

DRAFT LETTER OF OFFER

For Private Circulation to Equity Shareholders/
Beneficial Owners of the Company Only



CHL LIMITED

(Originally Incorporated as a Private Limited Company with the Registrar of Companies NCT of Delhi & Haryana vide the Certificate of Incorporation dated 16th March, 1979 under Companies Act, 1956 as “Cosmopolitan Builders And Hoteliers Private Limited”. Subsequently converted into Public limited Company and changed its name to “Cosmopolitan Builders And Hoteliers Limited”. The name of the Company was again changed to “Cosmopolitan Hotels Limited” vide fresh certificate of incorporation dated 29th April, 1982 and subsequently renamed as “CHL Limited” vide fresh certificate of incorporation dated 11th December, 1997)

Registered Office: Hotel Crowne Plaza, New Friends Colony, New Delhi 110 025.

Tel: +91-11-2683 5070, 4167 2222, **Fax No.:** +91-11-2683 7758, 2683 6288.

Contact Person: Mr. G.J. Varadarajan, Compliance Officer & Company Secretary

Website: www.crowneplazadelhi.com **E-mail:** gjvaradarajan@crowneplazadelhi.com

ISSUE OF 54,81,829 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 40/- PER SHARE ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1 (ONE) EQUITY SHARE FOR EVERY 2 (TWO) EQUITY SHARES HELD ON [●] (RECORD DATE) AGGREGATING TO RS. 2740.91 LACS.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk, and investors should not invest any funds in this issue, unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India nor does the Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.



The attention of the investors is drawn to the statement of Risk Factors appearing on page numbers [●] to [●] of this Draft Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the Company are Listed on Delhi Stock Exchange (DSE/Designated Stock Exchange). Accordingly the Company proposes to list the Equity Shares proposed to be issued by this Rights Issue, on the Designated Stock Exchange. The company has received in-principle approval from DSE vide their letter no. [●] dated [●] for the listing of our Equity Shares being issued in terms of this Draft Letter of Offer. The Company vide its letter dated 23rd May, 2006 and 6th June, 2007 has applied for Listing its existing 1,09,63,658 Equity Shares on Bombay Stock Exchange Limited. The application is still pending for approval from the said Stock Exchange.

LEAD MANAGER TO THE ISSUE		REGISTRAR TO THE ISSUE	
	RR Financial Consultants Limited SEBI Regn No. INM000007508 412-422, Indraprakash Building, 21, Barakhamba Road, New Delhi-110 001 Tel: +91-11-2335 2496-99 Fax: +91-11-2335 3703 Website: www.rrfinance.com Email: chl.rights@rrfcl.com Contact Person: Mr. Ravi K. Sharma		RCMC Share Registry (P) Ltd. SEBI Regn No.: INR000000429 B-106, Sector-2, NOIDA-201 301 Uttar Pradesh Tel: +0120-4015880, 4015800 Fax: 95120-2444346 E-mail: rcmc@theoffice.net Contact Person: Mr. Rakesh Adhana

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUEST FOR SPLIT FORMS	ISSUE CLOSSES ON
[●]	[●]	[●]

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SECTION I-DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

In this Letter of Offer the terms “CHL”, “the Company”, “our Company”, “CHL Limited”, “we” or “us”, “our” or “Company” unless the context otherwise requires, refers to CHL Limited. All references to “Rs.” or “INR” refer to Rupees, the lawful currency of India, ‘USD’ or ‘\$’ refer to the United States Dollar, the lawful currency of the United States of America. Any discrepancy in any table between the total and the sums of amount listed are due to rounding off.

Terms	Description
Act	The Companies Act, 1956 and the amendments made thereto from time to time
AGM	Annual General Meeting
Articles/Articles of Association	Articles of Association of CHL Limited
Auditors	The Statutory Auditors of CHL Limited being G. Rai & Co., Chartered Accountants, New Delhi.
Bankers to the Company	HSBC Bank and HDFC Bank
Board of Directors / Board	The Board of Directors of CHL Limited
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
EGM	Extraordinary General Meeting
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of CHL Limited, unless otherwise specified
EPS	Earnings Per Share
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
FCNR	Foreign Currency Non Resident Account.
FEMA.	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of CHL Limited
NR	Non Resident
NRI(s)	Non Resident Indian(s)
Overseas Corporate Body /	A Company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in

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OCB	which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly
P/E Ratio	Price/Earning Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
Registered Office of the Company	Hotel Crowne Plaza, New Friends Colony, New Delhi-110025
RR/RRFCL	RR Financial Consultants Ltd.
RBI	The Reserve Bank of India
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
ROC	The Registrar of Companies, Delhi
RoNW	Return on Networth
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchange	DSE
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America

ISSUE RELATED TERMS

Terms	Description
Allotment	Issue of Equity Shares pursuant to the Rights Issue to the successful shareholders as the context requires
Banker / Escrow Banker to the Issue	HSBC Bank
CAF	Composite Application Form
Depository Act	The Depositories Act, 1996 as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Rights Issue Account after the Letter of Offer is filed with Designated Stock Exchanges, following which the Board of Directors shall allot the Equity Shares.
DSE/Designated Stock Exchange	Delhi Stock Exchange Association Limited
Draft Letter of	Draft Letter of Offer filed with SEBI for its comments

Offer	
Equity Shares	Equity Shares of the Company of Rs.10/- each
Issue opening Date	The date on which the issue opens for subscription
Issue closing Date	The date on which the issue closes for subscription
Issue Period	The period between the Issue Opening Date and Issue Closing Date and includes both these dates
Issue Price	The price at which the equity shares will be issued by the company under this Draft Letter of Offer, i.e. Rs. 50/- per Equity Share
Issue / Rights Issue	Issue of 54,81,829 Equity Shares of Rs. 10/- each for cash at a premium of Rs 40/- per share on rights basis to existing Equity Shareholders of the Company in the ratio of 1 Equity Shares for every 2 Equity Shares held on the Record Date being [●] 2007 aggregating to Rs. 2740.91 Lacs
Lead Manager	Lead Manager to the Issue being RR Financial Consultants Ltd.
Registrar/Registrar to the Issue	Registrar to the Issue being RCMC Share Registry (P) Ltd., B-106, Sector-2, NOIDA-201301, Uttar Pradesh.
ROC / Registrar of Companies	Registrar of Companies, Delhi

COMPANY AND INDUSTRY TERMS

Term	Description
ARR	Average Room Rental calculated by dividing the total room revenue by the number of rooms occupied
Director(s)	Director(s) of the Company, unless otherwise specified.
ESIC	Employee's State Insurance Corporation
F&B	Food and Beverage
FHRAI	Federation of Hotel and Restaurant Associations of India
HRACC	Hotel Restaurant Approval and Classification Committee
ICAI	The Institute of Chartered Accountants of India
MIS	Management Information System
Occupancy	Total number of room days occupied divided by the total number of room days available
Project	The Proposed Project of the Company
Registered Office	The registered office of the Company being Hotel Crown Plaza, New Friends Colony, New Delhi-110 025.
T & T	Travel and Tourism
WTTC	World Travel & Tourism Corporation

SECTION II-RISK FACTORS

Certain Conventions - Use Of Market Data

In this Draft Letter of Offer, unless the context otherwise requires or unless stated otherwise, the financial data is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in this Draft Letter of Offer. In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts mentioned are due to rounding-off.

In this Draft Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word “lacs” means “one hundred thousand” and the word “million” means “ten lacs” and the word “Crore” means “ten million” and the word billion refers to “Thousand Million”. Throughout this Draft Letter of Offer, all figures have been expressed in lacs. Unless otherwise stated, all references to “India” contained in this Draft Letter of Offer are to the Republic of India.

Industry data used throughout this Draft Letter of Offer has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Letter of Offer is reliable, it has not been independently verified either by the company or by lead manager. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

For additional definitions, please refer to the section titled ‘Definitions and Abbreviations’ on page no. [●] of this Draft Letter of Offer. In the section titled ‘Main Provisions of the Articles of Association’ on page no. [●] of this Draft Letter of Offer, defined terms have the meaning given to such terms in the Articles of Association of our Company.

Forward-Looking Statements

Statements included in this Draft Letter of Offer which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expression or variations of such expressions, that are “forward-looking statements”.

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

- General economic and business conditions in India and other countries
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The changes in monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities.
- Change in political and social conditions in India.
- The Loss or shutdown of operations of our Company at any time due to strike or Labour unrest.
- The Loss of our Key Employees and Staff.
- Our ability to respond to Technological changes.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page no [●] of this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.

Risk Factors

An investment in Equity Shares involves a high degree of risk. Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Letter of Offer before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Any projections, forecast and estimates contained herein are forward looking statements that involve risk and uncertainties. Such statement use forward looking terminology like “may”, “believes”, “will”, “expect”, “anticipate”, “estimate”, “plan” or other similar words prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Letter of Offer, including the restated consolidated financial statements included in this Draft Letter of Offer beginning on page no. [●]. Unless stated otherwise, the financial data in this section is as per our restated consolidated financial statements prepared in accordance with Indian GAAP.

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

A. Internal Risk Factors**1. Litigation Summary**

The Following litigations are pending against our Company and the Directors of our Company as on 14 June, 2007:

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Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
<i>Cases against the Company</i>		
Income Tax Cases	2	66.39
Sales Tax	NIL	
Excise	NIL	
Customs	NIL	
Civil	5	187.39
<i>Cases filed by the Company</i>		
Criminal Cases	NIL	
Civil Cases	6	358.00

Litigation in respect of Directors

Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
<i>Cases against the Directors</i>		
Income Tax Cases		
Sales Tax		
Excise		
Customs		
Civil	4	Not Quantifiable
<i>Cases filed by the Directors</i>		

Criminal Cases		
Civil Cases	4	Not Quantifiable

Litigation in respect of Group Companies

Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
Cases against the Group Company		
Income Tax Cases		
Sales Tax		
Excise		
Customs		
Civil	2	Not Quantifiable
Cases filed by the Group Company		
Criminal Cases	1	Not Quantifiable
Civil Cases	4	Not Quantifiable

For details of the cases filed against the Company, its Promoters, Directors and group Companies refer to the section titled Other Litigation and Material Development on page no. [●]

2. Losses by Group Companies

Some of group Companies have incurred losses in the last three financial years as detailed herein below:

(Rs in Lacs)

Name of Company	31-03-2006 Amount of Loss	31-03-2005 Amount of Loss	31-03-2004 Amount of Loss
Kyjol Entertainment Media Private Limited	-	(0.69)	(48.21)
Mela Hotels Limited	(26.06)	(21.27)	(36.54)
CHL (South) Hotels Ltd.	(115.14)	-	-

3. The Equity Shares of the Company were suspended for trading

The Equity shares of the Company were suspended for trading, by the Delhi Stock Exchange, due to non-compliance of provisions of listing agreement. However the Company applied for condonation, which was granted and consequently the securities of the company were readmitted for dealings in the Stock Exchange w.e.f 18.05.2007.

4. We have planned capital expenditures, which may not yield the benefits intended

We have planned Rs. 8,000 Lacs Capital expenditure aimed at making its presence in Jaipur. Please refer to the section entitled “Objects of the Issue” beginning on page no. [●] for details of the proposed expansion plan. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; and changes in management’s views of the desirability of current plans, among others. In view of the reasons stated above, we cannot assure that we shall be able to execute our expansion plans as contemplated. Due to time and /or cost overrun the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed and/or planned capital expenditure does not

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produce anticipated or desired revenue or cost reduction outcomes, our profitability and financial condition will be negatively affected.

5. We have not entered into definite agreements to utilize the proceeds of the Issue.

The net proceeds from this issue are expected to be used as set forth under “Objects of the Issue” on Page no. [●]. The use of net proceeds is at our sole discretion. We have not entered into definitive agreements to utilize a substantial portion of the net proceeds of the Issue. The proposed activities for which the funds are being raised, have not been appraised by any bank or financial institution and the funds requirement are based on management estimates. No orders for any capital expenditure have yet been placed with the suppliers. In the absence of any monitoring agency, the deployment of funds is entirely at the discretion of the Management.

6. We are subject to operating risks common in the hotel industry.

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

7. The Company is yet to apply to the Rajasthan Government for approval for the construction of the Resort at Jaipur.

We have allocated Rs.2000 Lacs for the construction of building at the proposed site at Jaipur. However we have not yet applied for the approval to the government of Rajasthan for the Proposed Project. In case the approval is delayed, this will adversely affect the total expenditure as planned by the Company.

8. Our revenues are seasonal in nature

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

9. Increased competition in the hotel sector may adversely affect the operation of our hotel.

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

10. We have yet to receive some approvals with respect to our existing operations.

We are yet to receive one approval / permissions from jurisdictional, statutory and regulatory authorities for our existing operations, a summary of which is described in the section titled Licenses and Approvals on page [●]. We shall be receiving such approvals and permissions in due course of time. Failure in obtaining these approvals / permissions would adversely affect our business.

11. We may not be able to sustain effective implementation of our business and growth strategy.

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst, we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers. We expect our growth strategy to place significant demands on our management, financial and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and growth strategy may have a material adverse effect on our business, financial position and profitability.

12. Our existing business is confined to one state and one country and we are now proposing to expand our operations in another state and another country.

All our existing properties are located in Delhi. We have not had any operations outside Delhi/NCR till date. We propose to expand our operations to Jaipur, (Rajasthan) and other parts of India/other countries. We may face difficulties in development and management of hotel premises in other places due to lack of local experience. This may have an adverse impact on our profitability we wish to achieve through our expansion plans.

13. The hotel industry is cyclical and sensitive to changes in the economy and this could have significant impact on our operations and financial results.

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

14. We have certain contingent liabilities not provided for in respect of the following:

Sr. No.	Particulars	2006-07 (Rs. In Lacs)	2005-06 (Rs. In Lacs)
1.	Demands claims not acknowledged as debt or which are under litigation	27.00*	21.86*
2.	Bank Guarantee Furnished	14.80	16.78
3.	Workmen Claims pending adjudication	Amount Undeterminable	Amount Undeterminable

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4.	Disputed demands for taxes duties and other levies pending adjudication in appeal	350.21	218.20
5.	Other claims which arises in the ordinary course of business pending adjudication	NIL	NIL

* includes claims against which FDR for Rs. 6.00 lacs furnished

15. Restrictive covenants in the Loan Agreements

There are restrictive covenants in agreements we have entered into with the bank for borrowings. These restrictive covenants require us to seek the prior permission of the said banks for various activities, including amongst other, change in capital structure, scheme of amalgamation/reconstruction, expansion in certain new projects, dividend to be paid only out of Current year profits, and certain financial covenants may limit our ability to borrow additional money to incur additional liens. We have been able, in the past to obtain required lender consents for desired actions, but there can be no assurance that such consents will be obtained in the future.

16. Our operations may be adversely affected if relations with the employees deteriorate.

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

17. Our promoters will control us as long as they own a majority of our Equity Shares and our other shareholders will be unable to affect the outcome of shareholders voting during such time.

After the completion of this issue the Promoters and Promoters Group will own approximately [•] our issued Equity share capital. As a result our Promoters and Promoters Group will have the ability to appoint majority of the member of the Board, in accordance the Companies Act, and our Articles of Association and determine the outcome of actions requiring the approval of our shareholders. The interest of our promoters may conflict with the interest of our other investors, and you may not agree with the actions it may take. Further, the extent of the Promoters Shareholding in us may result in delay or prevention of a change of management or control of the Company, even if such a transaction may be beneficial to our other shareholders.

18. We have group Companies/ventures that have activities similar to our business.

As on date some of our group companies like Mela Hotels Limited, CHL (South Hotels) Limited and CHL International are in the same line of business, and to that extent there might be some conflict in the interest.

19. Financials of One of Overseas Company of the Promoters M/s CHL International is not prepared.

M/s CHL International one of the ventures of Promoters, which started a hotel project in Dushanbe, Tajikistan has not yet started any commercial production till date. The hotel building is still under construction.

B. EXTERNAL RISK FACTORS

1. *Our profitability could decrease if the Government of India or the applicable State Governments reduce or withdraw tax benefits and other incentives provided to us*

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

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

We are subject to numerous laws and regulations in all of the jurisdictions in which we operate, including those relating to the preparation and sale of food and beverages, safety norms, health, excise and entertainment licensing laws. Our properties are also subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees and work permits. Furthermore, the success of our strategy to expand our existing properties, acquire new properties or to open newly-constructed properties is contingent upon, amongst other things, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits, environmental, health and safety permits and excise and entertainment licenses.

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

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

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

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

5. *A significant change in the Government's economic liberalization and deregulation policies could disrupt our business and adversely affect our financial performance*

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on public and private sector entities, including the Company and on market conditions and prices of Indian securities, including the company's Equity Shares in the future.

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

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

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

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

- Volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- Our profitability and performance;
- Perceptions about our future performance or the performance of Indian hospitality companies in general;
- Performance of our competitors in the Indian hotel industry and the perception in the market about investments in the hotel industry;
- Adverse media reports on the Company or the Indian hotel industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India's economic liberalisation and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline post listing.

8. *The Company is subject to risk rising from changes in interest rates and banking policy. The Company is dependent on the bank for arranging the Company's working capital requirements, term loans, etc. Accordingly, any change in the extent banking policy or increase in interest rates may have an adverse impact on the Company's profitability.*

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

NOTES

- 1) The net worth of the Company as on 31st March, 2007 is Rs. 4575.95 Lacs and the issue size is Rs. 2740.91 Lacs.
- 2) The book value of the equity shares of the Company as on 31st March, 2007 is Rs. 41.73 per equity share.
- 3) The promoters of the Company / other Companies in the promoter group, apart from normal commercial transactions and their shareholding in the Company, have no other interests in the Company either by itself or through their interests in other companies in the promoter group.

- 4) The directors of the Company, apart from reimbursement of expenses incurred, sitting fees and directors commission and in case of Chairman & Managing Director and Executive Director of the Company, remuneration payable in accordance with the provisions of the Companies Act, 1956 and their shareholding in the company, if any, in the normal course of business, have no other interest in the company except for the commercial transaction between the company and the Companies/ firms in which directors are interested. The above transactions are fully disclosed in the register maintained under Section 301 of the Act. These transactions are certified by the statutory auditors as being transacted at a price, which are reasonable, having regard to the prevailing market prices of the goods, material or services involved.
- 5) Related party transactions:
For details refer to page [●] of the Draft Letter of Offer
6. The Lead Manager and the Company shall update this Draft Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.
7. All information's shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
8. Investors are requested to refer to section titled Basis of Issue Price on page no. [●] before investing in this Issue.

Important Information

- This Issue is applicable to those equity shareholders whose names appear as beneficial owners as per the list to be furnished by the Registrar as on Record Date [●]
- Depositories in respect of the shares held in the electronic form and on the Register of Members of the Company at the close of business hours as on Record Date i.e. [●]
- Your attention is drawn to the section on "Risk Factors" appearing on Page No [●] of this Draft Letter of Offer. Please ensure that you have received the CAF with this Draft Letter of Offer.
- Please read the Draft Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Draft Letter of Offer and must be carefully followed. Application is liable to be rejected for any non-compliance of the Draft Letter of Offer or the CAF.
- All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first equity shareholder as mentioned on the CAF and superscribed "CHL – Rights Issue" on the envelope) to the Registrar to the Issue at the following address:
RCMC Share Registry (P) Ltd.
B-106, Sector-2,

CHL LIMITED

NOIDA-201301,
Uttar Pradesh
E-mail: rcmc@theoffice.net

- The Lead Manager and the Issuer shall make all information in respect of the present issue available to the public and investors at large and no selective or additional information would be made available to a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales report etc.,
- The Company and the Lead Manager will keep the public informed of any material changes till the commencement of the listing and trading of the equity shares issued through this Draft Letter of Offer.
- In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on request of the applicant who should furnish the registered folio number, DP and Client ID no. and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application on duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications.
- The Issue will be kept open for a minimum period of 30 days but not more than 60 days.

SECTION III-INTRODUCTION

Summary

The Investor should read the following summary with the Risk Factors included from page numbers [•] to [•] and the more detailed information about the Company and the financial statements included in the Draft Letter of Offer

Indian Hotel Industry

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

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

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

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

Source: FHRAI

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

BUSINESS OVERVIEW

CHL LIMITED is a company registered in India since 1979, and has setup a five star hotel “CROWNE PLAZA” in New Delhi, in 1982. The promoters of CHL are the members of the Malhotra family, having about 71.33% of shareholding. The Malhotra family has business interest in India, Kuwait and UAE and belongs to International chain of Malbros Group.

The hotel “CROWNE PLAZA” is having 245 rooms and suits, restaurants, banquets, conference halls, health center, swimming pool, discotheque etc. spread across an area of 7405 Sq. Mtrs. The hotel site is around 23 kms from International Airport, 9 kms from Connaught Place, the city center. The hotel is situated on National Highway No.2 on road to Mathura and the place is surrounded by Commercial area like Nehru Place, Okhla Industrial Area and NOIDA. The hotel also has office space of Approx. 9,000 sq. feet and 30,000 sq. feet for commercial use. The office/commercial space has already been given to Companies i.e. HP, Guident (P) Ltd. FedEx etc.

CHL has International Hotel License Agreement with M/s Bass Hotels and Resorts Asia Pacific (now known as Intercontinental group), an international chain of hotels for the use of its Brand Name viz. “CROWNE PLAZA”.

The day-to-day affairs of the hotel are being managed by Dr. L. K. Malhotra as Chairman & Managing Director and Mr. Luv Malhotra, Executive Director on behalf of Board of Directors. The Board is assisted by a team of professionals in the field of hotels, finance, engineering, entertainment etc. CHL has a workforce of about 700 persons, while the group employs more than a thousand people.

CHL doesn't have any export products, however the group is involved in international trading and exports. One of the group company M/s Mela Hotels Limited has setup a hotel with 100 rooms in Ghaziabad, a suburb of Delhi towards U.P. side.

CHL International, one of the group Companies of CHL Ltd. incorporated as a Joint Stock Company in the Republic of Tajikistan, has taken up a project for setting up of a five star hotel at Dushanbe, the capital of Tajikistan, a CIS country at a project cost of US \$ 10.5 million. The proposed hotel will have 144 rooms, a shopping complex and an exclusive banquet facility catering to diplomatic and business community. CHL International has already got the land (4.8 Hectares) from Government of Tajikistan. The total build up area would be 18,770 sq. meters and would have 8 storied building complex with a basement, ground floor, first floor and six guest floors. The Company also plans to develop Shopping cum Mall complex in Tajikistan after the hotel project gets completed.

OFFERING DETAILS

The Board of Directors in their meeting held on 28th July, 2006 has decided to make the offer to the equity shareholders of the Company on rights basis. Pursuant to the resolution passed by the shareholders in the 27th Annual General Meeting held on 27th September, 2006, the Company is authorized to raise resources upto a maximum extent of Rs. 50 Crores as may be decided by the Board of Directors.

Subsequently at the meeting of Board of Directors held on 15th June, 2007 the Board decided to Issue 54,81,829 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 40 (issue price of Rs.50) per equity share aggregating Rs. 2740.91 Lacs on a rights basis to the existing equity shareholders in the ratio of 1(one) equity share for every 2(two) equity share held on [●] (Record Date).

FINANCIAL HIGHLIGHTS

*Summary of Assets and Liabilities – Restated**(Rs. In Lacs)*

		As at March 31st				
	Description	2007	2006	2005	2004	2003
A.	Fixed Assets:					
	Gross Block	7317.10	6702.55	5939.37	5656.24	5673.39
	Less Depreciation	3135.48	2943.70	2650.45	2617.79	2416.79
	Net Block	4181.62	3758.85	3288.92	3038.45	3256.60
	Add: Capital Work in Progress	57.08	23.21		29.01	2.38
	Sub Total (A)	4238.70	3782.06	3288.92	3067.46	3258.98
B.	Investments	437.42	791.95	338.91	119.87	125.91
C.	Current Assets, Loans & Advances					
	Inventories	243.14	217.53	215.34	214.96	162.22
	Sundry Debtors	555.06	452.97	253.42	195.27	231.58
	Cash and Bank Balances	235.23	66.53	184.14	235.44	76.36
	Fixed Deposit/M Fund	3148.74	1878.88	986.88	519.91	446.12
	Loans and Advances	1329.32	1618.57	665.91	632.80	650.33
	Sub Total ©	5511.49	4234.48	2305.69	1798.38	1566.61
	Total Assets	10187.61	8808.49	5933.52	4985.71	4951.50
D.	Liabilities and Provisions					
	Secured Loans	3514.18	1839.87	750.00	394.14	1094.01
	Unsecured Loans/S.Deposit	176.96	178.34	171.04	233.25	251.66
	Sub Total	3691.14	2018.21	921.04	627.39	1345.67
E.	Current Liabilities and Provisions					
	Current Liabilities	1097.32	2642.53	1249.61	967.71	594.54
	Provisions (Net)	260.06	225.63	466.17	250.34	34.23
	Sub Total	1357.38	2868.16	1715.78	1218.05	628.77
	Deferred Tax Liability	563.14	550.04	592.22	645.24	501.03
	Total Liabilities	5611.66	5436.41	3229.04	2490.68	2475.47
Net Worth Represented by						
	Share Capital:-					
	Equity Share Capital	1096.37	1096.37	1096.37	1096.37	1096.37
	Reserves and Surplus	3483.79	2281.32	1615.12	1408.71	1392.75
	Less:-					
	Miscellaneous expenditure (To the extent not written off or adjusted)	4.21	5.61	7.01	10.05	13.09
	Total	4575.95	3372.08	2704.48	2495.03	2476.03
	Total Liabilities	10187.61	8808.49	5933.52	4985.71	4951.50

Summary of Profit & Loss – Restated**(Rs in Lacs)**

Particulars	For the Financial years ended 31st March				
	2007	2006	2005	2004	2003
INCOME					
Sales:					
Room revenues	4,979.43	3,469.73	2,158.77	1,505.95	1,128.11
Food and beverages	1,941.35	1,613.59	1,586.18	1,198.79	1,128.97
Other service Charges	419.98	348.17	305.84	294.03	276.00
License Fee/Rentals	284.97	236.58	250.41	210.31	113.70
Other Income	451.66	314.85	102.13	138.67	107.52
Total Income	8,077.39	5,982.92	4,403.33	3,347.75	2,754.30
EXPENDITURE					
Food and beverages consumed	545.15	468.57	433.88	319.61	315.91
Employee Costs	1,194.97	916.17	707.52	571.17	497.43
Operating & General Expenses	2,322.97	1,990.59	1,982.19	1,521.89	1,316.32
Selling Expenses	583.35	427.10	305.41	176.31	99.74
Preliminary Expenses written off	1.40	1.40	3.04	3.04	3.04
Total expenditure	4,647.84	3,803.83	3,432.04	2,592.02	2,232.44
Profit/(Loss) Before Depreciation, Interest and Tax	3,429.55	2,179.09	971.29	755.73	521.86
Depreciation	315.27	325.49	238.27	241.74	241.10
Interest and Finance Charges	489.25	310.24	147.51	137.53	192.74
Profit/(Loss) before tax, change in accounting policy and prior period items.	2,625.03	1,543.36	585.51	376.46	88.02
Change in accounting policy	-	-	-	-	(217.13)
Prior period Expenses	-	-	-	-	-
Profit/(Loss) before tax and minority interest.	2,625.03	1,543.36	585.51	376.46	305.15
Current tax	909.31	503.03	191.58	174.97	27.20
Deferred tax	13.10	-	-	-	-
Provision for income tax written back	0.20	0.91	-	-	-
Net profit/(Loss) before minority interest.	1,702.82	1,041.24	393.93	201.49	277.95
Profit/(Loss) brought from last year	668.20	202.00	95.58	112.77	(158.61)
Net Profit/(Loss) before appropriation	2,371.02	1,243.24	489.51	314.26	119.34
APPROPRIATION					
Interim & Proposed Dividend	438.55	328.91	164.45	164.45	-
Dividend Tax	61.81	46.13	23.07	21.07	-
Transferred to Reserves	297.81	200.00	100.00	33.15	6.57
Profit/(Loss) carried forward to Balance Sheet	1,572.85	668.20	201.99	95.59	112.77

The Issue

Equity Shares proposed to be issued through this Letter of Offer on Rights Basis	54,81,829 Equity Shares
Rights Entitlement	One Equity Share for every Two Equity Share held in the company as on Record date
Record Date	[●]
Issue Price per Equity Share	Rs.50/- (including a Premium of Rs 40/-Per Share)
Equity Share outstanding prior to the issue	1,09,63,658 Equity Shares
Equity Share outstanding after the Issue	1,64,45,487 Equity Shares
Terms of the Issue	For more information please see section titled 'Terms and Procedures of the Issue' on page no. [●] of this Draft Letter of offer
Terms of Payment	For more information please see section titled 'Terms and Procedures of the Issue' on page no. [●] of this Draft Letter of offer

General Information

The Equity Shares now being issued are subject to terms and conditions of this Draft Letter of Offer, the enclosed CAF, the Memorandum and Articles of Association, Government and RBI approval if applicable, the provision of The Companies Act 1956, guidelines issued by SEBI, FEMA, Listing Agreements with Stock Exchange, where the equity shares are listed or proposed to be listed and such other notifications and regulations as may be issued by statutory authorities in this regard from time to time.

Dear Equity Shareholders,

Pursuant to the resolution passed by our Board of Directors at its meeting held on 15th June, 2007 it has been decided to make the following offer to our Equity Shareholders with right to renounce.

Issue of 54,81,829 Equity Shares of Rs.10/- each at a premium of Rs.40/- (Issue Price of Rs.50/-) per Equity Share on Rights basis to the existing Equity Shareholders of CHL LIMITED ("The Company") in the ratio of 1:2 held as on [●] (Record Date) aggregating to Rs. 2740.91Lacs. The Issue price is 5 times the face value of Rs. 10/-.

Name of the Company	CHL Limited
Changes in the name of the Company	Incorporated on 16 th March, 1979 under Companies Act, 1956 as "Cosmopolitan Builders And Hoteliers Private Limited". Subsequently converted into Public limited Company and changed its name to "Cosmopolitan Builders And Hoteliers Limited". The name of the Company was again changed to "Cosmopolitan Hotels Limited" on 29 th April, 1982 and subsequently renamed as "CHL Limited" vide fresh certificate of incorporation dated 11 th December, 1997
Corporate Identification No.	L55101DL1979PLC009498
Registered Office	Hotel Crowne Plaza, New Friends Colony, New Delhi 110 025
Registration No.	55-009498
Contact person	Mr. G.J. Varadarajan, Compliance Officer & Company Secretary
Address of ROC	B-BLOCK PARYAVARAN, BHAWAN, CGO COMPLEX, LODHI ROAD, NEW DELHI – 110 003

IMPORTANT

1. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date i.e. [●]
2. Your attention is drawn to the section on risk factors starting from page no. [●] of this Draft Letter of Offer.
3. Please ensure that you have received the CAF with this Draft Letter of Offer.
4. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer

CHL LIMITED

and must be carefully followed. An application is liable to be rejected for any non-compliance of the Draft Letter of Offer or the CAF.

