

## LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as shareholder(s) of Nahar Poly Films Limited, formerly known as Nahar Investments and Holding Limited. If you require any clarification(s) about the action to be taken, you may consult your stock broker or investment consultant or Manager to the Offer/ Registrar to the Offer. In case you have sold your shares in the Company, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the purchaser of the Equity Shares or the Member of Stock Exchange through whom the sale was effected.

### NAHAR SPINNING MILLS LIMITED

(hereinafter referred to as the "Acquirer" or "NSML")

*A public limited company incorporated on December 16, 1980 under the provisions of the Companies Act, 1956*

*Registered Office: 373, Industrial Area-"A", Ludhiana- 141003*

*Tel No.: +91 161 2600701- 05, 2606977-980. Fax. No.: +91 161 2222942,*

**MAKES A CASH OFFER AT RS. 40/- (RUPEES FORTY ONLY)**

**PER FULLY PAID UP EQUITY SHARE**

**TO ACQUIRE**

24,37,251 (Twenty Four Lacs Thirty Seven Thousand Two Hundred and Fifty One Only) equity shares of Face Value of Rs. 5/- each (Rupees Five Only), representing 9.91% of the Fully Paid-up Equity Share Capital  
of

### NAHAR POLY FILMS LIMITED

formerly known as Nahar Investments and Holding Limited

(hereinafter referred to as the "Target" or "NPFL")

*A public limited company incorporated on November 11, 1988 under the provisions of the Companies Act, 1956*

*Registered Office: 376, Industrial Area- 'A', Ludhiana- 141003*

*Tel. No.: +91 161 2600701- 05, Fax. No.: +91 161 2222942*

#### Note:

- The Offer is being made pursuant to and in accordance with the provisions of regulation 11(2A) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto [hereinafter referred to as "SEBI (SAST) Regulations" or the "Regulations"]**.
- The Offer is subject to receiving the necessary approvals, if any, from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the subsequent amendments thereto, for acquiring equity Shares, if tendered by non- resident shareholders.
- There are no other statutory approvals required for the purpose of this Offer. However, the Offer would be subject to all statutory approvals as may become applicable even at a later date.
- The procedure for acceptance of this Offer is set out in this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and transfer deed, if applicable, along with Form of Withdrawal is enclosed with this Letter of Offer.
- If there is any upward revision of the Offer Price by the Acquirer, such upward revision will be made in terms of Regulation 26 of the SEBI (SAST) Regulations not later than Friday, November 26, 2010 and the same would be notified by way of a Public Announcement in the same newspapers in which the original Public Announcement ("PA") appeared. Such revised offer price would be payable to all shareholders who have accepted this Offer and tendered their shares at any time during the term of the Offer to the extent to which their acceptances and tenders have been found valid and accepted by the Acquirer.
- The Acquirer may withdraw the Offer in accordance with the conditions specified in Regulation 27 of the SEBI (SAST) Regulations. In the event of such withdrawal, the same would be notified by way of a Public Announcement in the same newspapers in which the original Public Announcement appeared.
- Shareholders who have accepted the Offer by tendering the requisite documents in accordance with the procedures set forth in the Public Announcement and this Letter of Offer can withdraw the same up to 3 (Three) working days (i.e., Thursday, December 02, 2010) prior to the Offer Closing Date (i.e., Tuesday, December 07, 2010).
- A copy of the Public Announcement and a copy of this Letter of Offer (including Form of Acceptance-cum Acknowledgement and the Form of Withdrawal) is expected to be available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)) during the period the Offer is open. The Form of Acceptance-cum-Acknowledgement may be downloaded and used to accept the Offer only in jurisdictions where legally permissible.
- This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements.
- If there is a competitive bid:**
  - The public offers under all the subsisting bids shall close on the same date.**
  - As the Offer Price cannot be revised during the 7 (seven) working days prior to the closing date of the Offers/ bids, it would, therefore, be in the interest of the shareholders to wait till the commencement of that period to know the final Offer Price of each bid and tender their acceptance accordingly.**
- This Offer is not a competitive bid. There has been no competitive bid as of the date of this Letter of Offer.**
- All future correspondence, if any, should be addressed to the Manager to the Offer or the Registrar to the Offer, as shown below:

#### MANAGER TO THE OFFER



**SOBHAGYA CAPITAL OPTIONS LIMITED**

**SEBI Regn. No.:** MB/INM000008571

**Regd. Off.:** B-206, Okhla Industrial Area, Phase- I, New Delhi- 10020.

**Tel. No.:** +91 11 40777000 **Fax No.:** +91 11 26819439, 40777069

**Contact Person:** Mr. Amit Kumar/Ms. Archana Sharma

**Email id:** [npfl.openoffer@sobhagyacapital.com](mailto:npfl.openoffer@sobhagyacapital.com)

**Website:** [www.sobhagyacapital.com](http://www.sobhagyacapital.com)

#### REGISTRAR TO THE OFFER



**ALANKIT ASSIGNMENTS LIMITED**

**SEBI Regn. No.:** INR000002532

**Office:** Alankit House, 2E/21, Jhandewalan Extension, New Delhi- 110055

**Tel No.:** +91 11 42541234, 23541234 **Fax No.:** +91 11 42541967

**Contact Person:** Mr. Y. K Singhal

**Email id:** [npfl.openoffer@alankit.com](mailto:npfl.openoffer@alankit.com)

**Website:** [www.alankit.com](http://www.alankit.com)

**SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER**

| Activity   | Original Schedule  |           | Revised Schedule   |          |
|--|--------------------|-----------|--------------------|----------|
|  | Date               | Day       | Date               | Day      |
| Public Announcement ("PA")Date   | September 20, 2010 | Monday    | September 20, 2010 | Monday   |
| Specified Date (1)   | October 08, 2010   | Friday    | October 08, 2010   | Friday   |
| Last date for a competitive bid (if any)   | October 11, 2010   | Monday    | October 11, 2010   | Monday   |
| Date by which individual Letter of Offer will be dispatched to the shareholders                    | November 01, 2010  | Monday    | November 13, 2010  | Saturday |
| Offer Opening Date   | November 08, 2010  | Monday    | November 18, 2010  | Thursday |
| Last date for revising the Offer Price   | November 18, 2010  | Thursday  | November 26, 2010  | Friday   |
| Last date for withdrawal of acceptances by the shareholder   | November 24, 2010  | Wednesday | December 02, 2010  | Thursday |
| Offer Closing Date   | November 27, 2010  | Saturday  | December 07, 2010  | Tuesday  |
| Last date of communicating rejection/ acceptance and payment of consideration for accepted tenders | December 11, 2010  | Saturday  | December 21, 2010  | Tuesday  |

(1) Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer would be sent and all owners (registered or unregistered) of the Shares are eligible to participate in the Offer anytime before the Closure of the Offer.

**Risk Factors relating to the proposed Offer, the transaction and probable risks involved in associating with the Acquirer:****A. RISK RELATING TO THE OFFER**

- 1) In the event that a) there is any litigation leading to a "stay" of the Offer; or b) SEBI instructs the Acquirer not to proceed with the Offer; or c) Statutory approval(s), if any, is not received in a timely manner, then in each such case, the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to shareholders of the Target whose Shares have been accepted in the Offer as well as the return of Shares not accepted by the Acquirer, may be delayed. In case of delay due to non-receipt of statutory approval(s), SEBI may, as per Regulation 22(12) of the Regulations, if satisfied that the non-receipt of approval(s) was not due to willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approval(s), grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay beyond 15 days.
- 2) The Shares tendered in the Offer will lie to the credit of the Depository Escrow Account till the completion of the Offer formalities, and the shareholders will not be able to trade such shares. During such period there may be fluctuations in the market price of the shares. Accordingly, the Acquirer makes no assurance with respect to the market price of the Shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by any shareholder on whether or not to participate in the Offer.
- 3) In the event of over- tendering in the Offer, the acceptance of the tendered Shares will be on a proportionate basis and will be contingent on the level of over- tendering.

**B. RISK RELATING TO THE TRANSACTION**

- 1) The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27 of the Regulations in the event that any of the statutory approval(s) contemplated above are refused. In the event the Acquirer is allowed not to proceed with the Offer, in terms of Regulation 27 of the Regulations, the amount deposited in the Escrow Account- Cash shall be released to the Acquirer.

**C. PROBABLE RISK INVOLVED IN ASSOCIATING WITH THE ACQUIRER**

- 1) The Acquirer makes no assurance with respect to the market price of the shares of the Target during / after the Offer.
- 2) The Acquirer does not make any assurance with respect to the continuation of the past trend in the financial performance of the Target.

The risk factors set forth above are not intended to cover a complete analysis of all risks as perceived in relation to the Offer or in association with the Acquirer, but are only indicative. They do not relate to the present or future business or operations of the Target or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by shareholder(s) in the Offer. The shareholders are advised to consult their stock broker, investment consultant or tax advisor, if any, for further risks with respect to their participation in the Offer.

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**1. DEFINITIONS/ ABBREVIATIONS:**

|   |   |
|---|---|
| <b>Acquirer/ NSML</b>                           | Nahar Spinning Mills Limited  |
| <b>A.O.A</b>                                    | Articles of Association   |
| <b>BOPP</b>                                     | Bi-Axially Oriented Poly Propylene Films  |
| <b>BG</b>                                       | Bank Guarantee  |
| <b>BSE</b>                                      | Bombay Stock Exchange Limited   |
| <b>CCE</b>                                      | Commissioner of Central Excise  |
| <b>C.I.F</b>                                    | Cost, Insurance and Freight   |
| <b>CDSL</b>                                     | Central Depository Services Limited   |
| <b>CENVAT</b>                                   | Central Value Added Tax   |
| <b>CESTAT</b>                                   | Central Excise and Service Tax Appellate Tribunal   |
| <b>Depository Participant/ DP</b>               | Alankit Assignments Limited   |
| <b>Depository Escrow Account</b>                | The depository account called "Alankit- NSML- NPFL Open Offer Escrow Account", opened by the Registrar ("Alankit Assignments Limited") at National Securities Depository Limited (NSDL). The Depository Participant ID is IN300118 and the Beneficiary Client ID is 11437583. |
| <b>DIN</b>                                      | Director Identification Number  |
| <b>ECS</b>                                      | Electronic Clearing System  |
| <b>EPCG</b>                                     | Export Promotion and Capital Goods  |
| <b>Eligible Person(s)</b>                       | All owners (registered and unregistered) of the Shares of the Target other than the Acquirer and Promoter Group are eligible to participate in the Offer any time on or before the Offer Closing Date.  |
| <b>FEMA</b>                                     | Foreign Exchange Management Act, 1999   |
| <b>FCD</b>                                      | Fully Convertible Debenture   |
| <b>F.O.B.</b>                                   | Free On Board   |
| <b>H.P.</b>                                     | Himachal Pradesh  |
| <b>HUF</b>                                      | Hindu Undivided Family  |
| <b>IFSC</b>                                     | Indian Financial System Code  |
| <b>KVA</b>                                      | Kilo Volt Ampere  |
| <b>LIC</b>                                      | Life Insurance Corporation of India   |
| <b>LOC</b>                                      | Letter of Credit  |
| <b>PAC/ PACs</b>                                | Person(s) acting in concert   |
| <b>PAN</b>                                      | Permanent Account Number  |
| <b>PCD</b>                                      | Partially Convertible Debenture   |
| <b>Manager to the Offer / SCOL</b>              | Sobhagya Capital Options Limited  |
| <b>M.D.</b>                                     | Managing Director   |
| <b>M.I.C.R</b>                                  | Magnetic Ink Character Recognition  |
| <b>M.O.A.</b>                                   | Memorandum of Association   |
| <b>MW</b>                                       | Mega Watt   |
| <b>NAV</b>                                      | Net Asset Value   |
| <b>NBFC</b>                                     | Non Banking Financial Corporation   |
| <b>NEFT</b>                                     | National Electronic Fund Transfer   |
| <b>NOC</b>                                      | No Objection Certificate  |
| <b>NRI</b>                                      | Non- Resident Indian  |
| <b>NSDL</b>                                     | National Securities Depository Limited  |
| <b>NSE</b>                                      | National Stock Exchange of India Limited  |
| <b>OCB</b>                                      | Overseas Corporate Body   |
| <b>Offer/ Open Offer</b>                        | Cash offer being made by the Acquirer to acquire up to 24,37,251 Shares of the Target, representing 9.91% of the total paid-up equity share capital of the Target at a price of Rs. 40/- (Rupees Forty Only) per Share  |
| <b>Offer Opening Date</b>                       | Thursday, November 18, 2010   |
| <b>Offer Closing Date/ Closure of the Offer</b> | Tuesday, December 07, 2010  |
| <b>Offer Price</b>                              | Rs. 40/- (Rupees Forty Only) per Share  |

|   |  |
|---|--|
| <b>Promoter Group/ PG</b>                   | The present promoters of the Target are Mr. Jawahar Lal Oswal, Mr. Kamal Oswal, Mr. Dinesh Oswal, M/s. Oswal Woollen Mills Limited, Nahar Industrial Enterprises Limited, Nahar Capital and Financial Services Limited, J.L. Growth Fund Limited, Abhilash Growth Fund Private Limited, Nahar Growth Fund Private Limited, Monica Growth Fund Private Limited, Ruchika Growth Fund Private Limited, Neha Credit and Investment Private Limited, Vanaik Investors Limited, Vardhman Investments Limited, Atam Vallabh Financiers Limited, Nagdevi Trading and Investment Company Limited, Ludhiana Holdings Limited, Kovalam Investment and Trading Company Limited, Sankheshwar Holding Company Limited and Vanaik Spinning Mills Limited. Other natural persons and corporate entities forming part of the promoter group consist of Mrs. Abhilash Oswal, Mrs. Monica Oswal, Mrs. Ruchika Oswal, Mrs. Manisha Oswal, Mrs. Ritu Oswal, Ms. Neha Oswal, Mr. Abhinav Oswal, Mr. Rishab Oswal, Mr. Sambhav Oswal and Ms. Tanvi Oswal, M/s. Nahar Spinning Mills Limited, Nahar Industrial Infrastructure Corporation Limited, Cotton County Retail Limited, Oswal Leasing Limited, Nahar Financial and Investment Limited, Girnar Investment Limited, Shri Atam Fabrics Limited, Palam Motels Limited, White Tigers Breweries and Distilleries Limited, Cabot Trading and Investment Company Private Limited, Vigil Investment Private Limited, Bermuda Insurance Brokers Private Limited and Monte Carlo Fashions Limited. |
| <b>Public Announcement / PA</b>             | The Public Announcement relating to the Offer made by the Acquirer as appeared in the newspapers on Monday, September 20, 2010   |
| <b>RBI</b>                                  | Reserve Bank of India  |
| <b>Registrar to the Offer</b>               | Alankit Assignments Limited  |
| <b>RoC</b>                                  | Registrar of Companies   |
| <b>RTGS</b>                                 | Real Time Gross Settlement   |
| <b>SEBI (SAST) Regulations/ Regulations</b> | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto   |
| <b>SEBI/ Board</b>                          | Securities and Exchange Board of India   |
| <b>SEBI Act</b>                             | Securities and Exchange Board of India Act, 1992   |
| <b>Share(s)</b>                             | Fully paid-up equity shares of face value Rs. 5/- each of the Target   |
| <b>SLP</b>                                  | Special Leave Petition   |
| <b>Specified Date</b>                       | Friday, October 08, 2010   |
| <b>Target/ NPFL</b>                         | Nahar Poly Films Limited, formerly known as Nahar Investments and Holding Limited  |
| <b>TCC</b>                                  | Tax Clearance Certificate  |
| <b>W.D.V.</b>                               | Written Down Value   |

This Letter of Offer is being issued by Sobhagya Capital Options Limited (hereinafter referred to as the “SCOL” or the “**Manager to the Offer**”), on behalf of the Acquirer pursuant to Regulation 11(2A) (Consolidation of holdings) and other applicable provisions of the Regulations.

