of 15% p.a. Letter(s) of allotment/refund order (s) above the value of Rs.1500/- will be dispatched by Regd. Post to sole or first applicant's address. However, refund orders for values not exceeding Rs.1500/- shall be sent to the applicants under certificate of posting at the applicant's sole risk at his address. The company would make adequate funds available to the Registrar to the Issue for this purpose.

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.

Mode of making refunds:

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository the Applicant's bank account details including nine digit MICR code. Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the Lead Manager nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference.

- i) Direct credit – for investors having their Bank account with the Banker to the Issue, the refund amount would be credited directly to their Bank account with the Bankers to the Issue.
- ii) RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC Code in the CAF.
- iii) ECS – Payment of refund would be done through ECS for applicants residing at one of the 15 centers, namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by RBI. This would be subject to availability of complete Bank Account details including MICR code from the depository.

For all the other applicants except for whom payment of refund is possible through I, II and III, the refund orders would be dispatched "Under Certificate of Posting " for refund orders less than Rs.1500/- and through Speed Post / Registered Post for refund orders exceeding Rs.1500/-.

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 Datamatics Financial Software & Services Limited, the Registrar to the Company, have signed a tripartite agreement with NSDL on 29-9-2001 and CDSL on 27-9-2001 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. The Equity shares bearing ISIN NO.INE875G01022 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 en 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 [•], 2007. 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 [•], 2007, 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

- a. 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 of the Act

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- b. Details of all monies utilised out of the issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such monies has been utilised and
 - c. Details of all un utilised monies out of the issue of shares, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form which such unutilised monies have been invested.

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 .NEL - Rights Issue. on the envelope) to the Registrar to the Issue at the following address:

Datamatics Financial Software & Services Limited

Plot No. A 16 and 17, Part B, Crosslane
Marol, Andheri (East), Mumbai - 400 093.

SEBI Registration No.: INR000000874

Tel: +91-22-2837 5519-24; **Fax:** +91-22-2835 0217

Contact Person: Mr. Dhyanesh

Email: nandanexim@dfssl.com

Website: <http://www.dfssl.com>

It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing on page no.vi to xvii of this draft Letter of Offer.

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.

It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing on page no. vi of this draft Letter of Offer.

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.

SECTION VIII.**MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are detailed below.

SHARE CAPITAL AND VARIATION OF RIGHTS

5. (a) The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and / or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
- (b) Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in General Meeting increase its Share Capital by the issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

- (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the General Meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further issue of Capital

- (b) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued Share Capital or out of the increased share capital then.
- (i) such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the Capital paid up on those shares at that date.
- (ii) such offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.

- (iii) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice shall contain a statement of this right.
- PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person is whose favour any member may renounce the shares offered to him.
- (iv) after the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.
- (c) Notwithstanding anything contained in the sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (i) if a special resolution to that effect is passed by the Company in General Meeting or
- (ii) where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (d) Nothing in sub-clause (c) of (1) hereof shall be deemed :
- (i) To extend the time within which the offer should be accepted; or
- (ii) To authorise any person to exercise the right of renunciation for a second time on the aground that the person in whose favour the renunciation was first made has declined to take the share comprised in the renunciation.
- (e) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued loans raised by the Company.
- (i) To convert such debentures or loans into shares in the Company; or
- (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a tern providing for such option and such term;

- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- (ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government of any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Directors may allot shares as fully paid up

- (f) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the Capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

Same as Original Capital

- (g) Except so far as otherwise provided by the conditions of issue or by these presents, any Capital raised by the creation of new shares shall be considered as part of the original Capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in General Meeting increase its Share Capital by the issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

- (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the General Meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further issue of Capital

- (b) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued Share Capital or out of the increased share capital then.

- (i) such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the Capital paid up on those shares at that date.
- (ii) such offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
- (iii) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person is whose favour any member may renounce the shares offered to him.