5. All enquiries in connection with this Draft Letter of Offer or CAF should be addressed to the Registrar to the Issue i.e. 'RCMC Share Registry (P) Limited', quoting the Registered Folio number/ DP ID and Client ID number and the CAF numbers as mentioned in the CAF.
6. In case the original CAF is not received, lost or misplaced by the Shareholders, the Registrar to the Issue will issue a duplicate CAF on the request of the Shareholder who should furnish the registered folio number/DP ID/ Client ID number and his/her/its full name and address to the Registrar. Please note that those applicants who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received / found subsequently. In case the original and the duplicate CAFs are lodged for subscription, allotment will be made on the basis of duplicate CAF and the original CAF will be ignored.
7. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including any presentations, in research or sales reports etc. after filing of the Draft Letter of Offer with SEBI.
8. The Issue will be kept open for a minimum period of 30 (thirty) days. If extended, it will be kept open for a maximum period of 60 (sixty) days.
9. All the legal requirements as applicable till the filing of the Draft Letter of Offer with the Designated Stock Exchange have been complied with.

BOARD OF DIRECTORS

Name of the Director	Designation	Status
Dr. L.K. Malhotra	Chairman & Managing Director	Executive Director
Mr. D.V. Malhotra	Director	Non – Executive Director
Mr. B.N. Malhotra	Director	Non – Executive Director
Mr. O.P.Bajaj	Director	Non – Executive Independent Director
Mr. A.K. Malhotra	Director	Non – Executive Director
Mr. Kumud Malhotra	Director	Non – Executive Independent Director
Mr. Luv Malhotra	Whole time Director	Executive Director
Mr. Harish C Bhasin.	Director	Non – Executive Independent Director
Mr. Subhash Ghai.	Director	Non – Executive Independent Director
Mr. R.C. Sharma.	Director	Non – Executive Independent Director

For more details in directors, please refer to the section “Management of the Company” of this Draft Letter of Offer, on page no. [•].

ISSUE MANAGEMENT TEAM

Lead Manager to the Issue

RR Financial Consultants Ltd.

SEBI Regn No. INM000007508

412-422, Indraprakash Building

21, Barakhamba Road,

Connaught Place,

New Delhi- 110 001

Tel:+91-11- 2335 2496-99 Fax +91-11- 2335 3703

Website: www.rrfinance.com

E-mail: chl.rights@rrfcl.com

Contact Person: Mr. Ravi K. Sharma

Registrar to the Issue

RCMC Share Registry (P) Ltd.

SEBI Regn no. INR000000429

B-106, Sector-2,

NOIDA-201301,

Uttar Pradesh

Contact Person- Mr. Rakesh Adhana

Phone: +91-120-4015880, 4015800

Fax: +91-120-2444346

E-mail: rcmc@theoffice.net

Company Secretary & Compliance Officer

Mr. G.J. Varadarajan,

CHL Limited,

Hotel Crowne Plaza, New Friends Colony,

New Delhi 110 025

Tel: +91-11-2683 5070, 4167 2222

Fax No. +91-11-2683 7758, 2683 6288

E-mail: gjvaradarajan@crowneplaza.com

Investors' attention is invited to contact the Compliance Officer in case of any Pre-Issue/Post-Issue related problems such as non-receipt of letters of allotment/share certificates/refund orders etc.

Secretarial Consultant

A Chadha & Associates, Company Secretaries

29A/1, 4th Floor, Asaf Ali Road, New Delhi-110 002

Phone: 91-11-2323 1847, 2323 4189

Fax: 91-11-2323 4189

Contact Person: Mr. Arvind Chadha

Email: arvindchadha@yahoo.com

Legal Advisor to the Issue

Chadha & Associates

Chamber No.161, New Block,

Delhi High Court

CHL LIMITED

New Delhi-110003

Tel: 91-11- 23388671

Fax: 91-11-23384726

Contact Person: Ms. Mansi Chadha

Email: rkc@bol.net.in

Bankers to the Company**HDFC Bank Limited**

D-965, New Friends Colony,

New Delhi-110 025

Phone no.: 91-114151 4332, 4131 4104

Fax no.: 91-11-4162 9562

Email: corporatehelp@hdfcbank.com

HSBC Bank

25 Barakhamba Road,

New Delhi-110 001

Phone:91-11- 2373 8989

Fax: 91-11-4159 2222

Email: info@hsbc.co.in

Bankers to the Issue**HDFC Bank Limited**

B-6/3, Safdarjung Enclave,

DDA Commercial Complex,

New Delhi-110 029

Phone no.:91-11-4139 2100

Fax no.:91-11-4165 2283

Contact Person: Mr. Vikram Mehta

Email: vikram.mehta@hdfcbank.com

HSBC Bank

25 Barakhamba Road,

New Delhi-110 001

Phone:011- 2373 8989

Fax: 011-4159 2222

Contact Person: Mr. Amit Dang

Email: info@hsbc.co.in

Statutory Auditors to the Company

G.Rai. & Co.,

Chartered Accountants

29A/1, Asaf Ali Road, New Delhi-110 002

Phone: 91-11 2323 1847, 2323 4189

Fax: 91-11-2323 4189

Contact Person: Mr. Gulshan Rai

Email: graico@airtelbroadband.in

Internal & Tax Auditors of the Company

L.N.Malik & Co.

Chartered Accountants,

Ganga Plaza, 18/13. W.E.A,

Karol Bagh,

New Delhi-110 005

Phone: 91-11-2875 5911, 4509 1677

Fax: 91-11 2875 8178

Email: allenmalik@hotmail.com

Interse Allocation of Responsibility

There being no other Merchant Banker associated with the issue, the Inter se allocation of Responsibility is not applicable.

Credit Rating / Debenture Trustee

This being a Right Issue of Equity Shares, no Credit Rating or appointment of Debenture Trustee is required.

Monitoring Agency

As the Issue size is less than Rs. 500 Crores the appointment of Monitoring agency is not required, so we have not appointed any Independent agency to monitor the utilization of the funds to be raised through the Rights Issue.

Appraising Entity

The Present Rights Issue has been not appraised by any appraising agency.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within forty-two days of closure of the issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount (i.e. forty two days after closure of the issue), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

The Issue will become under-subscribed, if the number of shares applied for falls short of the number of shares offered, after considering the number of shares applied for as per the entitlement plus additional shares. The under-subscribed portion can be applied for only after the close of the Issue.

Underwriting agreement / Standby Support

The present issue is not being underwritten and /or no standby support is being sought for the said issue

Issue Schedule

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUEST FOR SPLIT FORMS	ISSUE CLOSES ON
[•]	[•]	[•]

CHL LIMITED

Impersonation

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

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

Allotment Letters / Refund Orders

We will issue and dispatch letters of allotment/ share certificates/ demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 42 days from the date of closure of the Issue. If such money is not repaid within 8 days from the day we become liable to pay it, we shall pay that money with interest as stipulated under Section 73 of the Act.

Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS/NEFT only except where applicants have otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS. In case of those applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 42 working days of closure of Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and we issue letter of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

For more information please refer to the section titled “Terms and Procedure of Issue” on page no. [●] of this Letter of Offer. The Letter of Allotment/ refund order exceeding Rs.1,500/- would be sent by registered post/speed post to the sole/ first Applicant’s registered address. Refund orders upto the value of Rs.1,500/- would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Declaration by Board for creation of Separate Account

Our Board declares that funds received against this Issue will be transferred to a separate bank account other than the bank account referred to under sub-section (3) of Section 73 of the Act.

CAPITAL STRUCTURE OF THE COMPANY

In Rupees)	
PARTICULARS	Aggregate Nominal Value
(A) Authorized Share Capital	
3,00,00,000 Equity shares of Rs. 10/- each	30,00,00,000
(B) Issued, Subscribed and Paid-up Equity Capital	
1,09,63,658 Equity shares of Rs. 10/- each (fully paid up)	10,96,36,580
(C) Present Right Issue	
54,81,829 Equity Shares of Rs 10 each (fully paid up)	5,48,18,290/-
(D) Paid up capital after the Issue	
1,64,45,487 Equity shares of Rs. [10] each (fully paid up)	16,44,54,870/-
(E) Share Premium Account	
Before the Issue	NIL
After the Issue	21,92,73,160/-

Notes to Capital Structure:

Changes in the authorized capital since inception are as follows:

Sr. No.	Date of	No of Equity	Face Value	Number of Preference Share	Face value	Total
	AGM/EGM*	Shares				Authorised Capital
			Rs.		Rs.	Rs
1	At the time of incorporation in 1979	50000	100	Nil	Nil	50,00,000
2	EGM 17-11-80	200000	100	100000	100	3,00,00,000
3	2nd AGM 15-06-81	500000	100	100000	100	5,00,00,000
4	EGM 23-01-82	600000	100	Nil	Nil	6,00,00,000
5	3rd AGM 27-08-82	6000000	10**	Nil	Nil	6,00,00,000
6	EGM 2/1/1983	6000000	10	150000	100	7,50,00,000
				13.5%		
				Redeemable		
				Cumulative		
				Preference		
				share		
7	9th AGM 21-09-88	7250000	10	150000	100	87500000
				13.5%		
				Redeemable		
				Cumulative		
				Preference		
				share		
8	16th AGM 29-09-95	13500000	10	150000	100	150000000
9	27th AGM 9/27/2006	30000000	10	Nil	Nil	300000000

Notes To Capital Structure:**1. The Equity Share Capital History of the Company**

Date of allotment	No. of shares allotted	Face Value (Rs.)	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Nature of Allotment	Securities Premium Account (Rs.)	Cumulative Share Premium(Rs)
Since Incorporation	20*	100	20	100	Cash	Subscribers to Memorandum	-	-
30-04-1979	3940*	100	3960	100	Cash	Allotment to Promoters Friends & Relatives	NIL	
30-07-1979	1040*	100	5000	100	Cash	Allotment to Promoters Friends & Relatives	NIL	
20-02-1981	15000*	100	20000	100	Cash	Allotment to Promoters Friends & Relatives	NIL	NIL
20-08-1981	34080*	100	54080	100	Cash	Allotment to Promoters Friends & Relatives	NIL	NIL
26-01-1981	161618*	100	215698	100	Cash	Allotment to Promoters Friends & Relatives	NIL	NIL
01-01-1982	36424*	100	252122	100	Cash	Allotment to Promoters Friends & Relatives	NIL	NIL
31-01-1983	1350000	10	3871220	10	Cash	Public Issue	NIL	NIL
28-10-1983	375440	10	4246660	10	Cash	Public Issue	NIL	NIL
20-01-1984	77520	10	4324180	10	Cash	Public Issue	NIL	NIL

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06-09-1984	171020	10	4495200	10	Cash	Public Issue	NIL	NIL
13-03-1985	4800	10	4500000	10	Cash	Public Issue	NIL	NIL
29-01-1990	2375820	10	6875820	10	Cash	**	NIL	NIL
29-11-1995	3000000	10	9875820	10	Cash	**	NIL	NIL
29-05-1996	172400	10	10048220	10	Cash	**	NIL	NIL
18-02-1997	915438	10	10963658	10	Cash	**	NIL	NIL

* The given share of face value of Rs.100 each was converted into Equity Shares of Rs.10 each 27th August, 1982.

** Allotted to the existing shareholders on preferential basis.

Preference Share Capital History of the Company

Date of allotment	Face Value	No. of 13.5% Redeemable Cumulative Preference Shares	Issue Price	Nature of Allotment
20-12-1986	100	30,295	100	Allotted to Promoters, Relatives, Friends and Associates
26-06-1987	100	32,087	100	-do-
24-02-1988	100	37,735	100	-do-
18-03-1992	100	9883	100	-do-

All the 13.5% Cumulative Redeemable Preference Shares were redeemed on 31-03-1998.

2. Promoter's Contribution and Lock-in

The present issue being a rights issue, provisions of promoter's contribution and lock-in are not applicable, in terms of the provisions of clause 4.10.1(c) of the SEBI (DIP) Guidelines.

- The Promoters, Directors and Lead Manager to the Issue have not entered into any buy-back, standby or similar arrangements for the securities being issued through this Draft Letter of Offer except otherwise mentioned elsewhere in the Draft Letter of Offer.
- Applicants for shares offered through this Rights Issue have to pay the full issue price ([●] per share) on application. Hence, the shares will be fully paid on allotment.
- The Capital Structure statement is prepared on the assumption that proposed Rights Issue of Equity Shares of 54,81,829 equity shares @ Rs.50/- per share will be subscribed fully.

6. Shareholding Pattern of the Company (Pre & Post Rights Issue) is given below:

Category of Shareholder	Pre- Issue Shareholding			Post Issue Shareholding		
	Total number of shares	Total shareholding as a percentage of total number of shares		Total number of shares	Total shareholding as a percentage of total number of shares	
		As a percentage of (A+B) ¹	As a percentage of (A+B+C)		As a percentage of (A+B) ¹	As a percentage of (A+B+C)
Shareholding of Promoter and Promoter Group²						
Indian						
Individuals/ Hindu Undivided Family	720722	6.57	6.57	1081083	6.57	6.57
Central Government/ State Government(s)	0	0.00	0.00	0	0.00	0.00
Bodies Corporate	0	0.00	0.00	0.00	0.00	0.00
Financial Institutions/ Banks	0	0.00	0.00	0.00	0.00	0.00
Any Others(Specify)	0	0.00	0.00	0.00	0.00	0.00
				0.00		
Sub Total(A)(1)	720722	6.57	6.57	1081083	6.57	6.57
Foreign						
Individuals (Non-Residents Individuals/ Foreign Individuals)	642206	5.86	5.86	963309	5.86	5.86
Bodies Corporate	6457660	58.90	58.90	9686490	58.90	58.90
Institutions	0	0.00	0.00	0.00	0.00	0.00
Any Others(Specify)	0	0.00	0.00	0.00	0.00	0.00
				0.00		
Sub Total(A)(2)	7099866	64.76	64.76	10649799	64.76	64.76

Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	7820588	71.33	71.33	11730882	71.33	71.33
Public shareholding						
Institutions						
Mutual Funds/ UTI	0	0.00	0.00	0.00	0.00	
Financial Institutions / Banks	499290	4.55	4.55	748935	4.55	4.55
Central Government/ State Government(s)	0	0.00	0.00	0.00	0.00	0.00
Venture Capital Funds	0	0.00	0.00	0.00	0.00	0.00
Insurance Companies		0.00	0.00	0.00	0.00	0.00
Foreign Institutional Investors	0	0.00	0.00	0.00	0.00	0.00
Foreign Venture Capital Investors	0	0.00	0.00	0.00	0.00	0.00
Any Other (specify)	0	0.00	0.00	0.00	0.00	0.00
Sub-Total (B)(1)	499290	4.55	4.55	748935	4.55	4.55
Non-institutions						
Bodies Corporate	4100	0.04	0.00	6150		
Individuals	249310	2.27	2.27	373965	2.27	2.27
Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	0	0.00	0.00	0.00	0.00	0.00
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	0	0.00	0.00	0.00	0.00	0.00
Any Other (specify)	0	0.00	0.00	0.00	0.00	0.00
(B) Non- Residents	2390370	21.80	0.00	3585555	0.00	0.00
© Trust	0	0.00	0.00	0.00	0.00	0.00

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				0.00		
				0.00		
Sub-Total (B)(2)	2643780	24.11	2.27	3965670	2.27	2.27
				0.00		
Total Public Shareholding (B)= (B)(1)+(B)(2)	3143070	28.66	6.82	4714605	6.82	6.82
				0.00		
TOTAL (A)+(B)	10963658	100	100	16445487	100	100
				0.00		
Shares held by Custodians and against which Depository Receipts have been issued	0	0.00	0.00	0.00	0.00	0.00
				0.00		
GRAND TOTAL (A)+(B)+(C)	10963658	100	100	16445487	100	100

6. Shareholding Pattern of the Promoter group (Pre & Post Rights Issue) is given below:

Particulars	Pre Issue		Post Issue Capital	
	No. of Shares	% to Total Capital	No. of Shares	% to Total Capital
a) Promoter/ Directors				
Promoter Directors	3,35,330	3.05	5,02,995	3.05
b) Immediate Relative of the promoters (Spouse, parent, child, brother, sister.)	10,02,598	9.14	15,03,897	9.14
c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or his immediate relative is member.	64,57,660	58.90	96,86,490	58.90
d) Company in which the company mentioned in (c) above holds 10% or more of the share capital				
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	25,000	0.23	37,500	0.23
Total	78,20,588	71.33	1,17,30,882	71.33

The Promoters have confirmed that they along with their relatives and the companies controlled by the Promoters (together hereinafter referred to as “Promoter Group” in this clause) intend to subscribe to the full extent of their Rights Entitlement in the Issue. The Promoters reserves the right to subscribe to their Rights Entitlement in the Issue either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for Equity shares for renunciation if any made within the promoter group to another person forming part of the Promoter group. The Promoters also intend to apply for additional Equity Shares in the Issue, such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire shares over and above their entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Regulation. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page [●] of this Letter of Offer), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotment to the Promoters, in this Issue, the Promoters shareholding in the Company exceeds their current shareholding. The Promoters intends to subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoters of any unsubscribed portion, over and above their Rights entitlement shall be done in compliance with the provision of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Promoter group undertakes that in case the subscription by the Promoter group to the unsubscribed portion results in the public shareholding falling below the “Permissible Minimum Level” as specified in the listing condition agreement, then the promoter group shall make an offer for sale of their holding so that the public shareholding is raised to the permissible minimum level within a period of 3 months from the date of allotment in the proposed issue in the manner as per sub clause 17.1 and 17.2 of SEBI(Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or buy out the remaining shares at the price of offer and shall take appropriate steps in accordance with SEBI(Delisting of Securities) Guidelines, 2003 or any amendment thereto, to get the Company delisted.

7. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company other than that to be issued pursuant to this rights issue.
8. Equity shares of the Company are listed on the Delhi Stock Exchange. The market lot for the equity certificate the Company to be traded in dematerialized mode shall be 1 Equity Share and for the shares held in Physical form the Company would issue 1 certificate for the equity shares allotted to one person (“Consolidated Certificate”). The Company vide its letter dated 23rd May, 2006 and 6th June, 2007 has applied for Listing its existing 1,09,63,658 Equity Shares on Bombay Stock Exchange Limited. The application is still pending for approval from the said Stock Exchange.

Investors may please note that the Equity shares of the Company can be traded on the Stock Exchange only in dematerialized form

9. There are no transactions in the securities of the Company during preceding 6 months which were financed/undertaken directly or indirectly by the promoters, their relatives, their group companies or associates or by the said entities directly or indirectly through other persons.

CHL LIMITED**10. The ten largest shareholders two years prior to the date of filing of this letter of offer with Stock Exchanges are as follows:**

S.No.	Name of the Shareholders	No. of Equity Shares	%
1.	Malbros Investments Inc.	64,57,660	58.89
2.	Industrial Development Bank of India	4,98,990	4.55
3.	Mr. V.K. Sabharwal	4,40,075	4.01
4.	M/s Ultima Leasing and Financing (through their partners Dr. L.K.Malhotra, Mr. D.V. Malhotra, Mrs. Chand Malhotra and Mrs. Usha Malhotra)	3,67,800	3.35
5.	Ms Veena Sawhney	4,40,075	4.01
6.	Pushpa Devi Bajaj	3,78,780	3.45
7.	Mr. O.P. Bajaj	2,11,030	1.92
8.	Mr. Ashwani Bajaj	1,62,250	1.48
9.	Mr. Dharam Veer Malhotra	1,53,448	1.39
10.	Mrs. Usha Malhotra	1,92,366	1.75

11. The ten largest shareholders as on 10 days prior to the date of filing of this letter of offer with Stock Exchanges are as follows:

S.No.	Name of the Shareholders	No. of Equity Shares	%
1.	Malbros Investments Inc.	64,57,660	58.89
2.	Industrial Development Bank of India	4,98,990	4.55
3.	Mr. V.K. Sabharwal	4,40,075	4.01
4.	M/s Ultima Leasing and Financing (Through their partners Dr. L.K.Malhotra, Mr. D.V. Malhotra, Mrs. Chand Malhotra and Mrs. Usha Malhotra)	3,67,800	3.35
5.	Ms Veena Sawhney	4,40,075	4.01
6.	Pushpa Devi Bajaj	3,78,780	3.45
7.	Mr. O.P. Bajaj	2,11,030	1.92
8.	Mr. Ashwani Bajaj	1,62,250	1.48
9.	Mr. Dharam Veer Malhotra	1,53,448	1.39
10.	Mrs. Usha Malhotra	1,92,366	1.75

12. The ten largest shareholders as on the date of filing of this letter of offer with Stock Exchanges are as follows:

S.No.	Name of the Shareholders	No. of Equity Shares	%
1.	Malbros Investments Inc.	64,57,660	58.89
2.	Industrial Development Bank of India	4,98,990	4.55
3.	Mr. V.K. Sabharwal	4,40,075	4.01

4.	M/s Ultima Leasing and Financing (Through their partners Dr. L.K.Malhotra, Mr. D.V. Malhotra, Mrs. Chand Malhotra and Mrs. Usha Malhotra)	3,67,800	3.35
5.	Ms Veena Sawhney	4,40,075	4.01
6.	Pushpa Devi Bajaj	3,78,780	3.45
7.	Mr. O.P. Bajaj	2,11,030	1.92
8.	Mr. Ashwani Bajaj	1,62,250	1.48
9.	Mr. Dharam Veer Malhotra	1,53,448	1.39
10.	Mrs. Usha Malhotra	1,92,366	1.75

13. There are no bridge loans or any other financial arrangements made which will be repaid out of the proceeds of the current issue.
14. There would be no outstanding warrants, option or right to convert debentures, loan or other instruments convertible into Equity Shares.
15. The equity shares of the Company are of face value of Rs. 10/- and marketable lot is 1 (One). At any given time, there shall be only one denomination of equity shares of the Company, and the issuer shall comply with such disclosure and accounting norms specified by SEBI.
16. The Company undertakes that there shall be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner, during the period commencing from the submission of Draft Letter of Offer to SEBI for rights issue till the securities referred in the Draft Letter of Offer have been listed or application money refunded on account of failure of the issue.
17. The Company presently does not have any intention or proposal to alter its capital structure within a period of six months from the date of opening of the issue, by way of split / consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of rights or further public issue of shares or any other securities.
18. The Company does not have an Employees Stock Option Scheme.
19. The Company has 1525 shareholders as on 31st March, 2007.
20. The Company has not issued Equity Shares for consideration other than cash or out of the revaluation reserves.

Objects of the Issue

The objects of the Right Issue are to raise capital to finance the company's ongoing and new hotel/resort project at Jaipur, and for general corporate purpose of the Company and to meet the expenses of the Issue. As on date the company has crystallized plans to develop a Five Star Resort cum Spa at Jaipur.

The net proceeds of the issue after deducting issue expenses payable by the company are estimated at approximately Rs 2700 Lacs. The Company intends to utilize the net proceeds of the issue for meeting the objects of the issue mentioned above.

The main object clause of the Memorandum of Association of the Company enables the Company to undertake the activities for which the funds are being raised and also for the activities, which the company has been carrying on till date.

Cost of the Project and Means of Finance

The cost of the project and means of finance as estimated by our management are given below:-

Cost of the Project

(Rs. In lacs)		
Sr. No.	Particulars	Jaipur Project
1	Land	300
2	Building	2,000
3	Plant & Machinery	2,500
4	Furniture, Fixture & Fittings	2,000
5	Misc. Fixed Assets	1,200
6	General Corporate Purpose	700
7.	Issue Expenses	40.91
	Total	8,740.91

Means of Finance

(Rs in Lacs)		
Sr. No.	Particulars	Jaipur
1	Right Issue	2,740.91
2	Term Loan	6,000
	Total	8,740.91

Note: Rs.700 lacs from the total amount of Rs.2740.91 excluding the issue expenses, shall be used for the general corporate purposes.

In light of above we confirm that, firm arrangement of finance through verifiable means towards at least 75% of the stated means of finance excluding the amount to be raised through the issue, have been made.

Issue Expenses

The expenses of this issue includes issue management fees, printing and distribution, legal fees, advertisement expenses, depository charges and listing fees to the stock exchange among others. The

total expenses for this issue are estimated not to exceed Rs.40.91 lacs. The break up of the same is as under:

Particulars	Rs. In Lacs
Lead Management, Issue Management fees and Legal Counsel charges	15.00
Registrars, Printers, Postage, Dispatch expenses, Advertisement & publicity expenses	8.51
Listing Expenses & Other Expenses	17.40
Total	40.91

Schedule of implementation

Particulars	Jaipur
Civil Construction	July 2007
Interior Design & Machinery	March 2008
Trial Run	March-June 2009
Commercial Operations	July 2009

Manpower with the Company

Manpower	Delhi	Jaipur
Present	700	1
Proposed	725	300

Funds already deployed in the Hotel cum Resort under construction:

Upto 31-05-2007

Jaipur, Rajasthan Rs. 273.35 lacs*

* As certified by the Statutory Auditor vide its certificate, dated 15th June, 2007

Brief Details of the Project

Jaipur:

Jaipur, the capital of Rajasthan is a attractive place for tourists and the city is known as pink city. The company is planning to open a five star Resort cum Spa, to cater the needs of Domestic/Foreign tourists.

The Company has already purchased a piece of land admeasuring 12 Bighas & 6 Biswas (measuring 7.8 Acres) located at Village Rupa Ki Nangal, Tehsil & Distt. Jaipur at a cost of Rs. 2.46 Crores for setting up resort complex. The application for consolidation of land by the Ministry of Urban Development and Housing, Jaipur Rajasthan, has been filed and the approval is pending. The Company is planning for Collaboration with an International Chain of hotels for its proposed Jaipur Project. The hotel will be a Five Star Resort cum Spa.

The proposed project will comprise of 80 villas with independent swimming pool with each villa. The Company plans to own the following equipments and machineries:

- Boiler plants

CHL LIMITED

- AC Plant
- Kitchen Equipments
- Health Equipments
- 200% Power backup
- Miscellaneous fixed assets comprising of Vehicles, office equipments, computers, Leased Telephone lines etc.

The average cost to be incurred on each room as estimated by the management on the basis of the Industry average, is around Rs.100 lacs, which includes common facilities like Restaurants, Discotheque, Bar, Banquets etc.

The Current project is expected to yield revenue from the year 2009-10 and the Company is expecting to earn profits from the first full year of Operation.

Interim Use of Proceeds

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest/dividend bearing short term/ long term liquid instruments including deposits with banks for the necessary duration. We may also deploy the proceeds of the Issue in temporarily reducing our exposure to working capital borrowings from banks and financial institutions.

Working Capital

We fund our working capital requirements through internal accruals. We believe our internal accruals would be sufficient to meet the annual requirements including the enhanced need of working capital arising out of expansion and renovation of the hotel. We do not foresee any difficulty whatsoever in doing so.

Basis for Issue Price

Our Equity Shares, now being offered, are subject to the terms and conditions of this Draft Letter of Offer, the CAF, the Memorandum and Articles of Association of our Company, the guidelines for listing of securities issued by the Government of India and the guidelines issued by SEBI from time to time, the Depositories Act, the provisions of the Act and all other applicable Acts, Rules and Regulations.

Investors should also refer to the sections titled “Risk factors” and “Auditors’ Report” forming part of “Financial Information” to get a more informed view before making the investment decision.

A. Qualitative Factors

1. We are an existing Profit making and Dividend paying Company since 2004.
2. Our Board is professionally managed and members on its Board have people with experience in Hotel Industry, Media & Entertainment and other Service Industry.
3. We focus on business travelers, which makes us less susceptible to the seasonality factor.
4. In house designing skills and project management reduce the costs.

B. Quantitative Factors (based upon adjusted Profit and Loss Account)

(a) Earning Per share (EPS)

	EPS	Wts.
Year ended 31 st March 2005	3.59	1
Year ended 31 st March 2006	9.49	2
Year ended 31 st March 2007	15.53	3
Weighted Average EPS	11.53	

Notes:

- (i) Net profit, as appearing in the summary statements of profits and losses, has been considered for computing the above ratios.
- (ii) Earning Per Share calculations have been done in accordance with Accounting Standard 20-“Earnings Per Share” issued by the Institute of Chartered Accountants of India.

(b) Price Earning Ratio (PE)

As there is no trading of the shares at Delhi Stock Exchange, the market price of the Equity Shares of the Company is not available. So the P/E ratio cannot be determined.

(c) Return on Networth (RONW)

Year	RONW(%)	Wts.
2004-05	18.10	1
2005-06	36.87	2
2006-07	51.81	3
Weighted Average RONW	33.91	

(d) Minimum RONW required to maintain pre-issue Weighted Average EPS is 41.21%.

(e) Net Asset Value (NAV)

Particulars	NAV (Rs.)
As on 31 st March, 2007	41.73
After the Issue	44.49
Issue Price	50

(f) Industry P/E Ratio

Highest	60.7
Lowest	7.6
Average	23.5

Source: Capital Market April 09-22, 2007

(g) Comparison of Key ratio with the Companies engaged in the same line of the business

Name of the Company	Equity (Rs. In Cr.)	Sales (Rs in Cr.)	PAT	EPS (Rs.)	BV (Rs.)	P/E*
Asian Hotels	22.8	413.42	91.5	40.1	523.9	18.8
Bharat Hotels	71.89	279.92	51.18	7.1	53.3	-
Jaypee Hotels	55.39	128.04	13.68	2.5	24.6	26.8
Blue Coast Hotel	6.55	83.26	8.57	13.1	35.8	11.8
Kamat Hotels	13.20	111.93	20.58	15.6	105.1	9.4

Source: <http://subscribers.capitalmarket.com> as on 14-06-2007

*

The issue price is Rs.50/- Per share for the share of Face value Rs.10/- per equity share, the issue price being 5 times the face value of the Equity Share.

Considering the above qualitative and quantitative factors, the issue price of Rs.50/- per equity share is justified.

Statement of Tax Benefits

The Board of Directors,
CHL Limited,
Hotel Crowne Plaza,
New Friends Colony,
New Delhi-110025.

Dear Sirs

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

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

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

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

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

For **L.N. MALIK & CO.**

CHARTERED ACCOUNTANTS

(L.N. MALIK)

Partner.

Membership No. 10423

Date: 21.06.2007

Place: New Delhi

ANNEXURE TO THE CERTIFICATE

STATEMENT OF POSSIBLE TAX BENEFITS

(A) BENEFITS TO THE COMPANY

UNDER THE INCOME TAX ACT, 1961

1. Subject to the Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as the Act) the Company will be entitled to a deduction for depreciation:-
 - (a) In respect of tangible assets;
 - (b) In respect of intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998, owned, wholly or partly, by the Company and used for the purposes of business or profession, at the rates prescribed under the Income Tax Rules, 1962;
2. Under section 80-IB(7)(b) profits of a hotel which starts functioning from April 1,1991 and ending with March 31,1995 or beginning of April 1, 1997 and ending before March 31, 2001 shall be entitled to deduction of 30% of the profits and gains derived form such hotel for a period of 10 consecutive years beginning from the year the hotel starts functioning, subject to fulfillment of certain conditions.
3. The company will be entitled to claim expenditure incurred in respect of Voluntary Retirement Scheme under Section 35DDA of the Act in five equal annual installments.
4. Under section 80-ID, deduction of 100% of the profits and gains for 5 consecutive assessment years beginning from the initial assessment year will be available to the company engaged in the business of :-
 - i) hotel of two-star, three star or four star category.
 - ii) building, owning and operating a convention center i.e. a building comprising of convention halls for the purpose of holding conferences and seminars of prescribed size, number and having prescribed facilities and amenities, when such hotel/convention centre is located in the National Capital Territory of Delhi or the districts of Faridabad, Gurgaon, Gautam Budh Nagar (NOIDA) and Ghaziabad, and such hotel/convention centre is constructed or has started or starts functioning during 1.4.2007 to 31.3.2010. Deduction is allowed to the assessee, which fulfill the specified conditions.