## 2. DISCLAIMER CLAUSE:

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF NAHAR POLY FILMS LIMITED, FORMERLY KNOWN AS NAHAR INVESTMENTS AND HOLDING LIMITED, TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER OR THE TARGET WHOSE SHARES/ CONTROL ARE/ IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY, AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES IT'S RESPONSIBILITIES ADEQUATELY.

IN THIS BEHALF, AND TOWARDS THIS PURPOSE, SOBHAGYA CAPITAL OPTIONS LIMITED, THE MANAGER TO THE OFFER HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 25, 2010 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

## 3. DETAILS OF THE OFFER:

### 3.1 Background to the Offer:

3.1.1 The Acquirer, as a part of the Promoter Group of the Target, is desirous of consolidating its holding in the Target, while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with the Bombay Stock Exchange Limited (“BSE”), and National Stock Exchange of India Limited (“NSE”). Therefore, pursuant to Regulation 11(2A) and other applicable provisions of the Regulations, the Acquirer is making an Open Offer (hereinafter referred to as the “Offer” or the “Open Offer”) to the shareholders of the Target to acquire up to **24,37,251** fully paid up equity shares of Rs. 5/- each of the Target (“Shares”), representing **9.91%** of the total paid-up equity share capital of the Target as on the date of this PA. Upon completion of the Offer, assuming full acceptances to the Offer, the Promoter Group along with the Acquirer will hold **1,84,40,993** shares in the Target representing 75.00% of the fully paid-up equity share capital of the Target.

- 3.1.2 This Offer is pursuant to the Acquirer's desire to consolidate its holding in the Target under Regulation 11(2A) of the Regulations. The Offer is not pursuant to any agreement entered into by the Acquirer with any person to acquire any Share in the Target, which would have triggered the requirement to make a PA of an Open Offer under the Regulations.
- 3.1.3 The present promoters of the Target are Mr. Jawahar Lal Oswal, Mr. Kamal Oswal, Mr. Dinesh Oswal, M/s. Oswal Woollen Mills Limited, Nahar Industrial Enterprises Limited, Nahar Capital and Financial Services Limited, J.L. Growth Fund Limited, Abhilash Growth Fund Private Limited, Nahar Growth Fund Private Limited, Monica Growth Fund Private Limited, Ruchika Growth Fund Private Limited, Neha Credit and Investment Private Limited, Vanaik Investors Limited, Vardhman Investments Limited, Atam Vallabh Financiers Limited, Nagdevi Trading and Investment Company Limited, Ludhiana Holdings Limited, Kovalam Investment and Trading Company Limited, Sankheshwar Holding Company Limited and Vanaik Spinning Mills Limited. Other natural persons and corporate entities forming part of the promoter group consist of Mrs. Abhilash Oswal, Mrs. Monica Oswal, Mrs. Ruchika Oswal, Mrs. Manisha Oswal, Mrs. Ritu Oswal, Ms. Neha Oswal, Mr. Abhinav Oswal, Mr. Rishab Oswal, Mr. Sambhav Oswal and Ms. Tanvi Oswal, M/s. Nahar Spinning Mills Limited, Nahar Industrial Infrastructure Corporation Limited, Cotton County Retail Limited, Oswal Leasing Limited, Nahar Financial and Investment Limited, Girnar Investment Limited, Shri Atam Fabrics Limited, Palam Motels Limited, White Tigers Breweries and Distilleries Limited, Cabot Trading and Investment Company Private Limited, Vigil Investment Private Limited, Bermuda Insurance Brokers Private Limited and Monte Carlo Fashions Limited (hereinafter collectively referred to as "**Promoter Group**" or "**PG**"). The Acquirer is a part of the Promoter Group of the Target. The Promoter Group's shareholding in the Target is **1,60,03,742** shares equivalent to **65.09%** of the fully paid up equity share capital of the Target as on the date of this PA.
- 3.1.4 There is no Person acting in concert (hereinafter referred to as "PAC" or "PACs") with the Acquirer in relation to this Open Offer. All purchases in this Open Offer will be made by the Acquirer only.
- 3.1.5 The Offer is being made at a price of Rs. 40/- (Rupees Forty Only) for each Share (the "Offer Price"), to be paid in cash, in accordance with the provisions of the Regulations and subject to the terms and conditions mentioned in this Letter of Offer in relation to the Offer.
- 3.1.6 The Acquirer or its directors have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B or any other regulations made under the SEBI Act. Based on the information currently available, the Target has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B or any other regulations made under the SEBI Act.
- 3.1.7 The Acquirer does not propose to make any change in the Board of Directors after the Offer except in the ordinary course.

### **3.2 The Offer:**

- 3.2.1 Nahar Spinning Mills Limited, a Public Limited Company incorporated under the Companies Act, 1956, having its Registered Office at 373, Industrial Area-"A", Ludhiana- 141003, is making an Offer to acquire up to 24,37,251 Shares, representing 9.91% of the fully paid-up equity share capital of the Target at the Offer Price of Rs. 40/- (Rupees Forty Only) per Share, to all shareholders of the Target (except the Acquirer and the Promoter Group), who tender their shares and whose shares are acquired by the Acquirer. There are no partly paid Shares in the Target or any instruments convertible into Shares of the Target at a future date.
- 3.2.2 The Public Announcement of the Offer appeared on Monday, September 20, 2010 in the following newspapers in accordance with Regulation 15(1) of the Regulations:

| <b>Newspapers</b> | <b>Language</b> | <b>Editions</b> |
|-------------------|-----------------|-----------------|
| Business Standard | English         | All Editions    |
| Business Standard | Hindi           | All Editions    |
| Nav Shakti        | Marathi         | Mumbai          |
| Desh Sewak        | Punjabi         | Punjab          |

A copy of the Public Announcement is also available on SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in))

- 3.2.3 The Offer Price will be payable in cash, subject to the terms and conditions mentioned in this Letter of Offer.
- 3.2.4 The Offer is not conditional upon any minimum level of acceptance by the shareholders. Accordingly, the Acquirer will accept all Shares tendered by the shareholders pursuant to the Offer at the Offer Price subject to the Shares tendered not exceeding 24,37,251 Shares. In case the number of Shares tendered for sale by the shareholders are more than the Shares agreed to be acquired by the Acquirer under the Offer, the Acquirer shall accept the offers received from the shareholders on a proportionate basis as per Regulation 21(6) of the Regulations in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lots.
- 3.2.5 Neither the Acquirer, nor the Promoter Group has acquired any shares of the Target since the date of the Public Announcement and up to the date of this Letter of Offer.
- 3.2.6 Any decision for the upward revision in the Offer Price by the Acquirer before the last date of revision (i.e., Friday, November 26, 2010), would be informed by way of a Public Announcement in the same newspapers in which the original Public Announcement had appeared. In case of an upward revision in the Offer Price by the Acquirer, the revised offer price will be payable to all shareholders who have accepted this Offer and tendered their Shares at any time during the tenure of the Offer to the extent their Shares are acquired by the Acquirer. The acquisition of Shares, which are validly tendered, by the Acquirer under this Offer will take place on or before Tuesday, December 07, 2010, in accordance with the Schedule of events set out in this Letter of Offer.
- 3.2.7 There has been no competitive bid to this Offer as on the date of this Letter of Offer.
- 3.2.8 Shares that are subject to any charge, lien or encumbrance are liable to be rejected in the Offer. Applications in respect of Shares that are the subject matter of litigation wherein the shareholders may be prohibited from transferring the Shares during the pendency of such litigation are liable to be rejected if the directions/ orders permitting transfer of these Shares are not received along with the Shares tendered under the Offer.

### **3.3 Object of the acquisition / Offer:**

- 3.3.1 The Offer to the shareholders of the Target is made in accordance with regulation 11(2A) of the Regulations for consolidating the Promoter Group holding in the Target while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with BSE and NSE.

3.3.2 The main business activity of the Target is manufacturing of BOPP Films and in order to justify greater commitment and support, the Acquirer (part of the Promoter Group of the Target) wishes to consolidate and enhance its stake in the Target to the extent that the holding of the Promoter Group does not exceed 75.00%.

#### 4. BACKGROUND OF THE ACQUIRER:

##### 4.1 Nahar Spinning Mills Limited ("Acquirer")

NSML was incorporated on December 16, 1980 as a Private Limited Company under the Companies Act, 1956 and the word Private was deleted from the name of the Company on December 09, 1983, by the office of Registrar of Companies, Punjab, H. P. & Chandigarh at Jalandhar. The Registered Office of NSML is located at 373, Industrial Area-"A", Ludhiana- 141003, Tel No.: +91 161 2600701- 05, 2606977-980. Fax. No.: +91 161 2222942.

4.2 Pursuant to the Composite Scheme of Demerger and Arrangement between the Acquirer, Nahar Poly Films Limited (pre scheme known as Nahar Exports Limited) and Nahar Capital and Financial Services Limited as sanctioned by the Hon'ble High Court of Punjab and Haryana vide its Order dated December 21, 2006, the 'Textile Business' of the Nahar Poly Films Limited was demerged and transferred to the Acquirer and the 'Investment Business' of Acquirer was demerged and transferred to Nahar Capital and Financial Services Limited with effect from April 01, 2006.

4.3 The main business activity of NSML is to carry on the business of manufacturing and export of cotton synthetic and blended yarn and Hosiery knitwear of cotton and woollen textiles. The shares of NSML are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange of India Limited (NSE).

4.4 The Management as well as control of affairs of the Acquirer is with Sh. Jawahar Lal Oswal and his two sons namely Sh. Kamal Oswal and Sh. Dinesh Oswal. All other group companies, including the target company are also being managed and controlled by the same three individuals and family members. Hence the Acquirer forms part of the Promoter Group of the Target.

4.5 The Acquirer has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act, 1992, as amended (the SEBI Act) or under any other regulations made under the SEBI Act.

4.6 NSML was promoted by Mr. Jawahar Lal Oswal and his family. The present Promoters of NSML are Mr. Jawahar Lal Oswal, Mr. Kamal Oswal, Mr. Dinesh Oswal, Mrs. Abhilash Oswal, Mrs. Monica Oswal, Mrs. Ruchika Oswal, M/s. Oswal Woollen Mills Limited, Nahar Capital and Financial Services Limited, Atam Vallabh Financiers Limited, Ludhiana Holdings Limited, Vanaik Investors Limited, Vardhman Investments Limited, Nagdevi Trading & Investment Company Limited, Abhilash Growth Fund Private Limited, Neha Credit and Investment Private Limited, Sankheshwar Holding Company Limited, Ruchika Growth Fund Private Limited, Nahar Industrial Enterprises Limited, Nahar Growth Fund Private Limited, Monica Growth Fund Private Limited, Nahar Poly Films Limited, Kovalam Investment and Trading Company Limited, Vanaik Spinning Mills Limited, J.L. Growth Fund Limited and Bermuda Insurance Brokers Private Limited.

4.7 All the entities falling under the Promoter Group of the Target should be deemed as Persons Acting in Concert ("PAC") for the purpose of Open Offer.

4.8 The Shareholding pattern of NSML as on August 31, 2010 was as follow:

| Name of the Shareholder         | No. of equity shares held | Percentage (in %) |
|---------------------------------|---------------------------|-------------------|
| Promoter and Promoter Group (A) | 2,30,17,578               | 63.822            |
| Public & Others ( B)            | 1,30,47,725               | 36.178            |
| Total (A+B)                     | 3,60,65,303               | 100.000           |

4.9 As on the date of the Public Announcement, the Acquirer does not hold any Share of the Target.

##### 4.10 Compliance with Chapter II of the SEBI (SAST) Regulations:

The Acquirer has duly complied with the applicable provisions of the Regulations including Chapter II, as applicable from time to time.

##### 4.11 The details of the Board of Directors of NSML as on date of the Public Announcement are as follows:

| S. No. | Name (Designation & DIN)                              | Residential Address                              | Qualification                     | Nature of Experience  | Date of Appointment |
|--------|---|--|-----------------------------------|---|---------------------|
| 1.     | Mr. Jawahar Lal Oswal<br>(Chairman)<br>(00463866)     | 514, College Road, Civil Lines, Ludhiana- 141001 | Bachelor of Commerce              | 45 years of experience in Textile, Woollen Industry and Investment Activities     | September 30, 1992  |
| 2.     | Mr. Kamal Oswal<br>(Director)<br>(00493213)           | 514, College Road, Civil Lines, Ludhiana- 141001 | Bachelor of Commerce              | 26 years of experience in Textile, Sugar, Steel Industry and Financial Activities | September 30, 1991  |
| 3.     | Mr. Dinesh Oswal<br>(Managing Director)<br>(00607290) | 514, College Road, Civil Lines, Ludhiana- 141001 | Bachelor of Commerce              | 25 years of experience in Textile Industry and Investment Activities              | May 21, 1985        |
| 4.     | Mr. Dinesh Gogna<br>(Director)<br>(00498670)          | House No. 30-H, BRS Nagar, Ludhiana- 141001      | Bachelor of Arts, Bachelor of Law | 31 years of experience in Corporate Finance and Taxation                          | May 21, 1985        |
| 5.     | Mr. Satish Kumar Sharma<br>(Director)<br>(00402712)   | 153-E, Kitchlu Nagar, Ludhiana- 141001           | Master of Business Administration | 32 years of experience in Textile Industry  | January 15, 2007    |

| S. No. | Name (Designation & DIN)                            | Residential Address   | Qualification  | Nature of Experience   | Date of Appointment |
|--------|---|---|--|--|---------------------|
| 6.     | Mr. Amarjeet Singh<br>(Director)<br>(00452684)      | House No. 207- B, Ward No. 36, Dr. Ambedkar Nagar, Model Town Extension, Part II, Ludhiana-141002 | Bachelor of Arts, Bachelor of Law  | 63 years of experience in legal affairs and Taxation               | September 28, 2001  |
| 7.     | Dr. (Mrs.) H. K. Bal<br>(Director)<br>(00008576)    | House No. 2322, Phase 11, Mohali-160065, Punjab   | Master of Arts, Doctor of Philosophy                                       | 33 years of experience in Academics, Management and Administration | August 25, 2000     |
| 8.     | Mr. K. S. Maini<br>(Director)<br>(00454686)         | House No. 20 SF, HIG Flats, Rani Jhansi Road, Civil Lines, Ludhiana-141001                        | Master of Commerce   | 34 years of experience in Academics, Management and Administration | September 30, 2002  |
| 9.     | Dr. O. P. Sahni<br>(Director)<br>(00458499)         | House No. 217- E, Kitchlu Nagar, Ludhiana- 141001   | Master of Science, Master of Business Administration, Doctor of Philosophy | 33 years of experience in Academics, Management and Administration | September 30, 2002  |
| 10.    | Dr. Suresh Kumar Singla<br>(Director)<br>(00403423) | House No. 119, Ward No. 26, Kitchlu Nagar, Ludhiana- 141001                                       | Master of Arts, Doctor of Philosophy                                       | 30 years of experience in Academics, Management and Administration | June 30, 2008       |

All the Directors of the Acquirer are also the Directors on the Board of the Target. They have not participated in any matter(s) concerning or relating to the Offer including any preparatory steps leading to the Offer and have undertaken that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.