- (iv) after the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.
- (c) Notwithstanding anything contained in the sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (i) if a special resolution to that effect is passed by the Company in General Meeting or
- (ii) where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (d) Nothing in sub-clause (c) of (1) hereof shall be deemed :

- (i) To extend the time within which the offer should be accepted; or
 - (ii) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the share comprised in the renunciation.
- (e) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued loans raised by the Company.
- (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term;

- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- (ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government of any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Directors may allot shares as fully paid up

- (f) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the Capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

Same as Original Capital

- (g) Except so far as otherwise provided by the conditions of issue or by these presents, any Capital raised by the creation of new shares shall be considered as part of the original Capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

Reduction of Capital

9. The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its Share Capital and any Capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be :
- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up Share Capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up Share Capital which is in excess of the wants of the Company;

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its Share Capital and of its shares accordingly.

Division, Sub-Division, Consolidation, Conversion and Cancellation of Shares

10. Subject to the provisions of Section 94 of the Act, the Company in General Meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say it may :

-
- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
 - (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares;
 - (c) convert, all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination;
 - (d) cancel, shares which at the date of such General Meeting have not been taken or agreed to be taken by any person, and diminish the amount of its Share Capital by the amount of the shares so cancelled.

Notice to Register of Consolidation of Share Capital, Conversion of shares into stocks etc.

11. (a) If the Company has :
- (i) consolidated and divided its Share Capital into shares of larger amount than its existing shares;
 - (ii) converted any shares into stock;
 - (iii) reconverted any stock into shares;
 - (iv) sub-divided its share or any of them;
 - (v) redeemed any redeemable preference shares; or
 - (vi) cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act,
- the Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidated, divided, converted, sub-divided, redeemed or cancelled or the stocks reconverted.
- (b) The Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

Modifications of rights

12. If at any time the Share Capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article were omitted. The provisions of these Articles relating to General Meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be quorum.

SHARES AND CERTIFICATES

Issue of further Shares not to affect right of existing share holders

13. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking pari passu therewith.

Provisions of Sections 85 to 88 of the Act to apply

14. The provisions of Sections 85 to 88 of the Act in so far as the same may be applicable shall be observed by the Company.

Restriction on allotment

17. The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Shares to be numbered progressively and no shares to be subdivided

18. The shares in the Capital shall be numbered progressively according to the several denominations and except in the manner hereinbefore mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

Shares at the disposal of the Directors

19. Subject to the provisions of Section 81 of the Act and these Articles the shares in the Capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in General Meeting to give to any person the option to call for any shares either at par or at a premium during such time and for such option to call for any shares either at par or at a premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the Capital of the Company on payment in full or part for any property sold and transferred or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that options or right to call of shares not be given to any person or persons without the sanction of the Company in the General Meeting.

Every share transferable etc.

20. (i) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie evidence of the title of the member of such shares.

Application of premium received on issue of shares

21. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the Share Premium Account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the Share Premium Account were paid-up Share Capital of the Company.
- (b) The Share Premium Account may, notwithstanding, anything in clause (a) above, be applied by the Company.
- (i) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (ii) in writing off the preliminary expenses of the Company;
- (iii) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or
- (iv) in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.

Sale of fractional shares

22. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any shares are held by members in fractions, the Directors shall, subject to the provisions of the Act and these Articles and to the directions of the Company in General Meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Acceptance of Shares

- 23A. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Director shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.

Power of Company to purchase its own Securities

- B. Notwithstanding anything contained in the Act, but subject to the provision of Sub-section (2) and Section 77 B of the Act, the Company shall have power to purchase its own shares or other specified securities (Referred to as Buy-Back) from.
- (a) Out of free Reserve or,
 - (b) Out of Share Premium Account or,
 - (c) Out of proceeds of an earlier issue other than fresh issue of share made specifically for the purpose of Buy-Back Shares.

Deposits and calls etc. to be a debt payable immediately

24. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, immediately, on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Trusts not recognised

25. Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holders of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of Competent jurisdiction or as by law required) be bound to recognise any benami, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.

Issue of Certificates of Shares to be governed by Section 84 of the Act etc.

26. (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications or orders, if any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any Stock Exchange where the shares of the Company may be listed for the time being.