UNDER THE CUSTOM TARIFF

In terms of Notification No. 97/2004-CUS, capital goods (including second-hand) and spares imported EPCG license issued under Export Import policy are subjected to 5% concession al Custom duty plus education cess, subject to fulfillment of export obligation. In terms of Notification No. 92/2004-CUS, Food items and alcoholic beverages will have Duty Free Credit

entitlement benefit @ 5% of the total foreign exchange earned in the preceding financial year, subject to conditions. Samples imported into India to the value limit of Rs. 10,000 subject to conditions would be exempt from payment of Custom duty vide Ministry's circular dated 13.11.1998 at 1998 (104) E.L.T T56-T58.

(B) TO THE SHAREHOLDERS OF THE COMPANY – UNDER THE INCOME TAX ACT, 1961;

Resident Shareholders

- 1) In terms of section 10(32) of the IT Act, any income of minor children, included in the total income of the parent under section 64(1A) will be exempt from tax to the extent of Rs.1,500 per minor child.
- 2) Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the company is exempted from income tax.
- 3) Under section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being equity shares in the company (i.e. capital asset held for a period of 12 months or more) would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale is entered into on or after 1st October, 2004, and
 - b) The transaction is chargeable to securities transaction tax as explained earlier
- 4) Under section 48 of the Act read with section 2(42A), if the company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act], if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
- 5) Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [other than those exempt under section 10(38)] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain is invested within a period of 6 months after the date of such transfer for a period of at least 3 years in Bonds specified in that section. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced.

However, the amounts so exempted shall be chargeable to tax subsequently, if the Bonds are transferred or converted into money within three years from the date of their acquisition.

- 6) Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [other than those exempt under section 10(38) of the Act] on the transfer of shares of the Company before 01/04/2006, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer and held

for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

- a) The issue is made by a public company formed and registered in India;
- b) The shares forming part of the issue are offered for subscription to the public;

If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amounts so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

- 7) Under section 54F of the Act, long term capital gains (other than those exempt Under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- 8) In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head Profits and gains of business or profession arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
- 9) Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e. if shares are held for a period not exceeding 12 months), arising on transfer of shares in the company listed on a recognized stock exchange, on which Security Transaction Tax is charged, shall be taxed at a rate of 10% (plus applicable surcharge and education cess). Short term capital gains arising from transfer of shares in a Company, other than covered by section 111A of the Act, shall be subject to tax as calculated under the normal provisions of the Act.
- 10) Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, [other than those exempt under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

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

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

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

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

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2007.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her/their own tax advisor with respect to specific tax consequence of his/her participation in the scheme.

SECTION IV – ABOUT THE ISSUER COMPANY

Hotel Industry Overview

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

Indian Hotel Industry

The liberalization of Indian economy in 1991 and the integration of India into the Global Economy have given impetus to business travelers and tourist travelers. As a result the hotel industry in India has recorded a healthy growth since 1991. In the late 1990s major hotel chains, new entrants and international chains entered the Indian market. Though there was a slowdown owing to the IT industry slow down, September 11, 2001 attacks and SARS outbreak in 2002 the industry has recovered since that period. The following table shows the growth over the past six years in hotel rooms in hotels who are members of Federation of Hotel and Restaurant Associations of India (“FHRAI”).

Category	2000		2001		2002		2003		2004		2005		Growth in Rooms CAGR (2000-05)
Five Star Deluxe	57	12,556	65	14,959	68	15,672	68	16,050	74	17,903	78	18,625	12.00%
Five-Star	73	9,051	72	8,513	72	8,662	72	8,669	71	8,554	77	9,326	3.00 %
Four-Star	92	7,232	100	7,791	100	7,614	102	7,408	104	7,355	124	8,693	9.00%
Three-Star	379	19,785	413	20,691	413	21,387	409	21,098	414	21,433	468	24,401	13.00%
Two-Star	244	9,135	234	9,958	234	9,278	226	8,903	221	8,639	212	8,242	1.00%
One-Star	46	2,253	48	2,428	48	1,696	44	1,520	43	1,480	44	1,504	-9.00%
Heritage	66	2,372	71	2,551	71	2,492	67	2,258	69	2,297	75	2,567	22.00%
Approved (Unclassified)	263	10,560	308	12,318	308	12,515	297	11,921	304	12,058	333	13,426	17.00%
Unapproved	493	18,350	455	17,757	455	17,925	452	17,895	477	18,796	470	18,286	-10.00%
Total	469	91,294	1,766	96,966	1,769	97,241	1,737	95,722	1,777	98,515	18,286	1,05,070	4.00%

Source: FHRAI

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

Classification of Hotels in India

Size and Category (Source: FHRAI)

Hotels in India are categorized into two main types: approved and unapproved. The Ministry of Tourism, Government of India grants approval to hotels at the project stage and then classifies them into one of the star categories. This approval status is voluntary; however, only approved hotels can avail of various incentives, import licenses and other benefits from the government. The following table lists the number of FHRAI member hotels in different categories in the last five years. Nearly all the five-star deluxe, five-star, four-star and three-star hotels in the country are members of FHRAI, although membership is not so comprehensive in lower star categories. The majority of hotels and hotel rooms in India are included in the unapproved type, as many hotels, especially those that are equivalent to lower star category hotels, do not take part in the Government classification process. The hotels are classified into 7 categories:

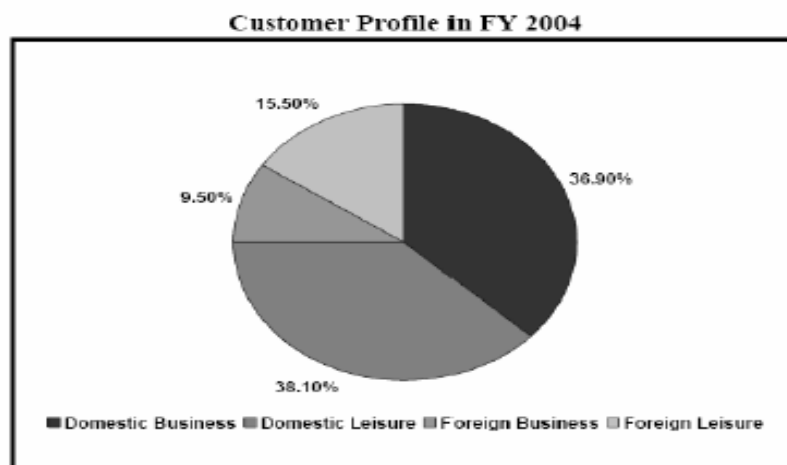
- Five Star Deluxe
- Five Star
- Four Star
- Three Star
- Two Star
- One Star
- Heritage

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

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

Customer Profile of Hotels in India

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



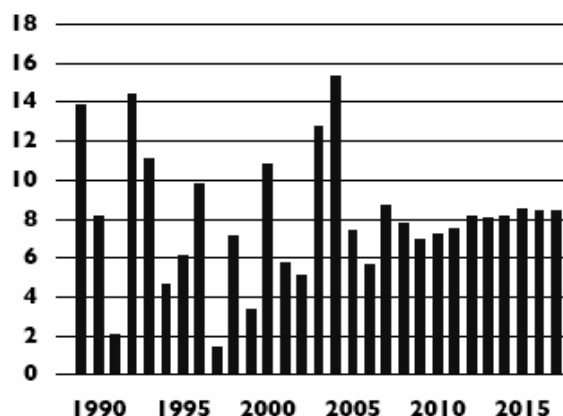
As seen in the above chart, business travelers and leisure travelers, both domestic and international, form the major clientele for hotels in India.

Indian Travel and Tourism Industry

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

Total Demand (Source: WTTC)

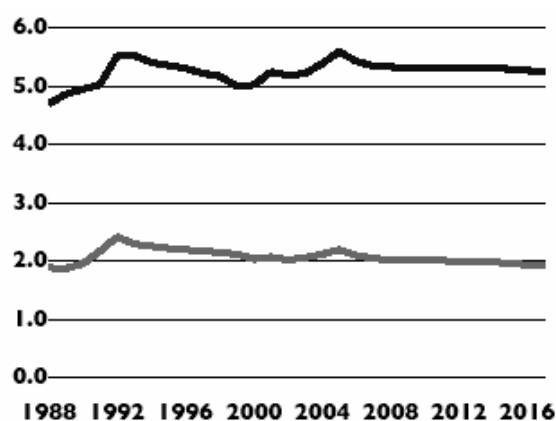
India Travel & Tourism is expected to generate INR2,829.7 bn (US\$61.0 bn) of economic activity (Total Demand) in 2007, growing (nominal terms) to INR9,472.7 bn (US\$158.9 bn) by 2017. Total Demand is expected to grow by 8.7% in 2007 and by 7.9% per annum, in real terms, between 2008 and 2017. 2007 Total Demand represents 0.9% of world market share. Focused marketing of tourism products and branding of India as a high value destination, policies targeted at strengthening of tourism infrastructure by the Ministry of Tourism have been responsible for a healthy growth in international tourist arrivals to India. Following graph represents India's Travel & Tourism Total Demand Growth % (Real) from 1990 to 2015.



Source: World Travel and Tourism Council

Gross Domestic Product (Source: WTTC)

India's T&T Industry is expected to contribute 2.0% to Gross Domestic Product (GDP) in 2007 (INR838.7 bn or US\$18.1 bn), rising in nominal terms to INR2,551.3 bn or US\$42.8 bn (1.9% of total) by 2017. The T&T Economy contribution (percent of total) should decline from 5.4% (INR2,190.2 bn or US\$47.2 bn) to 5.2% (INR6,948.6 bn or US\$116.5 bn) in this same period. Following graph shows India's Travel & Tourism Gross Domestic Product as a percentage of Total GDP.

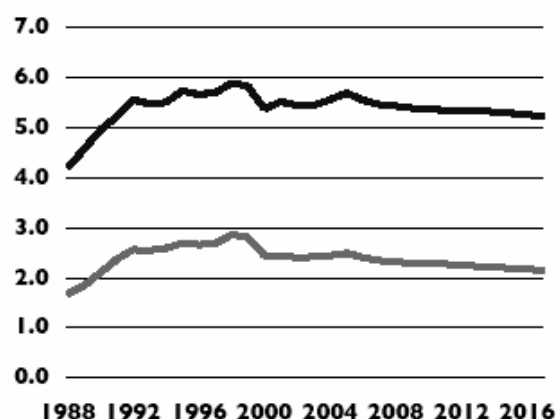


Light Blue Line is T&T Industry GDP; Dark Blue is T&T Economy GDP

Source: World Travel and Tourism Council

Employment (Source: WTTC)

India T&T Economy employment is estimated at 25,607,000 jobs in 2007, 5.5% of total employment, or 1 in every 18.3 jobs. By 2017, this should total 28,322,000 jobs, 5.2% of total employment or 1 in every 19.1 jobs. The 11,003,000 T&T Industry jobs account for 2.3% of total employment in 2007 and are forecast to total 11,654,000 jobs or 2.2% of the total by 2017. Following graph represents India's Travel and Tourism employment as a percentage of total employment.

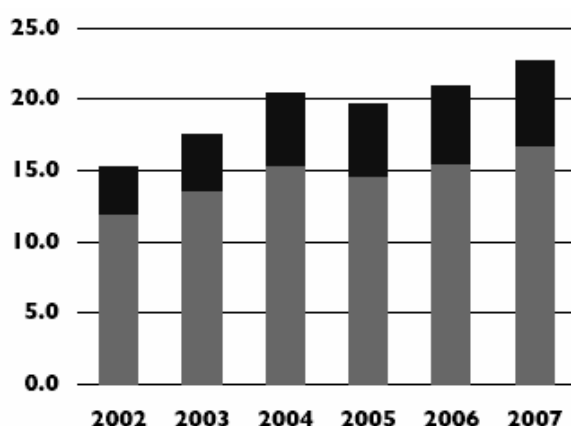


Light Blue Line is T&T Industry Jobs; Dark Blue is T&T Economy Jobs

Source: World Travel and Tourism Council

Personal and Business (Source: WTTC)

India Personal Travel & Tourism is estimated at INR1,016.1 bn, US\$21.9 bn or 4.0% of total personal consumption in year 2007. By 2017, this should reach INR3,385.7 bn, US\$56.8 bn or 4.1% of total consumption. India Business Travel is estimated at INR353.3 bn, US\$7.6 bn in year 2007. By 2017, this should reach INR1,228.4 bn or US\$20.6 bn. Following graph shows India's Travel and Tourism consumption in \$ bn from 2002 to 2007.

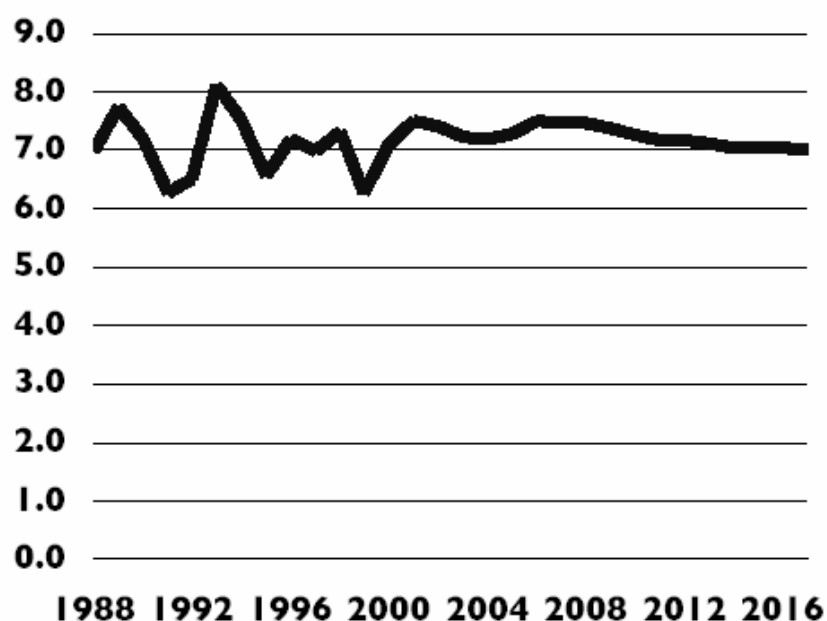


Light Blue Bar is Personal Travel & Tourism; Dark Blue Bar is Business Travel

Source: World Travel and Tourism Council

Capital Investment (Source: WTTC)

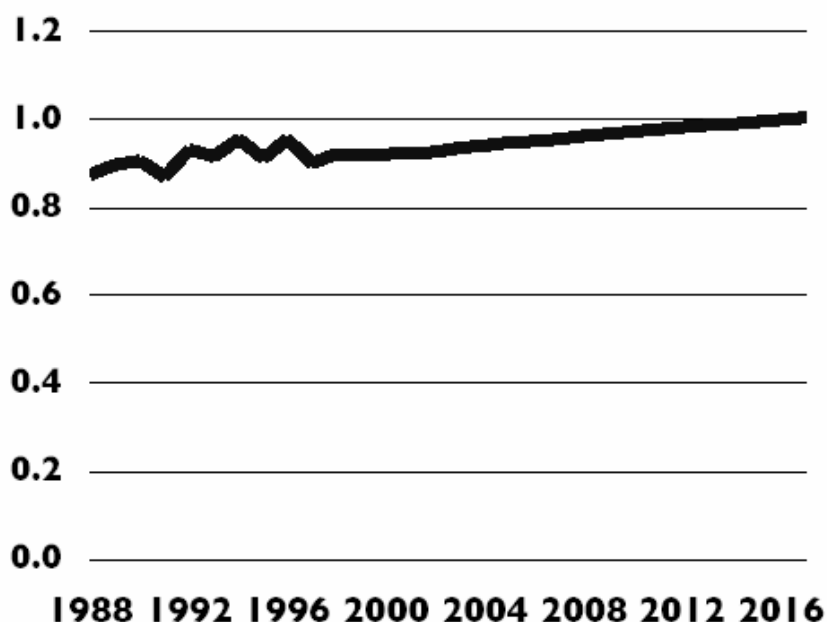
India Travel & Tourism Capital Investment is estimated at INR838.9 bn, US\$18.1 bn or 7.5% of total investment in year 2007. By 2017, this should reach INR2,617.3 bn, US\$43.9 bn or 7.0% of total. Following figure shows the investment in travel and tourism as a percentage of total investment from 1988 to 2016.



Source: World Travel and Tourism Council

Government

According to WTTC Government Travel & Tourism operating expenditures in India in 2007 are expected to total INR46.7 bn (US\$1.0 bn) or 1.0% of total government spending. In 2017, this spending is forecast to total INR129.5 bn (US\$2.2 bn), or 1.0% of total government spending. Following graph shows Indian governments travel and tourism expenditure as a percentage of total expenditure from 1988 to 2016.



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

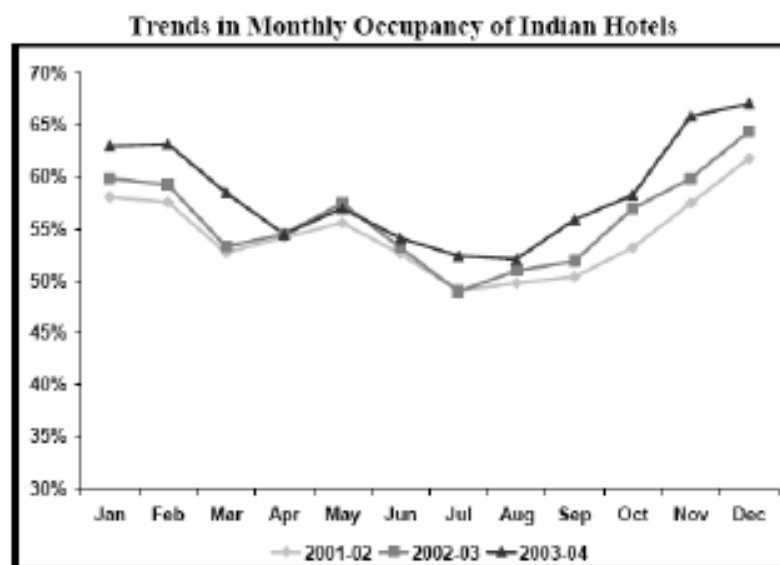
- The “Incredible India” campaign was the first major public/private global campaign from India and was very well received, helping to showcase India as a leading tourist destination, globally;
- Announcement of an open-skies policy for the peak travel season;
- Planned upgrade of Mumbai and Delhi airports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

Domestic Leisure and Business Travelers

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

Seasonal Nature of the Industry

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

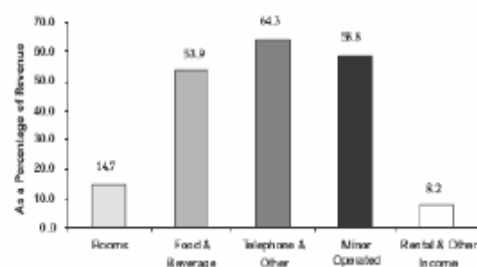


The seasonal nature of the hotel industry is also dependant upon any major event in respective cities. For example in Bangalore the occupancy rates are higher during the aero shows, annual industry conventions and seminars etc.

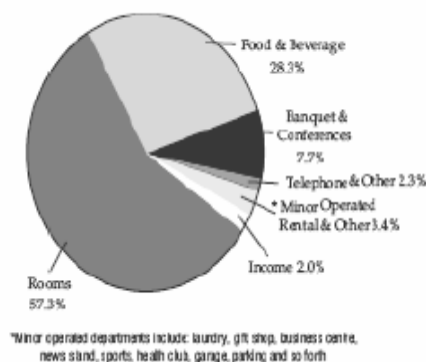
Highlights of the Indian Hotel Industry Survey 2004-05 (By FHRAI)

Revenue and Cost Composition

Departmental Expenses as a Percentage of Revenue - 2004-2005



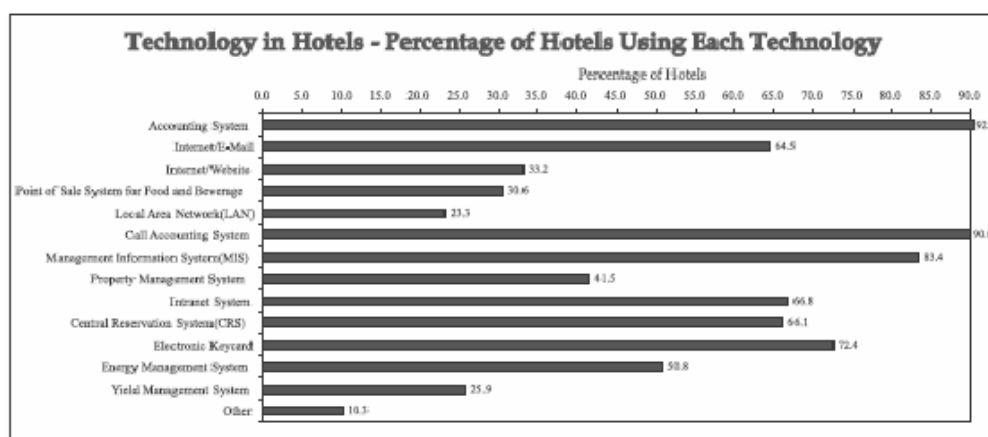
Breakdown of Revenue - 2004-2005



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

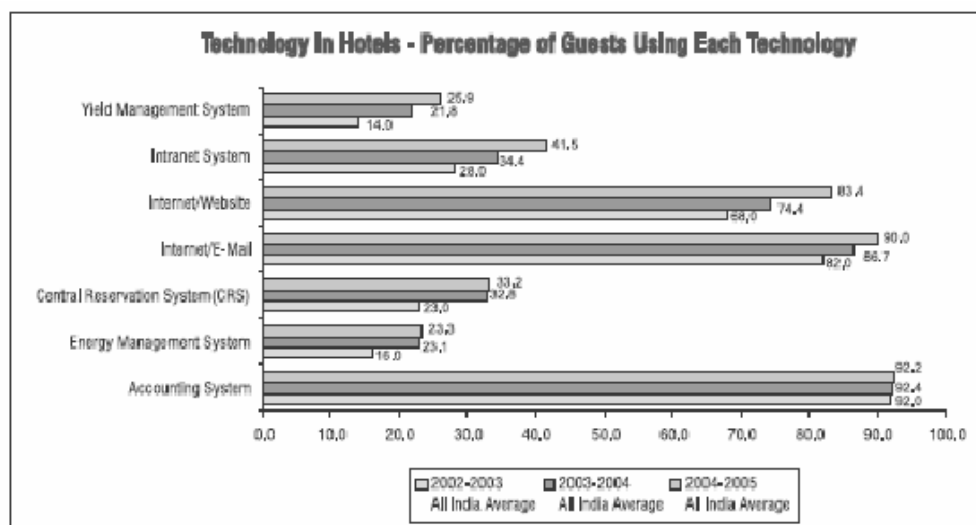
CHL LIMITED

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



- Intranet and e-mail systems by hotels and usage of CRS and websites as distribution channels continue to gain importance. The graph below depicts a comparison of the percentage of guests using each technology, during the period 2002-2003 to 2004-05.
- Five-star and four-star hotels witnessed overall increase in utilization of yield management systems over the three-year period between 2002-03 and 2004-05.

- The maximum utilization of energy management systems continues to be in the five-star deluxe category. These hotels have managed to maintain the energy cost POR at Rs762 in 2004-05 (Rs758 POR in 2003-04).

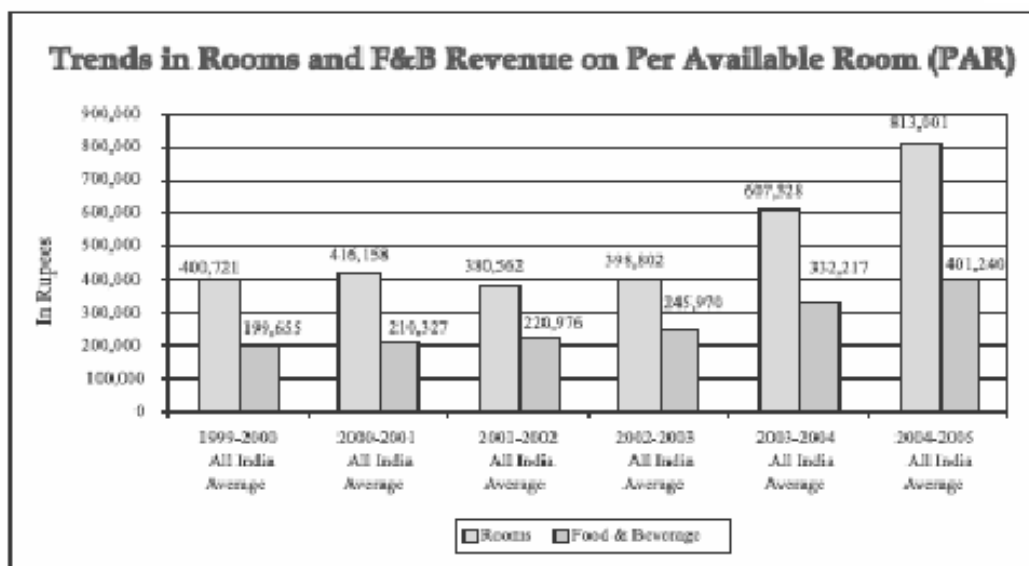
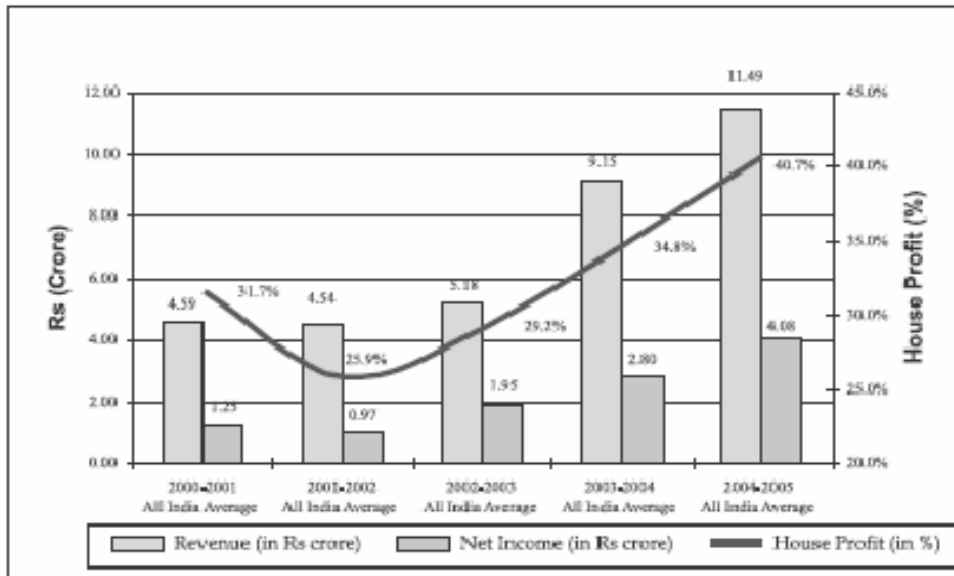


- There has been an increase in heritage hotels using energy management systems, from 21.1% in 2003-04 to 28.6% in 2004-05, which has resulted in decrease in energy cost of heritage hotels from Rs637 POR in 2003-04 to Rs499 in 2004-05.
- Percentage of foreign guests increased to 28.3% in 2004-05, compared to 25.0% in 2003-04, primarily as the percentage of foreign business travelers grew. Of the foreign guests, the UK provided the largest demand, at 6.2%, followed by USA, at 12.8%, and France at 7.2%.
- Domestic guests continue to be the most important segment for the Indian hotel industry, accounting for 71.7% of all guests in 2004-05, though this has decreased marginally from 75.0% in 2003-04 and 76.9% in 2002-03.
- All India average stay of a business traveler has increased from 2.0 days to 2.4 days.
- There is an increase in foreign business travelers utilizing five-star deluxe, five-star, four star hotels and heritage hotels from 27.0%, 18.6%, 11.4% and 11.7%, respectively, in 2003-04 to 28.1%, 21.4%, 13.7% and 14.1%, respectively, in 2004-05.
- With the increase in average rates the foreign-tourists/leisure FIT segment has shifted from five-star deluxe hotels to five-star and four-star hotels. There has been a decrease in foreign-tourists/leisure FIT in five star deluxe hotels (from 10.4% in 2003-04 to 8.1% in 2004-05) and an increase of this segment in five star and four star hotels (from 5.6% and 10.5%, respectively, in 2003-04 to 10.9% to 12.2%, respectively in 2004-05).
- Owing to all India increased occupancy property operations and maintenance expense PAR has increased from Rs 69,735 in 2003-04 to Rs91,981 in 2004-05.

- Average monthly occupancy was highest in December (at 71.7%), followed by November (at 67.8%) and January, February (at 65.8%).
- Direct enquiry and advance reservations by travel agents and tour operators cumulatively comprise of 75.9% of reservation source for Indian hotel industry. Five-star deluxe hotels are making the best use of GDS as 8.1% of the total reservations for five-star deluxe hotels come from GDS, against the all India average of 1.7%.
- Print advertising is the most popular media used by the Indian hotel industry with the all India average at 92.2%, followed by 82.5% using direct mails.
- Credit cards as a mode of transaction increased from 27.7% and 30.4% in 2002-03 and 2003-04 respectively to 32.5% in 2004-05. Credit cards remained the most popular method of payment at five-star deluxe hotels at 47.4%.
- Visa (41.8%) was the most widely used credit card by hotel guests in 2004-05, followed by MasterCard (37.0%). American Express charged the highest credit card commission at 2.9% against 1.7% by Visa and MasterCard.

Indian Hotel Industry-Revenue and Profitability-Average per Hotel

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



It is evident from the above graph that there is strong correlation between F&B revenue and room revenue and even with rising Rev PAR the overall F&B contribution to total revenue has been maintained. This may be partly attributed to price increases in the F&B outlets.

City Wise Trends in Hotel Industry

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

City	Average Occupancy				Average rate per room (Rs)			
	2001-02	2002-03	2003-04	2004-05	2001-02	2002-03	2003-04	2004-05
New Delhi	55.90%	58.30%	69.10%	76.60%	3,434	2,918	4,247	5498
Mumbai	63.80%	62.60%	66.30%	74.90%	2,075	1,822	3063	4307
Kolkata	61.70%	63.60%	64.60%	67.10%	1,417	1,342	2520	2210
Chennai	65.00%	63.90%	61.60%	73.30%	1,936	2,048	2,061	2384
Bangalore	62.80%	72.40%	78.90%	79.80%	1,921	2,149	4,109	6762
Pune	58.00%	59.90%	62.10%	77.20%	1,044	1,141	1,820	1295
Goa	56.10%	60.20%	65.30%	60.10%	1,756	1,982	2,147	2704
Hyderabad	67.20%	71.00%	78.10%	75.20%	1,131	2,049	2,406	2729
All India Average	53.20%	54.80%	59.70%	63.60%	2,058	2,004	2,689	3413

Source: FHRAI

Our Business Overview

History

The Company was originally incorporated in Delhi on March 16, 1979 as a private limited Company under the provisions of the Companies Act, 1956 with the name and style ‘**Cosmopolitan Builders and Hoteliers Private Ltd.**’ having its registered Office at B-6, Asaf Ali Road, New Delhi-110002. Thereafter the word private was deleted and the name of the Company was changed to ‘**Cosmopolitan Builders and Hoteliers Limited**’ vide special resolution passed on 23rd January, 1982. The name of the Company was again changed to ‘**Cosmopolitan Hotels Limited**’ vide Fresh Certificate of Incorporation Consequent to Name Change on February 29th April, 1982. The Company was renamed as “**CHL Limited**” on 11th December, 1997. As of date the Registered office of the Company is situated at “Hotel Crowne Plaza, New Friends Colony, New Delhi-110025”.