As per the undertaking received from the Board of Directors of the Acquirer, they have confirmed that they shall not participate in the Open Offer made to the shareholders of the Target.

- 4.12 The un-audited results for the 3 months period ended June 30, 2010 and audited results for the years ended March 31, 2010, 2009 and 2008 as certified by M/s. Gupta Vigg & Co., Chartered Accountants (Mr. Vinod Khanna, Partner, Membership No.: 081585), Statutory Auditors of NSML are as below:

| (Figures in Rupees Lacs)                              |  |                                  |                    |                  |
|---|--|----------------------------------|--------------------|------------------|
| Profit & Loss Statement                               | 3 Months period ending<br>(Un-audited) | 12 Months period ending March 31 |                    |                  |
|   | June 30, 2010                          | 2010                             | 2009               | 2008             |
| Income from Operations                                | 29,572.10                              | 1,11,046.95                      | 1,00,037.92        | 91,657.64        |
| Other Income  | 294.83                                 | 1,035.39                         | 671.98             | 1,003.93         |
| <b>Total Income</b>                                   | <b>29,866.93</b>                       | <b>1,12,082.34</b>               | <b>1,00,709.90</b> | <b>92,661.57</b> |
| Total Expenditure                                     | 24,462.81                              | 93,011.47                        | 91,869.35          | 80,175.53        |
| <b>Profit before Depreciation, Interest &amp; Tax</b> | <b>5,404.12</b>                        | <b>19,070.87</b>                 | <b>8,840.55</b>    | <b>12,486.04</b> |
| Depreciation  | 1,656.47                               | 6,986.11                         | 7,611.30           | 7,690.58         |
| Interest  | 1,272.20                               | 4,024.25                         | 3,736.91           | 2,811.43         |
| <b>Profit before Tax &amp; Extra Ordinary Items</b>   | <b>2,475.45</b>                        | <b>8,060.51</b>                  | <b>(2,507.66)</b>  | <b>1,984.03</b>  |
| Extra Ordinary Items                                  | -                                      | -                                | -                  | -                |
| <b>Profit Before Tax</b>                              | <b>2,475.45</b>                        | <b>8,060.51</b>                  | <b>(2,507.66)</b>  | <b>1,984.03</b>  |
| Provision for Tax (including Deferred Tax)            | 951.61                                 | 2,711.29                         | 844.59             | 781.94           |
| <b>Profit After Tax</b>                               | <b>1,523.84</b>                        | <b>5,349.22</b>                  | <b>(1,663.07)</b>  | <b>1,202.09</b>  |

| (Figures in Rupees Lacs)  |  |                                  |                    |                    |
|---|--|----------------------------------|--------------------|--------------------|
| Balance Sheet Statement   | 3 Months period ending<br>(Un-audited) | 12 Months period ending March 31 |                    |                    |
|   | June 30, 2010                          | 2010                             | 2009               | 2008               |
| <b>Sources of Funds</b>   |  |                                  |                    |                    |
| Issued, Subscribed and Paid-up Share Capital (includes forfeited amount of Rs. 2.04 lacs) | 1,805.31                               | 1,805.31                         | 1,805.31           | 1,805.31           |
| Reserves & Surplus (Excluding Revaluation Reserve)  | 54,122.34                              | 52,584.07                        | 48,014.95          | 50,732.61          |
| Reserves set apart for disputed liabilities   | --                                     | 1,072.90                         | 923.63             | --                 |
| Secured Loan  | 74,293.47                              | 84,598.75                        | 63,448.68          | 80,193.89          |
| Unsecured Loan  | 594.30                                 | 992.80                           | 627.55             | 2,527.20           |
| Current Liabilities   | 13,106.42                              | 11,941.77                        | 5,857.98           | 8,261.86           |
| Deferred Tax Liability  | 5,557.50                               | 5,557.50                         | 4,541.00           | 5,367.00           |
| <b>Total</b>  | <b>1,49,479.34</b>                     | <b>1,58,553.10</b>               | <b>1,25,219.10</b> | <b>1,48,887.87</b> |

| (Figures in Rupees Lacs)               |  |   |                    |                    |
|--|--|---|--------------------|--------------------|
| Balance Sheet Statement                | 3 Months period ending<br>(Un-audited)         | 12 Months period ending March 31        |                    |                    |
|  | June 30, 2010                                  | 2010                                    | 2009               | 2008               |
| <b>Uses of Funds</b>                   |  |   |                    |                    |
| Net Fixed Assets                       | 68,987.07                                      | 68,841.80                               | 67,264.93          | 71,334.06          |
| Investments- Long Term                 | 1,094.51                                       | 1,094.51                                | 1,702.48           | 900.00             |
| Investments- Current                   | --   | --                                      | --                 | --                 |
| Current Assets                         | 79,397.76                                      | 88,616.79                               | 56,251.69          | 76,653.81          |
| Miscellaneous Expenses not written off | --   | --                                      | --                 | --                 |
| <b>Total</b>                           | <b>1,49,479.34</b>                             | <b>1,58,553.10</b>                      | <b>1,25,219.10</b> | <b>1,48,887.87</b> |
| <b>Other Financial Data</b>            | <b>3 Months period ending<br/>(Un-audited)</b> | <b>12 Months period ending March 31</b> |                    |                    |
|  | <b>June 30, 2010</b>                           | <b>2010</b>                             | <b>2009</b>        | <b>2008</b>        |
| Net Worth (in Rs. Lacs.)               | 55,927.65                                      | 54,389.38                               | 49,820.26          | 52,537.92          |
| Dividend (in %)                        | -  | 30.00                                   | 10.00              | 30.00              |
| Earnings Per Share (in Rs. per Share)  | 4.23   | 14.83                                   | (4.61)             | 3.33               |
| Return on Networth (in %)              | 2.72   | 9.84                                    | (3.34)             | 2.29               |
| Book Value (in Rs. per Share)          | 155.07   | 153.78                                  | 140.70             | 145.67             |

#### 4.13 Reasons for fall/rise in total income and Profit after Tax

##### Financial Year 2009-10 vis-à-vis Financial Year 2008-09

During the year Company's income from operation increased by 11% from Rs. 100037.92 lacs to Rs. 111046.95 Lacs. The increase in turnover is on account of growth in sales and modernization of production capacities. Correspondingly profitability has substantially improved from loss of Rs. 1663.07 Lacs to profit after tax of Rs. 5349.22 Lacs. This became possible due to better export realization and timely procurement of cotton which is the basic raw material of the company.

##### Financial Year 2008-09 vis-à-vis Financial Year 2007-08

During the year though the income from operation has increased from Rs. 91657.64 lacs to Rs. 100037.92 Lacs, the profitability was severely affected. There was after tax losses of Rs. 1663.07 lacs as against profit after tax of Rs. 1202.09 Lacs in the previous year. This was mainly due to global economic down turn coupled with highly volatile exchange rate fluctuations.

#### 4.14 NSML has following contingent liability and commitments as on March 31, 2010, which are as shown below:

- Estimated amount of Contracts remaining to be executed on capital account, net of advances Rs.7258.19 Lacs (Previous Yr. Rs.6435.00 Lacs)
- Bank guarantees outstanding Rs.1665.89 Lacs (Previous Yr. 1665.89 Lacs)
- The Company has executed legal agreement/bonds for the sum of Rs.3514.32 Lacs (Previous Year Rs. 6148.80 Lacs) with the Central Government, undertaking to export Hosiery Knitwear, yarn and other goods of F.O.B. value of Rs.6699.88 Lacs (Previous Year Rs. 22895.72 Lacs) against the issuance by the Government of Advance Licenses/E.P.C.G. Licenses with Duty Exemption entitlement Certificates/Pass books for the Import of Raw Materials, Machinery and Components etc. for the aggregate C.I.F./duty saved value of Rs.5537.41 Lacs Previous Year Rs. 5866.73 Lacs)
- The Company has bound itself unto the President of India for Rs.138.00 Lacs (Previous Year Rs.138.00 Lacs) under Central Excise Act,1944 for clearance of goods without payment of excise duty, in respect of export of various types of yarn and for storage of various commodities manufactured within factory premises.
- Letter of Credits outstanding in favour of Suppliers Rs.22.91 Lacs (Previous Year Rs. 64.13 Lacs )
- Claims lodged against Company amounting Rs.NIL ( Previous Year Rs.12.36 Lacs), but not acknowledged as debt.
- Excise/Sales Tax/ Other Government Authorities have raised demands of Rs.51.37 Lacs (Previous Year Rs.114.80 Lacs) out of which a sum of Rs.12.86 Lacs (Previous Year Rs. 10.39 Lacs) has been deposited as security deposit, the same are being contested in appeal.
- As per statement sent by ICICI, they have computed interest liability of Rs. 374 Lacs till 31.03.2010 on disputed derivative loss. Since derivative transactions have already been challenged by the company in Civil Court, thus no liability has been provided for or acknowledged by the company. However , because of abundant precaution, the company has created a special reserve to meet out un-acknowledged liability on account of loss computed by bank on derivative transactions. During the year the company has created additional reserve of Rs. 149.27 lacs (Previous Year Rs. 923.63 ) on account of such transactions matured during the year.
- The M.D. Remuneration as per Shareholders Resolution dated 29<sup>th</sup> September, 2007 comes to Rs. 446.51 Lacs. However the company has paid a remuneration of Rs.285.10 Lacs ( Rs.180.10 Lacs from Nahar Spinning Mills Limited and Rs.105.00 Lacs from Nahar Capital and Financial Services Limited ) for the year ended 31<sup>st</sup> March, 2010 as per the Net Profit under section 198 read with section 349 of the Companies Act, 1956 and applicable provisions of the said Act  
The Company's application to the Central Government for approval to pay M.D. Remuneration as per Shareholders approval is pending with the Ministry of Corporate Affairs, New Delhi. As such the differential amount of Rs, 161.41 Lacs is payable by the company and the same will be paid as and when the company receives Central Government approval.

#### 10. Electricity demand raised by Madhya Pradesh Electricity board

There is an electricity demand of Rs 2673.13 Lacs (Previous year Rs.2418.23Lacs) raised by MPMK VV Co Ltd. in spite of surrender of electricity connection by the company and the same was being contested in the Hon'ble High court of Jabalpur. Against this company has deposited Rs. 561.92 Lacs with the MPMK VV Co. Limited and has also furnished a bank guarantee for Rs. 1662.54 Lacs.

During the period, the matter came up for hearing and the Hon'ble High Court, Jabalpur after hearing, passed the following order dated 16<sup>th</sup> December 2009.

- i) "As a consequence the company is granted permission to set up captive power plant of 4.1 MW capacity in its Unit No.1 & 2"
- ii) "As a further consequence, we direct the Board to redetermine the tariff/minimum charges on the basis of reduced contract demand of 1000 KVA in case of Unit No. 1 and 0 KVA in case of Unit No.2 w.e.f. 01/08/1999 and raise bills. If any, with a further direction that in case if the company found to be owing certain arrears to the Board pursuant to redetermination as directed hereinabove, the same be adjusted from SD of Rs. 110.85 Lacs"
- iii) "We further direct the Board to issue correct electricity bills of the period after 01.08.1999 on the basis of reduced contract demand as aforesaid and settle the accounts with the Company keeping in view the aforesaid directions within 6 months"

The above order has been contested by MPMKVV Co. Ltd. by way of SLP in the Hon'ble Supreme Court and the following interim order has been passed by Hon'ble Supreme Court on dated 29.03.2010 "respondent No. 1 (M/s Nahar Spinning Mills Ltd.) restrained from taking steps for recovering amount of Rs. 561.92 Lacs or from return the Bank Guarantee given for Rs. 1662.54 Lacs There will be a further direction upon the respondent No.1 to keep the Bank Guarantee renewed during the pendency of the matter in this court."

"The matter is pending for final decision with the Hon'ble Supreme Court." No provision for the same has been made.

11. The Company has given the following guarantees in respect of loans made and/or other borrowing and non-borrowing facilities granted by the financial institutions and banks.

- a) Rs. NIL (Previous Year. Rs. 3000 Lacs) to ICICI Bank Limited and Rs. NIL (Previous Year Rs. 1000 Lacs) to Industrial Development Bank of India Ltd. And Rs. NIL ( Previous Year Rs. 500 Lacs) to Canara Bank in respect of financial assistance granted by the said financial institutions to Nahar Industrial Enterprises Limited, Ludhiana.

#### **4.15 Disclosure of earlier acquisition(s) made in the Target**

NSML does not hold any Shares in the equity share capital of the Target as on the date of the PA. NSML has not made any acquisition in the Target through any mode till date of this Letter of Offer.

#### **4.16 Significant accounting policies of the Acquirer**

##### **i) ACCOUNTING CONVENTION:**

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards and relevant presentation requirements of the Companies Act, 1956.

##### **ii) REVENUE RECOGNITION:**

- a) Sale of goods is recognized at the point of dispatch of finished goods to the customers. The sale value is inclusive of excise duty wherever applicable paid on the clearance of finished goods.
- b) Revenue in respect of benefit under Duty Entitlement Pass Book Scheme/Duty Drawback Scheme is recognized on post export basis.
- c) Revenue in respect of Insurance and other claims is recognized when no significant uncertainty exists with regard to the amount to be realized.
- d) Scrap (i.e. Empties, Wastages etc. Other than Production) is accounted for on sale basis.

##### **iii) FIXED ASSETS AND DEPRECIATION:**

- A. Tangible assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses. Depreciation is charged on following basis.
  - a) In Garment Division at Ludhiana depreciation is charged on W.D.V. basis at the rates prescribed in SCHEDULE – XIV of the Companies Act, 1956.
  - b) In Units at Mandideep, Jalalpur, Lalru and Jodhan depreciation is charged on Straight Line basis as per rates specified in Schedule XIV of the Companies Act 1956.
  - c) In unit at Nahar Fibres, Jitwal Kalan, Depreciation on Fixed Assets is charged on Straight Line basis as per rates specified in Schedule XIV of the Companies Act, 1956, except on other Equipments, Furniture and Fixtures and Vehicles where depreciation is provided on W.D.V. basis as per rates specified in Schedule XIV of the Companies Act, 1956.
  - d) Assets below Rs. 0.05 Lacs are depreciated at rate of 100%
- B. Intangible assets are stated at cost less accumulated amount of amortization. Such assets are amortized on Straight Line Basis on the estimated useful life.

##### **iv) INVESTMENT:**

Long Term Investments are stated at cost. Diminution in value of Investment if any, is not considered because of temporary nature. Market value of Mutual Funds is taken on NAV basis.