Certificate of Shares

- (b) The Certificate of title to shares shall be issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.

- (c) The Company shall comply with all rules and regulations and other directions which may be made by any competent authority under Section 84 of the Act.

Limitation of time for issue of certificate

27. (a) Every member shall be entitled, without payment, to one Certificate for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such Certificates within the time provided by Section 113 of the Act unless the conditions of issue thereof otherwise provide. Every certificate of shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the amount paid up thereon and shall be in such form as the Directors shall prescribe or approve provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.
- (b) The Company shall not entertain any application for split of share / debenture certificate for less than 10 (Ten) Equity Shares / 10 (Ten) debentures (all relating to the same series) in market lots as the case may be. Provided however this restriction shall not apply to an application made by the existing members or debenture holders for split of share / debenture certificates with a view to make an odd lot holding into a marketable lot subject to verification by the Company.
- (c) Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of any rules made under the Act or such requirements of the Securities Contracts (Regulations) Act, 1956 as may be applicable.

Issue of new Certificate in place of one defaced, lost or destroyed

28. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any Certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under these Articles shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each Certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, decrepit or worn out or where there is no further space on the back thereof endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulations) Act, 1956 or any other Act, or Rules applicable in this behalf.

UNDERWRITING COMMISSION AND BROKERAGE

Power to pay certain commission and prohibition of payment of all other commission, discounts etc.

30. (A) The Company may pay a commission to any person in consideration of :
- (i) his subscribing or agreeing to subscribe whether absolutely or conditionally, for any shares in or debentures of the Company, subject to the restrictions specified in sub-section (4A) of Section 76 of the Act, or
 - (ii) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company, if the following conditions are fulfilled, namely :
 - (a) the commission paid or agreed to be paid does not exceed in the case of shares, five percent of the price at which the shares are issued and in the case of debentures, two and half percent of the price at which the debentures are issued;

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- (b) the amount or rate percent of the commission paid or agreed to be paid on shares or debentures offered to the public for subscription, is disclosed in the Prospectus, and in the case of shares or debentures not offered to the public for subscription, is disclosed in the Statement in lieu of Prospectus and filed before the payment of the commission with the Registrar, and where a circular or notice, not being a Prospectus inviting subscription for the shares or debentures is issued is also disclosed in that circular or notice;
 - (c) the number of shares or debentures which such persons have agreed for a commission to subscribe, absolutely or conditionally is disclosed in the manner aforesaid and
 - (d) a copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus or the statement in lieu of prospectus for registration.
- (B) Save as aforesaid and save as provided in Section 75 of the Act, the Company shall not allot any of its shares or debentures or apply any of its moneys, either directly or indirectly, in payment of any commission, discount or allowance, to any person in consideration of :
- (i) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in, or debentures of the Company or;
 - (ii) his procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in, or debentures of the Company whether the shares, debentures or money be so allotted or applied by, being added to the purchase money of any property acquired by the Company or to the contract price of any work to be executed for the Company or the money be paid out of the nominal purchase money or contract price, or otherwise.
- (C) Nothing in this Article shall affect the power of the Company to pay such brokerage as it has hereto before been lawful for the Company to pay.
- (D) A vendor to, promoter of, or other person who receives payment in shares, debentures or money from the Company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received for payment of any commission, the payment of which, if made directly by the Company would have been legal under Section 76 of the Act.
- (E) The commission may be paid or satisfied (subject to the provisions of the Act and these Articles) in cash, or in shares, debentures or debenture-stocks of the Company.

LIEN

Company's lien on Shares/Debentures

44. The Company shall have first and paramount lien upon all the shares / debentures (other than fully paid up shares / debentures) registered in the name of each member / debenture holder (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any shares / debentures shall be created except upon the footing and condition that Article 25 hereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any on such shares / debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provisions of this Clause.

As to enforcing lien by sale

45. For the purpose of enforcing such lien, the Board may sell the shares / debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and / or debentures and may authorise one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member / debenture holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and / or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of proceeds of sale

46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and / or debentures at the date of the sale.