Changes in Registered office of the Company:

Previous Address	New Address	Reasons for Change	Date of Change
B-6, Asaf Ali Road, New Delhi	D-898, New Friends Colony, New Delhi	More Space	23 rd February, 1981
D-898, New Friends Colony, New Delhi	Hotel Crowne Plaza, New Friends Colony, New Delhi	More Space	1981

Hotel Crowne Plaza, New Delhi

The Hotel Crowne Plaza started in November 1982 with the ninth Asian Games being held in the capital. We had a tie up with the ACCOR group, an international chain of hotel, and were called *Sofitel Surya*. We split with the ACCOR group and franchised with *The Best Western International*, the biggest chain in the world in terms of independently run hotels. But this also ended on December 31, 1998 & thereafter we became *The Surya*. This hotel, which stands for true excellence in courtesy and hospitality is also conveniently located close to Delhi’s prime commercial centers and is an ideal base to explore the tourist and historical attractions of the city. With effect from September 2000, we have joined hands with now called as *M/s Bass Hotels & Resorts Inc. (now known as Intercontinental Group)*, to rebrand the hotel as **Crowne Plaza Delhi**, the only Crowne Plaza Hotel in India.

Distances

From Indira Gandhi International Airport	– 23 kms.
From the City Center (Connaught place)	– 10 kms.
From domestic airport	– 18 kms.
From New Delhi railway station	– 12 kms.
From Old Delhi railway station	– 16 kms.

CHL LIMITED

The Company, CHL Limited, was initially incorporated as a Private Limited Company on 16th March 1979 under the name and style of “ M/s Cosmopolitan Builders & Hoteliers Pvt Ltd”. It was subsequently converted into a public Limited Company and its name was changed to Cosmopolitan Builders & Hoteliers Ltd., and then to “Cosmopolitan Hotels Limited” and finally to “CHL Limited”.

The main objective of the company was to run the business of a 5 – star Deluxe Hotel in South Delhi, which should have all the facilities/comforts as per the needs of the tourist/corporate bodies.

The company is being managed under the chairmanship of Dr. L.K.Malhotra, who is Sr. Vice President of PHD Chamber of Commerce & Industries, New Delhi. He is assisted by his son Mr. Luv Malhotra for operations of the hotel.

The hotel is having 245 rooms comprises of 142 Superior Spacious rooms, 92 designed club room with a exclusive Club Lounge, 10 Deluxe suits and one Presidential suite comprises of 4 rooms and a conferences room.

The hotel has following facilities to meet Food & Beverage requirements of the client:-

- a) **SEVEN:** An interactive restaurant serving traditional Indian Food in a contemporary style with seven different cooking techniques under one roof. In this outlet, food is cooked in front of the guest to his taste. The guest can enjoy the food with light old classic Indian music live by the traditional music team.
- b) **SAMPAN:** A 94 cover restaurant in a Chinese style, for authentic Cantonese and Szechwan specialties with a live band and a panoramic roof top view of the city. Sampan is very well known restaurant of South Delhi on weekend, it remains full to its capacity normally.
- c) **LE CAFÉ:** The 24 hour coffee shop with multi-cuisine restaurant. The restaurant provided Buffet lunch and dinner on daily basis. Time to time food festivals are organized in this restaurant.
- d) **ATRIUM LOUNGE BAR:** The bar is at ground level of the hotel and wide open. At this bar, the guest can enjoy world’s finest liquor and spirits with live music every evening. A big television screen is also displayed here during important sports event to facilitate the guest to relish his drinks while watching the screen.
- e) **ROYALE MIRAGE:** Royal Mirage is a discotheque, well know in Delhi. Here music played can range from DJ, hip hop to house and trance in one of the advanced acoustic ambience. Royal Mirage is very famous amongst youngsters. This is open only trice a week.
- f) **PASTRY SHOP:** The hotel has an exclusive Pastry shop in which variety of pastry, cookies and cakes are available at affordable price.
- g) **BANQUET HALLS:** The hotel has four banquet halls having capacity of 20 to 500 persons. These halls meet the demand for various parties, conferences, shows, marriages etc. The hotel will be opening a Roof Top Open Air terrace garden to cater small parties for persons who like to have food in open air atmosphere especially during winter season.

HEALTH CLUB CUM BEAUTY PARLOUR: Club One is the fitness center, which offers a full-fledged ayurvedic treatment centre cum spa, gym, cardiopulmonary rehabilitation and weight control

programmes. There is separate beauty parlor for men & women are which is being managed by professionals. On its one side there is a swimming pool with Light Beverage services.

At Lobby level the hotel has a business centre, which provides all type of service and Internet facilities to guest.

Staff Strength & Corporate Strategy:

The hotel has around 666 employees including contractual employee and most of the working staff has good experience in manning the hotel in various fields. The relationship between staff and the management are very cordial. The details of the total employee is as follows:

DEPARTMENT	STRENGTH AS		
	ON 01/06/2007		
	E	S	C
ADMINISTRATION	15	2	0
ACCOUNTS/I.T	18	16	1
F&B (CONTROLS)	4	2	0
MATERIAL MANAGEMENT	4	5	0
HRD	2	3	0
SALES DELHI/FCC	14	1	2
SALES BRANCH OFFICE	4	0	0
FRONT OFFICE	38	15	0
TELECOMMUNICATIONS	10	5	0
SECURITY	10	42	40
ENGINEERING	13	33	8
HOUSE KEEPING	10	71	8
LAUNDRY	2	8	16
F&B (SERVICE)	8	81	0
F&B (PRODUCTION)	9	84	0
KITCHEN STEWARDING	3	27	15
HEALTH CLUB	7	15	2
TOTAL	171	410	92

Index:

E- Executive

S- Staff

C-Contractual

Conference and Banquet Facilities:

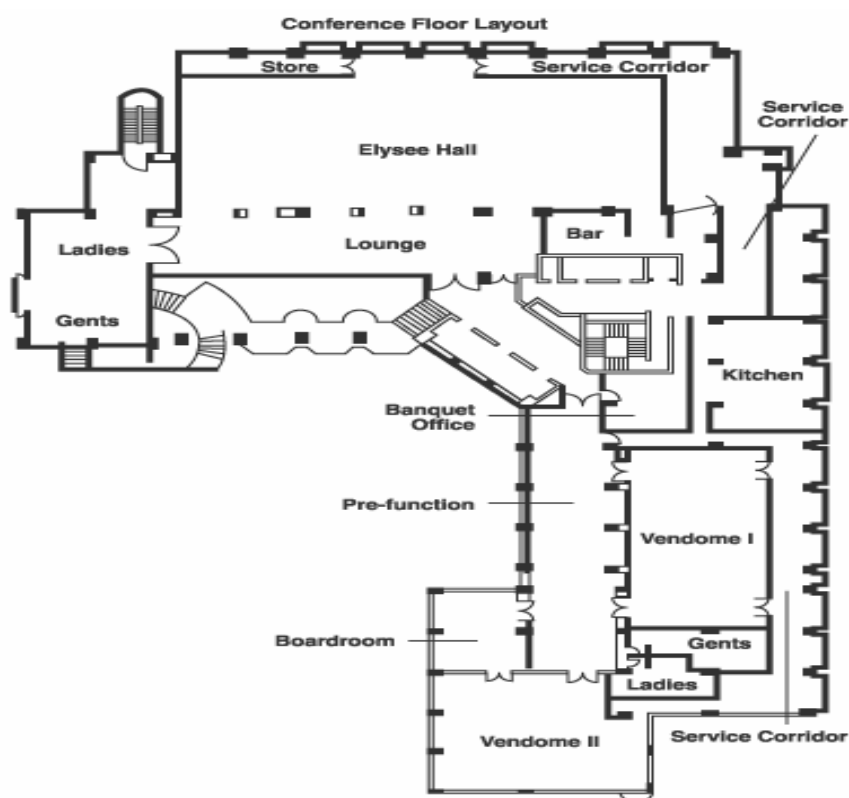
	Rec. Style	Theater Style	Class-room Style	U-Shaped Style	Block Buffet	Sit- down
Elysee	500	500	150	100	100	200
Vendome – I	100	100	70	35	40	50
Vendome – II	100	100	50	30	35	35
Party Room	-	25	-	15	15	-
Board Room	-	25	15	18	-	-

Corporate Team

Chairman and Managing Director	:	Mr. L. K. Malhotra
Executive Director	:	Mr. Luv Malhotra
VP – Finance	:	Mr. N. K. Goel
VP – GM	:	Mr. Girish Bindra
Company Secretary	:	Mr. G.J.Varadarajan
Corporate Manager Liaisons	:	Mr. R. N. Juyal

Brief note on the occupancy status of hotel for the last five years and projections for the next four years.

Financial Year	Occupancy (%)
2002-03	53.31
2003-04	71.68
2004-05	80.31
2005-06	81.71
2006-07	83.00
2007-08	85.00
2008-09	86.50
2009-10	88.00
2010-11	89.00



(A) MAIN OBJECTS OF THE COMPANY:

1. To carry on the business of hotel, restaurant, cafe, tavern, beer-house, refreshment room and lodging-house keepers and licensed victuallers.
2. To purchase, erect or otherwise acquire, establish and equip, act as collaborators, technicians, financiers of any other hotels in India or in any other part of the world.
3. To act as agents of any hotel company or as buying and selling agents to any hotel company and to do and perform all and singular the several duties, services and functions which the agents, buying and selling agents of any hotel company usually do.
4. To construct, acquire, rent out or manage, lease theatres, cinema houses, auditoriums, studios and other buildings.
5. To carry on the business of manufacturers and dealers in the renewable energy systems and the connected components (Solar photovoltaics, solar thermal, hydel, wind, biomass, cogen, concentrator system, solar chimney, hydrogen power etc.) including semi conductor materials/devices, transistors, rectifiers, zener diodes, thermistors, integrated and hybrid circuit relays and variators, potentiometers, connectors, printed circuits, coils, chokes, transformers, switches, volume controls, plugs, sockets, batteries, accumulators, cables, piezo electric quartz crystals of all types etc.
6. To carry on business as producers, manufacturers, processors, converters, refiners, makers, stockists, dealers, importers, exporters, traders, retailers, agents, buyers or sellers of various items' for non-conventional/renewable energy systems such as oxygen, acetylene, ammonia, carbon dioxide, nitrogen, hydrogen, helium and other types and kinds of gases required for or used in industries for application and manufacture of the renewable energy systems/products including agriculture, clinics, hospitals, refrigerators, aviation, transport vehicles, space rockets and crafts, communication, power plants, domestic or public lighting, heating, cooling purposes, lighters, plant producing water, chemicals or fuels, pesticides, defence or warfare establishments, horticulture, forest or plant, protection and growth and other allied purposes and to service, repair, manufacture, market or deal in machinery, plants, spares, cylinders, containers, gadgets, appliances and accessories required for, working on, using or producing any such systems.
7. To carry on in India or elsewhere the business of dealing in gold and to manufacture, produce, design, develop, modify, build, encourage, refine, repair, process, prepare, fabricate, alter, dismantle, provide, exchange, remove, set, convert, finish, polish, cut, fit, trim, contract, sub-contract, supply, turn to account, let on hire, buy, sell, import, export, wholesale, retail and to act as agent, broker, adatia, job worker, consignor, contractor, vendor, collaborator, stockist, distributor or otherwise to deal in all shapes, sizes, varieties, designs, applications, combinations & uses of apparel, ornaments, gems, jewellerys, goods, watches, clocks, cutleries, fabrics, utensils, antiques, articles, & things, their parts, accessories, fittings, components, ingredients, and materials thereof made partly or wholly of gold, silver, platinum, or other precious metals and alloys thereof together with precious, semi precious, imitation, synthetic, natural or other varieties of stones and materials whatsoever and to do all incidental acts and things necessary for the attainment of above objects.

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8. To carry on in India or elsewhere the business as manufacturers, producers, processors, importers, exporters, agents, brokers, wholesalers, showroom owners, retailers, distributors, exchangers, traders, buyers, sellers, job workers, stockists and to market, promote, organize, design, develop, cut, sort & grade or otherwise to deal in all shapes, sizes, varieties, specifications, descriptions, applications, modalities, fashions & uses of garments for men, women & children including sportswear, activewears, dailywears, fashionwears, partywears, wearing apparels, underwears, purses, belts, wallets and other allied goods made from cotton, silk, synthetics, jute, velvet, woollen, leather, rexin or with any combination thereof and to participate in local, national and international trade fairs, sales exhibitions, seminars, fashion shows or any other sales promotion scheme and to do all incidental acts and things necessary for the attainment of above objects.

9. To carry on in India or elsewhere the business of financing, money lending, bin discounting, factoring, corporate lending to advance money with or without securities, to provide finance to industrial enterprises on short term, medium term & long term basis; to provide finance on the securities of shares, stocks, bonds, debentures or other similar instruments, to provide clean loan, to provide loans against FOR held with the Company, to participate in consortium finance with other institutions or body corporates, but the Company shall not do Banking business as defined in Banking Regulation Act, 1949; to take acceptances & obligations, to provide guarantees & counter guarantees, to provide bridge loans, to provide forex advisory services & loan syndication services and to arrange and provide other financial services and to act as consultant, advisor, manager, representative, retainer or in other capacity for the purpose of accomplishments of the objects under these presents; to carry on the business of Foreign Exchange, Money Changing and all other business connected with Foreign Exchange not amounting to Banking business.

The Company has the following Insurance Policies as on date:

Sr. No.	Policy No.	Policy Type	Description	Period of Insurance	Sum Assured (Rs. In Lacs)	Premium P.a. (Rs in Lacs)
1.	YH00000031000103	Hotel Sheild Policy	Covers Standard Fire and Special Perils, Burglary, Accidental damage, Money in Transit, Money in Safe, Fidelity Guarantee,	1-05-2007 to 30-04-2008	5007	6.00
2.	LP000000137000104	Public & Product Liability Insurance Policy	Public Liability/Product Liability arising on Food and Beverage, swimming pool, property in the insured care custody and control	14-1-2006 to 13-10-2007	2000.00	2.10

In addition the Company is having different Medical Policies like Group Medclaim, Group Personal Accident Insurance and various vehicles.

Total Indebtedness

Name of the Bank	Type of Loan	Amount Rs in Lacs	Rate of Interest	Repayment schedule	Security
HSBC Bank Ltd.	<u>Overdraft</u> Limit:Rs.100,000,000/- Purpose: To finance working capital Tenor: Repayable on demand Interest: Interest on the overdraft facility will be charged on daily balances at HSBC prime lending rate, currently 13.25% p.a. but subject to fluctuation at our discretion and payable monthly in arrears to the debt of your current account. Documents: Promissory Note for Rs.100,000,000/-(held) Agreement for overdraft for Rs.100,000,000/-(held)	1000.00	13.25	Repayable on demand	Fixed deposit under lien for Rs.105,000,000/-
HSBC Bank Ltd.	<u>Term Loan</u> Purpose; To finance Capital expenditure Tenor: Maximum Six years Pricing: Interest on the loan will be charged on daily balances at mutually agreed rates and payable monthly in arrears or on the due date which ever is earlier to the debit of your current account Availability and Drawdown: This	6000.00	10.95%	72 equated monthly installments (nil moratorium) Prepayment: Any cancellation or Prepayment will be subject to funding penalties at our discretion	<u>Charge:</u> Exclusive first charge over the entire present and future current assets for Rs. 60 Crores (required to be perfected prior to disbursement held for Rs23 Crores) Exclusive charge over the present and future credit card

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	<p>facility must be drawn down by 31st August 2007 and any portion pf the facility which ahs not been drawn down by that date shall there upon be automatically cancelled and of no further effect.</p>				<p>receivables for Rs. 60 Crores (required to be perfected prior to disbursal held for Rs. 20 Crores)</p> <p>First charge over the Companies entire present and future fixed assets (equitable mortgage/plant and machinery) fro Rs.60 Crores including a charge over the existing hotel at Delhi and the proposed hotel at Jaipur (required to be perfected within 90 days of disbursal held for Rs. 23 Crores) A minimum asset cover of 2.0X over the Market value of Delhi Property should be maintained at all times (valuation of the Delhi Property will be done at an annual basis to validated this)</p> <p><u>Guarantee:</u> Personal guarantees of Dr. L. K. Malhotra for Rs.60 Crores required Prior to disbursal, along with the latest Income Tax/wealth Tax</p>
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					Statement held for Rs. 13 Crores Post Dated cheques for Rs.60 Crores required
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Properties owned by the Company

A 245-room hotel building on an area of 7405 Sq. mtrs. on a land allotted by Delhi Development Authority.

Subsidiaries of The Company

The company has no subsidiary within the meaning of Sec 4 under company's act 1956.

Shareholders Agreement

There is no separate agreement between any shareholders and the company.

Strategic Financial Partner

There is no Strategic Financial Partner as on date.

Other Agreements

The Company has entered into an International Hotel License Agreement with M/s Bass Hotels & Resorts, Inc. (now known as Intercontinental Group, USA) to use their brand name 'Crowne Plaza' for a period of Ten years from January, 2001 to January, 2010.

The Important terms of the agreement are:

- CHL will use the name Crowne Plaza for its property situated at New Friends Colony, New Delhi.
- CHL will pay Royalty fees to M/s Bass Hotels & Resorts, Inc. at rate of 2% of the Gross Room Revenues with deduction for sales and Room taxes only.
- Bass Hotels & Resorts, Inc. will provide all technical assistance to promote the property in tourism sector.
- Bass Hotels & Resorts, Inc. will do global advertising and assist in booking of accommodation globally.
- Training Programmes and materials
- Advertising publicity and other marketing programmes and Materials

Except the contracts/agreements mentioned above and entered in the ordinary course of business carried on or included to be carried by the Company, the Company has not entered into any other agreement/contracts.

Promise Vs Performance

In the year 1982

The Company came out with its first Public Issue of 19,78,780 Equity Shares of Rs. 10/- each at par, in the year 1982, out of which 6,28,780 shares were reserved for allotment to non resident Promoters, Directors and their associates.

The Issue was for the purpose of setting up Five Star deluxe category hotel of international standards at new friends colony with 245 rooms. The above project was completed in 1983 within the projected cost of Rs. 1550 lacs and there were no cost overruns. There were no projections given in the Offer Document.

Regulations and Policies

Indian Regulation

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

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

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

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

The Central Excise Act, 1944

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

The Prevention of Food Adulteration Act, 1954

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

Environmental Laws, Rules & Regulations

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

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste

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Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects

Management of the Company

Board of Directors

Name, Address	Designation	Date of Appointment	Age	Other Directorships
Dr. L K Malhotra D-6/22, Vasant Vihar New Delhi 110057	Chairman Cum Managing Director	25-10-1980	63 yrs	1. Mela Hotels Ltd. 2. Mohan Meakin Ltd 3. Mohan Rocky Spring water Breweries Ltd. 4. ICS (India) Pvt. Ltd. 5. Malbros Capital Services (P) Ltd. 6. Kyjol Entertainment Media Pvt. Ltd. 7. CHL (South) Hotels Ltd. 8. CHL International 9. PHD Chamber of Commerce and Industry 10. Taurus Asset Management Company Limited
Mr. D V Malhotra P O Box No.251 Safat 13003, Kuwait	Non Executive Director	15-07-1985	68yrs	1. Malbros Investment Inc 2. CHL International (Director)
Mr. A K Malhotra A-22, Kirti Nagar New Delhi 110015	Non Executive Director	15-07-1985	58 yrs	1. Mela Hotels Ltd. 2. Malbros Farms (P) Ltd. 3. ICS India Pvt. Ltd. 4. Vatsal Foods Pvt. Ltd.
Mr. O P Bajaj 40, Villa Bajaj SOI No.19 Sukhumvit Road Bangkok (Thailand)	Independent Director	30-12-1982	73 yrs.	1. Prime Real Estate Company Ltd. 2. Prosperity Development Company Ltd.
Mr. B N Malhotra Post Box No.20267 Safat, Kuwait	Non Executive Director	29-09-1995	76 yrs	1. Mela Hotels Ltd.
Mr. Kumud Malhotra 30, Willowbrook Road Holmdel NJ 07733 USA	Independent Director	12-09-1997	46 yrs	1. On Track Technocrat Developer Pvt. Ltd. 2. Regal Manor Builders, USA 3. Regal Manor Inc.

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Mr. Subhash Ghai 12, Cliff Tower, Mount Mary Road, Bandra (W) Mumbai 400 050	Independent Director	29-11-1997	63 yrs	1. Mukta Arts Limited 2. Whistling Woods International Limited 3. Mukta Arts International Limited 4. Mukta Tele Arts Pvt. Ltd. 5. Inter Airways Pvt. Ltd.
Mr. Luv Malhotra D-6/22, Vasant Vihar New Delhi 110057	Whole Time Director	22-09-2000,	34 yrs	1. Kyjol Entertainment Media Pvt. Ltd. 2. CHL (South) Hotels Ltd 3. ICS (India) Pvt. Ltd. 4. Malbros Capital Services Pvt. Ltd. 5. On Track Technocrat Developer Pvt. Ltd.
Mr. Harish Chander Bhasin C-2/7, Safdarjung Development Area New Delhi 110 016	Independent Director	31-10-2001,	67 yrs	1. AHL Hotels Limited 2. CHL (South) Hotels Limited 3. Taurus Investment Trust Company Ltd. 4. HB Corporate Services Ltd. 5. Bhasin Share & Stock Brokers Limited. 6. Raja Ram Bhasin Share & Stock Brokers Limited
Mr. R C Sharma N 1, Green Park Extension New Delhi-16	Independent Director	30-04-2003	67 yrs.	1. Sir Shadilal Enterprises Ltd. 2. HB Portfolio Ltd. 3. PCI Ltd.

Brief Profile of Directors of the Company

Dr. L.K. Malhotra, aged 63 yrs, is a Ph.D. He has been associated with the company since its inception and one of the founder promoters of the company. He has very vast business experience in the hotel industry

Mr. D.V. Malhotra, aged 68yrs, is a Non Resident Indian based at Kuwait and is one of the prominent figures of Indian origin in Kuwait. He is known industrialist and has wide and vast experience in the field of General Trading and Hotel business. He is one of the major promoters of the company and has been associated with the company since its inception.

Mr. A.K. Malhotra aged 58 yrs. He has been associated with the company since long. He is a hotelier and has vast business experience.

Mr. O.P. Bajaj aged 73 yrs, is a Non Resident Indian based at Bangkok and is one of the Directors of the Company and has been associated with the company since operations. He has vast experience in the area of managing and running hotels and is a well-known industrialist in Bangkok.

Mr. B.N. Malhotra aged 75 yrs, He has been on the Board since inception of the company. He is one of the outstanding personalities in Kuwait and popularly known among the Indians at Kuwait. He has established his business at Kuwait since long and has wide experience in business and is one of the prominent figures in the industrial life of Kuwait

Mr. Kumud Malhotra aged 46 yrs, He has been associating with the company since its inception and he was inducted on the Board in the year 1997. He is an American Citizen of Indian Origin and actively connected with Project Engineering both in India and in America.

Mr. Subhash Ghai aged 63 yrs, He is renowned and well known leading director of films, is an eminent and outstanding personality in film industry. He is a prominent figure in the business and industrial life of Mumbai. He is the founder of “Whistling Woods International – a world class institute for films.

Mr. Luv Malhotra aged 33 yrs, MSc. (Economics) from University of Buckingham

Mr. Harish Chander Bhasin aged 67 yrs, He is well known in the Financial Services Industry. He has founded HB Group, which is a name to reckon with in financial services. He has vast and wide experience and in depth skill in financial fields especially in capital market and investment management. He has been on the Board since 2001.

Mr. R.C. Sharma aged 67 yrs, is a Retired I.P.S. officer and former Director of Central Bureau of Investigation. He has rich and vast experience in the fields of public administration and information technologies.

Borrowing Powers of the Directors

The Articles of Association of the our company authorized the board to borrow, the extract of which is as follows:

Article 86 provides that the Board may from time to time, at its discretion, by a resolution passed at a meeting of the Board and not by circulation accept deposits from the member either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the company that the total amount borrowed at any time together with the money already borrowed by the company (except the temporary loans) shall not, without the consent of the Company in general meeting, exceed the aggregate of paid-up capital and free reserves of the Company. The present borrowing power of the board is upto Rs. 300 Crores which has been approved by the members in the Annual General Meeting held on 27th September, 2006.

Corporate Governance

The core principle of Corporate Governance is that Management must have the executive freedom to drive the enterprise forward and the freedom of Management should be exercised with a framework of checks and balances with accountability towards performance and progress. The company's Governance Principle is the establishment of a set of systems or process whereby the directors are entrusted with responsibilities and duties of corporate affairs. Maximization of shareholders' wealth is the corner stone of the governance. It hinges on total transparency, integrity and accountability of the management,

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which includes non-executive directors. It is about commitment to values and ethical business conduct and a high degree of transparency.

Details of various committees are as follows:**i) Audit Committee**

Terms of Reference of the Audit Committee are as per statutory guidelines that inter-alia, include overseeing financial reporting processes, reviewing Quarterly, Half yearly and Annual financial results, adequacy of internal control systems, internal audit function, discussions with the auditors about the scope of audit including the observations of the auditors and discussion with internal auditors on any significant findings and also to investigate any activity within its terms of reference and to seek any information it requires from any employees and to secure the attendance of outsiders with relevant experience and expertise, where considered necessary. .

During the year ended 31st March 2007, four meetings of the Audit Committee were held. Quorum for the meetings was there in accordance with the provisions of Companies Act and listing agreements. The audit committee comprises of the following members:

Members of Audit Committee	Designation	Nature of Directorship
Mr. O.P Bajaj	Chairman	Independent Director
Mr. Luv Malhotra	Member	Whole Time Director
Mr. R.C Sharma	Member	Independent Director
Mr. Harish C. Bhasin	Member	Independent Director

ii) Remuneration Committee

The Company has a Remuneration Committee, comprising of the three directors Mr. O.P. Bajaj, Mr. Harish C Bhasin, and Mr. Subhash Ghai.

Non-Executive Directors

The remuneration of the Non-Executive Directors (NEDs) of the Company is decided by the Board of Directors. The NEDs are paid remuneration by way of Commission and Sitting Fees. In terms of the approval of the members at the 26th Annual General Meeting of the Company held on 10th September 2005, commission is paid at a rate not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956. The commission amongst the NEDs is distributed equally.

The Company did not have any pecuniary relationship or transactions with the Non Executive Directors and Executive Directors during the financial year 2006-2007.

Sitting Fees

The Sitting fee for attending the meeting of the Board of Directors was increased from Rs. 10,000/- to Rs. 20,000/- w.e.f. 27.09.2006.

Sitting fees was increased from Rs. 5000/- to Rs. 10,000/- w.e.f. 20.10.2006 and further increased to Rs. 20,000/- w.e.f. 31.01.2007 for attending each meeting of Audit Committee, Shareholders/Investor Grievance Committee and of Remuneration Committee.

Managing Director and Executive Director

The Company pays remuneration to its Managing Director and Executive Director by way of salary, perquisites and allowances (a fixed component) and commission (a variable component). Salary is paid within the overall limits approved by the members of the Company. The Board, on the recommendations of the Remuneration Committee, approves the annual increments (effective 1st April each year). Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee to the Board. Commission is calculated with reference to the net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

The member of the remuneration committee are as under:

Members of Remuneration Committee	Designation	Nature of Directorship
Mr. O.P Bajaj	Chairman	Independent Director
Mr. Subhash Ghai	Member	Independent Director
Mr. Harish C. Bhasin	Member	Independent Director

Remuneration paid to working Directors is as under as on 31st March, 2007:

Name of Directors	Salary & Allowance (Rs. in lacs)	Commission (Rs. in Lacs)	Service Tenure Upto
Dr. L.K. Malhotra	82.00	106.50	14.07.2010
Mr. Luv Malhotra	38.40	70.96	21.09.2010

iii) Investor Grievances and Share Transfer Committee

The Committee was constituted by the Board in their meeting of Oct 31, 2001. Mr. Harish C Bhasin and Mr. A.K. Malhotra are the members of this committee. Mr. O.P. Bajaj is the Chairman of the Committee w.e.f. 30/01/2006. The Company Secretary is the Compliance Officer. The committee attends to the investors/shareholders, correspondence and share transfers expeditiously and usually reply is sent within a period of 15 days of receipt, except in those cases, which are disputed, and sub-judice. There are no pending share transfers as on 31st March 2007. The company furnishes necessary documents/ information to the shareholders.

The Company received 25 shareholder's grievances during the year which interalia included non-receipt of Annual Report and past years' dividend. The grievances were duly attended to and the company has furnished necessary documents/information to the shareholders. No grievances was pending at the year-end. One meeting was held on 28.07.2006 during the year under review.

CHL LIMITED

The Members of the Committee are as under:

Members of Remuneration Committee	Designation	Nature of Directorship
Mr. O.P Bajaj	Chairman	Independent Director
Mr. A.K. Malhotra	Member	Non Executive Director
Mr. Harish C. Bhasin	Member	Independent Director

Disclosure by Senior Management in accordance with Clause 491V(F) (ii) of the Listing Agreement

The senior Management of the Company has confirmed to the Board of Directors that they do not have any personal interest relating to material, financial and commercial transactions with the Company that may have potential conflict with the interests of the Company at large.

The Company has well established internal control systems and procedures which in certain cases are in the process of being further documented and updated.