##### **v) INVENTORIES:**

Inventories are valued at cost or net realizable value, whichever is lower. However to determine the cost, the following methods are adopted:-

- For Raw Material on moving weighted average method.
- For Stores and Spares on moving weighted average method.
- For Work – in – Process, cost of Raw Material plus appropriate share of manufacturing expenses/relevant Overheads.
- For Finished goods, cost of raw material plus conversion costs, packing cost and other overheads incurred to bring the inventories to their present condition and location.
- Further Wastage and Rejections are valued at net realizable value only.

##### **vi) RETIREMENT BENEFITS:**

###### **a) Gratuity**

The Company has taken a Group Gratuity Policy from LIC of India to discharge its liability for Gratuity. The calculation of premium under the policy is made on the basis of actuarial valuation done by LIC.

###### **b) Provident Fund:**

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to Profit and Loss account.

vii) **FOREIGN EXCHANGE TRANSACTION:**

- a) The gains or losses on foreign exchange transactions are recognized in the Profit & Loss Account. Monetary assets and liabilities other than those covered by forward contracts have been valued at the exchange rate prevailing at the close of the financial year. The exchange difference on foreign currency transactions relating to fixed assets acquired from a country outside India has been adjusted to revenue.
- b) In respect of Forward contracts, forward premium or discount arising at the inception of forward contract is amortized as expenses or income over the life of contract. Exchange differences on such contracts are recognized in the profit and loss account in the year in which exchange rates change.

Any Profit and Loss arising on cancellation or renewal of forward exchange contract is recognized as income or expenses in the period in which such income or loss arises.

viii) **EXCISE DUTY:**

Excise Duty payable on finished goods, if any, is accounted for on clearance of goods from the factory. Cenvat in respect of excise duty paid on Raw Material, Stores and Capital Goods is taken, if any, in accordance with the Cenvat Credit Rules 2004.

ix) **WARRANTY CLAIMS:**

As per the nature of Company's business, the question of warranty claims does not arise. The routine claims on account of quality or quantity lodged with the company other than those which are disputed one, are accounted for as and when accepted by the Company.

x) **EXPENDITURE INCURRED DURING CONSTRUCTION PERIOD:**

In respect of new/major expansion of units, the indirect expenditure incurred during construction period upto the date of commencement of commercial production is capitalized on various categories of fixed assets on proportionate basis.

xi) **BORROWING COSTS:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

xii) **GOVERNMENT GRANTS/SUBSIDY:**

Government Grants/ Subsidy are recognized, when there is a reasonable assurance that --

- i) The Company will comply with conditions attached to them and
- ii) The Grants/Subsidy will be received.

The Government Grants/Subsidy received for specific asset is reduced from the cost of the asset.

xii) **ACCOUNTING FOR TAXES ON INCOME:**

Provision for taxation for the year comprises of current taxes and deferred tax. Current taxes consists of Income Tax and Wealth Tax. Current Tax is the amount of Income tax determined to be payable in respect of taxable income for the period. Deferred tax is calculated for timing difference that originates in one period and is capable of reversal in the subsequent period.

xiii) **IMPAIRMENT OF ASSETS:**

At each Balance Sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an Impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of accounts.

xiv) **PROVISION AND CONTINGENT LIABILITIES**

- a) Provisions are recognized for liabilities that can be measured by using a substantial degree of estimation, if:
  - the company has a present obligation as a result of past event.
  - A probable outflow of resources embodying economic benefits is expected to settle the obligation and
  - the amount of the obligation can be reliably estimated.
- b) Contingent Liability is disclosed in case of :
  - A present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
  - A possible obligation, unless the probability of outflow in settlement is remote.
- c) Re-imbusement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the re-imbusement will be received.

**4.17** The Acquirer has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

**4.18** There has been no merger/ demerger, spin-off in NSML during the last 3 (Three) years.

**4.19 Details of Pending Litigation**

| Sr.No. | Subject   | Summary  | Status  |
|--------|---|--|---|
| 01.    | ACIT disallowed certain expenses and created additional demand of Rs. 188.00 Lacs for the A.Y. 2001-02. | Company filed an appeal before CIT(A) Ludhiana, who partly allowed the claim. Cross appeals were filed by the Company and Revenue Dept. before the ITAT, which partly allowed the claim vide order dated 14.09.2007. | The Company as well as Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending. |
| 02.    | ACIT disallowed certain expenses and created additional demand of Rs.86.00 Lacs for the A.Y. 2000-01 .  | Company filed an appeal before CIT(A) Ludhiana, who partly allowed the claim. Cross appeals were filed by the Company and Revenue Dept. before the ITAT, which partly allowed the claim vide order dated 12.08.2005. | The Company as well as Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending. |

| Sr.No. | Subject  | Summary   | Status  |
|--------|--|---|---|
| 03.    | ACIT disallowed certain expenses and created additional demand of Rs. 220.00 Lacs for the A.Y. 1997-98 .                                 | Company filed an appeal before CIT(A) Ludhiana, who partly allowed the claim. Cross appeals were filed by the Company and Revenue Dept. before the ITAT, which has allowed the claim vide order dated 27.10.2005 & 29.11.2005.  | The Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending.  |
| 04.    | ACIT disallowed certain expenses and created additional demand of Rs. 77.00 Lacs for the A.Y. 1996-97 .                                  | Company filed an appeal before CIT(A) Ludhiana, who partly allowed the claim. Cross appeals were filed by the Company and Revenue Dept. before the ITAT, which partly allowed the claim vide order dated 29.04.2005.  | The Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending.  |
| 05.    | ACIT disallowed certain expenses and created additional demand of Rs. 48.40 Lacs for the A.Y. 1995-96 .                                  | Cross appeals were filed by the Company and Revenue Dept. before the ITAT, which partly allowed the claim vide order dated 29.04.2005.  | The Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending.  |
| 06.    | ACIT disallowed certain expenses and created additional demand of Rs. 3.00 Lacs for the A.Y. 1989-90.                                    | The CIT(A) Ludhiana, vide letter dated 23.03.1995 set aside the assessment order. ACIT re-assessed the income and created an additional demand and interest of Rs. 37.4 Lacs. CIT(A) Ludhiana partly allowed the claim. Cross appeals were filed by the Company as well as Revenue Dept. before the ITAT , which allowed the Company's and Revenue Dept. claim vide orders dated 28.06.2001, 05.09.2001 and 03.06.2003.           | The Company as well as Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending.   |
| 07.    | ACIT disallowed certain expenses and created additional demand of Rs.4.8 Lacs for the A.Y. 1987-88 .                                     | Company filed an appeal before CIT(A) Ludhiana, who partly allowed the claim. Cross appeals were filed by the Revenue Dept. before the ITAT, which partly allowed the company's claim vide order dated 05.05.1999.  | The Department filed appeal before the Hon'ble Punjab & Haryana High Court. The matter is still pending.  |
| 08.    | Writ proceeding in relation to MODVAT declaration not filed, value Rs. 9.7 Lacs.   | NSML-Mandideep filed a writ petition before the Hon'ble High Court Jabalpur against the CCE, Bhopal regarding MODVAT Declaration not filed for the period Dec.1994.   | NSML-Mandideep obtained an interim order in its favour from the Hon'ble High Court Jabalpur. Matter is pending.   |
| 09.    | Writ proceeding in relation to Brunt Oil (Sludge), value is Rs.1.4 Lacs sold without duty payment for the period July 1997 to Feb. 2002. | NSML-Mandideep filed a writ petition before the Hon'ble High Court Jabalpur against the CCE, Bhopal<br>An amount of Rs.3.8 Lacs is pre-deposited which includes penalty.  | Matter is pending for final disposal before the Hon'ble High court of Jabalpur.   |
| 10.    | Central Excise Appeal proceeding in relation to Service Tax on commission paid to foreign based agents, value Rs.7.00 Lacs.              | NSML-Mandideep filed a Central Excise Appeal before the Hon'ble High Court Jabalpur against the CCE, Bhopal regarding liability of service tax on commission paid to foreign based agents for the period Jan 2005 to 15 <sup>th</sup> June 2005.  | NSML-Mandideep obtained an interim order in its favour from the Hon'ble High Court Jabalpur. Matter is pending.   |
| 11.    | An Appeal proceeding in relation to service tax credit on tour operator, value Rs.2.9 Lacs.  | The CCE, Bhopal filed an appeal before the CESTAT, Delhi against NSML, Mandideep regarding service tax credit allowed on tour operator for the period Mar 2006 to Jul 2007.   | Matter pending before CESTAT Delhi.   |
| 12.    | Service Tax on Goods Transport Agency (GTA) amounting to Rs.2.4 lacs was paid from CENVAT credit .                                       | Company filed an appeal with Commissioner (Appeals), Central Excise, Chandigarh and the same was rejected.  | Company filed an appeal with CESTAT, Delhi. Matter is pending.  |
| 13.    | Electricity Demand Raised by Madhya Pradesh Electricity Board  | There is an electricity demand of Rs.2673.10 Lacs raised by MPMK VV Co. Ltd. in spite of surrender of electricity connection by the company and the same was being contested in Hon'ble High Court Jabalpur.<br>Against this company has deposited Rs.561.9 Lacs with MPMK VV Co. Ltd. and has also furnished Bank Guarantee for Rs. 1662.5 Lacs.<br>The Hon'ble High Court Jabalpur decided the matter in favour of the Company. | The Madhya Pradesh Electricity Board filed an appeal by way of SLP in the Hon'ble Supreme Court. The Matter is still pending for final decision with Hon'ble Supreme Court. |

| Sr.No. | Subject  | Summary   | Status   |
|--------|--|---|--|
| 14.    | Payment of Service Tax for GTA from CENVAT Account for the period Jan 06 to March 06.  | Commissioner (Appeal) allowed the appeal in favour of the Company.  | Dept. filed an appeal against the order of CCE (Appeals) with CESTAT and the matter is still pending . |
| 15.    | Refund claim of Furnace Oil Rs.13.4 Lacs   | Deputy Commissioner & Commissioner (Appeals) rejected the claim of the Company.   | Company filed an appeal before CESTAT Matter is still pending before CESTAT                            |
| 16.    | Service tax not paid on Export Commission for the period 01.01.05 - 15.06.05 Rs.0.46 Lacs  | Commissioner (Appeals) Chandigarh passed order in favour of the Company.  | Dept. re-challenged against the order before CESTAT. Matter is still pending.                          |
| 17.    | Credit taken on export commission (April 06 to Nov. 06) Rs.16.18 Lacs (in Penalty Rs.8.10 Lacs)  | Commissioner (Appeals) passed order against the Company.  | Matter is pending before CESTAT.   |
| 18.    | Credit taken on outward freight (Service Tax) for the period Jan 2005 to Dec 2007 Rs.11.2 Lacs (including penalty Rs.5.6 Lacs)                                       | Commissioner (Appeals) passed order against the Company.  | Matter is pending before CESTAT.   |
| 19.    | Business Auxiliary Service debited from CENVAT for the period Jan 2006 to March 2006 Rs.0.77 Lacs  | Commissioner (Appeals) passed order in favour of the Company.   | Dept. re-challenged against order to CESTAT. Matter is still pending.                                  |
| 20.    | GTA Service tax paid from CENVAT Account for Jan 06 to March 2006 Rs.1.60 Lacs.  | Commissioner (Appeals) Chandigarh passed order in favour of the Company.  | Dept. re-challenged against order to CESTAT. Matter is still pending.                                  |
| 21.    | Business Auxiliary Service debited from CENVAT for the period Dec 2005 to March 2006 Rs.1.10 Lacs  | Commissioner (Appeals) Chandigarh passed order in favour of the Company.  | Dept. re-challenged against order to CESTAT. Matter is still pending.                                  |
| 22.    | GTA Service tax paid from CENVAT Account for the period Jan 05 to Dec 2005 Rs.5.60 Lacs  | Matter dropped by Commissioner (Appeals).   | Dept. filed Appeal before the Hon'ble High Court & matter is pending for decision.                     |
| 23.    | CENVAT credit (Service Tax) against insurance policy with respect to plant & machinery & building etc (Sep 04 to Oct 06) The show cause notice was for Rs.5.10 lacs. | Additional Commissioner confirmed the demand of Rs. 1.5 Lacs (Out of Rs.5.1 Lacs) alongwith penalty of Rs.1.5 lacs and interest thereon.  | Company filed an appeal with Commissioner (Appeals) Chandigarh. & Matter is still pending.             |
| 24.    | CENVAT credit against adhesive tapes & plastic buckets audit objection ida no. 345/07 para – ii for Rs.0.71 lacs.  | Assistant Commissioner, Central Excise, Dera-bassi confirmed the demand of Rs. 0.71 Lacs and Penalty of Rs.0.71 lacs alongwith interest thereon.  | Company is going in for filing an appeal with Commissioner Central Excise (Appeals).                   |
| 25.    | Civil suit for Rs.2.00 Lacs.   | M/s Shamrock filed a Civil suit stating that the Company has not supplied the goods within time. They suffered a loss of Rs.0.50 Lacs and damages Rs. 1.50 Lacs. Company has filed a reply. | Pending for framing of issue.  |

#### 4.20 Name and details of the Compliance Officer

| Particulars | Details   |
|-------------|---|
| Name        | Mr. Brij Sharma   |
| Designation | Company Secretary & Compliance Officer  |
| Address     | Nahar Spinning Mills Limited,<br>373, Industrial Area- 'A', Ludhiana- 141 003 |
| Tel No.     | +91 161 2600710- 05   |
| Fax No.     | +91 161 2222942   |
| Email id.   | <a href="mailto:secnsm@ownnahar.com">secnsm@ownnahar.com</a>                  |

**5. CONSTITUTION OF PROMOTER GROUP OF NAHAR POLY FILMS LIMITED, FORMERLY KNOWN AS NAHAR INVESTMENTS AND HOLDING LIMITED (THE TARGET):**

Promoter Group of the Target comprises of corporate entities and non-corporate entities. A few of the corporate entities are NBFs registered with the RBI and there are corporate entities listed on stock exchanges.