Outsiders lien not to affect Company's lien

- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a Court of Competent jurisdiction or by statute required) be bound to recognise equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE**If call or instalment not paid notice must be given**

47. (a) If any member or debenture holder fails to pay the whole or any part of any call or instalment or any money due in respect of any shares or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.

Form of Notice

- (b) The notice shall name a day not being less than One Month from the date of the notice and a place or places, on and at which such call, or instalment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or instalment or such part or other moneys is or are payable will be liable to be forfeited.

In default of payment shares or debentures to be forfeited

48. If the requirements of any such notice as aforesaid are not complied with any share / debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company, in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided. Such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and not actual paid before the forfeiture.

Entry of forfeiture in Register of members/debenture holders

49. When any shares / debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or Debenture Holders but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Forfeited share/debenture to be property of Company and may be sold

50. Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

Power to annual forfeiture

51. The Directors may, at any time, before any share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annual forfeiture thereof upon such conditions as they think fit.

Shareholders or Debenture holders still liable to pay money owing at time of forfeiture and interest

52. Any member or debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, instalments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Effect of forfeiture

53. The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Certificate of forfeiture

54. A certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorised by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made and that forfeiture of the share or debenture was made by the resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Validity of sales under Articles 45 and 50

55. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of Members or Register of Debenture Holders in respect of the shares or debentures sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of Members or Debenture Holders in respect of such shares or debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damages only and against the Company exclusively.

Cancellation of share/debenture Certificate in respect of forfeited shares/debentures

56. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no effect, and the Directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the person/s entitled thereto.

Title of purchaser and allottee of forfeited shares/debentures

57. The Company may receive the consideration, if any, given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share or debenture is sold, re-allotted or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share or debenture.

Surrender of Shares or Debentures

58. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of Transfers

59. The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Instrument of transfer

60. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Instrument of transfer to be executed by transferor and transferee

61. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.

Directors may refuse to register transfer

62. (a) Subject to the provision of Section 111 of the Act, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right or refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such case Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares.
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in, any shares or debentures of the Company.

Transfer of Shares

63. (a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of Members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company along with the certificate relating to the shares and if no such certificate is in existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power of the Company to register as share holder any person to whom the right to any share has been transmitted by operation of law.

- (e) The Company shall accept all applications for transfer of shares / debentures, however, this condition shall not apply to requests received by the Company.
- (A) for splitting of a share or debenture certificate into several scripts of very small denominations;
- (B) proposals for transfer of shares / debentures comprised in a share / debenture certificate to several parties involving, splitting of a share / debenture certificate into small denominations and that such split / transfer appears to be unreasonable or without any genuine need.
- (i) transfer of equity shares / debentures made in pursuance of any statutory provisions or an order of a Competent Court of law;
- (ii) the transfer of the entire equity shares / debentures by an existing shareholder / debenture holder of the Company holding under one folio less than 10 (ten) Equity Shares or 10 (ten) Debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
- (iii) the transfer of not less than 10 (ten) Equity shares or 10 (ten) Debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) Equity Shares / 10 (ten) debentures.
- (iv) the transfer of less than 10 (ten) Equity Shares or 10 (ten) Debentures (all relating to the same series) to the existing share holder / debenture holder subject to verification by the Company.
- Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).
- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Custody of Instrument of transfer

64. [A] The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

‘Dematerialisation/Rematerialisation

- [B] Notwithstanding anything contained in these Article the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depository Act, 1996.**

Option for Investors

- [C] Every holder of or subscriber to securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the Securities can at any time opt out of a Depository, if permitted, by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates for the Securities.

If a person opts to hold its Security with a Depository, the Company shall intimate such depository the details of allotment of the Security.

Securities in Depository to be in fungible form

- [D] All Securities of the Company held by the Depository shall be dematerialised and be in fungible form.

Nothing contained in Sections 153, 153A, 153B, 187C & 372A of the Act shall apply to a Depository in respect of the Securities of the Company held by it on behalf of the beneficial owners.