Shareholding of the Directors

Sr. No.	Name	No. of Equity Shares held on 06-06-2007
1.	Mr. L.K. Malhotra	43,736
2.	Mr. R.C Sharma	NIL
3.	Mr. A.K. Malhotra	800
4.	Mr. O.P. Bajaj	2,11,030
5.	Mr. Kumud Malhotra	30,000
6.	Mr. Subhash Ghai	Nil
7.	Mr. D.V. Malhotra	1,78,448
8.	Mr. B.N. Malhotra	94,996
9.	Mr. Harish C. Bhasin	NIL
10.	Mr. Luv Malhotra	45,550

Interests of Directors/Promoters

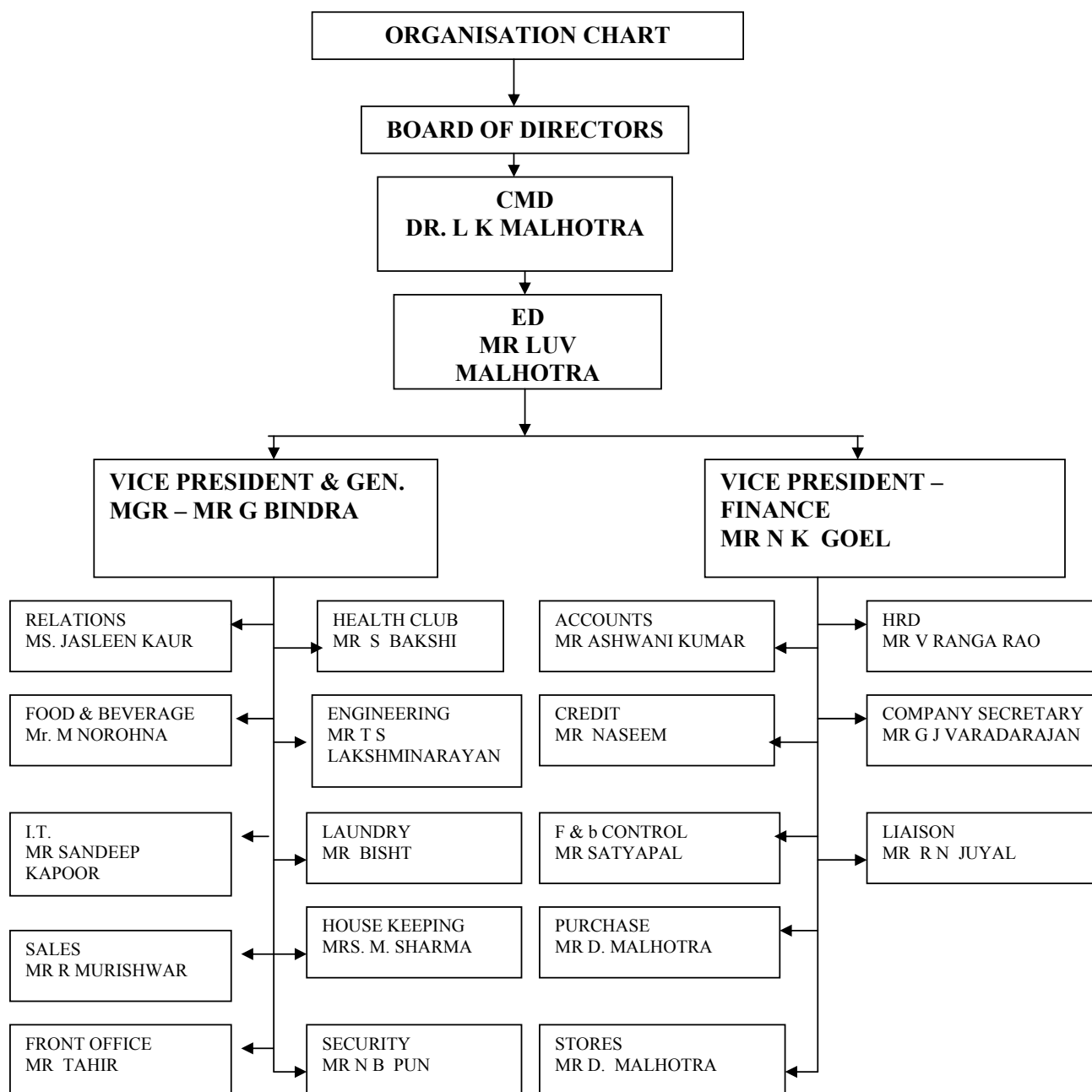
All the Directors/Promoters may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors/promoters may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/Member respectively and the shares if any, out of the present offer that may be subscribed for and allotted to them or their relatives or any company in which they are directors / members of firms in which they are partners.

Changes in Directors during Last Three Years

There are no changes in the directors in the Company for the last three years

ORGANIZATION STRUCTURE OF CHL LIMITED

Organisation Chart



Details of Key Managerial Personnel

S. No	Name	Age	Designation	Qualification	Previous Employment	Experience	Date of Joining	Responsibilities
1.	Dr. L.K. Malhotra	63 yrs.	Chairman & Managing Director	Ph. D.	Director (Adm.) (CHL Ltd.)	40 yrs.	25-10-1980	Total management & Control of the Company
2.	Mr. Luv Malhotra	33 yrs.	Executive Director	MSc. (Eco)	G.M. Coordination (CHL Ltd.)	10 yrs.	22-09-2000	Assisting CMD in operational matters.
3.	Mr. N.K. Goel	53 yrs.	VP (Finance)	FCA	Nicols Ltd.	27 yrs.	03-04-03	Financial HRD, Purchase, Stores & Controls
4.	Mr. Greesh Bindra	47 yrs.	General Manager	B.A.	Park Royal Intercontinental	26 yrs.	01-06-02	Hotel Operations
5.	Mr. G.J. Varadarajan	55 yrs.	Company Secretary	ACS, ICWA, LLB	Claridges Hotel Ltd.	27 yrs.	04-09-03	Looking after all secretarial work & to assist Board of Directors
6.	Mr. T.S. Lakshminarayan	52 yrs.	Chief Corporate Engineer	Diploma in Electrical Engineering	Hotel Intercontinental	29 yrs.	01-05-03	Planning, implementation, coordination of engineering department.
7.	Mr. V. Ranga Rao	43 yrs.	HRD Manager	PGDPM, LLB	Ambassador's Sky Chef	16 yrs.	17-08-98	Looking after all HRD functions.
8.	Mr. Rajiv Murishwar	38 yrs.	Director Sales	B.A.	Uppal Orchid	14 yrs.	17-01-05	Looking after Sales & Business Development.
9.	Mr. R.N. Juyal	53 yrs.	Mgr. Corporate Affairs	B.A.	Liaison Mgr. (CHL Ltd.)	24 yrs.	01-06-82	Liaison Work
10.	Mr. Merwyn Norohna	31 yrs.	F&B Manager	BHM	Grand Hyatt, Mumbai	13 yrs.	07-07-06	Food & Beverage operations.

All the above key managerial personnel are permanent employees of the Company.

Shareholding of Key Managerial Personnel

Sr. No.	Name	No. of Equity Shares Held on 14/06/2007
1.	Dr. L.K. Malhotra	43,736
2.	Mr. Luv Malhotra	45,550
3.	Mr. N.K. Goel	300
4.	Mr. Greesh Bindra	NIL
5.	Mr. G.J. Varadarajan	NIL
6.	Mr. T.S. Lakshminarayan	100
7.	Mr. V. Ranga Rao	100
8.	Mr. Rajiv Murishwar	NIL
9.	Mr. R.N. Juyal	NIL
10.	Mr. Merwyn Norohna	NIL

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Bonus or Profit Sharing plan for Key Managerial Personnel except as stated under Section titled Our Management on page no. [●]

Changes in Key Managerial Personnel during last one year

Name	Date of Appointment	Date of Cessation	Reasons
Mr. Sumant Jaidka	-	06-06-2006	Personal
Mr. Merwyn Norohna	07-07-2006	-	-

Employees Stock Option Scheme

Till date the Company has not introduced any Employee Stock Option Scheme / Employees Stock Purchase Scheme.




Payment or Benefit to officers of the Company


The officers of the Company are entitled to the following benefits:

- Leave Travel assistance to the extent of one month basic Salary every year
- Coverage under Group Insurance Scheme for Medical aid

Our Promoters and their Background

Individual Promoters

Name, Designation and Address	Age	Functional/Overall Experience	Permanent Account Number, Voter ID Number, Passport Number, Driving License Number/Bank A/c No.	Photograph
Dr. L.K. Malhotra, Chairman & Managing Director D-6/22, Vasant Vihar New Delhi 110057	63 yrs.	He has been associating with the company since its inception and one of the founder promoters of the company. He has very vast business experience in the hotel industry	Passport no.Z1396814 PAN AAJPM1119K Bank A/c No.1530000100032922	
Mr. D V Malhotra, Non Executive Director P O Box No.251 Safat 13003, Kuwait.	67 yrs.	He is one of the prominent figures of Indian origin in Kuwait. He is known industrialist based at Kuwait. He has wide and vast experience in varied fields of business. He is one of the major promoters of the company and has been associated with the company since its inception.	Passport No.Z1008412 Bank A/c-NRE A/c No.04544002614	
Mr. B N Malhotra, Non Executive Director Post Box No.20267 Safat, Kuwait	75 yrs.	He has been on the Board since inception of the company. He is one of the outstanding personalities in Kuwait and popularly known among the Indians at Kuwait. He has established his business at Kuwait since long and has wide experience in business and is one of the prominent figures in the industrial life of Kuwait	Passport No.Z1482164 Bank A/c -NRE A/c No. 03001288	

Mr. Luv Malhotra Executive Director D-6/22, Vasant Vihar New Delhi 110057	33 years	He has been employee of the company since 2000 and holds MSc. (Eco). He has an experience of around 10 yrs in the hotel industry.	Passport No. Z049303 PAN No. AAJPM1121H Bank A/c no. 1530000100025560	
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Declaration

It is confirmed that the PAN, Bank Account Number and Passport Number of each of the Promoters have been submitted to DSE at the time of filing of Draft Letter of Offer with them. Further none of the Promoters is detained as a willful defaulter by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by them in the past or are pending against them.

Group/ Related Companies

(A) Malbros Capital Services Pvt. Ltd.

The company was originally incorporated on January 25, 2000 and the main object of the company is to carry on the business of investments in securities.

(Rs in Lacs)

Particulars	March 31, 2006 (Audited)	March 31, 2005 (Audited)	March 31, 2004 (Audited)
Equity Capital	1.003	1.003	1.003
Reserves (excluding revaluations reserves)	32.68	20.40	12.35
Gross Receipts	18.00	18.00	15.04
Profit after tax (PAT)	11.49	8.05	5.71
Earning per share (EPS) (Face Value Rs.10/ each)	114.58	80.31	56.99
Net Asset Value (NAV)	325.82	203.39	123.13

Board of Directors.

There are three Directors on the Board of M/s Malbros Capital Services Pvt. Ltd. namely the following:

- Dr. Lalit Kumar Malhotra
- Mr. Luv Malhotra.
- Mr. A.K. Malhotra

Shareholders Detail

The following are the shareholders of M/s Malbros Capital Services Pvt. Ltd.:

Sr. No.	Name of Shareholder	No. of shares held
1.	Dr. Lalit Kumar Malhotra	10010
2.	Mr. Luv Malhotra	10
3.	Mr. A.K. Malhotra	10

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Malbros Capital Services Pvt. Ltd. is not a listed Company.

The company is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1983 nor is under winding up.

There are no defaults in meeting any statutory dues. No proceedings/outstanding Litigations has been initiated for economic offences against the Company.

(B) Kyjol Entertainment Media Private Limited

The company was originally incorporated in the name of “Malbros Textiles Private Limited” on September 24, 1991 and the name of the company subsequently changed to “Kyjol Entertainment Media Private Limited” w.e.f. December 17, 2004. The main objects of the Company are to own, erect, purchase, take on hire or otherwise acquire store, sell dispose of and otherwise deal in machinery, materials and other objects for film and entertainment trade, and maintain and run the theatre or any such similar work in India.

(Rs. In Lakh)

Particulars	March 31, 2006 (Audited)	March 31, 2005 (Audited)	March 31, 2004 (Audited)
Equity Capital	22.30	22.30	22.30
Reserves (excluding revaluations reserves)	-	-	-
Income	20.87	NIL	1.12
Profit after tax (PAT)	12.54	(0.69)	(48.21)
Earning per share (EPS) (Face Value Rs.10/ each)	5.62	-	-
Net Asset Value (NAV)			

Board of Directors.

There are Four Directors on the Board of M/s Kyjol Entertainment Media Private Limited namely the following:

1. Dr. L K Malhotra
2. Mrs. Sunita Malhotra
3. Ms. Kajal Malhotra
4. Mr. Luv Malhotra

Shareholders Detail.

The following are the shareholders of M/s Kyjol Entertainment Media Private Limited as on 31-03-2007

Sr. No.	Name of Shareholder	No. of shares held
1.	Dr. Lalit Kumar Malhotra	1021010
2.	Mr. Luv Malhotra	32000
3.	Mrs. Sunita Malhotra	1093010
4.	Miss. Kajal Malhotra	550,000

M/s Kyjol Entertainment Media Private Limited is not a listed company.

M/s Kyjol Entertainment Media Private Limited, is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1983 nor is under winding up.

There are no defaults in meeting any statutory dues. No proceedings/outstanding Litigations has been initiated for economic offences against the company.

(C) CHL (South) Hotels Limited.

The Company was incorporated on May 3, 2005 with the main objects to manage, administer, and to carry on the business of running hotels, motels, holiday camps, guest houses, restaurants, canteens or any other similar connected business, purveyors, caterers for public amusement generally.

The financial highlights of the company for the last financial year is as follows:

(Rs. In lacs)	
Particulars	March 31, 2006 (Audited)
Equity Capital	24.00
Reserves (excluding revaluations reserves)	NIL
Other Income	46.61
Profit after tax (PAT)	(115.14)
Earning per share (EPS) (Face Value Rs.10/ each)	NIL
Net Asset Value (NAV)	-

Board of Directors

There are Six directors on the Board of M/s CHL (South) Hotels Limited, namely:

- 1) Dr. L K Malhotra
- 2) Mr. Harish Chander Bhasin
- 3) Mr. Luv Malhotra
- 4) Mr. Lalit Bhasin
- 5) Mr. Narender Kumar Goel
- 6) Mr. Rama Nand Juyal

Shareholders Detail.

Following are the Shareholders of M/s CHL (South) Hotels Limited:

Sr. No.	Name of Shareholder	No. of Shares held
1.	CHL Ltd.	100,000
2.	HB Estate Developers Ltd.	100,000
3.	Dr. L.K. Malhotra	10010
4.	Mr. H. C. Bhasin	10010
5.	Mr. Luv Malhotra	10010
6.	Mr. Lalit Bhasin	10010

CHL LIMITED

7.	Mr. N.K Goel	10
8.	Mr. R. N. Juyal	10

M/s CHL (South) Hotels Limited is not a listed company.

M/s CHL (South) Hotels Limited is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1983 nor is under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings/Outstanding Litigations has been initiated for economic offences against the company.

(D) CHL International

CHL International is a Joint Stock Company and formed on 29-06-2001 in accordance with the civil code of the Republic of Tajikistan. The main objects of the company is to set up hotel cum commercial complex and also to engage in providing hotel services.

(Rs. In Lacs)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Equity Capital	813.13	813.13	268.30
Advances towards Equity	877.02	508.09	190.66
Reserves (excluding revaluations reserves)	NIL	NIL	NIL
Sales	NIL	NIL	NIL
Profit after tax (PAT)	NIL	NIL	NIL
Earning per share (EPS)	NIL	NIL	NIL
Net Asset Value (NAV)	NIL	NIL	NIL

Since Incorporation the Company has not started commercial activity and no financial accounts are prepared.

List of Directors:

The directors of CHL international are namely the following:

- 1) Dr. L K Malhotra
- 2) Mr. D. V. Malhotra
- 3) Mr. Luv Malhotra
- 4) Mr. Lalit Bhasin
- 5) Mr. Narender Kumar Goel

Shareholders Details:

Sr. No.	Name of Shareholders	No. of Shares held
1.	M/s CHL Ltd	27650
2.	M/s Al-zahem & Malhotra General Trading & Contracting Co.	40150

(E) Mela Hotels Limited.

The Company was incorporated on December 26, 1985 to carry on the business of hotels, motels, restaurants, cafes, tavern, bear house, refreshment room, boarding and lodging-housekeepers, and other related operations.

The financial highlights of the Company for the last three financial year are as follows:

(Rs. in Lacs)			
Particulars	March 31, 2006 (Audited)	March 31, 2005 (Audited)	March 31, 2004 (Audited)
Share Capital	989.75	989.75	989.75
Reserves (excluding revaluations reserves)	NIL	NIL	NIL
Gross Receipts	259.61	302.81	257.21
Profit after tax (PAT)	(26.06)	(21.27)	(36.54)
Earning per share (EPS)	-	-	-
Net Asset Value (NAV)	-	-	-

Board of Directors.

There are ten Directors on the Board of M/s Mela Hotels Limited namely the following:

- 1) Mr. A.K. Malhotra.
- 2) Dr. Lalit Kumar Malhotra.
- 3) Mr. B.N. Malhotra
- 4) Brig. Kapil Mohan
- 5) Mr. Vinod Chopra
- 6) Mr. Banwari Lal Rathi
- 7) Mr. Ravi Kant Chadha
- 8) Mr. Neel Kamal Malhotra
- 9) Mr. Gagan Malhotra
- 10) Mr. Sunil Saigal

Shareholders Detail

Following are the Equity Shareholders of M/s Mela Hotels Limited:

Sr. No.	Name of Shareholders	No. of Shareholders
1.	Mr. Lalit Kumar Malhtora	45,340
2.	Mrs. Sunita Malhotra	40,010
3.	Mr. A.K. Malhotra	64,610
4.	Ms. Renu Malhtora	25,010
5.	Ms. Mela Devi Malhtora	10
6.	Mr. A. Srinivasan	10
7.	Mr. K.S. Suri	10
8.	Malbros Investments Inc.	5,03,2500
9.	I.F.C.I. Ltd.	3,20,000
10.	I.D.B.I.	3,20,000

CHL LIMITED

11.	I.C.I.C.I. Bank Ltd.	1,60,000
12.	United Sales Ltd.	75,000
13.	United Exports	64,000
14.	Brig. Kapil Mohan	1,000
15.	Mr. D.V. Malhotra	7,50,000
16.	Mrs. Usha Malhotra	5,00,000
17.	Mr. Lokesh Malhotra	5,00,000

13% Redeemable Cumulative Preference (Shares of Rs.100 each) Shareholders:

Sr. No.	Name of Shareholders	No. of Shares held
1.	Malbros Investments Inc.	100000*
2.	Mr. Neel Kamal Malhotra	100000*

M/s Mela Hotels Limited is not a listed company.

M/s Mela Hotels Limited is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1983 nor is under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings/outstanding Litigations has been initiated for economic offences against the company.

CORPORATE PROMOTER

There are no Corporate Promoters of the Company.

Common Pursuits

Our Company as well as the other companies forming part of the Promoter Group is in business of hotels and other activities. Hence to this extent there exists a potential conflict of interest between these entities and us.

Payment or benefit to Promoters

Following are the benefits paid to the promoters for the financial Year ended 31st March, 2007

(Rs in Lacs)

Sr. No.	Particulars	Dr. L. K. Malhotra	Mr. Luv Malhotra	Mr. D. V. Malhotra	Mr. B. M. Malhotra
1.	Salary / Allowances	82.00	38.40	NIL	NIL
2.	Contribution to PF	6.24	2.88	Nil	Nil
3.	Sitting Fees	0.80	1.05	0.60	0.70
4.	Commission	106.50	70.98	3.72	3.72
	TOTAL	195.54	113.31	4.32	4.42

Related Party Transactions

For details please refer to the Page no. [*] of this Draft Letter of Offer.

Currency of Presentation

In this draft letter of offer all references to “Rupees” and “Rs.” Are to the legal currency of India.

Dividend Policy

The declaration and payment of dividends is recommended by the Board of Directors of the Company and approved by the shareholders, at their discretion. The quantum of dividend depends on number of factors including but not limited to the profits of the Company, capital requirements and overall financial condition.

In the last five financial years the Company has paid dividend as given under:

Financial Year	Dividend		
	Rate %	Face Value of Share (Rs.)	Amount of Dividend(Rs.)
2001-02	-	10	-
2002-03	-	10	-
2003-04	15	10	164,45,487
2004-05	15.	10	164,45,487
2005-06	30	10	328,90,974
2006-07	40*	10	4,38,54,632*

* Yet to be approved by the Shareholders.

The amount paid as dividends in the past is not necessarily indicative of the Company’s dividend policy or dividend amounts, if any, in the future. Dividends are paid by the Company through issuance of dividend warrants/ECS.

The loan agreement and sanction letter from the lender of the Company contain a condition that dividends shall only be paid from the profits of the Current years. For the description of these restrictive covenants in the agreements and sanction letters with the lenders please see the section titled ‘Risk Factor’ beginning on page no. [●].

SECTION V- FINANCIAL INFORMATION

Financial Statements

AUDITORS' REPORT

15th June 2007

The Board of Directors,
CHL Limited,
Hotel Crowne Plaza,
New Friends Colony,
New Delhi – 110 025

Dear Sir,

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

We have examined the 'Statement of Profit and Loss – Restated' (Annexure-1) of the Company for the years ended on March 31, 2003, 2004, 2005, 2006 and 2007 and the 'Statement of Assets and Liabilities – Restated' as on those dates (Annexure – 2), the 'Statement of Cash Flows – Restated' for the years ended on those dates (Annexure – 3), and the related financial statement schedules (Annexure 4 to 8) as extracted from the audited financial statements for each of the financial years ended on March 31, 2003, 2004, 2005, 2006 and 2007, and adopted by the members of the Company after making the necessary and relevant disclosures and adjustments as appropriate and required to be made, in our opinion, in accordance with the provisions of Part II and Schedule II of the Companies Act, 1956 and SEBI Guidelines :

We have examined the following financial information relating to the Company proposed to be included in the Letter of Offer, approved by the Board of Directors and annexed to this report.

- a. Details of Dividend paid (Annexure – 9)
- b. Statement of Accounting Ratios (Annexure – 10)

- c. Statement of Capitalization (Annexure – 11)
- d. Statement of Other Income (Annexure – 12)
- e. Tax Shelter Statement (Annexure – 13)
- f. Statement of Change in Share Capital (Annexure – 14)

This report is intended solely for the use of CHL Limited, for the purpose of inclusion in the Letter of Offer in connection with the proposed Right Issue of the Company. This report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent, may be given, only after full consideration of the circumstances at that time.

For **G.Rai & Co,**
Chartered Accountants,

(Gulshan Rai)
Proprietor
M.No. 3921

FINANCIAL INFORMATION

ANNEXURE- I Statement of Profit & Loss, As Restated

(Rs in Lacs)

Particulars	For the Financial years ended 31st March				
	2007	2006	2005	2004	2003
	Amt.	Amt.	Amt.	Amt.	Amt.
INCOME					
Sales:					
Room revenues	4,979.43	3,469.73	2,158.77	1,505.95	1,128.11
Food and beverages	1,941.35	1,613.59	1,586.18	1,198.79	1,128.97
Other service Charges	419.98	348.17	305.84	294.03	276.00
License Fee/Rentals	284.97	236.58	250.41	210.31	113.70
Other Income	451.66	314.85	102.13	138.67	107.52
Total Income	8,077.39	5,982.92	4,403.33	3,347.75	2,754.30
EXPENDITURE					
Food and beverages consumed	545.15	468.57	433.88	319.61	315.91
Employee Costs	1,194.97	916.17	707.52	571.17	497.43
Operating & General Expenses	2,322.97	1,990.59	1,982.19	1,521.89	1,316.32
Selling Expenses	583.35	427.10	305.41	176.31	99.74
Preliminary Expenses written off	1.40	1.40	3.04	3.04	3.04
Total expenditure	4,647.84	3,803.83	3,432.04	2,592.02	2,232.44
Profit/(Loss) Before Depreciation, Interest and Tax	3,429.55	2,179.09	971.29	755.73	521.86
Depreciation	315.27	325.49	238.27	241.74	241.10
Interest and Finance Charges	489.25	310.24	147.51	137.53	192.74
Profit/(Loss) before tax, change in accounting policy and prior period items.	2,625.03	1,543.36	585.51	376.46	88.02
Change in accounting policy					(217.13)
Prior period Expenses					
Profit/(Loss) before tax and minority interest.	2,625.03	1,543.36	585.51	376.46	305.15
Current tax	909.31	503.03	191.58	174.97	27.20
Deferred tax	13.10				
Provision for income tax written back	0.20	0.91			
Net profit/(Loss) before minority interest.	1,702.82	1,041.24	393.93	201.49	277.95
Profit/(Loss) brought from last year	668.20	202.00	95.58	112.77	(158.61)
Net Profit/(Loss) before appropriation	2,371.02	1,243.24	489.51	314.26	119.34
APPROPRIATION					

Interim & Proposed Dividend	438.55	328.91	164.45	164.45	
Dividend Tax	61.81	46.13	23.07	21.07	
Trfd to Reserves	297.81	200.00	100.00	33.15	6.57
Profit/(Loss) carried forward to Balance Sheet	1,572.85	668.20	201.99	95.59	112.77

ANNEXURE-II Statement of Assets & Liabilities

(Rs in Lacs)

		As at March 31 st				
	Description	2007	2006	2005	2004	2003
A.	Fixed Assets :	Amt.	Amt.	Amt.	Amt.	Amt.
	Gross Block	7317.10	6702.55	5939.37	5656.24	5673.39
	Less Depreciation	3135.48	2943.70	2650.45	2617.79	2416.79
	Net Block	4181.62	3758.85	3288.92	3038.45	3256.60
	Add: Capital Work in Progress	57.08	23.21		29.01	2.38
	Sub Total (A)	4238.70	3782.06	3288.92	3067.46	3258.98
B	Investments	437.42	791.95	338.91	119.87	125.91
C	Current Assets, Loans & Advances					
	Inventories	243.14	217.53	215.34	214.96	162.22
	Sundry Debtors	555.06	452.97	253.42	195.27	231.58
	Cash and Bank Balances	235.23	66.53	184.14	235.44	76.36
	Fixed Deposit/M Fund	3148.74	1878.88	986.88	519.91	446.12
	Loans and Advances	1329.32	1618.57	665.91	632.80	650.33
	Sub Total ©	5511.49	4234.48	2305.69	1798.38	1566.61
	Total Assets	10187.61	8808.49	5933.52	4985.71	4951.50
D	Liabilities and Provisions					
	Secured Loans	3514.18	1839.87	750.00	394.14	1094.01
	Unsecured Loans/S.Deposit	176.96	178.34	171.04	233.25	251.66
	Sub Total	3691.14	2018.21	921.04	627.39	1345.67
E	Current Liabilities and Provisions					
	Current Liabilities	1097.32	2642.53	1249.61	967.71	594.54
	Provisions (Net)	260.06	225.63	466.17	250.34	34.23
	Sub Total	1357.38	2868.16	1715.78	1218.05	628.77
	Deferred Tax Liability	563.14	550.04	592.22	645.24	501.03
	Total Liabilities	5611.66	5436.41	3229.04	2490.68	2475.47
Net Worth Represented by						
	Share Capital:-					
	Equity Share Capital	1096.37	1096.37	1096.37	1096.37	1096.37
	Reserves and Surplus	3483.79	2281.32	1615.12	1408.71	1392.75

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Less:- Miscellaneous expenditure (To the extent not written off or adjusted	4.21	5.61	7.01	10.05	13.09
Total	4575.95	3372.08	2704.48	2495.03	2476.03
Total Liabilities	10187.61	8808.49	5933.52	4985.71	4951.50

ANNEXURE III

Cash Flow Statement for the year ended	As at March 31st				
	2007	2006	2005	2004	2003
	Rs.	Rs.	Rs.	Rs.	Rs.
A) Cash Flow From Operating Activities					
Net Profit before Tax & Extraordinary Items	2,626.77	1,586.01	585.51	376.46	88.01
Adjustments for					
Depreciation	315.27	325.49	238.27	241.74	241.10
Dividend Income	(78.59)	(22.36)	(5.22)	(0.25)	(0.33)
Misc. Expense Written off	1.40	1.40	3.04	3.04	3.04
Extra Ordinary Items	(1.74)	42.65)			
Loss/(Profit) on Sale of Assets	102.12)	102.36)	27.57	1.60	0.03
Scrapped/Discarded Assets written off	119.28	11.64	217.44	9.07	3.05
Loss on Sale of Investment	8.59	3.01	7.60	36.77	8.15
Interest Expenditure	489.26	310.24	147.51	137.53	192.74
Interest Received	(236.14)	(152.25)	(75.42)	(93.15)	(97.15)
Operating Profit before Working Capital Changes	3,141.98	1,918.17	1,146.30	712.81	438.64
Adjustments for					
(Increase) Decrease in Inventories	(25.61)	(2.19)	(0.38)	(52.74)	(3.84)
Increase (Decrease) in Trade Payables	201.15	233.10	121.18	41.44	38.69
(Increase) Decrease in Receivables	(112.35)	(322.48)	55.27	(71.56)	(141.53)
(Increase) Decrease in Loans & Advances					
Cash generated from Operations	3,205.17	1,826.60	1,322.37	629.95	331.96
Income Tax (Paid)/Refund	(936.48)	(602.43)	(126.97)	116.70	66.65
Net Cash from Operating Activities (A)	2,268.69	1,224.17	1,195.40	746.65	398.61
B) Cash Flow from Investing Activities					
Purchase of Fixed Assets	(910.12)	(843.19)	(693.65)	(169.55)	(139.80)
Sale of Fixed Assets	10.34	9.90	8.88	73.48	9.03
Purchase of Investment	(1,117.78)	(759.26)	(332.47)		(2.06)
Advance to Associate Companies	804.44	(1,007.69)	(48.35)		
Interest Received	321.33	152.25	75.42	93.15	97.15
Dividend Received	236.14	22.36	5.22	0.25	0.33
Decrease (Increase) in Investments	78.59	408.57	85.87	4.44	1.73
Net Cash used in Investing Activities(B)	(577.06)	(2,017.06)	(899.08)	1.77	(33.62)

C) Cash Flow from Financing Activities					
Proceeds from issue of Capital					
Interest Paid	(489.26)	(310.24)	(147.51)	(137.53)	(192.74)
Increase Decrease in Security Deposit	(1.37)	7.30	-	-	-
Dividend Paid	(380.78)	(321.68)	(163.20)	(1.14)	8.55
Dividend Tax Paid	(53.82)	(46.13)	(23.06)	-	0.15
Public Issue Expenses	-	-	-	-	-
Increase (Decrease) in Secrued Loans	1,674.31	1,081.81	355.86	(358.47)	(220.51)
Increase (Decrease) in Unsecured Loans	1,772.14	1,156.22	97.26	(18.41)	-
Net Cash used in Financing Activities ©	1,023.06	1,567.28	119.35	(515.55)	(404.55)
Net increase/ decrease in cash and cash equivalents (A+B+C)	668.57	774.39	415.67	232.87	(39.56)
Cash & Cash Equivalent as on 1st April	1,945.41	1,171.02	755.35	522.48	562.34
Cash & Cash Equivalent as on 31st March	2,613.98	1,945.41	1,171.02	755.35	522.78

ANNEXURE IV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and except as stated otherwise, in accordance with mandatory accounting standard issued by the Institute of Chartered Accountant of India (ICAI), generally accepted accounting principles and provisions of Companies Act, 1956 (the Act) following mercantile system of accounting as adopted consistently by the Company as a going concern.

2) FIXED ASSETS AND DEPRECIATION

- Fixed assets are stated at cost, less impairment losses if any. Cost includes all expenditure necessary to bring the assets to its working condition for its intended use. Capital work in progress comprises of advances paid to acquire the fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, preoperative expenses are capitalized upon the commencement of commercial operations.
- Cost of asset(s) replaced but still usable is not reduced from the cost of the asset(s) till it is sold / discarded. If the cost of the asset(s), discarded / sold is not ascertainable, cost of replacement of such asset(s), (discounted as per "indexed cost formula" prescribed under Income Tax Act, 1961) is taken as the cost of such asset(s) for the purpose of deduction from the cost.
- Increase in cost of the asset(s) (acquired prior to 01/04/1988) on account of exchange fluctuation in foreign currency loan, is treated as a separate asset. No adjustment is made in the carrying cost of these asset(s), in respect of assets(s) sold / discarded if the cost of such asset

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was not ascertainable. The depreciation on such assets is provided at weighted average rate retrospectively based on residual life of the asset which is as follows: -

Class of Asset	Depreciation Rate (%)
Building	1.89
Plant & Machinery	9.20
Furniture & Fixtures	40.77
Office Equipment	7.70

- d) Depreciation is provided on straight-line method basis in accordance with the provisions of section 205 (2) (b) of the Act, in the manner and at the rates specified in Schedule XIV of the said Act.

3) IMPAIRMENT OF ASSETS

The carrying amounts of the asset(s) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the ass, asset(s) are written down to their recoverable amount.