**5.1** Details of the corporate entities forming part of the Promoter as well as Promoter Group are shown below in a tabular form:

| S. No.                         | Name of the Corporate Entity                            | Business Activities   | RBI Registration Status (Registered/ Not Applicable) | Listing Status |
|--------------------------------|---|---|--|----------------|
| <b>Promoter Entities</b>       |   |   |  |                |
| 1.                             | Oswal Woollen Mills Limited                             | Manufacturing and Trading of woollen and cotton yarns and textiles.               | Not Applicable                                       | Unlisted       |
| 2.                             | Nahar Industrial Enterprises Limited                    | Operations of Spinning, Weaving and Processing and Manufacture of Sugar and Steel | Not Applicable                                       | BSE<br>NSE     |
| 3.                             | Nahar Capital and Financial Services Limited            | Investing and Financing   | Registered (N- 06.00588)                             | BSE<br>NSE     |
| 4.                             | Kovalam Investment & Trading Company Limited            | Investing and Financing   | Registered (N- 06.00576)                             | BSE            |
| 5.                             | Sankheshwar Holding Limited                             | Investing and Financing   | Registered (14.00513)                                | DSE            |
| 6.                             | J.L. Growth Fund Limited                                | Investing and Financing   | Registered (N- 14.03075)                             | Unlisted       |
| 7.                             | Abhilash Growth Fund Private Limited                    | Investing and Financing   | Registered (14.01080)                                | Unlisted       |
| 8.                             | Monica Growth Fund Private Limited                      | Investing and Financing   | Registered (N- 14.03144)                             | Unlisted       |
| 9.                             | Ruchika Growth Fund Private Limited                     | Investing and Financing   | Registered (N- 14.02948)                             | Unlisted       |
| 10.                            | Nahar Growth Fund Private Limited                       | Investing and Financing   | Registered (14.00663)                                | Unlisted       |
| 11.                            | Neha Credit and Investment Private Limited              | Investing and Financing   | Registered (14.00662)                                | Unlisted       |
| 12.                            | Nagdevi Trading & Investment Company Limited            | Investing and Financing   | Registered (N- 14.03122)                             | Unlisted       |
| 13.                            | Vanaik Investors Limited                                | Investing and Financing   | Registered (14.00525)                                | Unlisted       |
| 14.                            | Vardhman Investments Limited                            | Investing and Financing   | Registered (14.00524)                                | Unlisted       |
| 15.                            | Ludhiana Holdings Limited                               | Investing and Financing   | Registered (N- 14.03012)                             | Unlisted       |
| 16.                            | Atam Vallabh Financiers Limited                         | Investing and Financing   | Registered (B- 14.01631)                             | Unlisted       |
| 17.                            | Vanaik Spinning Mills Limited                           | Manufacturing and Trading   | Not Applicable                                       | Unlisted       |
| <b>Promoter Group Entities</b> |   |   |  |                |
| 1.                             | Nahar Spinning Mills Limited                            | Manufacture of Cotton, Synthetic and blended yarns and garments                   | Not Applicable                                       | BSE<br>NSE     |
| 2.                             | Oswal Leasing Limited                                   | Investing and Financing   | Registered (14.00489)                                | BSE<br>DSE     |
| 3.                             | Cotton County Retail Limited                            | Retailing business of garment   | Not Applicable                                       | Unlisted       |
| 4.                             | Nahar Industrial and Infrastructure Corporation Limited | Development of Industrial Parks   | Not Applicable                                       | Unlisted       |
| 5.                             | Girnar Investment Limited                               | Investing and Financing   | Registered (14.00529)                                | Unlisted       |
| 6.                             | Palam Motels Limited                                    | Investing and Financing   | Registered (N- 14.02893)                             | Unlisted       |
| 7.                             | Shri Atam Fabrics Limited                               | Manufacture of Textile  | Not Applicable                                       | Unlisted       |
| 8.                             | Cabot Trading and Investment Company Private Limited    | Trading and Investment  | Not Applicable                                       | Unlisted       |
| 9.                             | Vigil Investment Private Limited                        | Investing and Financing   | Not Applicable                                       | Unlisted       |
| 10.                            | White Tigers Breweries and Distilleries Limited         | Investment  | Not Applicable                                       | Unlisted       |
| 11.                            | Monte Carlo Fashions Limited                            | Trading in all kinds of yarns and textiles including readymade goods              | Not Applicable                                       | Unlisted       |
| 12.                            | Nahar Financial and Investment Limited                  | Investment  | Not Applicable                                       | Unlisted       |
| 13.                            | Bermuda Insurance Brokers Private Limited               | Investment  | Not Applicable                                       | Unlisted       |

**5.2** Individuals forming part of the Promoter and Promoter Group are Mr. Jawahar Lal Oswal, Mr. Kamal Oswal, Mr. Dinesh Oswal, Mrs. Abhilash Oswal, Mrs. Monica Oswal, Mrs. Ruchika Oswal, Mrs. Manisha Oswal, Mrs. Ritu Oswal, Ms. Neha Oswal, Mr. Abhinav Oswal, Mr. Rishab Oswal, Mr. Sambhav Oswal and Ms. Tanvi Oswal.

**6. DISCLOSURE IN TERMS OF REGULATIONS 16(ix):**

- 6.1** The Acquirer and the PG presently do not have any plans to dispose off or otherwise encumber any assets of the Target in the following two years from the date of Closure of the Offer, except in the ordinary course of business of the Target.
- 6.2** The Acquirer and the PG undertake not to dispose off or otherwise encumber any assets of the Target (except in the ordinary course of business) in the following two years from the date of Closure of the Offer, without the prior approval of the shareholders. The Target's future policy for disposal of its existing business or assets after the aforesaid period of two years, if any, will be decided by its Board of Directors in accordance with the applicable laws and regulations.

**7. FUTURE PLANS/ STRATEGIES OF THE ACQUIRER WITH REGARD TO THE TARGET:**

- 7.1** The main business activity of the Target is manufacturing of BOPP Films and in order to justify greater commitment and support, the Acquirer (part of the Promoter Group of the Target) wishes to consolidate and enhance its stake in the Target to the extent that the holding of the Promoter Group does not exceed 75.00%.
- 7.2** The Acquirer and the PG presently do not have any plans to dispose off or otherwise encumber any assets of the Target in the following two years from the date of Closure of the Offer, except in the ordinary course of business. Further, in the following two years, the Acquirer and the PG undertake not to dispose off or otherwise encumber any assets of the Target (except in the ordinary course of business), without the prior approval of the shareholders. The Target's future policy for disposal of its existing business or assets after the aforesaid period of two years, if any, will be decided by its Board of Directors in accordance with the applicable laws and regulations.

**8. DISCLOSURE IN TERMS OF REGULATIONS 21(2) & 21(3):**

- 8.1** The Offer to the shareholders of the Target is made in accordance with Regulation 11(2A) of the Regulations for consolidating the Promoter Group's holding in the Target while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with BSE and NSE.
- 8.2** Pursuant to this Offer, the provisions of Regulation 21(2) of the Regulations are not attracted. Accordingly, this Open Offer is being made in terms of Regulation 11(2A) read with Regulation 21(3) of the SEBI (SAST) Regulations.

**9. BACKGROUND OF THE TARGET: NAHAR POLY FILMS LIMITED ("NPFL") FORMERLY KNOWN AS NAHAR INVESTMENTS AND HOLDING LIMITED**

**9.1** Address of Corporate and Registered Office (with phone nos.)

| Particulars                          | Details  |
|--------------------------------------|--|
| Registered Office & Corporate Office | <b>Address:</b> 376, Industrial Area- 'A', Ludhiana- 141003<br><b>Tel No.:</b> +91 161 2600701- 05<br><b>Fax. No.:</b> +91 161 2222942 |

**9.2** Brief History and Main areas of Operation

- 9.2.1** NPFL was incorporated as a public limited Company under the name of 'Nahar Exports Limited' on November 11, 1988 with the Registrar of Companies, Punjab, H.P. & Chandigarh and obtained Certificate of Commencement of Business on November 16, 1988. The name of the Company was changed to 'Nahar Investments and Holding Limited' vide Fresh Certificate of Incorporation dated September 18, 2007 issued by the Registrar of Companies, Punjab, H.P. & Chandigarh. The name of the Company was subsequently changed to 'Nahar Poly Films Limited' vide fresh Certificate of Incorporation dated June 23, 2008. The target vide their Letter dated August 11, 2010 had applied to the BSE and NSE for change in the name of the target on their records.
- 9.2.2** Pursuant to the Composite Scheme of Demerger and Arrangement between the Target, Nahar Spinning Mills Limited and Nahar Capital and Financial Services Limited as sanctioned by the Hon'ble High Court of Punjab and Haryana vide its Order dated December 21, 2006, the 'Textile Business' of the Target was demerged and transferred to Nahar Spinning Mills Limited with effect from April 01, 2006. Pursuant to the said demerger, the Target was left with Residual Business in the form of some long term Investments. Thereafter in the year 2008, the Target decided to put up a BI-AXIALLY ORIENTED POLY PROPYLENE FILMS (BOPP) Project with a capacity of 30,000 TPA at Village Sarakian/Itayakalan, Distt. Raisen in the State of Madhya Pradesh. Accordingly, the Object Clause of the Memorandum of Association was amended to incorporate the manufacturing of BOPP Films in the Main Object Clause of the Memorandum of Association of the Target.
- 9.2.3** The equity shares of the Target are currently listed on BSE and NSE with effect from June 04, 1991 and July 28, 2003 respectively.
- 9.2.4** The main business activities of the Target is manufacturing of BOPP Films.

**9.3** Details of Locations

In addition to the above mentioned Registered and Corporate Office, the Target has the manufacturing plant at Village Sarakian/ Itayakalan, Distt. Raisen in the State of Madhya Pradesh

**9.4** Equity Share capital structure of the Target:

| Issued and Paid up Equity share Capital | No. of shares/ voting rights (Face value Rs. 5 per share) | % of Equity shares/ Voting rights |
|---|---|-----------------------------------|
| Fully paid up Equity shares             | 2,45,87,991   | 100%                              |
| Partly paid up Equity shares            | Nil   | Nil                               |
| Total paid up Equity shares             | 2,45,87,991   | 100%                              |
| Total voting rights in Target           | 2,45,87,991   | 100%                              |

**9.5 Build up of the current capital structure since inception**

| Date of Allotment | No. & (% age) of Shares issued | Cumulative paid-up capital (Rs.) | Mode of Allotment   | Identity of allottees                                   | Status of Compliance | Remarks, if any   |
|-------------------|--------------------------------|----------------------------------|---|---|----------------------|---|
| November 11, 1988 | 7<br>(100%)                    | 70                               | Cash  | Subscribers to the Memorandum of Association and others | Complied with        |   |
| November 30, 1988 | 50,000<br>(99.99%)             | 5,00,070                         | Cash  | Promoter and promoter Group Companies                   | Complied with        |   |
| July 01, 1989     | 9,48,993<br>(94.99%)           | 99,90,000                        | Cash  | Promoter and promoter Group Companies                   | Complied with        |   |
| April 25, 1991    | 27,60,000<br>(73.42%)          | 3,75,90,000                      | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-A 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 5 equity shares.    |
| August 16, 1993   | 19,44,560<br>(34.09%)          | 5,70,35,600                      | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.    |
| December 27, 1993 | 69,200<br>(1.20%)              | 5,77,27,600                      | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.    |
| July 20, 1994     | 73,760<br>(1.26%)              | 5,84,65,200                      | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.    |
| August 01, 1994   | 15,00,000<br>(20.42%)          | 7,34,65,200                      | Exercise of Option of Warrants attached with Non-Convertible Debentures | Promoters   | Complied with        | Equity Shares allotted on exercise of Option of Warrants attached with 17% Non-Convertible Debentures.  |
| December 03, 1994 | 31,28,630<br>(29.87%)          | 10,47,51,500                     | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-A 12% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 1 equity share.       |
| March 31, 1995    | 23,760<br>(0.23%)              | 10,49,89,100                     | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.    |
| December 03, 1995 | 1,36,40,828<br>(56.51%)        | 24,13,97,380                     | Conversion of Debentures into shares                                    | Debenture holders                                       | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4.36 equity shares. |

| Date of Allotment | No. & (% age) of Shares issued | Cumulative paid-up capital (Rs.) | Mode of Allotment   | Identity of allottees  | Status of Compliance | Remarks, if any  |
|-------------------|--------------------------------|----------------------------------|---|--|----------------------|--|
| March 31, 1996    | 5,120<br>(0.02%)               | 24,14,48,580                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| March 31, 1997    | 3,280<br>(0.01%)               | 24,14,81,380                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| March 31, 1998    | 2,400<br>(0.01%)               | 24,15,05,380                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| March 31, 1999    | 1,520<br>(0.01%)               | 24,15,20,580                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| August 09, 1999   | 1,12,38,979<br>(31.76%)        | 35,39,10,370                     | Equity Shares allotted pursuant to Scheme of amalgamation | Equity Shareholders of Nahar Fibres Limited  | Complied With        | Equity Shares allotted to the shareholders of Nahar Fibres Limited which was amalgamated with the Company vide order dated May 13, 1999 of Hon'ble High Court of Punjab and Haryana at Chandigarh. |
| March 31, 2000    | 880<br>(0.002%)                | 35,39,19,170                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| March 31, 2001    | 1,440<br>(0.004%)              | 35,39,33,570                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| March 31, 2002    | 81,680<br>(0.23%)              | 35,47,50,370                     | Conversion of Debentures into shares                      | Debenture holders  | Complied with        | Conversion of Part-B 12.5% Secured Fully Convertible Debentures into Equity shares wherein 1 debenture was converted into 4 equity shares.   |
| January 15, 2007  | (3,49,336)<br>(0.99%)          | 35,12,57,010                     | Not Applicable  | Forfeiture of shares held by those public shareholders who had not paid the call money | Complied with        | Shares forfeited on account of non payment of Call money.  |

| Date of Allotment | No. & (% age) of Shares issued | Cumulative paid-up capital (Rs.) | Mode of Allotment | Identity of allottees        | Status of Compliance | Remarks, if any  |
|-------------------|--------------------------------|----------------------------------|-------------------|------------------------------|----------------------|--|
| February 05, 2007 | 2,45,87,991<br>(100%)          | 12,29,39,955                     | Not Applicable    | Existing Equity Shareholders | Complied with        | Pursuant of the Composite Scheme of De-merger and Arrangement sanctioned by the Hon'ble High Court of Punjab and Haryana vide its Order dated December 21, 2006 and on allotment of shares of NSML to the shareholders, the Paid up Value of Each Equity share of the Company was reduced from Rs. 10/- to Rs.3.50/- per equity share and which was reorganized into the Nominal Value of Rs. 5/- per share. |

**9.6** There has been no suspension of trading in shares of the Target.

**9.7** There are no outstanding convertible instruments (warrants/ FCDs/ PCDs), etc as on the date of this Letter of Offer.

**9.8 Compliance with Chapter II of the SEBI (SAST) Regulations:**

The Target has duly complied with the applicable provisions of the Regulations including Chapter II from time to time.

**9.9** There is no punitive action imposed by SEBI under SEBI (SAST) Regulations on the Target as on the date of this Letter of Offer.

**9.10** The Target has conformed to the listing requirements at all times and there is no punitive action(s) imposed by the Stock Exchanges on the Target as on the date of the Letter of Offer.