Rights of Depositories & Beneficial Owners

- [E] (i) Notwithstanding anything to the contrary contained in the Act a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Security of the Company on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (a) above, the depository as the registered owner of the Securities shall not have any voting rights or any other rights in respect of the Securities held by it.
- (iii) Every person holding Securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities which are held by a depository.

Service of Documents

- [F] Notwithstanding anything contained in the Act to the contrary, where Securities of the Company are held in a depository, the records of the beneficial ownership may be served by such depository to the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- [G] Nothing contained in Section 108 of the Act, shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with in a depository

- [H] Notwithstanding anything contained in the Act, where Securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Register and Index of Members

- [I] The Company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Section 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with the details of Shares held in physical and dematerialised forms in any media as may be permitted by law including in any form of electronic media.

The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996, shall be deemed to be the Register and Index of Members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or Country.

Applicability of the depositories Act

- [J] In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungil form with a Depository, the provisions of the Depositories Act, 1996 shall apply.

Transfer books and Register of members when closed

65. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate, to close the Transfer books, the Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year.

Transfer to Minors etc.

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

Title to shares of deceased holder

67. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the

Company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Registration of persons entitled to share otherwise than by transfer

68. (a) Subject to the provisions of Articles 67 and 77(d), any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares.
- (b) A transfer of the shares or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

'Nomination'

- (c) (1) Every Shareholder or Debenture holder or Deposit holder of the Company, may at any time, nominate a person to whom his Shares or Debentures or Deposit shall vest in the event of his death in such manner as may be prescribed under the Act, and shall have all powers vested under Section 109B of the Depository Act, 1996.
- (2) Where the Shares or Debentures or Deposits of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the Shares or Debentures or Deposits as the case may be shall vest in the event of death of all the joint holders.
- (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the Shares or Debentures or Deposits, the nominee shall, on the death of the Shareholder or Debenture holder or Deposit holder, as the case may be on the death of the joint holders become entitled to all the rights in such Shares or Debentures or Deposits as the case may be, all the joint holders, in relation to such Shares or Debentures or Deposits, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- (4) Where the nominee is a minor, it shall be lawful for the holder of the Shares or Debentures or Deposits, to make the nomination to appoint any person to become entitled to Share in, or Debentures or Deposits of, the Company, in the manner prescribed under the Act, in the event of his death, during the minority.

Claimant to be entitled to same advantage

69. The person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied within sixty days, the Board may thereafter withhold payment of all dividends, interest, bonuses or other moneys payable in respect of the share unit the requirements of the notice have been complied with.

Persons entitled may receive dividend without being registered as member

70. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share / debenture.
71. Article 70 shall not prejudice the provisions of Articles 44 and 55.

Refusal to register nominee

72. The Directors shall have the same right to refuse on legal ground to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Directors may require evidence of transmission

73. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

No Fee on transfer or transmission

74. No fees shall be charged for registration of transfer, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other documents.

The Company not liable for disregard of a notice prohibiting registration of transfer

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

VOTES OF MEMBERS

Restrictions on exercise of voting rights of members who have not paid calls

104. (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187 B of the Act.

Restriction on exercise of voting right in other cases to be void

105. A member is not prohibited for exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.

Equal rights of share holders

106. Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of hands in first instance

107. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.

108. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

(b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Sections 187 or 187A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

How members non compos minutes and minor may vote

(c) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy; if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

(d) **Votes in respect of shares of deceased or insolvent members etc.**

Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

(e) **Custody of Instrument**

If any such instrument of appointment be confined to the object of appointing proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain in the custody of the Company.

(f) **Validity of votes given by proxy notwithstanding death of members etc.**

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting.

(g) **Time for objections for vote**

No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

(h) **Chairman of any meeting to be the judge of any vote**

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Chairman's declaration of result of voting by show of hands to be conclusive

109. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Demand for poll

110. (a) Before or on the declaration of the result of the voting on any resolution of a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Time of taking poll

111. (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Right of a member to use his votes differently

112. On a poll taken at a meeting of the Company a member or other person entitled to vote for him as the case may be, need not, if he votes, use, all his votes or cast in the same way all the votes he uses.