4) INTANGIBLE ASSETS

Accounting treatment of intangible assets is being made in accordance with AS-26.

5) ASSETS ON LEASE

Accounting treatment of assets taken on lease after 01/04/01 is being made in accordance with AS-19.

6) BORROWING COST

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

7) FOREIGN CURRENCY TRANSACTION

All foreign currency transactions are accounted for at the rate prevailing on the date of transaction. Outstanding balances on foreign currency monetary items are reported using the period end rates except where the outstanding balance is not receivable/payable in monetary terms.

8) INVESTMENTS

Long term investments are carried at cost. However, provision is made to recognize a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

9) CURRENT ASSETS

Inventories are valued at lower of cost and estimated net realizable value after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Cost is determined by using the first in, first out (FIFO) basis.

Linen, Glassware, Chinaware etc. issued to rooms and outlets are treated as replacement of old/worn out items and charged to Profit & Loss Account and items in use at the close of the year are included in inventories.

10) RETIREMENT BENEFITS

Contribution to provident fund and family pension fund are charged to the profit and loss account on accrual basis. Liabilities with regard to gratuity are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation carried out by LIC, as at the Balance Sheet date.

As the company has no scheme for leave encashment, no provision is made in the books for unutilized leave.

11) RECOGNITION OF INCOME & EXPENDITURE

- i) Sales and Services are stated net of discount / allowances.
- ii) Claims recoverable are recognized to the extent admitted by the parties. License fee from shops are recognized in the year of receipts, as per practice consistently followed. Unclaimed credit balances and excess provision of expenditure are treated as revenue of the year in which such amounts cease to be Company's liability.
- iii) Discarded assets (carpets etc.) are charged to the profit & loss account at written down value. Amount realized, if any, on sale of such items is treated as income. . Scrap value is recognized, if material.
- iv) Claims by customers under reward schemes of sales promotion program are recognized on acceptance.

12) CONTINGENT LIABILITIES

Contingent Liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

13) TAXATION

Provision for current taxation is made in accordance with Income Tax Laws applicable to the assessment year. Wealth tax for the year is provided as per the Wealth Tax Act and Rules 1957.

Deferred tax is recognized on time difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax asset is recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

14) LIABILITIES

Liabilities in respect contractors engaged in extensive repairs/renovation of guest floors, outlets, facilities and for provision of services relating thereto are accounted for in the year in which the same are put to commercial use. All payments till completion are shown under the head "Advances recoverable in cash or in kind"

- 15) Prior period and extraordinary items and changes in Accounting Policies having material impact on the financial affairs of the company are disclosed.

B. NOTES ON ACCOUNTS

1. Contingent liabilities not provided for in respect of

	2006-2007 (Rs. in lacs)	2005-2006 (Rs.in lacs)
i) Demands Claims not acknowledged as debt or which are under litigation	27.00*	21.86*
ii) Bank Guarantees furnished	14.80	16.78
iii) Workmen Claims pending adjudication.	Amount undeterminable	Amount undeterminable
iv) Disputed demands for taxes duties and other levies pending adjudication in appeal	350.21	218.20
v) Other claims which arise in the ordinary course of business pending adjudication	NIL	NIL

* includes claim against which FDR for Rs. 6.00 lacs furnished.

- | | | | |
|----|--|------|-------|
| 2. | Amount due to SSI unit for a period exceeding 30 days | NIL | NIL |
| 3. | Extraordinary item – payment to DDA | 1.74 | 42.65 |
| 4. | Debts due to or by the company, in some cases are unconfirmed and/or under reconciliation. In the opinion of the management the impact of adjustment, if any, on reconciliation is not likely to be significant. | | |
| 5. | Capital Work in Progress represents for capital items under installation, amounting to Rs. 57.09 lacs (Previous Year 23.21) | | |
| 7. | In the opinion of the management, the assets of the company have a value on realization, in the normal course of business, at least equal to the amounts stated in the balance sheet. | | |

8. DEFERRED REVENUE EXPENDITURE

The initial non-refundable application fee paid to S. C. Hotels. Inc., the owners of brand name Crowne Plaza, over a period of 10 years i.e. the license period, starting from F.Y. 2000–2001.

9. AS-17 on Segment Reporting is not applicable as the company is engaged only in hotel business and at one location.

10. Related party transactions

	Name of Party	Relationship	Nature of Transaction	Transaction value	Bal. O/s receivable/payable as on 31.3.2007	Written off/ Written back
a)	United Overseas/United Exports	A firm in which Director's relative is partner	Purchase of Rice	6.99	(0.74)	NIL
c)	Mataji Melan Devi Society	A Trust in which Director is Trustee	Donation	11.00	NIL	NIL
d)	Mohan Meakin Ltd	A company in which Director is Director	Supply of Liquor	0.27	(0.05)	NIL
f)	CHL International	An associate Company	Advance/ Investment	368.93	877.02	NIL
g)	CHL (South) Hotels Ltd	An associate Company	Advance/ Investment	244.98	NIL	NIL

- Associate Companies CHL (South) Hotels Limited
CHL International
- Key Management Personnel Dr. L.K.Malhotra Managing Director
Mr. Luv Malhotra Executive Director
- Entities controlled by Directors or their relatives Kyjol Entertainment Media Pvt Ltd.
Mela Hotels Limited
Malbros Capital Services Pvt Ltd.
Malbros Holdings Pvt Ltd.
On Track Developer Pvt Ltd.

11. Managerial Remuneration to Directors

	(Rs. In lacs)	
	Current year	Previous Year
<u>Salary & Allowances</u>	120.40	69.97
Contribution to P.F.	9.12	6.45

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<u>Other benefit/perquisites</u>	1.85	1.05
<u>Commission to Directors</u>	207.25	110.20
<u>Sitting Fee to other Directors</u>	6.95	4.15

12. Computation of Net Profit under section 349 read with Section 305 of Section 198 of the Companies Act, 1956 2006-2007

Profit before Taxation		2625.03
Add: Managerial Remuneration & Commission	327.65	
Directors' Sitting Fee	8.80	
Loss on Sale/Discard of Fixed Assets	127.86	
Depreciation charged to Accounts	<u>315.27</u>	<u>779.58</u>
		3404.61
Less: Depreciation u/s 350 of the Companies Act	315.27	
Profit on Sale of Fixed Assets	8.58	
Profit on Sale of Investment	<u>102.12</u>	<u>425.97</u>
Profit for the purpose of Directors' Commission u/s 198		2978.64
Directors' Commission @ 10% of the Profit included under the head Salaries, Wages, Stipend & Bonus.		297.86
Commission payable to Non executive Director @ 1% of Profit as above included under the head Salaries, Wages, Stipend & Bonus.		29.79

13. EARNING PER SHARE

	Current Year	Previous Year
Profit after Taxation	1702.62	1040.33
Weighted average number of equity shares outstanding	109.64	109.64
Basic & Diluted earning per share in rupee (face value - Rs. 10/- per share)	15.53	9.49

14. Deferred Tax Liabilities

	This Year	Previous Year
Depreciation	1652.57	1628.49
Miscellaneous Expenditure to the extent not amortised	<u>4.21</u>	<u>5.61</u>
Deferred Tax Liabilities	<u>563.14</u>	<u>550.04</u>

15. A. The company has been exempted vide order No. 46/50/2006/CL-III dated 10/02/2006 of Ministry of Company Affairs, Government of India u/s 211(4) of the Companies Act, 1956 from the disclosure of quantitative details of turnover, stocks, purchases, production and consumption of raw material for the financial years ended 31st March 2006, 31st March 2007 and 31st March 2008.

	Rupees in lakhs	
	2006-07	2005-06
B C.I.F. Value of Imports		
a) Food & Beverage	NIL	NIL

b)	Capital Goods	127.61	200.09
c)	Wine & Liquor – through canalizing agencies.	79.28	41.53

C Expenditure in Foreign Currency – on payment basis

i.	Technical Services	175.10	156.70
ii.	Others	123.57	87.20

D Earning in Foreign Exchange – on receipt basis

On account of Hotel Services (as per RLM submitted to Reserve Bank of India) and sales made through Travel Agents	4823.77	3215.73
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E Details of dividends paid to Non-Resident Shareholders holding shares on repatriation basis.

Dividend

a) Year to which dividend relates	2004-05	2005-06 *	2005-06**	2006-07*
b) Number of non-resident shareholder:	148	148	148	146
c) Number of shares held by them	8804780	8858530	8848530	5848030
d) Rupees (in lakhs) equivalent of amount paid in Foreign Currency	96.86	96.86	96.86	129.15
e) Amount of Rupees (in lakhs) remitted to banks in India.	35.05	35.86	35.86	47.80

* Interim Dividend

** Final Dividend

16. Amount transferred to investor education and protection fund as required under section 205 C of the Companies Act as Rs. 1.72 lacs (Previous Year Rs.1.92lacs)

17. Previous year's figures have been regrouped and rearranged wherever necessary to make it comparable with the Current Years figures. All figures have been rounded off to nearest rupee.

18. Balance Sheet abstract and Company's General Business Profile.

Registration Details

Registration No. 9498	State Code 55		
Balance Sheet Date	31	03	2006
	Date	Month	Year

II. Capital Raised during the Year (Amount in Lac Rs.)

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	Total Assets
8834.44	8834.44

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Sources of Funds:

Paid –Up Capital 1096.37	Reserves & Surplus 3483.79
Secured Loans 3574.18	Unsecured Loans (Security Deposit) 176.96
Deferred Tax Liability (Net) 563.14	

Application of Funds:

Net-Fixed Assets 4238.70	Investments 1207.42
Net Current Assets 3384.11	Misc. Expenditure 4.21
Accumulated Losses Nil	

IV. Performance of Company (Rs. in Lacs)

Turnover 8077.39	Total Expenditure 5452.36
---------------------	------------------------------

Profit /(Loss)Before Tax
2625.03

Profit/(Loss) After Tax
1702.62

Earning Per Share
15.53

Dividend Rate %
4%

**V. Generic Names of Three Principal Products/Service Company
(as per monetary terms)**

Items Code No. (ITC Code)
N.A.

Product Description
Hotel Business

ANNEXURE – 5**RELATED PARTY TRANSACTIONS****A List of Related Parties****Remarks****a. Firms/ Companies/Trust/
Joint Venture/Individuals:**

M/S Ultima Leasing & Financing	A Firm in which Directors are Partner (From 2002-2003)
M/S United Exports	A Firm in which Director's relative is a Partner (From 2002-2003)
M/S Mohan Meakin Ltd.	A Company in which Director is a Director (From 2002-2003)
M/S Mukta Arts	A Firm in which Director is a Director (For 2002-2003 & 2003-2004)

Mataji Melan Devi Society	A Trust in which Director is Trustee (From 2004-2005)
KMA Hydropower Pvt.Ltd.	A Company in which Director is Director (For 2004-2005)
CHL International	An Associate Company (From 2005-2006)
CHL (South) Hotels Ltd	An Associate Company (From 2005-2006)
Kyjol Enterprises Media Pvt.Ltd.	Entity Controlled by Directors (From 2005-2006)
Mela Hotels Ltd	Entity Controlled by the Relative of Directors (From 2005-2006)
Malbros Capital Service Pvt. Ltd	Entity Controlled by Directors (From 2005-2006)
Malbros Holding Pvt. Ltd.	Entity Controlled by relative of Director (From 2006-2007)
On Track Developer Pvt. Ltd.	Entity Controlled by relative of Director (From 2006-2007)

b. Key Management Personnel

Dr. L.K.Malhotra	From 2002-2003
Mr. Luv Malhotra	From 2002-2003

B. The following transactions were carried out with the Related Parties in the ordinary course of business.

(Rs in Lacs)

a.

As at 31 st March				
Particulars	2007	2006	2005	2004
(a) Transactions				
- Lease of Vehicle	0.00	38.80	47.35	13.46
- Purchase of raw material	7.26	6.50	6.90	6.28
- Welfare of Employees	11.00	5.00	5.00	0.00
- Advances/Investment	613.91	1311.75	10.87	0.00
- Hotel Services	0.00	0.00	0.00	9.85
(b) Amount payable/receivable from related parties				
- Creditors	0.79	0.55	28.42	30.86
- Debtors	0.00	0.00	0.00	4.19
- Advances	877.02	1198.34	3.29	0.00

b. Key Management Personnel

(Rs in Lacs)

As at 31 st March				
Particulars	2007	2006	2005	2004
Remunerations Including Perquisites	345.57	191.82	61.49	72.34

ANNEXURE VI**Principal Terms of Loans and Assets Charged as Security**

A breakup of salient terms of all our material loans (Secured) as on March 31, 2007 is as below

S. No.	Lender	Loan Documentation	Loan Amt.	Amount (Rs. In lacs) Outstanding	Interest Rate	Repayment Schedule	Security Created
A	PROJECT LOANS						
1	HSBC Bank	Yes	3,400	3,400	10.95%	72 months	First Charge on Fixed/ Current Assets

ANNEXURE VII**Sundry Debtors & Loans and Advances****(Rs. In Lacs)**

Particulars	As at 31st March				
	2007	2006	2005	2004	2003
Sundry Debtors (unsecured, considered good, unless otherwise stated)					
Exceeding Six months	7.23	9.73	19.22	40.24	77.44
Others	547.83	443.24	234.2	155.03	154.14
Total	555.06	452.97	253.42	195.27	231.58
Loans & Advances (unsecured, considered good, unless otherwise stated)					
Advances recoverable in cash or in kind or for value to be received - considered good	177.76	178.26	70.75	184.9	75.39
Considered doubtful	-	-	-	0.5	0.5
Earnest Money Deposit	21.53	19.97	12.74	10.89	9.84
Advances to Suppliers					
Prepaid Taxes	213.53	191.71	188.14	271.49	396.89
Advances to Associate Company	877.02	1198.35	190.66	142.31	81.07
Other Advances	39.48	30.27	22.09	22.71	86.64
Total	1329.32	1618.56	484.38	632.8	650.33

ANNEXURE VIII**Summary of Investment as at year / period ended**

		As on 31st March,				
		2007	2006	2005	2004	2003
LONG TERM INVESTMENTS						
UNQUOTED						
	Trade - Share in					
	Associate Companies	40,445,313	40,445,313	11,831,540	264,002	-
QUOTED						

Draft Letter of Offer

	Trade Shares	3,296,412	11,141	11,141	1,573,148	2,091,145
	Mutual Funds	77,000,000	37,000,000	3,000,000	10,000,000	10,500,000
	Non Trade Shares	-	1,738,980	19,047,913	149,600	-
	TOTAL	120,741,725	79,195,434	33,890,594	11,986,750	12,591,145
Aggregate Book Value:						
	Quoted	80,296,412	38,750,121	22,059,054	11,722,748	12,591,145
Aggregate Market Value Quoted		78,254,490	44,982,328	24,481,569	5,485,250	5,342,336

ANNEXURE IX

Details of Dividend paid

Particulars	2003	2004	2005	2006	2007
Equity Shares	1,09,63,658	1,09,63,658	1,09,63,658	1,09,63,658	1,09,63,658
Paid-up value per share Rs.	10	10	10	10	10
Dividend Amount (Rs. In Lacs)	NIL	164.45	164.45	328.91	438.55
Rate of Dividend	NIL	15%	15%	30%	40%

ANNEXURE X

Statement of Accounting Ratios

(Rs. in Lacs)

Particulars		Financial Year Ending				
		2007	2006	2005	2004	2003
Earnings per share						
Profit after Tax (Rs. Lacs)	a	1702.62	1040.33	393.93	201.49	60.82
No. Shares (in lacs)	b	109.636	109.636	109.636	109.636	109.636
EPS (Rs.)	a/b	15.53	9.49	3.59	1.84	0.55
Return on Net Worth						
Profit after Tax (Rs. Lacs)	a	1702.62	1040.33	393.93	201.49	60.82
Net Worth (Rs. Lacs)	b	4575.95	3372.08	2704.48	2495.03	2476.03
Return on Net Worth (%)	a/b	37.21%	30.85%	14.57%	8.08%	2.46%
Net Assets Value per share						
Total Assets (Rs. Lacs)	a	10187.62	8808.49	5933.52	4985.71	4951.5
Total Liabilities (Rs. Lacs)	b	5611.66	5436.41	3229.04	2490.68	2475.47
Asset Value (Rs. Lacs) (a-b)	a-b	4575.96	3372.08	2704.48	2495.03	2476.03
Less : Share Application money received	d		0.00	0.00	0.00	0.00
Net Asset Value (Lac Rs.)(e)	c-d	4575.96	3372.08	2704.48	2495.03	2476.03
No. Shares (in lacs)	f	109.636	109.636	109.636	109.636	109.636
Net Assets Value per Share (Rs.)	e/f	41.74	30.76	24.67	22.76	22.58

ANNEXURE XI
Statement of Capitalization

(Rs. In lacs)		
Particulars	Pre-Issue (as on 31/03/07)	Post-Issue
Loans - Secured and Unsecured		
Working Capital Loan		
Short Tern Debt		
Long Term Debt	3514.18	3514.18
Total Loans	3514.18	3514.18
Shareholders' funds :		
Share Capital	1096.37	1644.55
Share Application Money	0.00	0
Reserves & Surplus	3483.79	5676.53
Miscellaneous Expenditure not written off	4.21	4.21
Total Shareholders' funds :	4584.37	7316.87
Total Long Term Debt/Shareholders' funds	0.77	0.48

ANNEXURE XII
Statement of Other Income (if >20% of Profit before Tax)

Particulars	As at 31st March				(Rs.
	2003	2004	2005	2006	
Profit before Tax	88.01	376.46	585.51	1543.36	
20% of Profit before Tax	17.60	75.29	117.10	308.67	
Other Income during the period/year	107.52	138.67	102.13	314.84	
Other Income Details					
Interest on FDRs/Others	97.15	93.15	75.42	152.25	
Miscellaneous Income	10.37	45.52	26.71	60.23	
Share of Profit from Firm					
Surplus on sale of assets/investments				102.36	
Total	107.52	138.67	102.13	314.84	

ANNEXURE XIII
Statement of Change in Share Capital

Particulars	Balance Sheet as at 31st March				
	2007	2006	2005	2004	2003
Share Capital					
Authorized Share Capital	3000.00	1500.00	1500.00	1500.00	1500.00
No. of Equity Shares of Rs. 10/- each	300.00	135.00	135.00	135.00	135.00
Amount (Rs. In Lacs)	3000.00	1350.00	1350.00	1350.00	1350.00

No. of Preference Shares of Rs. 100/- each	NIL	1.50	1.50	1.50	1.50
Amount (Rs. In Lacs)	NIL	150.00	150.00	150.00	150.00
Issued, Subscribed & Paid-up					
No. of Equity Shares of Rs. 10/- each	109.636	109.636	109.636	109.636	109.636
Amount (Rs. In Lacs)	1096.37	1096.37	1096.37	1096.37	1096.37

ANNEXURE XIV

Tax Shelter Statement

(Rs. In Lacs)

Particulars	Financial Year / Period ended				
	2007	2006	2005	2004	2003
Tax Rate (%)	33.66	33.66	36.59	35.88	36.75
Net Profit before Tax	2625.03	1543.36	585.51	376.46	88.01
Tax at Notional Rate	883.58	519.49	214.24	135.06	32.34
Adjustments					
– Difference between tax depreciation and Book depreciation	49.64	111.53	-43.11	29.12	-3.46
– Other adjustments	-44.76	-109.43	100.88	-405.57	-84.55
Net Adjustment	4.88	2.1	57.77	-376.45	-88.01
Tax saving /(loss) on this difference	-1.64	-0.71	-21.14	135.07	32.34
Taxation on exceptional items					
Tax on short term capital gain	-0.41	-2.91	-6.41	-0.5	-
Total tax as per normal scheme of taxation	885.63	523.11	241.79	0.49	-
Tax u/s 115JB of ITA	-	-	-	28.94	6.93

Management Discussion and Analysis of Financial Condition

Comparison between financial performance Financial Year 2005-06 and 2006-07.

Income

Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'07 is Rs. 7625.73 Lacs. As against this, Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'06 were Rs. 5668.07 Lacs amounting to growth of 34%

Other Income:

In the year ended 31st March, 2007, the other income earned by the company is Rs. 451.66 Lacs. In the year 2005-06, other income earned by the Company was Rs.314.84 Lacs.

Expenditures:

Consumption of provisions, wines & smokes

Consumption for the year ended 31st March, 2007 is Rs. 545.14 Lacs. As compared with this, Consumption for the year ended 31st March, 2006 was Rs. 468.56 Lacs.

Staff Cost:

In the year ended 31st March'07 the Staff cost is Rs. 1194.97 Lacs which amounted to 14.79% of total income, as against a Staff cost of Rs. 916.17 Lacs for the Company for the Financial Year 2005-06, which was 15.31% of total income.

Operating and General Expenses:

Operating and General Expenses for the year ended 31st March' 07 is Rs.2322.96 Lacs, amounting to 28.75% of total income as compared to Rs. 1990.50 Lacs in 2005-06, which amounted to 33.27% of total income.

Selling Expenses:

Selling expenses for the year ended 31st March'07 is Rs. 583.30 Lacs as against an amount of Rs. 427.09 Lacs incurred in 2005-06.

Financial Expenses

For the year ended 31st March'07 , the Company has incurred Financial Expenses of Rs. 489.20 Lacs, where as the amount incurred towards Financial Expenses in the year 2005-06 amounted to Rs. 310.2 lacs.

Depreciation:

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV of the Companies Act, 1956 on the Straight Line Basis. The Depreciation for the year ended 31st March'07 is

Rs.315.26 Lacs. The depreciation for the year 2005-06 was Rs. 325.4 Lacs for. The proportionate increase was on account of the increase in fixed assets of the Company.

Net Profit before tax:

The Net Profit before tax for the half year ended 31st March'07 is Rs. 2625.00 Lacs, whereas the profit before tax for the year ended 31st March, 2006 was Rs. 1543.30 Lacs.

Taxation:

Provision for taxation for the year ended on 31st March, 2007 is Rs. 922.4 as compared to Rs. 503.02 Lacs for the year ended on 31st March, 2006.

Fringe Benefit Tax: This has been introduced in the Financial Year 2005-06, and the Company's liability on account of Fringe Benefit Tax for the year ended on 31st March, 2007 is Rs. 21.76 Lacs and the Company's liability on account of Fringe Benefit Tax for the year ended on 31st March, 2006 was Rs. 20.83 Lacs

Net Profit after tax:

The net profit after tax for the year ended 31st March'07 amounted to Rs. 1702.6 Lacs, as compared to the amount of Rs. 1040.3 Lacs for the year 31st March, 2006.

Comparison between financial performance Financial Years 2004-05 and 2005-06

Income

Income from Rooms, Food, beverage, Smokes & Other Services for the year ended 31st March'06 were Rs. 5668.07 Lacs. As against this, Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'05 were Rs. 4301.20 Lacs amounting to growth of 32%

Other Income:

In the year ended 31st March, 2006, the other income earned by the company was Rs. 314.84 Lacs. In the year 2004-05, other income earned by the Company was Rs. 102.13 Lacs.

Expenditures:

Consumption of provisions, wines & smokes

Consumption for the year ended 31st March, 2006 was Rs. 468.56 Lacs. As compared with this, Consumption for the year ended 31st March, 2005 was Rs.433.87 Lacs.

Staff Cost:

In the year ended 31st March'06 the Staff cost Rs. 916.17 Lacs which amounted to 15.31% of total income, as against a Staff cost of Rs. 707.20 Lacs for the Company for the Financial Year 2005-06, amounting to 16.06% of total income.

Operating and General Expenses:

CHL LIMITED

Operating and General Expenses for the year ended 31st March' 07 was Rs.2322.96 Lacs, amounting to 28.75% of total income as compared to Rs. 1990.50 Lacs in 2005-06, which amounts to 33.27% of total income.

Selling Expenses:

Selling expenses for the year ended 31st March'06 was Rs. 427.09 Lacs as against an amount of Rs. 313.46 Lacs incurred in 2004-05.

Financial Expenses

For the year ended 31st March'06 , the Company has incurred Financial Expenses of Rs. 310.2. Lacs, where as the amount incurred Financial Expenses 2004-05 amounted to Rs. 147.51 Lacs.

Depreciation:

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV of the Companies Act, 1956 on the Straight Line Basis. The Depreciation for the year ended 31st March'06 is Rs. 325.4 Lacs. The depreciation for the year 2004-05 was Rs. 238.27 Lacs for. The proportionate increase was on account of the increase in fixed assets of the Company.

Net Profit before tax:

The Net Profit before tax for the half year ended 31st March'06 was Rs. 1543.30 Lacs, whereas the profit before tax for the year ended 31st March, 2005 was Rs. 585.51 Lacs.

Taxation:

Provision for taxation for the year ended on 31st March, 2006 was Rs. 503.02 as compared to Rs. 191.57 Lacs for the year ended on 31st March, 2006.

Fringe Benefit Tax: This has been introduced in the Financial Year 2005-06, and the Company's liability on account of Fringe Benefit Tax for the year ended on 31st March, 2006 was Rs. 20.83 Lacs.

Net Profit after tax:

The net profit after tax for the year ended 31st March'06 amounted to Rs. 1040.3 Lacs, as compared to the amount of Rs. 393.93 Lacs for the year 31st March, 2005.

Comparison between financial performance Financial Years 2003-04 and 2004-05

Income

Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'05 were Rs. 4301.20 Lacs. As against this, Income from Rooms, Food, beverage, Smokes & Other Services for the year ended 31st March'04 were Rs. 3209.08 Lacs amounting to growth of 34%

Other Income:

In the year ended 31st March, 2005, the other income earned by the company is Rs. 102.13 Lacs. In the year 2003-04, other income earned by the Company was Rs. 138.67 Lacs.

Expenditures:

Consumption of provisions, wines & smokes

Consumption for the year ended 31st March, 2005 is Rs. 433.88 Lacs. As compared with this, Consumption for the year ended 31st March, 2004 was Rs. 139.61 Lacs.

Staff Cost:

In the year ended 31st March'05 the Staff cost Rs. 707.20 Lacs which amounted to 16.06% of total income, as against a Staff cost of Rs. 571.17 Lacs for the Company for the Financial Year 2003-04, amounting to 17.06% of total income.

Operating and General Expenses:

Operating and General Expenses for the year ended 31st March' 05 is Rs. 1990.50 Lacs, amounting to 33.27% of total income as compared to Rs. 1521.90 Lacs in 2003-04, which amounted to 45 % of total income.

Selling Expenses:

Selling expenses for the year ended 31st March'05 is Rs. 313.46 Lacs as against an amount of Rs. 176.31 Lacs incurred in 2003-04.

Financial Expenses

For the year ended 31st March'05 , the Company has incurred Financial Expenses of Rs. 147.51. Lacs, where as the amount incurred towards Financial Expenses for the year 2003-04 amounted to Rs.137.53 Lacs.

Depreciation:

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV of the Companies Act, 1956 on the Straight Line Basis. The Depreciation for the year ended 31st March'05 is Rs. 238.27 Lacs . The depreciation for the year 2003-04 was Rs. 241.74 Lacs.

Net Profit before tax:

The Net Profit before tax for the half year ended 31st March'05 was Rs. 585.51 Lacs, whereas the profit before tax for the year ended 31st March, 2004 is Rs. 376.45 Lacs.

Taxation:

Provision for taxation for the year ended on 31st March, 2005 was Rs. 191.57 as compared to Rs. 174.97 Lacs for the year ended on 31st March, 2004

Net Profit after tax:

The net profit after tax for the year ended 31st March'05 amounted to Rs. 393.93 Lacs, as compared to the amount of Rs. 201.49 Lacs for the year ended on 31st March, 2004.

Comparison between financial performance Financial Years 2002-03 and 2003-04**Income**

Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'04 were Rs. 3209.08 Lacs. As against this, Income from Rooms, Food, Beverage, Smokes & Other Services for the year ended 31st March'03 were Rs. 2653.68 Lacs amounting to a growth of 21%

Other Income:

In the year ended 31st March, 2004, the other income earned by the company is Rs. 138.67 Lacs. In the year 2002-03, other income earned by the Company was Rs. 100.62 Lacs.

Expenditures:**Consumption of provisions, wines & smokes**

Consumption for the year ended 31st March, 2004 was Rs. 139.61 Lacs. As compared with this, Consumption for the year ended 31st March, 2003 was Rs. 315.91 Lacs.

Staff Cost:

In the year ended 31st March'04 the Staff cost was Rs. 571.17 Lacs which amounted to 17.06% of total income, as against a Staff cost of Rs. 497.43 Lacs for the Company for the Financial Year 2002-03, amounting to 18.74% of total income.

Operating and General Expenses:

Operating and General Expenses for the year ended 31st March' 04 is Rs. 1521.90 Lacs, amounting to 45% of total income as compared to Rs.1286.57 Lacs in 2002-03, which amounted to 46.69 % of total income.

Selling Expenses:

Selling expenses for the year ended 31st March'04 is Rs. 176.31 Lacs as against an amount of Rs.129.49 Lacs incurred in 2002-03.

Financial Expenses

For the year ended 31st March'04 , the Company has incurred Financial Expenses of Rs. 147.51. Lacs, where as the amount incurred Financial Expenses 2002-03 amounted to Rs.192.74 Lacs.

Depreciation:

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV of the Companies Act, 1956 on the Straight Line Basis. The Depreciation for the year ended 31st March'04 is Rs. 241.74 Lacs. The depreciation for the year 2002-03 was Rs. 241.10 Lacs.

Net Profit before tax:

The Net Profit before tax for the half year ended 31st March'04 was Rs. 376.45 Lacs, whereas the profit before tax for the year ended 31st March, 2003 is Rs. 88.01 Lacs.

Taxation:

Provision for taxation for the year ended on 31st March, 2004 was Rs. 174.97 as compared to Rs. 27.19 Lacs for the year ended on 31st March, 2003.

Net Profit after tax:

The net profit after tax for the year ended 31st March'04 amounted to Rs. 201.49 Lacs, as compared to the amount of Rs. 60.82 Lacs for the year 31st March, 2003.

SECTION VI- LEGAL AND REGULATORY INFORMATION**Outstanding litigations and Material developments**

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its Directors, Promoters or Companies promoted by its Promoters that would have a material impact on the business of the Company and there are no defaults, non-payments or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its Directors, its Promoters or companies promoted by its Promoters. Further, the Directors, Promoters or Companies promoted by the Promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any Stock Exchanges except as disclosed under the heading 'Legal and Regulatory Information' of appearing on page no. [●] of this Draft Letter of Offer.