**9.11 Composition of the Board of Directors:**

| S. No. | Name (Designation & DIN)                                     | Residential Address   | Qualification                              | Nature of Experience  | Date of Appointment |
|--------|--|---|--|---|---------------------|
| 1.     | Mr. Jawahar Lal Oswal<br>(Chairman)<br>(00463866)            | 514, College Road,<br>Civil Lines,<br>Ludhiana- 141001  | Bachelor of<br>Commerce                    | 45 years of experience in Textile, Woolen Industry and Investment Activities      | October 14, 1991    |
| 2.     | Mr. Kamal Oswal<br>(Director)<br>(00607290)                  | 514, College Road,<br>Civil Lines,<br>Ludhiana- 141001  | Bachelor of<br>Commerce                    | 26 years of experience in Textile, Sugar, Steel Industry and Financial Activities | November 15, 1989   |
| 3.     | Mr. Dinesh Oswal<br>(Director)<br>(00493213)                 | 514, College Road,<br>Civil Lines,<br>Ludhiana- 141001  | Bachelor of<br>Commerce                    | 25 years of experience in Textile Industry and Investment Activities              | November 11, 1988   |
| 4.     | Mr. Dinesh Gogna<br>(Director)<br>(00498670)                 | House No. 30-H,<br>BRS Nagar,<br>Ludhiana- 141001   | Bachelor of Arts,<br>Bachelor of Law       | 31 years of experience in Corporate Finance and Taxation                          | November 15, 1989   |
| 5.     | Mr. Komal Jain<br>(Director)<br>(00399948)                   | 88-C, Kitchlu Nagar,<br>Ludhiana- 141001  | Master of Arts                             | 34 years of Business experience in Textile Industry.                              | November 15, 1989   |
| 6.     | Mr. Amarjeet Singh<br>(Director)<br>(00452684)               | House No. 207- B, Ward<br>No. 36, Dr Ambedkar<br>Nagar, Model Town<br>Extension, Part II,<br>Ludhiana- 141002 | Bachelor of Arts,<br>Bachelor of Law       | 63 years of experience in legal affairs and Taxation                              | June 30, 2001       |
| 7.     | Dr. (Mrs.) Harbhajan<br>Kaur Bal<br>(Director)<br>(00008576) | House No. 2322, Phase<br>11, Mohali- 160065,<br>Punjab  | Master of<br>Arts, Doctor of<br>Philosophy | 33 years of experience in Academics, Management and Administration                | September 28, 1992  |

| S. No. | Name (Designation & DIN)                            | Residential Address   | Qualification  | Nature of Experience   | Date of Appointment |
|--------|---|---|--|--|---------------------|
| 8.     | Mr. Kanwar Sain Maini<br>(Director)<br>(00454686)   | House No. 20 SF, HIG Flats, Rani Jhansi Road, Civil Lines, Ludhiana- 141001 | Master of Commerce   | 34 years of experience in Academics, Management and Administration | June 30, 2001       |
| 9.     | Dr. Om Parkash Sahni<br>(Director)<br>(00458499)    | House No. 217- E, Kitchlu Nagar, Ludhiana- 141001                           | Master of Science, Master of Business Administration, Doctor of Philosophy           | 33 years of experience in Academics, Management and Administration | September 28, 1992  |
| 10.    | Dr. Suresh Kumar Singla<br>(Director)<br>(00403423) | House No. 119, Ward No. 26, Kitchlu Nagar, Ludhiana- 141001                 | Master of Arts, Doctor of Philosophy   | 30 years of experience in Academics, Management and Administration | July 31, 2002       |
| 11.    | Mr. Satish Kumar Sharma<br>(Director)<br>(00402712) | House No. 152- E, Kitchlu Nagar, Ludhiana- 141001                           | Master of Business Administration  | 32 years of experience in textile Industry                         | July 30, 2007       |
| 12.    | Dr. Yash Paul Sachdeva<br>(Director)<br>(02012337)  | 702, H. J., Bhai Randhir Singh Nagar, Ludhiana 141 012                      | Master of Business Administration and Doctor of Philosophy (Business Administration) | 22 years of experience in Academics, Management and Administration | January 31, 2008    |

All the Directors of the Target (except Mr. Komal Jain and Mr. Yash Paul Sachdeva) are also the directors on the Board of the Acquirer. They have not participated in any matter(s) concerning or relating to the Offer including any preparatory steps leading to the Offer and have undertaken that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.

**9.12** No merger/ demerger/ spin offs have taken place in the Target during the last 3 (Three) years.

**9.13** The un-audited results for the 3 months period ended June 30, 2010 and audited results for the years ended March 31, 2010, March 31, 2009 and March 31, 2008 as certified by M/s. Gupta Vigg & Co., Chartered Accountants (Mr. Vinod Khanna, Partner, Membership No.: 081585), Statutory Auditors of NPFL are as below:

| (Figures in Rupees Lacs.)                             |                                     |                |                |                |
|---|-------------------------------------|----------------|----------------|----------------|
| Profit & Loss Statement                               | 3 Months period ending (Un-audited) | Year ended     |                |                |
|   | June 30, 2010                       | March 31, 2010 | March 31, 2009 | March 31, 2008 |
| Income from Operations                                | 990.16                              | --             | --             | 710.82         |
| Other Income  | 84.50                               | 434.04         | 504.51         | --             |
| <b>Total Income</b>                                   | <b>1,074.66</b>                     | <b>434.04</b>  | <b>504.51</b>  | <b>710.82</b>  |
| Total Expenditure                                     | 850.77                              | 39.08          | 39.94          | 40.31          |
| <b>Profit before Depreciation, Interest &amp; Tax</b> | <b>223.89</b>                       | <b>394.96</b>  | <b>464.57</b>  | <b>670.51</b>  |
| Depreciation  | 165.00                              | --             | --             | --             |
| Interest  | 168.88                              | --             | --             | 1.50           |
| <b>Profit before Tax &amp; Extra Ordinary Items</b>   | <b>(109.99)</b>                     | <b>394.96</b>  | <b>464.57</b>  | <b>669.01</b>  |
| Extra Ordinary Items                                  | --                                  | --             | --             | --             |
| <b>Profit Before Tax</b>                              | <b>(109.99)</b>                     | <b>394.96</b>  | <b>464.57</b>  | <b>669.01</b>  |
| Provision for Tax                                     | --                                  | 50.00          | 27.33          | 35.60          |
| <b>Profit After Tax</b>                               | <b>(109.99)</b>                     | <b>344.96</b>  | <b>437.24</b>  | <b>633.41</b>  |

| (Figures in Rupees Lacs)  |                                     |                |                |                |
|---|-------------------------------------|----------------|----------------|----------------|
| Balance Sheet Statement   | 3 Months period ending (Un-audited) | Year ended     |                |                |
|   | June 30, 2010                       | March 31, 2010 | March 31, 2009 | March 31, 2008 |
| <b>Sources of Funds</b>   |                                     |                |                |                |
| Issued, Subscribed and Paid-up Share Capital (includes forfeited amount of Rs. 28.37 Lac) | 1257.77                             | 1257.77        | 1257.77        | 1257.77        |
| Reserves & Surplus (Excluding Revaluation Reserve)  | 12,879.67                           | 12,989.66      | 12,745.05      | 12,408.50      |

(Figures in Rupees Lacs)

| Balance Sheet Statement                | 3 Months period ending<br>(Un-audited) |                  | Year ended       |                  |                |
|--|--|------------------|------------------|------------------|----------------|
|  | June 30, 2010                          |                  | March 31, 2010   | March 31, 2009   | March 31, 2008 |
|  |  |                  |                  |                  |                |
| Secured Loan                           | 13,794.13                              | 5,339.15         | 239.73           | --               | --             |
| Unsecured Loan                         | --                                     | --               | --               | --               | --             |
| Current Liabilities                    | 3,538.97                               | 9,442.74         | 260.87           | 287.11           |                |
| Deferred Tax Liability                 | --                                     | --               | --               | --               | --             |
| <b>Total</b>                           | <b>31,470.54</b>                       | <b>29,029.32</b> | <b>14,503.42</b> | <b>13,953.38</b> |                |
| <b>Uses of Funds</b>                   |  |                  |                  |                  |                |
| Net Fixed Assets                       | 15,852.27                              | 15,434.14        | 1,386.18         | --               | --             |
| Investments- Long Term                 | 10,263.93                              | 10,564.18        | 11,497.74        | 11,050.02        |                |
| Current Assets                         | 5,354.34                               | 3031.00          | 1,619.50         | 2,903.36         |                |
| Miscellaneous Expenses not written off | --                                     | --               | --               | --               | --             |
| <b>Total</b>                           | <b>31,470.54</b>                       | <b>29,029.32</b> | <b>14,503.42</b> | <b>13,953.38</b> |                |

| Other Financial Data                 | 3 Months period ending<br>(Un-audited) |           | Year ended     |                |                |
|--------------------------------------|--|-----------|----------------|----------------|----------------|
|                                      | June 30, 2010                          |           | March 31, 2010 | March 31, 2009 | March 31, 2008 |
|                                      |  |           |                |                |                |
| Net Worth (in Rs. Lacs.)             | 14,137.44                              | 14,247.43 | 14,002.82      | 13,666.27      |                |
| Dividend (in %)                      | -                                      | 7.00      | 7.00           | 10.00          |                |
| Earning Per Share (in Rs. per Share) | (0.45)                                 | 1.40      | 1.78           | 2.58           |                |
| Return on Networth (in %)            | (0.78)                                 | 2.42      | 3.12           | 4.63           |                |
| Book Value (in Rs. per Share)        | 57.50                                  | 57.94     | 56.95          | 55.58          |                |

#### 9.14 Reasons for Increase/Decrease in Profitability

##### Profitability Analysis (Financial Year 2009-10 vis a vis financial year 2008-09)

During the year the company remained busy in implementing the Bi-axially Oriented Poly Propylene films project with a capacity at 30,000 tpa at Village Sarakian/ Itayakalan, distt. Raisen in the state of Madhya Pradesh. The plant started its operation on 20<sup>th</sup> May, 2010. As such there was no manufacturing activity till 31 March, 2010. Moreover the liquidation of long term investments and its deployment in the new project of BOPP films lead to reduction in investment income which affected the company's profitability. Thus the company's profitability decreased from Rs. 437.24 Lacs to Rs. 344.96 Lacs showing a downfall of 21.05%.

##### Profitability Analysis (Financial Year 2008-09 vis a vis financial year 2007-08)

After the Composite Scheme of Demerger and Arrangement, duly approved by the Punjab and Haryana High Court vide its order dated December 21, 2006 the company was left with the Residual business in the form of long term investments. Since the company's main income was from the dividend/ Interest income on its investment, dividend declared by the investee companies and the money market conditions affected company's income as well as profitability. Accordingly, the company's profitability decreased from Rs. 633.41 Lacs to Rs. 437.24 Lacs, showing a downfall of 44.86%.

#### 9.15 Pre and post offer shareholding pattern:

| S. No. | Shareholder Category              | Shareholding/ Voting rights prior to Offer |       | Shares/Voting rights to be acquired in the Offer (Assuming full acceptances) |      | Shareholding/ Voting rights after the Offer |       |
|--------|-----------------------------------|--|-------|--|------|---|-------|
|        |                                   | (A)  |       | (B)  |      | (A+B)= (C)                                  |       |
|        |                                   | No.  | In %  | No.  | In % | No.   | In %  |
| 1      | Promoter Group                    |  |       |  |      |   |       |
| 1.1    | Promoters other than the Acquirer | 1,60,03,742                                | 65.09 | Nil  | Nil  | 1,60,03,742                                 | 65.09 |
|        | Total 1                           | 1,60,03,742                                | 65.09 | Nil  | Nil  | 1,60,03,742                                 | 65.09 |

| S. No.   | Shareholder Category                      | Shareholding/ Voting rights prior to Offer |                | Shares/Voting rights to be acquired in the Offer (Assuming full acceptances) |             | Shareholding/ Voting rights after the Offer |               |
|--|---|--|----------------|--|-------------|---|---------------|
|  |   | (A)  |                | (B)  |             | (A+B)= (C)                                  |               |
|  |   | No.  | In %           | No.  | In %        | No.   | In %          |
| 2  | Acquirer                                  |  |                |  |             |   |               |
| 2.1  | Nahar Spinning Mills Limited              | Nil  | Nil            | 24,37,251  | 9.91        | 24,37,251                                   | 9.91          |
|  | Total 2                                   | Nil  | Nil            | 24,37,251  | 9.91        | 24,37,251                                   | 9.91          |
| <b>Total (1+2)</b>   |   | <b>1,60,03,742</b>                         | <b>65.09</b>   | <b>24,37,251</b>   | <b>9.91</b> | <b>1,84,40,993</b>                          | <b>75.00</b>  |
| 3  | Public (Other than Acquirer and Promoter) |  |                |  |             |   |               |
| 3.1  | Mutual Funds/ Unit Trust of India         | 2,464                                      | 0.010          | Nil  | Nil         | Will depend on response to the Offer        |               |
| 3.2  | Financial Institutions/ Banks             | 916  | 0.004          | Nil  | Nil         |   |               |
| 3.3  | Foreign Institutional Investors           | 61,309                                     | 0.249          | Nil  | Nil         |   |               |
| 3.4  | Body Corporate(s)                         | 7,69,265                                   | 3.129          | Nil  | Nil         |   |               |
| 3.5  | Public (Indian)                           | 76,78,480                                  | 31.228         | Nil  | Nil         |   |               |
| 3.6  | Non Resident Indian                       | 71,456                                     | 0.291          | Nil  | Nil         |   |               |
| 3.7  | Trust                                     | 359  | 0.001          | Nil  | Nil         |   |               |
| 3.8  | OCB                                       | Nil  | Nil            | Nil  | Nil         |   |               |
| <b>Total Public (Other than the Acquirer and Promoter) (3.1+3.2+3.3+3.4+3.5+3.6+3.7+3.8)</b> |   | <b>85,84,249</b>                           | <b>34.910</b>  | <b>Nil</b>   | <b>Nil</b>  |   |               |
| <b>Total (1+2+3)</b>   |   | <b>2,45,87,991</b>                         | <b>100.000</b> | <b>Nil</b>   | <b>Nil</b>  | <b>2,45,87,991</b>                          | <b>100.00</b> |

The total number of shareholders (other than the Acquirer and the Promoter Group) as on September 03, 2010 is 30,419.

#### 9.16 Details of changes in shareholding of the Promoters:

| Particulars              | No. of shares acquired (Net) | Capital as on date of acquisition | Resultant shareholding Percentage (in %) | Status of Compliance with provisions of Chapter II of the Regulations |
|--------------------------|------------------------------|-----------------------------------|--|---|
| Financial year 1997-98   | 98,27,932                    | 2,41,50,538                       | 40.69                                    | Complied with   |
| Financial year 1998-99   | 1,01,09,114                  | 2,41,52,058                       | 41.85                                    | Complied with   |
| Financial year 1999-2000 | 1,79,56,282                  | 3,53,91,917                       | #50.74                                   | Complied with   |
| Financial year 2000-01   | 1,87,64,085                  | 3,53,93,357                       | 53.02                                    | Complied with   |
| Financial year 2001-02   | 1,93,29,473                  | 3,54,75,037                       | 54.49                                    | Complied with   |
| Financial year 2002-03   | 2,08,98,623                  | 3,54,75,037                       | 58.91                                    | Complied with   |
| Financial year 2003-04   | 2,11,26,487                  | 3,54,75,037                       | 59.55                                    | Complied with   |
| Financial year 2004-05   | 2,13,11,979                  | 3,54,75,037                       | 60.08                                    | Complied with   |
| Financial year 2005-06   | 2,13,11,979                  | 3,54,75,037                       | 60.08                                    | Complied with   |
| Financial year 2006-07   | 1,47,78,380                  | 2,45,87,991*                      | 60.10                                    | Complied with   |
| Financial year 2007-08   | 1,47,78,380                  | 2,45,87,991                       | 60.10                                    | Complied with   |
| Financial year 2008-09   | 1,52,80,917                  | 2,45,87,991                       | 62.15                                    | Complied with   |
| Financial year 2009-10   | 1,59,74,539                  | 2,45,87,991                       | 64.97                                    | Complied with   |
| September 03, 2010       | 1,60,03,742                  | 2,45,87,991                       | 65.09                                    | Complied with   |

# Shareholding of Promoters rose from 43.07% to 50.64% in 1999 pursuant to a scheme of Amalgamation of Nahar Fibers Limited with the Target approved by the Hon'ble Punjab and Haryana High Court vide its Order dated August 09, 1999.