Scrutineers at poll

113. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him.
- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause.
- (c) Of the two scrutineers appointed under this article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Manner of taking poll and result thereof

114. (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Casting Vote

115. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the polls is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.

Representation of Body Corporate

116. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorise such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company.

Representation of the President of India or Governors

117. (a) The President of India or the Governor of a State if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- (b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers (including the right to vote by proxy) as the President or as the case may be the Governor could exercise, as a member of the Company.

(c) **Public Trustee**

The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of member's resolution

118. The Company shall comply with provisions of Section 188 of the Act, relating to circulation of member's resolution.

Resolution requiring special notice

119. The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolutions passed at adjourned meeting

120. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

Registration of resolutions and agreements

121. The Company shall comply with the provisions of Section 192 of the Act relating to registration of certain resolutions and agreements.

Postal Ballot

121A. In the case of resolution relating to such business as the Central Government may by notification declare to be conducted only by postal ballot, the company shall get the resolution passed by means of a postal ballot and/or through electronic media instead of transacting the business at a General Meeting of the Company, where the Company is required or decides, as the case may be, to get a resolution passed by means of a postal ballot, the provisions of Section 192 A of the Companies Act, 1956 or incidental rules, regulations framed and modifications there under from time to time shall be complied with.

Minutes of proceedings of general meeting and of Board and other meetings

122. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for the purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed :
- (i) in the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
 - (ii) in the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain :
- (i) the names of the Directors present at the meetings, and
 - (ii) in the case of each resolution passed at the meeting, the names of the Directors, if any dissenting from or not concurring in the resolution.

- (g) Nothing contained in Clauses (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting :
- (i) is or could reasonably be regarded, as defamatory of any person
 - (ii) is irrelevant or immaterial to the proceedings; or
 - (iii) in detrimental to the interests of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this clause.

Minutes to be considered to be evidence

- (h) The minutes of meetings kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes duly drawn and signed

123. Where minutes of the proceedings of any general meeting of the Company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of Section 193 of the Act then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.

Inspection of Minutes Books of General Meetings

124. (a) The books containing the minutes of the proceedings of any general meeting of the Company shall;
- (i) be kept at the registered office of the Company, and
 - (ii) be open, during the business hours to the inspection of any member without charge subject such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.
- (b) Any member shall be entitled to be furnished, within seven days after he has made a request in that behalf of the Company, with a copy of any minutes referred to in Clause (a) above, on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.

Publication of reports of proceeding of general meetings

125. No document purporting to be a report of the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

DIVIDENDS

Division of Profits

178. The profits of the Company subject to any special rights relating thereto created or authorised to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.

Dividend payable to registered holder

179. No dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.

Time of payment of dividend

180. Where a dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.

Capital paid up in advance and interest not to earn dividend

181. Where the Capital is paid up in advance of calls upon the footing that the same shall carry interest, such Capital shall not, whilst carrying interest confer a right to dividend or to participate in profits.

Dividends in proportion to amount paid up

182. (a) The Company shall pay dividends in proportion to the amounts paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (b) Provided always that any Capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share.

Company in Annual General Meeting may declare dividends

183. The Company in annual general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.

Power of Directors to limit dividend

184. No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.

Dividends only to be paid out of profits

185. No dividend shall be declared or paid by the Company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by that Government provided that :

- (a) If the Company has not provided for depreciation for any previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;
- (b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Directors' declaration as to net profits conclusive

186. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim Dividends

187. The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Retention of Dividend until completion of transfer under Article

188. The Directors may retain the Dividends payable upon shares in respect of which any person is under the Transmission clause of these Articles entitled to become a member or which any person under the clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

No member to receive Dividend whilst indebted to the Company and Company's right to reimbursement there from

189. Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share(s) whilst any money may be due or owing from him to the Company in respect of such share(s) or debenture(s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.