A. Litigation Summary**1. CHL LIMITED**

Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
<i>Cases against the Company</i>		
Income Tax Cases	2	66.39
Sales Tax	NIL	NIL
Excise	NIL	NIL
Customs	NIL	NIL
Civil	5	187.39
<i>Cases filed by the Company</i>		
Criminal Cases	NIL	NIL
Civil Cases	6	358.00

2. Group Company:**a) Malbros Capital Services (P) Limited**

There are no litigation pending of any nature against Malbros Capital services (P) Ltd. as on date.

b) Kyjol Entertainment Media Private Limited

There are no litigation pending of any nature against Kyjol Entertainment Media (P) Ltd. as on date.

c) CHL (South) Hotels Limited

There are no litigation pending of any nature against CHL (South) Hotels Ltd. as on date.

d) CHL International

There are no litigation pending of any nature against CHL International as on date.

e) Mela Hotels Limited

Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
-----------------------------	---------------------------	---

Cases against the Company		
Income Tax Cases		
Sales Tax		
Excise		
Customs		
Civil	2	Not Quantifiable
Cases filed by the Company		
Criminal Cases	1	Not Quantifiable
Civil Cases	4	Not Quantifiable

3. Directors of the Company

There are no Legal Cases of any nature pending against any Director/Promoters except as given below:

i) Mr. Harish C. Bhasin (Director)

Litigations/Defaults	Total No. of Cases	Total Financial Implications (where quantifiable) (Rs in Lacs)
Cases against the Directors		
Criminal	NIL	
Civil	4	Not Quantifiable
Income Tax	NIL	
FEMA	NIL	
Any other	NIL	
Cases filed by the Promoters	3	Not Quantifiable

B. Cases filed against the Company:

Civil Cases

- **Workman of Surya Hotel Vs. Surya Hotel (CHL Ltd.)**
Case No. CWP No. 200/2003

A case has been filed in the Delhi High Court against an order given by the labour court in favour of the hotel from the date of the award. However the employees chose to file a civil writ petition against the award stating that it should be made applicable from the date of demand and not from the date of award. This petition is also being heard along with the petition of the Hotel no. 3734/2003.

- **Pallavi Anand (Group Interiors) Vs. Surya Hotel (CHL Ltd.)**

This suit was filed initially in the high court, which has been later on sent to lower court on account of pecuniary jurisdiction. Suit for recovery of Rs.19 lacs on account of some work done for interior in the hotel done some time in 1989-90. Earlier a winding up petition was also filed by group interior (Ms. Pallavi Anand) in the high court of Delhi, which was dismissed by Delhi High Court.

The said case is now fixed for hotel evidence on preliminary issue on 10th July 2007 in the court of Shri R. B. Singh, Additional Session Judge lower court Delhi.

- **M/s Witness Silver Vs. Surya Hotel (CHL Ltd.)**

CHL LIMITED

A case has been filed in the Delhi Lower Court, for recovery of approximately Rs.2 Lacs. The case was filed by M/s Witness Silver against Hotel against non-payment of dues Silver painting.

The next date for argument is fixed for 30th October 2007.

➤ Income Tax Department Vs. CHL Limited Case No. ITA No. 634/2006

The case is filed in the Delhi High Court. The department (Income Tax) has moved an application against the orders of CIT/ITAT (appeal) (own officers) allowing the company to take benefits of deductions U/S/80HHD, before setting off the brought forward losses of earlier year. The case pertains to the assessment year 1996-1997 and 1997-1998.

Two appeals are pending. Disputed demands which amount to Rs. 66.39 Lacs

➤ M/s Pallavi Anand (Group Interiors) Vs. Surya Hotels (CHL Ltd.) Case No. 1991

The case is filed in the Delhi High Court against the hotel against the dismissal of the winding up petition in the year 1991 by Delhi High Court. This pertains to alleged dues for work of interiors done by group interiors for which now suit filed by them for Rs.19 lacs is pending disposal as stated above.

Appeal will come up for hearing in its normal course in the High Court.

C. Cases filed by the Company:

Civil Cases

➤ CHL Limited Vs. Municipal Corporation of Delhi CWP No. 17113-14/ 2004

A demand of house tax of Rs. 2.5 Crores was raised by Municipal Corporation Delhi against CHL Limited. On account of the increases in the property tax. The House tax is being calculated on the basis of Introduction so a new scheme of multiple factor and amendment having been made in the Municipal Corporation Act. The House tax is being calculated on the multiple factor, which is in the case of a Five Star hotel being 10. The main contention in the said matter by the hotel industry and more particularly the 5 star hotels that the fixation of the multiple factor is illegal, arbitrary and has created hardship for 5 star hotels, since the House Tax is increased manifold. Similar kind of petition has also been filed by the Hotel Federation of India.

The next day of hearing in this matter is 17th September 2007. In this matter, in view of the Court orders in the Hotel Federations matter, who have also filed similar petitions on account of the said order of the Hon' able High Court, we are only paying the house tax which is approximately 22/23 lacs per assessment year.

➤ Surya Hotels (CHL Ltd.) Vs. Workman of Surya Hotel Case No. CWP No. 3734/2003

An award was passed by the Labour court against the CHL Ltd. (Surya Hotel, now Crown Plaza Hotel) wherein on a reference made by the Labour authorities certain enhancements in the salary, Dearness allowance and other perquisites as the employee of the hotel were raised and it was ordered by the virtue of this award in the year 2003 that the employees be given enhancement in their wages and the dearness allowance w.e.f the date of the award. That this award being illegal the hotel is already giving

more wages and perquisites, the said award was challenged in the Hon' able High Court by way of Civil writ Petition. The Hon'abl court was very pleased to stay the operation of the impugned award. The said petition was later on admitted by high court and now will be heard on regular board.

Admitted and will be heard in the regular course of haring by the high court.

➤ **CHL Ltd. Vs. Light House Entertainment**

A case has been filed in the Lower Court for recovery of hotel dues amounting to Rs 2 Lacs on account non payment of hotel dues for stay of the guest.

The date of 29th August 2007 is foxed for argument.

➤ **CHL Ltd. Vs. Sanjeev Dhir**

A case has been filed in the Lower Court Delhi, for recovery of Hotel Dues about Rs.50,000/- on account of Non Payment of Bills of Hotel on account of stay pf guest.

The matter is fixed for 3rd July, 2007 for evidence/argument.

➤ **CHL Ltd. Vs. Alpine Destination**

A suit has been filed in the lower court Delhi, for recovery of hotel dues of Rs.50,000/- on account of non payment of hotel bills for stay of guest

Case is now fixed on 19th September, 2007 for argument.

➤ **CHL Ltd. Vs. Paragrine Security**

A appeal has been filed in the Delhi High court, against the order of the lower court granting decree amounting Rs.600 Lacs on account of security dues of the security agency deployed by the hotel for the security in the hotel.

Appeal was admitted on 31st October, 2006 now for final hearing as per the regular board of High Court.

C. Important Legal Notices against the Promoters/Promoter Group:

No Legal notices of any nature has been issued against any Promoter or Promoter group of our Company.

D. Cases filed by the Group Companies:

There are no litigation/pending cases filed by the group Companies mentioned in this Draft Letter of Offer except as mentioned below:

i) Mela Hotels Limited

Cases filed by M/s Mela Hotels Limited

➤ **Hotel Mela Plaza Vs. CESAT**

CHL LIMITED

Case no. ST/06/2003

A writ petition has been filed in the Delhi High Court by Mela Hotels Ltd. against the levy of the service charges being the Mandap keeper for holding the Banquet, the said service charges were distributed to the employees of the Hotel. The Hon' able court has framed the question of law and has referred the matter to CESAT for further hearing and then refer back to the High court for the final decision.

The date of hearing will be given by the Hon' able High Court after the receipt of the case from CESAT.

➤ Mela Hotel Ltd. Vs. GDA

Case No. 1090/92

A Civil suit has been filed in the court of the Chief Judicial Magistrate, Ghaziabad by Mela Hotel Ltd. restraining Ghaziabad Development Authority from demolishing the one boundary wall and also the swimming pool in the hotel. A stay against the Ghaziabad Development Authority has been granted and is continuing.

The matter is at final stage.

➤ Mela Hotel Ltd. Vs. Neeraj Chaudhary

Case no. 3166/02

A case has been filed with the Chief Judicial Magistrate under the Negotiable Instrument Act, against Neeraj Chaudhary, for dishonour of the instrument of Rs. 3 lacs.

The case is still at the hearing stage.

➤ Mela Hotels Ltd. Vs. GDA

Case no. 30816/2003

A writ petition in the Allahabad High Court has been filed against the illegal demand of Rs. 4 Crores by the GDA for the land (additional) where the boundary wall is situated. The said demand has been stayed by the High court vide its order dated 21.07.2003.

The case is at its hearing stage and will come on its term.

➤ Mela Hotels Ltd. Vs. Anil Agarwal

Case no. 1405/02

A criminal case has been filed at the Chief Judicial Magistrate, against Mr. Anil Agarwal for the dishonour of instrument of Rs.20,000/- issued by Mr. Anil Agarwal for Banquet services by the hotel.

The case is at hearing stage.

E. Cases filed against the Group Companies:

There are no litigation/pending cases filed against the group Companies mentioned in this Draft Letter of Offer except as mentioned below:

i) Mela Hotels Limited

➤ GDA Vs. K. S. Suri (General Manager) and other

Case no. 4383/96

A case has been filed with the Chief Judicial Magistrate, on account of boundary wall and swimming pool, being an offence under GDA Act. This case is related to the civil suit for boundary wall and swimming pool as mentioned above.

The case is at hearing stage.

➤ **Anil Agarwal Vs. Mela Hotel Limited**
Case no. 466/2002

A complaint is filed with the consumer forum, Ghaziabad by Mr. Anil Agarwal as counter blast to the case filed by the hotel for Rs.20,000/- which was dishonored for banquet service given by the hotel.

The case is at hearing stage.

F. Litigations against the Company's Directors:

➤ **ROC Vs. H. C. Bhasin & others**
Complaint no. 49 of 2002

A complaint has been filed by the Registrar of Companies in the ACMM – Shri Kanwlajit Arora, Tis Hazari Court, under section 60 of the Companies Act, 1956 for the contravention of sections 62 & 63 of the Companies Act, 1956- Prospectus dated 28-12-1992. The Proceedings have been stayed under the High Court Order. The next date of hearing is 11-09-2007.

➤ **ROC Vs. H. C. Bhasin & others**
Complaint no. 50 of 2002

A complaint has been filed by Registrar of Companies under section 60 of the Companies Act, 1956 for the contravention of Sections 62 & 63 of the Act (Prospectus Dated 21-11-1994) with ACMM- Shri Kanwaljeet Arora, Tis Hazari Court. The Proceedings have been stayed under the High Court Order.

➤ **ROC Vs. H. C. Bhasin**
Complaint no. 307 of 2003

A complaint under section 211(7) of the Companies Act, 1956 for contravention section 211(1) read with Schedule VI of the said Act in relation to the balance sheet of the company as at 30-11-2000 is filed by the Registrar of Companies (Delhi & Haryana) with the ACMM- Shri Kanwaljeet Arora, Tis Hazari Court. The complaint was quashed by the honorable High Court vide its order made in the hearing held on 16-04-2007. The order of the High court is to be filed with the Trial court for formal closure of the complaint/case. The next date of hearing has been fixed for 17-08-2007.

➤ **PNB Asset Management Co. Limited Vs. Harish Bhasin**
Complaint no. CS/152/03/97(2013/97)

A suit for recovery of dues with pendenlite & future interest till realization has been filed in the court of Sh. Pawan Jain, ADJ Tis Hazari by PNB Asset Management Co. Ltd. The next date of hearing has been decided as 22-10-2007.

G. Cases filed by the Company's Directors:

➤ **H.C.Bhasin & Ors. Vs. ROC**
Petition no. 1542/2003

Petition under section 482 of CRPC is filed in the Delhi High Court, for setting aside the order of the trial court and quashing the proceedings of the trial court (complaint no. 49/2002).

Next date of hearing is 22nd August, 2007 fixed for advancing arguments.

CHL LIMITED

➤ **H.C.Bhasin & Ors. Vs. ROC**
Petition no. 1546/2003

Petition under section 482 of CRPC is filed in the Delhi High Court, for setting aside the order of the trial court and quashing the proceedings of the trial court (complaint no. 50/2002).

Next date of hearing is 22nd August, 2007 fixed for advancing arguments.

➤ **H.C.Bhasin Vs. Bank of Baroda**
RFA no. 178/05

Appeal under section 96 of CPC against the judgement and decree dated 4-11-2004 passed in suit no. 90/03/1990 by Shri V. K. Yadav, ADJ appeal has been admitted in the Delhi High Court.

Next date of hearing is not decided yet.

➤ **H. C. Bhaisn Vs. Formost Dairies Ltd.**
Suit no. 1614/1988

A suit for recovery of dues with the pendenlite and future interest till realistaion has been filed in the Delhi High Court.

Next day of hearing has been fixed for 16-08-2007 and the talks for compromise and settlement is going on.

Government Approvals /Licensing Arrangements

The list of approvals obtained by the Company are detailed in the table below:

Sr. No.	Issuing Authority	Registration No./License No.	Nature of Registration/License	Validity date
1.	HRACC, Dept. of Tourism	NIL	Classification Certificate	06.01.2008
2.	D C P (licensing)	69/ER/A/SA/DCP/Lic	Lodging House	31.03.2007 (applied for renewal on 18.06.2007)
3.	D C P (licensing)	ETHL/DCP(Lic)/2000/237/NFC	Eating House (Atrium Snacks Bar)	31.12.2007
4.	D C P (licensing)	ETHL/DCP(Lic)/1995/96/SN Puri	Eating House (Sampan Restaurant)	31.12.2007
5.	D C P (licensing)	ETHL/DCP(Lic)/1995/97/SN Puri	Eating House (Seven Restaurant)	31.12.2007
6.	D C P (licensing)	ETHL/DCP(Lic)/1984/35/SN Puri	Eating House (Coffee Shop.)	31.12.2007
7.	D C P (licensing)	ETHL/DCP (Lic)/1998/72/SN Puri	Eating House (Mirage)	31.12.2007
8.	MCD (Health)	1572	Lodging House & Coffee Shop	31.03.2008
9.	MCD (Health)	6152	Health Trade License (Atrium Snacks Bar)	31.03.2008
10.	MCD (Health)	5875	Health Trade License (Sampan Restaurant)	31.03.2008
11.	MCD (Health)	5876	Health Trade License (Seven Restaurant)	31.03.2008
12.	MCD (Health)	8175	Health Trade License (Swimming Pool)	31.03.2008
13.	Electrical Inspector Govt. of NCT of Delhi	1069-1074	Lift Licenses (Total nos. 6)	22.03.2003 Fees for renewal has been paid every year.
14.	Excise Deptt. Govt. of NCT of Delhi	1982-83	BAR License L-3	31.03.2008
15.	Excise Deptt. Govt. of NCT of Delhi	1982-83	BAR License L-5 1. Sampan Bar 2. Atrium Bar. 3. Mirage Bar. 4. Le café Bar. 5. Seven Bar	31.03.2008
16.	MCD (Health)	6105	Mirage (Discotheque)	31.03.2008
	Dy. Chief Controller	HP/Delhi/198	Storage of Petroleum	One Time

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	of Explosives, North Circle		Class 'C' (Furnace Oil)	
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* Application for renewal has been file with the Excise Department.

Other Regulatory and Statutory Disclosures

Terms of the Issue

The Equity Shares now being offered on rights basis are subject to the provisions of the Act and the terms and conditions of this Draft Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Companies Act, FEMA, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, listing agreement entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the register of members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., [*] fixed in consultation with the Stock Exchanges. The Equity Shares are being offered for subscription in the ratio of one Equity Shares for every one Equity Shares held by the Equity Shareholders.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares of the Company including dividend payments.

SEBI DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THE DRAFT OFFER DOCUMENT HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINION EXPRESSED IN THE DRAFT LETTER OF OFFER. LEAD MANAGER, RR FINANCIAL CONSULTANTS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL THE RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT

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THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, RR FINANCIAL CONSULTANTS LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED [.] IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

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

WE CONFIRM THAT

- A) THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC, ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**

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

THE PROMOTERS/DIRECTORS OF CHL VIZ. Dr. L.K. MALHOTRA (CMD), DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED BY TERMS OF THIS LETTER OF OFFER HAS BEEN SUPPRESSED WITHHELD AND /OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/WITHHELD AND/OR AMOUNTS

TO A MIS-STATEMENT/MISREPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

Caution

The Lead Managers and the Company shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever. The Company, its directors or any of the associates or group Companies, Companies with which the directors of the Company are associated as directors or promoters and the directors or person(s) in control of the promoting Companies have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

Disclaimer Clause of Delhi Stock Exchange Limited

The Delhi Stock Exchange Ltd., (DSE) has given vide its letter no..[●] dated [●] permission to the Company to use the Exchange's name in this letter of offer as the Stock Exchange on which the securities of the Company are listed. The Exchange will scrutinize this offer document for its limited purpose of deciding on the matter of granting the aforesaid permission to the company. The Exchange does not in any manner

1. Warrant, certify or endorse the corrections of any of the contents of this offer document or
2. Warrant that this company's securities will be listed or will continue to be listed on the Exchange or
3. Take any responsibility for the financial or other soundness of this company, its management or any other scheme or project of this company.

And it should not be for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated in the offer document or for any other reason whatsoever.

Disclaimer In Respect of Jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations there under. Any disputes arising out of this issue will be subject to the jurisdiction of the appropriate Court(s) in Delhi, India only. This Draft Letter of Offer has been prepared in compliance with Indian Law and applicable rules and regulations there under. The distribution of Draft Letter of Offer and the offer Equity Shares on a right basis to persons in certain jurisdictions outside India may be restricted by the legal requirement prevailing in those jurisdictions. Persons in whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions.

This offer of equity shares is made in India to persons resident in India and NRIs subject to requisite approvals. This Draft Letter of Offer does not, however, constitute an offer to sell or an invitation to subscribe to equity shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Letter of Offer comes is required to inform him/her about and to observe any such restrictions.

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No action has been or will be taken to permit this issue in any jurisdiction where any action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observation and SEBI has given its observations. Accordingly, the Equity shares being offered pursuant to this Draft Letter of Offer may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance the legal requirement applicable in such jurisdiction. Neither the delivery of this Draft Letter of Offer nor any sale of Equity sale of equity shares hereunder, shall under any circumstance create any implication that there has been no change in Company affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date. The Draft Letter of Offer was filed with SEBI Bhawan, Bandra Kurla Complex, **Mumbai, 400 051**. After SEBI gave its observation, the Draft Letter of Offer was filed with the Designated Stock Exchange as per provisions of the Act.

General Disclaimer

The Issuer accepts no responsibility for the statements made otherwise than in the Draft Letter of Offer or in the advertisements or any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information would be doing so at his/her own risk. The draft letter of offer has been filed with Securities and Exchange Board of India (SEBI), Head Office at Mumbai for its observations. The final Letter of Offer will be filed with the Delhi Stock Exchange, Delhi. The entire legal requirement applicable till date of filing of Offer with the Stock Exchanges has been complied with.

Mode of payment of dividend

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

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

Face Value

The face value of Equity Shares of the Company is Rs. 10/- per Equity Share.

Issue Price

The Equity Shares of Rs. 10/- each are being offers at a price of Rs. 50/- per Equity Share (including a premium of Rs 40/- per Equity Share).

Rights Entitlement Ratio

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder of the Company on the Record date, you are entitled to this Rights Issue. The number of Equity Shares to which you are entitled is shown in Block I of Part A .

The Equity Share are being offered on a rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Shares for every one Equity Shares held as on the Record Date.

Rights Entitlement on Equity Shares held in the pool account of the clearing members on the Record Date shall be considered, and such claimants are requested to:

1. approach the concerned depository through the clearing member of the Stock Exchange with requisite details; and
2. depository in turn should furnish details of the transaction to the Registrar.

Only upon receipt of the aforesaid details, Rights Entitlement of the claimants shall be determined.

Rights of Equity Shareholders

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public Company under the companies Act and our Memorandum and Articles of Association.

For a detailed description see section titled “Main Provisions of Articles of Association of the Company” on page [●] of this Draft Letter of Offer.

Market Lot

The market lot for the Equity Shares held in the dematerialized mode is one. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person (“Consolidated Certificate”).

Investors may please note that the Equity Shares of the Company can be traded on the Stock Exchanges only in dematerialized form.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the Issue or the subscription level falls below 90% after the closure of the Issue on account of cheques having being returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of the Issue. If there is a delay beyond eight days after the date from which the Company becomes liable to pay the amount (i.e. forty two days after closure of the issue), the Company will pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Terms of payment

Full amount of Issue price Rs 40/- per Equity Share shall be payable on application. Where an Applicant has applied for additional shares and is allotted lesser number of Equity Shares than applied for, the excess application money paid shall be refunded. The monies would be refunded within 42 days from the closure of the Issue, and if there is a delay beyond eight days from the stipulated period, the Company will pay interest on the monies in terms of Section 73 of the Companies Act.

Nomination

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s)) may nominate any person(s) who, in the event of the death of the sole

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holder or all the jointholders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the registered Office of the Company located at Rewari or such other place as notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF.

Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio. In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective Depository Participant.

Offer to Non-Resident Equity Shareholders/ applicants

Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply for shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder.

General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian company in terms of FEMA and Regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the non-resident Shareholders. The equity shares purchased on a rights basis by non-residents shall be subject to the same conditions including restrictions in regard to the reparability as are applicable to the original equity shares against which equity shares are issued on a right basis.

The existing non-resident Shareholders may apply for issue of additional Shares and the Company may allot the same subject to the condition that the overall issue of Shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional Shares over and above Shares offered on rights basis by the Company and renounce the Shares offered in full or part thereof in favor of a person named by them. Residents may subscribe for additional Shares over and above the Shares offered on rights basis by the Company and also renounce the Shares offered either in full or part thereof in favor of a person named by them. The Equity Shares issued under the Rights Issue and purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as

are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued. By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated nonresident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. Such approval shall be submitted along with the CAF. The Letter of Offer and CAF shall only be dispatched to NR Equity Shareholders with registered address in India/outside India.

Option to subscribe

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and MAS Services Pvt. Ltd. on 19th June 2002 and with Central Depository Services (India) Limited (CDSL) and MAS Services Pvt. Ltd. On 7th June 2002, which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

Utilisation of issue proceeds

The Board of Directors declares that:

- i. The funds received against this Issue will be transferred to a separate Bank Account other than the Bank Account referred to sub-section (3) of Section 73 of the Act.
- ii. Details of all moneys utilized out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilized.
- iii. Details of all such unutilized moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilized moneys have been invested.
- iv. The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

Undertaking by the Company

- I. All the complaints in respect of the Rights Issue shall be attended to by the Company expeditiously and satisfactorily.
- II. All steps for the completion of necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed will be taken within 7 working days of finalization of basis of allotment.
- III. That the funds required for dispatch of refund orders/ allotment letters/ certificates by registered post or any other mode disclosed in this Draft Letter of Offer, shall be made available to the Registrar to the Issue.
- IV. That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.

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- V. That no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application money is refunded on account of non-listing, under subscription etc.
- VI. The Company accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
- VII. All information shall be made available by the Lead Managers and the Issuer to the Investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

How to apply

For Resident Indian Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Draft Letter of Offer.

For Non-Resident Shareholders on Non Repatriation basis

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter-alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity shares
- Part B: Form for renunciation
- Part C: Form for application for renounees
- Part D: Form for request for split application forms

Options available to the Equity Shareholders

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares.

Acceptance of Offer

You may accept the offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal

charges, payable at Delhi to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement of the Equity share in full or in part in favor of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favor of:

- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)
- Foreign nationals (unless approved by RBI or other relevant statutory authorities)
- To any person situated or having jurisdiction where the offering in terms of this Draft Letter of Offer could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board. As per notification no. FEMA 20/2000-RB dated May 3, 2000 and notification no. FEMA 94/2003-RB dated June 18, 2003, issued by RBI, RBI has granted general permission to Indian companies to issue rights/ bonus equity shares to existing non resident Indians and non-residents may apply for issue of additional shares and the investee company may allot the same subject to the condition that the overall issue of shares to non residents in the total paid up capital does not exceed the sectoral cap. In other words, non residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above, the shares offered on rights basis by the company and also renounce the shares offered either in full or part thereof in favour of person named by them. However, this facility would not be available to investors who have been allotted such shares as OCBs.

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

Procedure for renunciation

To renounce the whole Offer in favour of one renouncee

If you wish to renounce the offer in whole indicated in Part A, please complete PART 'B' of the CAF and deliver the CAF duly signed to the person in whose favour the Equity Shares are so renounced. The person, in whose favour the offer has been renounced should complete and sign PART C of the CAF. In case of joint renouncees, all joint renouncees must sign.

Renouncee(s) shall not be entitled to further renounce the entitlement in favour of any other person.

To renounce in part/or renounce the whole to more than one person

If you wish to either accept this offer in part or renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must first be split in requisite number of forms.

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Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. [•]. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or in introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that the Board of Directors shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renouncee(s) without assigning any reason thereof.

Please note that:

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Issue has been made. If used, this will render the application invalid.
- Only the person to whom this Draft Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Request for split form should be made for a minimum of one Equity Share or in multiples thereof and one Split Application Form for the balance equity shares, if any.
- Requests for Split Forms will be entertained only once
- Request by the applicant for the Split Application Form should reach the Registrar on or before [•] the last date for receiving of request for split forms by filing in PART D of the CAF.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered to you without renouncing them in full or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be in the manner prescribed under the section entitled 'Basis of Allotment' on page --- of this Draft Letter of Offer. The renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

In case of application for additional Equity Shares by Non-Resident Equity Shareholders, the allotment of additional Equity Shares will be subject to the permission of the RBI. Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a

fair and equitable basis in consultation with the Designated Stock Exchange. You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF:

S. No	Options Available	Action required
1	Accept whole or part of your entitlement without renouncing the balance	Fill in and sign Part A (All joint holders must sign)
2	Accept your entitlement in full and apply for additional Shares	Fill in and sign 'Part A' including Block III relating to acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3	Renounce your entitlement in full to one person (joint renouncees are deemed as one person)	Fill in and sign Part B (All joint holders must sign) indicating the number of Equity Shares renounced and handover the ENTIRE FORM to the renouncee. The renouncee / joint renouncee(s) must fill in and sign Part C (All Joint renouncees must sign).
4	Accept a part of your entitlement and renounce the balance to one or more renouncee(s). OR Renounce your entitlement to all the Equity Shares offered to you to more than one renouncee	Fill in and sign 'Part D' (All joint holders must sign) requesting for Split application Forms after indicating the required number of Split Application Forms and send the entire CAF to the Registrars to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. On receipt of the Split Forms take action as indicated below: i) For the Equity Shares, if any, which you want to accept, fill in and sign 'Part A' of one Split Composite Application Form. ii) For the Equity Shares you wish to renounce, fill in and sign 'Part B' indicating the number of Equity Shares renounced to each renouncee and hand it over to the renouncee. Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Incomplete Application

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

For applicant residing at places other than designated bank collecting branches

Applicants residing at places other than the cities where the bank collection centers have been opened and known resident applicants applying on a non repatriation basis should send their completed CAF by Registered Post/Speed post to the Registrar to the Issue, RCMC Share Registry (P) Ltd. along with the DD, net of DD and Postal Charges, payable at new Delhi on favour of “CHL- Rights Issue” crossed “A/c Payee Only” so that the same are received on or before the closure of the issue [●]

Non resident investor applying on a repatriation basis should send their completed CAF by Registered post /Speed post to the Registered to the Issue, RCMC Share Registry (P) Ltd along with the DD for the full application amount, payable at Delhi in favour of “**CHL- RIGHTS ISSUE – NR**”, crossed account payee only so that the same are received on or before closure of the Issue i.e. [*]. The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue, which are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a demand draft payable at New Delhi, which should be drawn in favor of “**CHL - Rights Issue**” in case of resident and nonresident Equity Shareholders applying on non-repatriation basis or in favour of “**CHL- RIGHTS ISSUE – NR**” in case of non-resident Equity Shareholders who have applied on repatriation basis and send the same by registered post directly to the Registrar to the Issue. The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e. [●]) and should contain the following particulars:

- Name of Issuer, being CHL Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of Shares held as on Record Date i.e. ([●],)

- Certificate numbers and distinctive numbers, if held in physical form
- Number of rights Equity Shares entitled
- Number of rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs.50/- per Equity Share
- Particulars of cheque/draft
- Savings/Current Account number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN/GIR number, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for Equity Shares of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names; and
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

For Applicants residing at places where the Bank collection centres have been opened, application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Managers to the Issue or the Registrar to the Issue.

For Applicants residing at places other than the cities where the Bank collection centers have been opened, application forms duly completed together with cash/ cheque/demand draft for the application money must reach Registrar to the Issue before the close of the subscription list.

The Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Managers and the Registrar not having any liabilities to such Applicants.

Last date for submission of CAF

The last date for receipt of dully filled in CAF together with the amount payable on application is [•]. The Board/ Committee of Directors will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the Issue Opening Date.

If the CAF together with amount payable is not received by the Bankers/Registrar to the Issue as the case may be, on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Draft Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under “Basis of Allotment”.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

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Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

1. Full allotment to the Shareholders who have applied for their rights entitlement, either in full or in part and also the renouncee(s) who have applied for Equity Shares renounced in their favor either in full or in part.
2. Allotment to the Shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on equitable basis having due regard to the number of Equity Shares held by them as on the Record Date. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
3. Allotment to the renounces who have applied for all the Equity Shares renounced in their favor and have applied for additional Equity Shares, provided there is a surplus after making full allotment in (1) and (2) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

After taking into account allotment to be made under (1) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b)(ii) of the Takeover Code which would be available for allocation under (2) and (3) above. After considering the above allotment, any additional Equity Shares shall be disposed off by the Board or committee of Directors authorised in this behalf by the Board of Directors of the Company, in such manner as they think most beneficial to the Company and the decision of the Board or committee of Directors of the Company in this regard shall be final and binding. In the event of oversubscription, allotment will be made within the overall size of the issue.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time. The Company expects to complete the allotment of Equity Shares within a period of 42 days from the date of closure of the Issue in accordance with the listing agreement with the BSE. The Company shall retain no oversubscription.

Allotments/Refunds

The Company will issue and dispatch letter of allotment/securities certificate and/or letter of regret along with the refund orders or credit the allotted securities to the respective beneficiaries account, if any, within a period of 42 days from the date of closure of issue. If such money is not repaid with 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Companies Act.

Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS only (Electronic Clearing Service) except where applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advice regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 42 working days of closure of Issue.

In case of those applicants who have opted to receive their Share in Physical form, and the Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Act or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the share certificates. For more information please refer to the section titled 'Letters of Allotment/ Share Certificates/Demat Credit' on page no. [●] of this Draft Letter of Offer.

Refunds, if any, will be made along with allotment letters and /or regret letters by registered/ speed post if the amount of such refund exceeds Rs.1500/- to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs.1,500/- shall be sent to the applicants under postal certificate. Such cheque/ refund order / pay order will be payable at par during their validity period at all centres where the applications were originally accepted. The same would be marked "Account Payee only". In case of joint applications, refund orders, if any, will be made out in the first applicant's name and all communication will be addressed to the person whose name appears on the CAF as the sole first applicant. Adequate funds would be made available to the Registrar to the Issue for for the purpose.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds 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 of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants 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 of refund will be made to the applicants through this method.

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3. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being, [•] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
4. RTGS – Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

Letters of Allotment / Share Certificates / Demat Credit

Letter(s) of allotment/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Company issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

Dematerialisation

Applicants to the Equity Shares of the Company issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Equity Shares of the Company are traded in the demat segment. The Company has entered into a tripartite agreement dated 21st June, 2001 with the National Securities Depository Ltd. (NSDL) and RCMC Share Registry (P) Ltd. for dematerialisation of the Equity Shares of the Company. The Company has also entered into a tripartite agreement dated 12th June, 2001 with the Central Depository Services Limited (CDSL) and RCMC Share Registry (P) Ltd. for dematerialisation of the Equity Shares of the Company. The ISIN number granted to the Equity Shares of the Company is INE790D01012.