\*In terms of the Composite Scheme of Demerger and Arrangement between the Target and Nahar Spinning Mills Limited as sanctioned by the Hon'ble Punjab and Haryana High Court vide its Order dated December 21, 2006, every shareholder holding Hundred shares in the Target was allotted, Fifty Five equity shares of Rs. 5/- each fully paid up of Nahar Spinning Mills Limited and Seventy equity shares of Rs. 5/- each fully paid up of target. As a result of the Capital reorganisation pursuant to the Scheme, there was a change in the total capital of the Target from Rs. 35,47,50,370 to Rs. 12,29,39,955.

The Target has complied with all provisions of the Regulations, other regulations under the SEBI Act and other statutory requirement(s) as applicable to the changes in the shareholding of the Promoter Group.

9.17 The Target has complied with all the provisions under Clause 49 of the Listing Agreement relating to Corporate Governance.

9.18 Details of Pending Litigation

| Sr.No. | Subject  | Summary  | Status  |
|--------|--|--|---|
| 1.     | ACIT disallowed certain expenses and created additional demand of Rs.127.00 Lacs for the Assessment Year 2004-2005 . | The Company filed an appeal before CIT(A), Ludhiana. CIT(A) partly allowed the appeal filed by Company. Appeals were filed before ITAT by the Company as well as Revenue Department which was decided by ITAT. | Department filed appeal before Hon'ble High Court which is still pending.                               |
| 2.     | ACIT disallowed certain expenses and created additional demand of Rs.79.8 Lacs for the Assessment Year 2000-01       | The Company filed an appeal before CIT(A), Ludhiana. CIT(A) partly allowed the appeal filed by company. Cross Appeals were filed by the Company and Revenue Dept. before ITAT, which was decided by ITAT.      | Department filed appeal before Hon'ble High Court which is still pending.                               |
| 3.     | DCIT disallowed certain expenses and created additional demand of Rs. 81.2 lacs for the Assessment Year 1998-99 .    | The Company filed an appeal before CIT(A), Ludhiana. CIT(A) partly allowed the appeal filed by company. Cross appeals were filed by the company and the Revenue Dept. before ITAT which was decided by ITAT.   | Department filed appeal before Hon'ble High Court which is still pending.                               |
| 4.     | ACIT disallowed certain expenses and created additional demand of Rs. 3.1 lacs for the Assessment Year 1989-1990 .   | The Company filed an appeal before CIT(A), which was partly allowed. Appeal of assessee as well as revenue department were disposed off by ITAT vide order dated 04.03.1999.                                   | Appeal filed by the Revenue Dept. before the Hon'ble High Court of Punjab and Haryana is still pending. |

9.19 The Target has following contingent liability and commitments as on March 31, 2010, which are as shown below:

| Sl. No. | PARTICULARS   | March 31, 2010 (Rs.) | March 31, 2009 (Rs.) |
|---------|---|----------------------|----------------------|
| a.      | Estimated amount of contracts to be executed on capital account (net of advances) | 4,24,33,373          | 36,15,22,937         |
| b.      | Bank Guarantees (Net of Margin Money)   | NIL                  | NIL                  |
| c.      | Letters of Credit outstanding in favour of Suppliers of goods (Net of advance)    | 95,66,191            | 74,49,70,275         |
| d.      | Company has given guarantee to financial institutions on behalf of others         | 25,00,00,000         | 25,00,00,000         |

9.20 Name and details of the Compliance Officer

| Particulars | Details   |
|-------------|---|
| Name        | Ms. Pooja Malhotra  |
| Designation | Company Secretary & Compliance Officer                                    |
| Address     | Nahar Poly Films Limited,<br>376, Industrial Area- 'A', Ludhiana- 141 003 |
| Tel No.:    | +91 161 2600710- 05   |
| Fax No.:    | +91 161 2222942   |
| Email id.:  | secnel@owmnahar.com   |

10. OFFER PRICE AND FINANCIAL ARRANGEMENT:

10.1 Justification for the Offer Price:

10.1.1 The Shares of the Target are listed on BSE and NSE. The annualised trading turnover in the shares of the Target on BSE and NSE, based on trading volume during the period March 01, 2010 to August 31, 2010 (six calendar months preceding the month in which the PA is made), is as given below:

| Stock Exchange | Shares Traded (March 01, 2010 to August 31, 2010) | Total Listed Shares | Annualised Trading Turnover (in % of the total Shares listed) |
|----------------|---|---------------------|---|
| NSE            | 20,05,227   | 2,45,87,991         | 16.31   |
| BSE            | 10,31,751   | 2,45,87,991         | 8.39  |

(Source: [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com))

Based on the above information, the annualized trading turnover of the Equity Shares is more than 5% of the total number of the listed shares, therefore, Equity Shares of the Target are deemed to be frequently traded within the meaning of explanation (i) to Regulation 20(5) of the Regulations.

10.1.2 The Offer Price of Rs. 40/- (Rupees Forty Only) per fully paid equity Share is justified in terms of Regulation 20(4) of the Regulations being the highest of the following:

| S. No. | Particulars  | Price per share (in Rupees only) |
|--------|--|----------------------------------|
| 1.     | The Negotiated Price   | Not Applicable                   |
| 2.     | Highest Price paid by the Acquirer, if any for acquisition including by way of allotment in a public or rights or preferential issue during the 26 weeks prior to the date of Public Announcement. | Not Applicable                   |
| 3.     | The Average of the weekly high and low of the closing prices of the Shares on NSE during the 26 weeks preceding the date of Public Announcement.   | 26.60                            |
| 4.     | The Average of the daily high and low prices of the Shares on NSE during the 2 weeks preceding the date of Public Announcement.  | 35.34                            |

(Source: [www.nseindia.com](http://www.nseindia.com))

**Calculation of Average Price as per Regulation 20(4)(c)  
26 Weeks weekly high and low**

| Week No. | Week ending on     | Weekly Closing High (Price per Share in Rs.) | Weekly Closing Low (Price per Share in Rs.) | Average (Price per Share in Rs.) | Volume during the week (in number of shares) |
|----------|--------------------|--|---|----------------------------------|--|
| 1.       | September 17, 2010 | 38.55  | 34.70                                       | 36.63                            | 3,04,217                                     |
| 2.       | September 09, 2010 | 34.80  | 32.85                                       | 33.83                            | 1,61,374                                     |
| 3.       | September 03, 2010 | 31.25  | 31.00                                       | 31.13                            | 34,367                                       |
| 4.       | August 27, 2010    | 32.35  | 31.90                                       | 32.13                            | 93,062                                       |
| 5.       | August 20, 2010    | 33.80  | 32.05                                       | 32.93                            | 3,44,528                                     |
| 6.       | August 13, 2010    | 32.30  | 26.40                                       | 29.35                            | 5,50,518                                     |
| 7.       | August 06, 2010    | 26.90  | 25.70                                       | 26.30                            | 40,676                                       |
| 8.       | July 30, 2010      | 28.40  | 24.80                                       | 26.60                            | 4,88,216                                     |
| 9.       | July 23, 2010      | 25.35  | 23.60                                       | 24.48                            | 25,100                                       |
| 10.      | July 16, 2010      | 24.40  | 23.60                                       | 24.00                            | 21,007                                       |
| 11.      | July 09, 2010      | 24.30  | 23.80                                       | 24.05                            | 12,119                                       |
| 12.      | July 02, 2010      | 24.20  | 23.00                                       | 23.60                            | 18,449                                       |
| 13.      | June 25, 2010      | 24.35  | 23.00                                       | 23.68                            | 9,794  |
| 14.      | June 18, 2010      | 24.25  | 23.25                                       | 23.75                            | 12,143                                       |
| 15.      | June 11, 2010      | 24.45  | 22.90                                       | 23.68                            | 4,175  |
| 16.      | June 04, 2010      | 24.45  | 22.65                                       | 23.55                            | 29,754                                       |
| 17.      | May 28, 2010       | 23.15  | 21.20                                       | 22.18                            | 10,654                                       |
| 18.      | May 21, 2010       | 24.25  | 22.00                                       | 23.13                            | 18,592                                       |
| 19.      | May 14, 2010       | 25.55  | 25.00                                       | 25.28                            | 11,027                                       |
| 20.      | May 07, 2010       | 26.45  | 24.55                                       | 25.50                            | 34,927                                       |
| 21.      | April 30, 2010     | 26.45  | 25.20                                       | 25.83                            | 17,194                                       |
| 22.      | April 23, 2010     | 26.45  | 25.75                                       | 26.10                            | 17,980                                       |
| 23.      | April 16, 2010     | 27.00  | 26.25                                       | 26.63                            | 18,011                                       |
| 24.      | April 09, 2010     | 27.10  | 26.30                                       | 26.70                            | 24,564                                       |
| 25.      | April 01, 2010     | 25.60  | 24.50                                       | 25.05                            | 41,164                                       |
| 26.      | March 26, 2010     | 26.50  | 24.80                                       | 25.65                            | 54,295                                       |

(Source: [www.nseindia.com](http://www.nseindia.com))

**2 Weeks daily high and low**

| Day No. | Date               | High (Price per Share in Rs.) | Low (Price per Share in Rs.) | Average (Price per Share in Rs.) | Volume (in Shares) |
|---------|--------------------|-------------------------------|------------------------------|----------------------------------|--------------------|
| 1.      | September 17, 2010 | 33.90                         | 30.10                        | 32.00                            | 27,821             |
| 2.      | September 16, 2010 | 36.00                         | 32.00                        | 34.00                            | 93,034             |
| 3.      | September 15, 2010 | 35.50                         | 33.25                        | 34.38                            | 30,958             |
| 4.      | September 14, 2010 | 34.50                         | 33.60                        | 34.05                            | 9,561              |
| 5.      | September 13, 2010 | 36.00                         | 34.50                        | 35.25                            | 40,022             |
| 6.      | September 09, 2010 | 35.95                         | 34.40                        | 35.18                            | 35,346             |
| 7.      | September 08, 2010 | 38.50                         | 35.40                        | 36.95                            | 1,26,809           |
| 8.      | September 07, 2010 | 38.60                         | 36.75                        | 37.68                            | 79,731             |
| 9.      | September 06, 2010 | 39.00                         | 38.10                        | 38.55                            | 22,309             |

(Source: [www.nseindia.com](http://www.nseindia.com))

- 10.1.3 The Target does not have any partly paid up equity shares or other instruments convertible into Shares of the Target at a future date.
- 10.1.4 In the opinion of the Manager to the Offer, the Offer Price of Rs. 40.00 (Rupees Forty only) per fully paid up equity Share of the Target is justified in terms of Regulation 20 (11) of the Regulations.
- 10.1.5 The Acquirer or the Promoter Group has not acquired any Share of the Target from the date of the PA up to the date of the Letter of Offer.
- 10.1.6 In compliance with Regulation 20(7) of the Regulations, the Acquirer and/or PG shall not, during the Offer Period, acquire any additional Shares in the open market or through negotiation or in any other manner otherwise than under this Offer.
- 10.1.7 The Offer Price shall not be less than the highest price paid by the Acquirer for any acquisition of Equity Shares of Target from the date of the Public Announcement up to 7 (Seven) working days prior to the date of Closure of the Offer. Upon any such acquisition by the Acquirer, the highest price paid for such acquisition shall be payable for all the valid applications received under the Offer.

**10.2 Financial Arrangement for the Offer:**

- 10.2.1 The Acquirer has sufficient ready liquid funds available to fulfill the financial requirements of the Offer in terms of the Regulations and to meet its obligations in full under the Offer and no borrowing from any banks and/or financial institutions is envisaged.
- 10.2.2 The total funds requirement for the Offer is Rs. 9,74,90,040/- (Rupees Nine Crore Seventy Four Lacs Ninety Thousand and Forty Only), assuming full acceptances of the Offer.
- 10.2.3 M/s. Gupta Vigg & Co. (Mr. Vinod Khanna, Partner, Membership No. 081585), having its office at K- 101, Kismat Complex, G. T. Road, Miller Ganj, Ludhiana- 141003, Punjab; Tel. No.: +91 161 2532297, the Statutory Auditors for the Acquirer, have, vide their certificate dated September 17, 2010, certified that the Acquirer has sufficient ready liquid funds available to fulfill its obligations arising out of the Offer.
- 10.2.4 The Acquirer has vide certificate dated September 17, 2010, given an undertaking to the Manager to the Offer to meet its financial obligations under the Offer.
- 10.2.5 By way of security for performance of the Acquirer's obligations under the Regulations, the Acquirer has created an Escrow Account ("NSML- NPFL Open Offer Escrow Account") with Punjab National Bank (Capital Market Services Branch, 5- Sansad Marg, New Delhi- 110001), and has deposited a sum of Rs. 4,90,00,000 (Rupees Four Crore Ninety Lacs only) in the said Escrow Account- Cash, being in excess of 50% of the Offer Size as per Regulation 28(2) of the Regulations.
- 10.2.6 SCOL, as Manager to the Offer, has been duly authorized by the Acquirer to realize the value of the Escrow Account in terms of the provisions of the Regulations.
- 10.2.7 The Manager to the Offer is satisfied about the ability of the Acquirer to implement the Offer in accordance with the Regulations as firm financial arrangements are in place to fulfill the obligations under the Regulations.

**11. TERMS AND CONDITIONS OF THE OFFER:**

- 11.1 The Letter of Offer together with a Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will be mailed on or before Saturday, November 13, 2010 to all shareholders of the Target whose names appear in the Register of Members of the Target and the beneficial owners of the Shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on October 08, 2010, (the "Specified Date").
- 11.2 The Offer shall open on Thursday, November 18, 2010 (the "Offer Opening Date") and will remain open until Tuesday, December 07, 2010 (the "Offer Closing Date").
- 11.3 **Shareholders holding Shares in physical form:** Shareholders holding shares in physical form and who wish to accept this Offer and tender their Shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and duly signed transfer deed(s) to the Registrar to the Offer, Alankit Assignments Limited, (Address: Alankit House, 2E/ 21, Jhandewalan Extension, New Delhi- 110055; Tel. No.: +91 11 42541234, 23541234; Fax No.: +91 11 42541967; E-mail id.: [npl.openoffer@alankit.com](mailto:npl.openoffer@alankit.com); Contact Person: Mr. Y. K. Singhal) (hereinafter referred to as the "Registrar to the Offer") either by hand delivery on weekdays (except public holidays) or by registered post, on or before the Offer Closing Date, i.e. no later than Tuesday, December 07, 2010 so as to reach the Registrar to the Offer on or before the close of business hours, i.e. no later than 5.30 p.m. in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance-cum-Acknowledgement.
- 11.4 **Shareholders holding shares in dematerialised form:** Beneficial Owners who wish to accept this Offer and tender their Shares will be required to send their Form of Acceptance-cum-Acknowledgement to the Registrar to the Offer in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance-cum-Acknowledgement, along with a photocopy of the delivery instruction slips in "Off-market" mode or counterfoil of the delivery instructions in "Off-market" mode, in favour of "Alankit- NSML- NPFL Open Offer Escrow Account" duly acknowledged by their respective Depository Participant (the "DP").