Transferred shares must be registered

190. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividend how remitted

191. Unless otherwise directed any dividend may be paid by cheque or warrant or a pay-slip or receipt having the force of a cheque or warrant sent through ordinary post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the Register of Members in respect of the joint holding. Every such cheque or warrant so sent shall be made payable to the registered holder of shares or to his order or to his bankers. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Unpaid Dividend or Dividend Warrant posted

192. (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank, as per Section 205 A of the Act, and transfer to said account, the total amount of dividend which no dividend warrant has been posted.
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.
- (c) No unpaid or unclaimed dividend shall be forfeited by the Board.

Dividend and call together

193. Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members, be set off against the calls.

Dividend to be payable in cash

194. No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profit or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

OTHER INFORMATION**SECTION IX MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this Letter of Offer), which are or may be deemed material to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under Material Documents below all of which have been attached to the copy of this Letter of Offer and have been delivered to the Stock Exchanges and may be inspected at the Registered Office of the Company between 9:30 am to 5:30 pm on any working day from the date of this Draft Letter of Offer until the date of closure of the subscription List.

Material contracts

1. Memorandum of Understanding dated April 21, 2007 entered into between the Company and Canara Bank.
2. Memorandum of Understanding dated March 30, 2007 entered into between the Company and Registrar to the Issue.
3. Copy of Tripartite agreement dated April 5, 2005 entered into between the Company, CDSL and Registrar to the Issue.
4. Copy of Tripartite agreement dated March 4, 2005 entered into between the Company, NSDL and Registrar to the Issue.
5. Agreements in respect of lease hold land dated June 01, 2006

Material Documents

1. Memorandum of Association and Articles of Association of the Company, as amended.
2. Annual Reports of the Company for the financial years ending on March 31, 2006, 2005, 2004, 2003 and 2002.
3. Resolutions passed by the Board of Directors at their meeting held on **January 30, 2007** and Committee of Rights Issue held on **May 01, 2007 and May 08, 2007**.
4. Consents from Directors, Auditors, Bankers to the Company, Bankers to the Issue, Compliance Officer of the Company, Lead Manager to the Issue, Legal Advisor to the Issue and the Registrar to the Issue.
5. Copy of members' resolution dated **December 30, 2006** for appointment and fixation of remuneration / revision of remuneration of Mr. Brijmohan D. Chiripal as Managing Director.
6. Auditors' report of M/s. J.T. Shah & Co., Chartered Accountants dated **May 08, 2007** giving the financial information, which is enclosed in the Letter of Offer.
7. Auditors' certificate dated **April 20, 2007** regarding tax benefits.
8. Power of Attorney(s) executed by the Directors in favour of Mr. Vedprakash D. Chiripal for signing and making correction in the Draft Letter of Offer on their behalf.
9. Letters of intent for the subscription to rights entitlement and additional shares, received from the Promoters.
10. Application made to BSE and NSE dated _____ for listing of shares.
11. In-principle approval dated [.] and [.] from BSE and NSE for listing of the securities offered through this Draft Letter of Offer.
12. Resolution of the Rights Issue Committee of Board of Directors approving the Draft Letter of Offer on **May 08, 2007**.
13. Due diligence Certificate dated **May 08, 2007** of Canara Bank, Merchant Banking Division, Mumbai, Lead Manager to the Issue.
14. SEBI Observation Letter No. _____ dated _____ issued by the Securities and Exchange Board of India.

PART III**DECLARATION**

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this Draft Letter of Offer is contrary to the provisions of the Companies Act, 1956 and rules made there under. All the legal requirements connected with this said offer as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

Undertaking

We the Directors of Nandan Exim Limited, declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this Draft Letter of Offer have been suppressed/withheld and/or incorporated in a manner that would amount to misstatement/misrepresentation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to misstatement/misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Since the date of last financial statement disclosed in this Draft Letter of Offer, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors and Mr. Dakshesh Choksi, Compliance Officer of the company certify that all disclosures made in the Draft Letter of Offer are true and correct.

Signed by

Mr. Vedprakash Chiripal
(Non-Executive Chairman)

Mr. Brijmohan Chiripal
(Managing Director)

Mr. Gautam C. Gandhi

Mr. A.C. Patel

Mr. Dakshesh Choksi
(Compliance Officer)

Place: Ahmedabad

Date: May 08, 2007

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