The Registrar to the Offer has opened a special depository account with National Securities Depository Limited ("NSDL") called "Alankit- NSML- NPFL Open Offer Escrow Account". The Beneficial Owners are requested to fill the following details in the delivery instruction slips for the purpose of crediting their equity shares in the special depository account:

|                                     |   |
|-------------------------------------|---|
| Depository Participant ("DP") Name: | Alankit Assignments Limited                   |
| DP Id.:                             | IN300118                                      |
| Client Id.:                         | 11437583                                      |
| Account Name:                       | Alankit- NSML- NPFL Open Offer Escrow Account |
| Depository:                         | NSDL  |

Shareholders having their beneficiary account in Central Depository Services (India) Limited ("CDSL") shall have to use inter-depository delivery instruction slips for crediting their equity shares in the special depository account with NSDL.

- 11.5 Shareholders who have sent their shares for dematerialization need to ensure that the process of getting their shares dematerialised is completed well in time so that the credit in the special depository account is received on or before the Offer Closing Date (i.e., no later than Tuesday, December 07, 2010), else their application would be rejected.
- 11.6 Locked in shares: There are no locked in shares in the Target.

## 12. STATUTORY APPROVALS:

The Offer is subject to the receipt of the following statutory and regulatory approval(s) and clearances required by the Acquirer to acquire Shares tendered pursuant to the Offer:

- 12.1** The Offer is subject to receiving the necessary approvals, if any, from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the subsequent amendments thereto, for acquiring Equity Shares, if tendered by non- resident shareholders.
- 12.2** As on the date of the PA, no other statutory or regulatory approval(s) are required to implement this Offer or acquire the Shares tendered pursuant to this Offer, other than those contemplated above. However, the Offer will be subject to all statutory approval(s) that may be applicable, if any. The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27 of the SEBI (SAST) Regulations in the event that any of the statutory approval(s) contemplated above are refused.
- 12.3** Subject to the receipt of statutory and other approval(s), the Acquirer shall complete all procedures relating to the Offer including payment of consideration within a period of 15 days from the Offer Closing Date to those shareholders whose Share certificates and/or other documents are found valid and in order and are approved for acquisition by the Acquirer. In case of delay due to the non-receipt of statutory approval(s), SEBI may, as per Regulation 22(12) of the Regulations, if satisfied that the non-receipt of approval(s) was not due to the willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approval(s), grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders, interest as may be specified by SEBI for any delay beyond 15 days.
- 12.4** However, if the delay occurs on account of the willful default or negligence of the Acquirer in obtaining the requisite approval(s), the amount held in the escrow account shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the Regulations.

## 13. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT:

- 13.1** The Shareholders who wish to avail of and accept the Offer can deliver the Form of Acceptance-cum-Acknowledgement along with all the relevant documents at the collection centre specified below in accordance with the procedure as set out in the Letter of Offer on or before the Offer Closing Date, i.e. no later than Tuesday, December 07, 2010. The centre mentioned herein below would be open as follows:

**Timings:** Monday to Saturday: 10.00 a.m. to 5.30 p.m. (except Public Holidays)

| Contact Person    | Address  | Tel. No.                        | Fax. No.        | Mode of Delivery                  |
|-------------------|--|---------------------------------|-----------------|-----------------------------------|
| Mr. Y. K. Singhal | Alankit Assignments Limited<br>Alankit House,<br>2E/ 21, Jhandewalan Extension,<br>New Delhi- 110055 | +91 11<br>42541234,<br>23541234 | +91 11 42541967 | Registered Post/<br>Hand Delivery |

- 13.2** All owners (registered or unregistered) of shares are eligible to participate in the Offer any time before the closure of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer on a plain paper stating the name, address, number of Shares held, number of Shares offered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deed(s) and the original contract note(s) issued by the broker through whom they acquired their shares so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e., no later than Tuesday, December 07, 2010. No indemnity is required from the unregistered owners.
- 13.3** In case of non-receipt of the Letter of Offer, the eligible persons may send their consent to the Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, distinctive numbers, folio number, number of Shares offered along with documents as mentioned above so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e., no later than Tuesday, December 07, 2010, or in case of beneficial owners, they may send the application in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction slips in "Off-market" mode or counterfoil of the delivery instruction slips in "Off-market" mode, duly acknowledged by the DP, in favour of "Alankit- NSML- NPFL Open Offer Escrow Account", so as to reach the Registrar to the Offer, on or before the Offer Closing Date, i.e., no later than Tuesday, December 07, 2010.
- 13.4** Shareholders can also download the Letter of Offer and Form of Acceptance-cum-Acknowledgement placed on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) and send their acceptance by filling the same.
- 13.5** The share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the Registrar to the Offer and not to the Manager to the Offer, Acquirer or the Target.
- 13.6** In accordance with Regulation 22(5A) of the Regulations, shareholders who have accepted the offer by tendering the requisite documents in terms of the PA and Letter of Offer can withdraw the same up to 3 (three) working days prior to the Offer Closing Date. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at the collection centre mentioned above as per the mode of delivery indicated therein on or before Thursday, December 02, 2010.
- o The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with the Letter of Offer.
  - o In case of non-receipt of Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application along with the following details:
    - **In respect of physical shares:** names, address, distinctive numbers, folio number, number of Shares tendered.
    - **In respect of dematerialised shares:** name, address, number of Shares tendered, DP name, DP ID, beneficiary account number, photocopy of the delivery instruction slips in "Off Market" mode duly acknowledged by the DP.
  - o Shareholders can also download the Form of Withdrawal placed on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) and send their withdrawal by filling the same.
  - o Partial withdrawal of tendered shares can be done only by the registered shareholders/ beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance-cum-Acknowledgement will stand revised to that effect.
  - o In case of partial withdrawal, valid share transfer deed(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with the Target and duly witnessed at the appropriate place.

- o In case of partial withdrawal of shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target.
  - o The Form of Withdrawal should be sent only to the Registrar to the Offer.
- 13.7** The Registrar to the Offer will hold in trust the Shares/ Share certificates, Shares lying in credit of the special depository account and the transfer form(s), until the Acquirer completes its obligations under the Offer in accordance with the Regulations.
- 13.8** Shareholders must note that on the basis of name of the Shareholders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Form of Acceptance-cum-Acknowledgement, the Registrar to the Issue will obtain, from the Depositories, the Shareholders' demographic details including address, bank account details, the nine digit Magnetic Ink Character Recognition ("MICR") code. These bank account details will be used to make payment to the Shareholders. Hence, Shareholders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of payment or electronic transfer of funds, as applicable, and any such delay shall be at the Shareholders' sole risk and neither the Acquirer, the Manager to the Offer, Registrar to the Offer nor Escrow Agent shall be liable to compensate the Shareholders for any losses caused to the Shareholder due to any such delay or liable to pay any interest for such delay.

#### **Mode of Making Payments**

- **Electronic Clearing System ("ECS"):** Payment would be done through ECS for Shareholders having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non- MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment through ECS is mandatory for Shareholders having a bank account at any of the abovementioned 68 centers, except where the Shareholder, being eligible, opts to receive payment through direct credit or RTGS.
  - **Direct Credit:** Shareholders having bank accounts with Punjab National Bank, as mentioned in the Acceptance-cum- Acknowledgement Form, shall be eligible to receive payments through direct credit. Charges, if any, levied by Escrow Bank for the same would be borne by the Acquirer.
  - **Real Time Gross Settlement ("RTGS"):** Shareholders having a bank account with a bank offering RTGS facility to its clients and whose purchase consideration amount exceeds Rs. 50 lacs have the option to receive the payment through RTGS. Such eligible Shareholders who indicate their preference to receive payment through RTGS are required to provide the Indian Financial System Code ("IFSC") in the Acceptance-cum-Acknowledgement form. In the event the same is not provided, payment shall be made through ECS/ or by a physical instrument as may be possible. Charges, if any, levied by the Escrow Bank for the same would be borne by the Acquirer. Charges, if any, levied by the Shareholder's bank receiving the credit would be borne by the Shareholder.
  - **National Electronic Fund Transfer ("NEFT"):** Payment shall be undertaken through NEFT wherever the Shareholder's bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment, duly mapped with MICR numbers. Wherever the Shareholders have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment will be made to the Shareholder through this method. The process flow in respect of payments by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment would be made through any one of the other modes.
  - For all other Shareholders, including physical Shareholders and those who have not updated their bank particulars with the MICR code, the payments will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for payments above Rs. 1,500. Such payments will be made by way of a crossed account payee cheque, pay order or demand draft/ warrants drawn on Punjab National Bank and payable at par at places from where acceptance forms are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts or warrants at other centres will be payable by the Shareholders. All cheques/ pay orders/ demand drafts/ warrants will be drawn in the name of the first holder, in case of joint holder(s). In case of unregistered owners of equity shares, payment will be made in the name of the person stated in the contract note.
- 13.9** If the aggregate of the valid responses to the Offer exceeds the Offer size of 24,37,251 Shares, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations.
- 13.10** Unaccepted Share certificates, transfer forms and other documents, if any, will be returned by registered post at the shareholders'/ unregistered owners' sole risk to the sole/ first shareholder/ unregistered owners. Unaccepted Shares held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement.
- 13.11 Compliance with tax and other regulatory requirements:**
- 13.11.1 While tendering Shares under the Offer, Non-resident Indians (NRIs), Overseas Corporate Bodies (OCBs) and other non-resident shareholders will be required to submit the RBI's approval (specific or general) that they would have obtained for acquiring the Shares of the Target. **In the event that the previous RBI approval(s) (if any) are not submitted, the Acquirer reserves the right to reject such tendered Shares.**
- 13.11.2 While tendering their Shares under the Offer, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate ("NOC") or Tax Clearance Certificate or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the

shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.

- 13.11.3 As per the provisions of Section 196D (2) of the Income Tax Act, 1961, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act, 1961 to a Foreign Institutional Investor as defined in Section 115AD of the Income Tax Act, 1961. However, the interest payment for delay in payment of consideration, if any, will not be governed by this provision. For interest payments, if any, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate or Tax Clearance Certificate ("TCC") or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder. In case of resident shareholders, tax will be deducted on the interest component exceeding Rs. 5,000/- at the applicable current prevailing rates. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, such shareholders will be required to submit a No Objection Certificate or Tax Clearance Certificate ("TCC") or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer or a self-declaration in Form 15G or Form 15H as may be applicable.
- 13.11.4 All resident shareholders would be required to submit their Permanent Account Number ("PAN") for Income Tax purposes, as applicable.
- 13.11.5 Clauses relating to payment of interest will become applicable only if the Acquirer becomes liable to pay interest for delay in release of purchase consideration.
- 13.11.6 Payment to those shareholders whose Share certificates and/or other documents are found valid and in order and are approved by the Acquirer will be made by way of fund transfer/ECS/ crossed account payee cheque/ demand draft/ pay order/ warrants. The decision regarding the acquisition (in part or full), or rejection of, the Shares tendered pursuant to this Offer and (i) any corresponding payment for the acquired Shares and/or (ii) Share certificates for any rejected Shares or Shares withdrawn, will be dispatched to the shareholders by registered post or by ordinary post as the case may be [\*], at the shareholder's sole risk. Shares held in dematerialised form to the extent not acquired or shares withdrawn will be credited back to the respective beneficiary account with their respective DP as per the details furnished by the beneficial owners in the Form of Acceptance-cum-Acknowledgement.
- [\*] Dispatches involving payment of a value in excess of Rs. 1,500/- will be made by registered post at the shareholder's sole risk. All other dispatches will be made by ordinary post at the shareholder's sole risk.
- 13.12 All cheques/ demand drafts/ pay orders/ warrants will be drawn in the name of the first holder, in case of joint holder(s). In case of unregistered owners of shares, payment will be made in the name of the person stated in the contract note. It will be desirable if the shareholders provide bank account details in the Form of Acceptance-cum-Acknowledgement for fund transfer or incorporation in the cheque/ demand draft/ pay order.
- 13.13 The Acquirer reserves the right to withdraw the Offer pursuant to Regulation 27 of the Regulations. Any such withdrawal will be notified in the form of a Public Announcement in the same newspapers in which the original PA appeared.

#### 14. DOCUMENTS FOR INSPECTION:

The following documents are regarded as material documents and are available for inspection at the office of Sobhagya Capital Options Limited, B- 206, Okhla Industrial Area, Phase-I, New Delhi- 110020 from 10.00 am to 5.00 pm on any day except Saturdays, Sundays, and Public/ Bank Holidays, until the Offer Closing Date.

- 14.1 Certificate of Incorporation and Memorandum & Articles of Association of the Acquirer.
- 14.2 Certificate dated September 17, 2010 from Statutory Auditors of the Acquirer, M/s. Gupta Vigg & Co. (Mr. Vinod Khanna, Partner, Membership No. 081585), certifying the financial data of the Acquirer based on un-audited results for the 3 (three) months period ended June 30, 2010 and audited results for the years ended March 31, 2010, 2009 and 2008.
- 14.3 Certificate dated September 17, 2010 from Statutory Auditors of the Acquirer, M/s. Gupta Vigg & Co. (Mr. Vinod Khanna, Partner, Membership No. 081585) certifying that the Acquirer has sufficient ready liquid funds available to fulfill its obligations arising out of the Offer.
- 14.4 Annual Reports of the Acquirer for the financial years ending March 31, 2010, 2009 and 2008.
- 14.5 Certificate of Incorporation and Memorandum & Articles of Association of the Target.
- 14.6 Certificate dated September 17, 2010 from Statutory Auditors of the Target, M/s. Gupta Vigg & Co. (Mr. Vinod Khanna, Partner, Membership No. 081585), certifying the financial data of the Target based on un-audited results for the 3 (three) months period ended June 30, 2010 and audited results for the years ended March 31, 2010, 2009 and 2008.
- 14.7 Annual Reports of the Target for the financial years ending March 31, 2010, 2009 and 2008.
- 14.8 Copy of Escrow Agreement dated September 17, 2010 entered between Nahar Spinning Mills Limited (the "Acquirer"), Sobhagya Capital Options Limited (the "Manager to the Offer") and Punjab National Bank.
- 14.9 Letter from Escrow Bank dated September 18, 2010 confirming cash deposit of 4,90,00,000 (Rupees Four Crore and Ninety Lacs Only) made in the Escrow Account ("NSML- NPFL Open Offer Escrow Account") and lien marked in favor of the Manager to the Offer.
- 14.10 Copy of Agreement with the Depository Participant for opening a special depository account for the purpose of the Offer.
- 14.11 Copy of the Public Announcement dated September 20, 2010.
- 14.12 Copy of Agreement between the Acquirer and the Registrar to the Offer for the purpose of the Offer
- 14.13 Copy of Memorandum of Understanding between the Acquirer and Manager to the Offer.
- 14.14 Undertaking from the Board of Directors of the Acquirer that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.
- 14.15 Undertaking from the Board of Directors of the Target (except Mr. Komal Jain and Mr. Yash Paul Sachdeva) that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.

**15. DECLARATION BY THE ACQUIRER:**

The Acquirer accepts full responsibility for the information contained in this Letter of Offer and for their obligations under SEBI (SAST) Regulations. The Acquirer along with the other promoters of the Target would be severally and jointly responsible for ensuring compliance with the Takeover Regulations.

By Order of the Board,  
For Nahar Spinning Mills Limited (the "Acquirer")

-sd-  
(Brij Sharma)  
Company Secretary

Dated: November 09, 2010  
Place: Ludhiana

**Enclosed:**

1. Form of Acceptance-cum-Acknowledgement
2. Form of Withdrawal
3. Transfer deed for shareholders holding shares in physical form