In this Issue, the Allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

The Equity Shares of the Company will be listed on the DSE and we have already applied to Bombay Stock Exchange Limited vide our letter dated 23rd May, 2006 for listing its existing

1,09,63,658 Equity Shares and on getting the said approval we will also apply to get our 54,81,829 equity shares issued through this Rights issue for listing on the Bombay Stock Exchange Limited, the application for listing is pending due to some eligibility criteria of BSE.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step*
2. For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.
3. Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.
4. Applicants must necessarily fill in the details (including the beneficiary account number or client ID (number) appearing in the CAF under the heading 'Request for Shares in Electronic Form'.
5. Equity Share allotted to an applicant in the electronic account form will be credited directly to the applicant's respective beneficiary account(s) with depository participant.
6. Applicants should ensure that the names of the applicants and the order in which they appearing the CAF should be the same as registered with the applicant's depository participant.
7. Non-transferable allotment advice/refund orders will be directly sent to the applicant, by the Registrar to this Issue.
8. If incomplete/incorrect details are given under the heading 'Request for Shares in Electronic Form' in the CAF, the Applicant will get Equity Shares in physical form.
9. Renouncees can also exercise the option to receive Equity Shares in the demat form by indicating in the relevant asset and providing the necessary details about their beneficiary account.

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10. It may be noted that Equity Share arising out of this Issue can be received in demat form even if the existing Equity Shares are held in physical form. Nonetheless, it should be ensured that the depository participant account is in the name of the Applicant(s) in the same order as per specimen signatures appearing in the records of the depository participant/Company.
11. It may be noted that shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
12. Dividend or other benefits with respect to the shares held in dematerialised form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the depository participant to the Company as on the date of the book closure.
13. If incomplete / incorrect beneficiary account details are given in the CAF the Applicant will get Equity Shares in physical form.
14. The Equity Shares pursuant to this Issue allotted to investors opting for dematerialized form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Applicant's depository account.
15. Renounces will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the renounces will get Equity Shares in physical form.

General Instructions for Applicants

- a) Please read the instructions printed on the enclosed CAF carefully.
- b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest if refunded within stipulated period. The CAF must be filled in English and the names of all the applicants, details of occupation, address, and father's / husband's name must be filled in block letters.
- c) The CAF together with cheque /demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by account payee cheque, drawn on a local bank at Delhi or demand draft / pay order payable at Delhi in favour of Bankers to the Issue, crossed account payee only and marked "**CHL-Rights Issue**" and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- d) Applications for a total value of Rs.50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted

under the IT Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60 / Form 61 prescribed under the I.T. Act along with the application. **CAFs without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**

- e) With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars by its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to Applicants to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Letter of Offer and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.
- f) Applicants are advised to provide information as to their savings/ current account number, 9 digit MICR number and the name of bank, branch with whom such account is held in the CAF to enable the Registrar to print the said details in the Refund Orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- g) The payment against the application should not be effected in cash if the amount to be paid is Rs.20,000/- or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.
- h) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- i) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to make investment and sign the application along with a copy of the memorandum & articles of association and / or bye laws must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closure Date, then the application is liable to be rejected.
- j) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

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- k) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of Equity Share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- l) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company or Registrar to Issue viz. RCMC Share Registry Private Limited in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in dematerialised form.
- m) Split forms cannot be re-split.
- n) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.
- o) Applicants must write their CAF number at the back of the cheque / demand draft.
- p) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- q) A separate cheque /draft must accompany each CAF. Outstation cheques or post-dated cheques and postal /money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- r) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/Registrar will acknowledge receipt of the same by stamping and returning the acknowledgement slip at the bottom of the CAF.

Grounds for technical rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given;
- Age of First Applicant not given;
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

- If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by US persons; or
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

Mode of Payment

For Resident Applicants

- Applicants who are resident in centers with the bank collection centers shall draw cheques / drafts accompanying the CAF in favour of "**CHL – RIGHTS ISSUE**", crossed account payee only and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers' clearing house located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.
- Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft/Pay Order payable at Delhi in favour of the **CHL – RIGHTS ISSUE**, crossed account payee only directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Payment by Non-Residents must be made by demand draft / cheque payable at Delhi (net of demand draft charges and postal charges) or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

a) By Indian Rupee drafts purchased from abroad and payable at Delhi or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

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b) By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Delhi; or c) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable at Delhi; or

d) Non-resident investors applying with repatriation benefits should draw cheques/ drafts in favour of “**CHL – RIGHTS ISSUE- NR**”, payable at Delhi and must be crossed “**Account Payee Only**” for full application amount.

Application without repatriation benefits As far as non-residents holding shares on non- repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Delhi or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Delhi. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of “**CHL – RIGHTS ISSUE**” payable at Delhi and must be crossed “**A/c Payee only**” for the full application amount. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Issue Closing Date. A separate cheque or bank draft must accompany each CAF. Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected. New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the aforesaid Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case application received from Non-Residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest scheme has been withdrawn with immediate effect. Hence, payment through Stockinvest would not be accepted in this Issue.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money received. However, the Bankers to the Issue receiving the CAF(s) will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason.

In case an application is rejected in full, the whole of the application money received will be refunded and where an application is rejected, the balance of the application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue.

Application Under Power of Attorney

In case of applications under power of attorney or by limited companies or bodies corporate or societies registered under the applicable laws, a certified copy of the power of attorney or the relevant authority, as the case may be, along with the certified copy of the memorandum and articles of association or bye-laws of the applicant, as the case may be, must be lodged with the Registrar to the Issue indicating the serial number of the CAF, name of the bank and the branch office where the application is submitted, failing which the application is liable to be rejected. In case the power of attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the registration under which the power of attorney has been registered with the Company must be mentioned below the signature of the applicant.

Important

Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All inquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed “**CHL - Rights Issue**” on the envelope) to the Registrar to the Issue at the following address: **RCMC Share Registry Private Limited**
B-106, Sector-2, NOIDA-201301, Uttar Pradesh
Tel : 0120-4015880/4015880
Fax : 0120-2444346
E-mail: info@masserv.com
Contact Person: Mr. Rakesh Adhana

It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing on Page iii of this Letter of Offer. The Issue will be kept open for 30 days unless extended, in which case it will be kept open for a maximum of 60 days.

SECTION VII-OTHER INFORMATION**Main Provisions of Articles of Association**

1. (1) Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the Company.
- (2) In these Articles :
 - (a) "The Act" means the Companies Act, 1956.
 - (b) "The Articles" or "These Articles" means the Articles of Association for the time being of the Company.
 - (c) "The Company" means **CHL LIMITED**
 - (d) "The Board" or "The Board of Directors" means a meeting of the Directors duly called and constituted or as the case may be, the directors assembled at a Board or the requisite number of Directors entitled to pass a Resolution by circulation in accordance with these Articles.
 - (e) "Debenture" includes debenture stock;
 - (f) "Month" means a calendar month.
 - (g) "Directors" means the Directors for the time being of the Company or as the case may be, the Directors assembled at a Board.
 - (h) "Dividend" includes bonus;
 - (i) "Person" includes body corporate, firm, association of persons and society registered under the Societies Registration Act;
 - (j) "Proxy" includes Attorney duly constituted under a Power of Attorney;
 - (k) "The Seal" means the Common Seal for the time being of the Company;
 - (l) "and" and "written" include printing, lithography and any other modes of representing or reproducing words in a visible form;
 - (m) "The Office" means the Registered Office for the time being of the Company.
- (3) In these Articles, words importing singular number shall include the plural number and vice versa, and words importing masculine gender shall include feminine gender.
2. The regulations contained in Table 'A' of Schedule I to the Act shall not apply to the company, except in so far as they are embodied in these Articles.

SHARE CAPITAL AND VARIATION OF RIGHTS

3. The Share Capital of the company is Rs. 30,00,00,000 (Rupees Thirty Crore) divided into 3,00,00,000 (Three Crore) Equity shares of Rs. 10/- (Rs. Ten each.)
- 3A Subject to the provisions of Section 80 of the Companies Act, 1966, the Board shall have the power to issue Cumulative Redeemable Preference Shares, which may at the option of the Company be liable to be redeemed at any time after the expiry of 12 years but within a period of 15 years from the date of their issue. The said redemption will be made either out of profits of the Company, which would otherwise be available for dividend or out of the proceeds of fresh issue of shares made for the purpose of redemption. The holders of redeemable preference shares

shall be paid out of the profits which the Directors shall determine to distribute by way of dividend a fixed cumulative dividend @ 13.5%. On winding up they shall be paid all arrears of preferential dividend whether earned or declared or not, down to the commencement of winding up, and shall also be repaid the amount of capital paid-up or credited as paid up on the preference share, held by them.

4. Subject to the provisions of these Articles the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such persons, on such terms and conditions, at such time, either at par or at a premium or discount and for such consideration as the Board thinks fit provided, that where at any time it is proposed to increase the Subscribed Capital of the Company by allotment of further shares, then subject to the manner set out in Section 81 (1-A) of the Act, the Board shall issue such shares in the manner set out in Section 81 (1) of the Act. Provided further option or right to call, for subscription of shares shall not be given by the Board to any person except with the sanction of the Company in general meeting.
5. (1) If at any time the share capital is divided into different classes of shares, the rights attached to any class, (unless otherwise provided by the terms of issue of the shares of that class) may subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, abrogated or dealt with, with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class.
(2) To every such separate meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of issued shares of the class in question.
6. The rights conferred upon the holders of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
7. (1) The Company shall have the power to pay commission on issue of shares and debentures as permissible under Section 76 of the Act provided that the rate percent, or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section.
(2) The rate of the commission shall not exceed in the case of shares, five per cent of the price at which the shares are issued and in the case of debentures, two and a half per cent of the price at which the debentures are issued
(3) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or debentures or partly in one way and partly in the other.
(4) The Company shall also have the power to pay brokerage on any issue of shares or debentures at the maximum rates permissible by the regulation of a recognized Stock Exchange in India.
8. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the company shall not be bound by or be compelled in any way to recognise (even when having notice thereof), any equitable, contingent, future or partial interest or claim in any share, or *any* interest or claim in any fractional part of a share or (except only as by these Articles or by law otherwise, provided) any other rights in respect of any share except an absolute rights to the entirety thereof in the registered holder.
9. (1) Every person whose *name* is entered as a Member in the Register of

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Members or in the Register of holders of debentures shall be entitled to receive within three months after allotment or within one month of lodgement of shares or debentures for registration of transfer or within such other period as the conditions of issue shall provide:-

- (a) One certificate for all his shares or debentures without payment; or
 - (b) Several certificates, each for one or more of his shares or debentures, upon payment of one rupee or such smaller amount as the Board may decide for every certificate after the first.
- (2) Every certificate shall be under the seal and shall specify the shares or debentures to which it relates and the amount paid up thereon.
- (3) In respect of any share or shares or any debentures held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for share or debentures to one of several joint holders shall be sufficient delivery to all such holders
10. (1) If a share or debenture certificate is torn, defaced, lost or destroyed, it may be renewed on payment of such fee as may be decided by the Board from time to time but not exceeding two rupees and on such terms, if any, as to evidence and indemnity and the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.
- (2) No fee shall be charged for :-
- (a) Registration of transfer of shares and debentures;
 - (b) Sub-division and consolidation of shares and debentures certificates and sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading;
 - (c) Sub-division of renounceable letters of rights;
 - (d) Issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilised;
 - (e) Registration of any Power of Attorney, Probate, Letters of Administration or similar other documents.

LIEN

11. The Company will not charge any fees exceeding those which may be agreed upon with the Exchange for issue of new certificate in replacement of those that are torn, defaced, lost or destroyed, for subdivision and consolidation of shares and debenture certificates and for subdivision of Letters of Allotment and split, Consolidation, Renewal and Pucca Transfer Receipts into denominations other than those fixed for the market units of trading
12. The Company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:
Provided that no sale shall be made :-
- (a) unless a sum in respect of which the lien exists is presently payable; or
 - (b) until the expiration of thirty days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
13. (1) To give effect to any such sale, the Board may authorise some persons to transfer the shares sold to the purchaser thereof.
- (2) The purchaser shall be registered as the holder of the shares comprised in any such transfer.

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- (3) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale
14. (1) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- (2) The residue, if any, after payment of cost of such sale, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

15. (1) The Board may, from time to time make calls upon the Members in respect of any moneys unpaid on their shares, (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:
- Provided that no call shall exceed one-half of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.
- (2) Each member shall subject to receiving at least thirty days' notice specifying the time or times and place of payment pay to the company, at the time or times and place so specified, the amount called on his shares.
- (3) A call may be revoked or postponed at the discretion of the Board.
16. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments. A call when made shall become a debt due to and recoverable by the Company
17. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
18. (1) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall be liable to pay interest thereon from the day appointed for payment thereof to the time of actual payment at fifteen per cent per annum or at such other rate, if any, as the Board *may* determine.
- (2) The Board shall be at liberty to waive payment of any such interest wholly or in part.
19. (1) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.
- (2) In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum become payable by virtue of a call duly made and notified.
20. Subject to the provisions of the Act and these Articles, at the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the company in respect of any shares it shall be sufficient to prove the name of the member in respect of whose shares money is sought to be recovered appears entered in the Register of Members as the holder of the shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly posted to the member or his legal representative in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call nor that the meeting at which any call was made was duly

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convened or constituted nor any other matter whatsoever but the proof of the matter aforesaid shall be conclusive evidence of the debt

21. The Board:-
- (a) may, if it thinks fit, receive from any Member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him; and
 - (b) upon all or any of the moneys so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be agreed upon between the Board and the Member paying the sum in advance ;
 - (c) Moneys paid in advance of calls shall not in respect thereof confer a right to dividend or to participate in profits.
22. The money so paid in advance of calls shall not be regarded as a loan to the company and shall not be refundable.

TRANSFER OF SHARES

23. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and of any statutory modification *thereof* for the time being shall be duly complied with in respect of all transfer of shares and the registration thereof.
24. The transferor shall be deemed to remain a holder of the shares until the name of the transferee is entered in the Register of Members in respect thereof.
25. The Company shall not be required to preserve transfer deeds beyond the period of four years from the date of registration of transfer in the books of the Company.
26. (1) Subject to the provisions of Section III of the Act, or any statutory modification thereof for the time being in force, the Directors may, without assigning any reason, decline to register or acknowledge any transfer of shares other than fully paid up and in particular may so decline in any case in which the company has a lien upon the shares or any of them or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a Member. The registration of a transfer shall be conclusive evidence of the approval by the Directors of the transferee. Registration of a transfer shall not be refused on the ground of the transferor being alone or jointly with any other person or persons indebted to the company on any account whatsoever except a lien on shares.
- (2) The Board may also decline to recognise any instrument of transfer of shares unless :-
- (a) the instrument of transfer duly stamped and executed is accompanied by the certificate or certificates of shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
 - (b) the instrument of transfer is in respect of only one class of shares.
27. The Directors shall have power, on giving not less than twenty one days' previous notice by advertisement as required by Section 154 of the Act to close the transfer books of the Company, the Register of Members or the Register of Debenture holders at such time or times and for such period or periods of time not exceeding in the aggregate 45 days in each year but not exceeding 30 days at a time as to them may seem fit.

TRANSMISSION OF SHARES

28. (1) On the death of a member, the survivors, where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares.

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- (2) The executors or administrators or the holder of a Succession Certificate in respect of the estate of a deceased member (not being one or two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration or Succession certificate as the case may be, from a duly Constituted Court in India, provided that in any case where the Directors in their absolute discretion think fit, they may dispense with the production of Probate or Letters of Administration or Succession Certificate, and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.
- (3) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
29. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced and subject to such indemnity, if any, as may from time to time properly be required by the company and subject as hereinafter provided elect, either ;-
- (a) to be registered himself as holder of share; or
- (b) to make such transfer of the share as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration as it would have had if the deceased or insolvent member had transferred the share before his death or insolvency.
30. (1) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects;
- (2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
31. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided that the Company may at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares, until the requirement of the notice have been complied with.

FOREITURE OF SHARES

32. If a member fails to pay any call, instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have occurred and all expenses (legal and otherwise) that may have been incurred by the Company by reason of such non-payment.
33. The notice aforesaid shall:

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- (a) name a further day (not being earlier than the expiry of thirty days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
 - (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.
34. If the requirement of any such notice as aforesaid shall not be complied with, any of the shares in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalment, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect.
35. When any share is so declared to be forfeited, notice of forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any entry as aforesaid.
36. (1) A forfeited share may be sold, reissued or otherwise disposed of on such terms and in such manner as the Board thinks fit.
(2) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
37. (1) A person whose shares have been forfeited, shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable to the Company in respect of the shares
(2) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.
38. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
39. Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the company of a portion of any money which shall from time to time be due from any member in respect of any shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any money shall preclude the forfeiture of such shares as herein provided.
40. (1) A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary of the Company, or an officer authorised in that behalf by the Board, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be shares.
(2) The declaration aforesaid and the receipt of the consideration, if any, given for the share on any sale or disposal thereof shall constitute a good title to such share. The Company may appoint some person to execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
(3) The transferee shall there upon be registered as the holder of the share.
(4) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share
(5) The validity of sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
41. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same

shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Board shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium as if the same had been payable by virtue of a call made and notified
43. The Board may subject to permissibility under law, accept the surrender of any share by way of compromise of any question as to the holder being properly registered in respect thereof on any other terms it thinks fit.

CONVERSION OF SHARES INTO STOCK

44. The Company may, by ordinary resolution:-
- (a) convert any paid-up shares into stock, and
 - (b) reconvert any stock into paid-up shares of any denomination.
45. The holders of stock may transfer the same or any part thereof in the same manner as and subject to the same Articles under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit .
Provided that the Board may from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
46. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage
47. (1) Such of these Articles (other than those relating to share warrants) as are applicable to paid-up shares shall apply to stock and the words "share" and "Shareholders" in these Articles shall include "stock" and "stockholders" respectively.
- (2) No such conversion shall affect or prejudice any preference or special rights or privileges attached to any class of shares.

SHARE WARRANTS

48. The Company may issue share warrants subject to, and in accordance with, the provisions of Section 114 and 115 of the Act, and subject to such permission as may be required under Section 22 of the Foreign Exchange Regulation Act, 1973 and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share and authenticated by such evidence, (if any) as the Board may, from time to time, require as to the identity of the person signing the application and on receiving the certificate, (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
49. (1) The bearer of a share warrant may at anytime deposit the warrant at the Registered Office of the Company, and so long as the warrant remains so deposited the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name

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- were inserted in the Register of Members as the holder of the shares included in the deposited warrant
- (2) Not more than one person shall be recognised as depositor of the share warrant.
- (3) The Company shall, on two days' written notice, return the deposited share warrant to the depositor.
50. {1} Subject as herein otherwise expressly provided, no person shall as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privilege of a member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (2) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he was named in the Register of Members as the holder of the shares included in the warrant and he shall be a member of the Company.
51. The Board may from time to time, if it shall think fit, make rules as to the terms on which a new share warrant or coupon may be issued by way of renewal in case of defacement, tearing, loss or destruction.

DEBENTURES

52. Every debenture or other instrument issued by the Company for securing the payment of money may be so framed that the moneys thereby secured shall be assigned free from any equities between the Company and the persons to whom the same may be issued. Any debentures, debenture stock, bonds or other instruments or securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into any share of any denomination, and with any special privileges as to redemption, surrender, drawings and allotment of shares or otherwise, provided that the debentures with a right to conversion into or allotment of shares shall not be issued without consent of the Company in general meeting.
53. The provisions herein contained relating to transfer and transmission shall also apply to debentures in the same manner as they apply to shares.

53A. DEMATERIALISATION OF SECURITIES

(1) DEFINITIONS

For the purpose of this Article

"Beneficial Owner" means a person whose name is recorded as such with a Depository.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Depositories Act" means the Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force.

"Bye - Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act.

"Depository" means a company formed and registered under the Companies Act 1956, and which has been granted a certificate of registration under Sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

"Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository

"Debentureholder" means the duly registered holders from time to time of the debentures of the Company.

"Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992

"Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulations made by SESI in relation to the Depositories.

"Regulations" means the regulations made by SEBI.

"Security" means such security as may be specified by the SEBI.

Words imparting the singular number only include the plural number and vice versa.

Words imparting persons include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meaning respectively assigned to them in that Act.

COMPANY TO RECOGNIZE INTEREST IN DEMATERIALIZED SECURITIES UNDER DEPOSITORIES ACT.

Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the

Depositories Act, as amended from time to time or any statutory modification thereto or reenactment thereof

DEMATERIALIZATION OF SECURITIES

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialize its existing securities, rematerialise its securities held in the depositories and/or offer its fresh securities in a dematerialized form pursuant to the Depositories Act and the rules framed thereunder, if any.

OPTIONS TO RECEIVE SECURITY CERTIFICATES OR HOLD SECURITIES WITH DEPOSITORY

Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository.

If a person opts to hold his security with a depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.

SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

All securities held by a Depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

BENEFICIAL OWNER DEEMED AS ABSOLUTE OWNER.

Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise

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expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall have at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

DEPOSITORY TO FURNISH INFORMATION

Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

CANCELLATION OF CERTIFICATES UPON SURRENDER BY A PERSON

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

OPTION TO OPT OUT IN RESPECT OF ANY SECURITY

If a Beneficial Owner seeks to opt out of a Depository in respect of any security the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations issue the certificate of security to the Beneficial Owner or the transferee as the case may be.

SERVICE OF DOCUMENTS

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the record of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

PROVISION OF ARTICLES TO APPLY TO SHARES HELD IN DEPOSITORY

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.

ALLOTMENT OF SECURITIES DEALT WITH IN A DEPOSITORY

Notwithstanding anything in the Act or these Articles, where a Depository deals with securities, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

DISTINCTIVE NUMBER OF SECURITIES HELD IN A DEPOSITORY

The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Except in the manner herein before mentioned, no share shall be sub-divided.

Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished

REGISTER AND INDEX OF BENEFICIAL OWNERS

The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debenture holders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialized form in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debenture holders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of members resident in that state or country.

REGISTER OF TRANSFERS

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material Form.

OVERRIDING EFFECT OF THIS ARTICLE

Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article of these presents

ALTERATION OF CAPITAL

54. The Company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
55. The Company may by ordinary resolution:
 - (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (b) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless, to the provisions of clause (d) of sub-section (1) of Section 94 of the Act
 - (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
56. The Company may reduce in any manner:
 - (a) its share capital subject to the provisions of Section 100 to 104 of the Act; or
 - (b) share premium account subject to the provisions of Section 78 of the Act; or
 - (c) Capital Redemption Reserve Account subject to the provisions of Section 80 of the Act.

GENERAL MEETINGS

57. All general meetings other than annual general meetings shall be called extraordinary general meetings.
58.
 - (1) The Board may, whenever it thinks fit, call extraordinary general Meeting.
 - (2) If at any time there are not within India directors capable of acting who are sufficient in number to form a quorum, any director or any two members of the Company may call an extraordinary general meeting, in the same manner as nearly as possible, as that in which such a meeting may be called by the Board.

PROCEEDINGS AT GENERAL MEETINGS

59. (1) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
- (2) Save as herein otherwise provided, five members present in person shall constitute a quorum for a general meeting.
- (3) If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if convened on the requisition of members shall stand dissolved and in every other case the meeting shall stand adjourned to the same day in the next week at the same time and place, or if that day is a public holiday until next succeeding day which is not a public holiday, at the same time and place, or at such other day, time and place as the Board may determine.
- (4) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be a quorum and shall have the power to decide upon all the matters which could properly have been disposed at the meeting from which the adjournment took place.
60. The Chairman, if any, of the Board shall preside as Chairman at every general meeting of the company.
61. If there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or he has notified to the company of his absence earlier or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their number to be the Chairman of the meeting.
62. If at any meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, or information is available with the Company about none of the Directors attending the meeting, the members present shall forthwith choose one of their number to be the Chairman of the meeting.
63. (1) The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting, from time to time and from place to place.
- (2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (3) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- (4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
64. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote.
65. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

VOTE OF MEMBERS

66. Subject to any rights or restrictions for the time being attached to any class or classes of shares :-
- (a) on a show of hands, every member present in person shall have one vote; and
- (b) on a poll, voting rights of members shall be as laid down in Section 87 of the Act.
- 67. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members**
68. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

69. No member shall be entitled to vote at any general meeting either personally or by proxy unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
70. (1) No objection shall be raised to the qualification of any voter, whether on show of hands or on a poll, except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
(2) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.
71. (1) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited at the Registered Office of the Company not less than- 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
(2) In case a proxy is lodged before the expiry of the time, and another proxy in favour of another person is lodged after the expiry of the time, the first proxy shall not be deemed to have been revoked Notwithstanding that a share holder has given a proxy, he is entitled to attend and vote personally at the meeting.
72. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit.
73. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or transfer of the shares in respect of which the proxy is given.
Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its Registered Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

BOARD OF DIRECTORS

74. Unless otherwise determined by a general meeting the number of Directors shall not be less than 3 nor more than 15 including nominated Directors, referred to in Article 77.
75. At the date of adoption of these Articles, the following persons are the Directors of the Company:-
(1) Shri P.S. Suri,
(2) Shri H.R. Sabharwal
(3) Shri L.K. Malhotra
(4) Shri S.K. Wadhawan
(5) Smt. N. Suri;
(6) Smt. Pushpa Devi Bajaj
(7) Shri Ram Pershad
(8) Shri Jaswant Singh
{9} Shri PS. Gurung (Nominee of Industrial Finance Corporation of India)
(10) Shri V. Venkateswarlu (Nominee of Industrial Development Bank of India)
76. A director shall not be required to hold qualification shares but nevertheless shall be entitled to attend, speak and preside at any general meeting of the Company and at any separate meeting of the holders of any class of shares in the Company.

77. (1) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Finance Corporation of India (IFCI) Industrial Development Bank of India (IOBI), The Industrial Credit & Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Financing Company or Body out of any loans granted by them to the Company or so long as IFCI, IOBI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IFCI, IOBI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "The Corporation") continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time, (which Director or Directors is/are hereinafter referred to as "Nominee Directors") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s
- (2) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.
- (3) The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the Guarantee furnished by the Corporation
- (4) The Nominee Director/s appointed under this Article shall be entitled to receive all notices to attend all General Meetings, Board Meetings and the Meeting of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes
- (5) The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such nominee Director/s. Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to

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- the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.
- (6) In the event of the Nominee Director/s being appointed as whole time Director/s such nominee Director/s shall exercise such powers and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation
78. (1) Not less than two third of total number of Directors of the Company shall:
- (a) be persons whose period of office is liable to determination by retirement of Directors by rotation and
- (b) save as otherwise provided in the Act, be appointed by the Company in General meeting.
- (2) At every Annual General Meeting of the Company, one-third of the Directors, for the time being as are liable to retire by rotation or if their number is not three or a multiple of three then the number nearest to one-third, shall retire from office.
- (3) Subject to the provisions of the Act and these Articles a retiring Director shall be eligible for re-appointment.
- (4) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become directors on the same day those to retire shall, in- default of and subject to an agreement among themselves, be determined by lot
- (5) Managing Director/Executive Director/Whole Time Director/Part Time Director/Non Executive Director Of the Company shall retire as per the provisions of the Companies Act 1956 and Rules named thereunder and/or any applicable statute rules/regulations framed from time to time.
79. (1) Each Director shall be entitled to receive out of the funds of the Company for his services in attending meeting of the Board or a Committee of the Board, such fees as may be prescribed under the Act or by the Central Government from time to time for each meeting of the Board or a Committee of the Board attended by him
- (2) The Board may allow and pay to any Director who is not a bonafide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for travelling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified, and if any director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling, hotel or other expenses incurred in connection with the business of the company.
80. The Directors (other than Managing/Whole-time Directors) may be paid in respect of each financial year of the Company remuneration by way of commission upto one per cent of the net profits of the company if the Company has Managing/Whole-time directors or Manager or upto three per cent of the net profits of the Company in any other case and the total commission so payable shall be divided among such Directors pro rata to the period of office held by them unless otherwise agreed upon among them
81. Subject to Sections 198, 309, 310 and 314 of the Act, if any Director, being willing, shall be called upon to perform extra services or to make any special exertion in going or residing anywhere for any of the purposes of the Company, the Board may remunerate such Director either by fixed sum or by a percentage of profit or otherwise and such remuneration may be either in addition to or in substitution of any remuneration to which he may be entitled as a Director.

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82. A director of the Company may be or become a Director of any Company promoted by the Company or in which it may be interested as a vendor, share-holder or otherwise, and such Director shall not be accountable for any benefits received by him as Director of such other Company.
83. (1) The office of a Director shall ipso facto become vacant under the circumstances mentioned in Section 283 or any other provisions of the Act.
- (2) A Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.
- (3) Subject to the provisions of Section 284 of the Act, a Director may be removed from office before the expiry of his period of office

POWERS OF DIRECTORS

84. (1) Subject to the provisions of the Act, Board of Directors shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorized to exercise and do in furtherance of its objects, specified in the Memorandum of Association of the Company for which the Company is established except such powers which are required by the Act or the Memorandum Of Articles of Association of the Company to be exercised Of done by the Company in General Meeting. In exercising any such powers or doing any such acts or things, the Board shall be subject to the provisions contained in that behalf in the Act, or in the Memorandum or Articles of the company or in any regulations made by the company in general meeting.
- (2) No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
85. Without prejudice to the Board being entitled to exercise all powers, authorities and discretions and to do all such acts and things as the company is authorised to exercise and do, save and except as otherwise provided specifically by the Act, the Board shall have the following powers :-
- (1) All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the-case may be, by such persons and in such manner as the Board may from time to time authorise.
- (2) To raise or secure the re-payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of Bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the company (both present and future) including its goodwill and uncalled capital for the time being or by giving, accepting or endorsing on behalf of the company any promissory notes, bills of exchange, hundis or other negotiable instruments.
- (3) To payout of the funds of the company all expenses on the issue of its capital, including brokerage and commission (in Cash or kind including issue of shares) for obtaining applications for or taking, placing or underwriting or procuring the underwriting of shares, debentures or other security of the company.
- (4) To create any Depreciation Funds, Reserve Funds, Sinking Fund, or any other special fund, whether for depreciation or for repairing, improving, extending or maintaining any of the property of the Company or for any other purpose conducive to the interests of the Company.
- (5) To exercise the powers conferred to the Company by Section 157 and 158 of the Act with regard to the keeping of a foreign register; and subject to the said provisions to make and vary such regulations as it may think fit respecting the keeping of any such register.

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- (6) Subject to the provisions of Section 260 of the Act, to appoint at any time, and from time to time, one or more additional Directors provided the number of Directors and additional Directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles. Such person shall hold office only up to the date of the next annual general meeting of the Company but shall be eligible for appointment by the Company as a Director at the meeting.
- (7) Subject to the provisions of Section 313 of the Act to appoint any person to act as an alternate Director for a Director during the latter's absence for a period of not less than three months at a time from India.
- (8) Subject to the provisions of Section 262(2) and 284(6) and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determine by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office, if the vacancy had not occurred.
- (9) To pay donations to any individuals or institutions or contribute to any charitable, religious, benevolent, public or general and other funds not directly relating to the business of the company or the welfare of its employees any sums the aggregate of which will, in any financial year, not exceed fifty thousand rupees or five percent of the average net profits of the company during the three financial years immediately preceding, whichever is greater, and may, with the consent of the company in general meeting, contribute any sums in excess of such limits.
- 86. Subject to the provisions of the Act and these Articles and without prejudice to the powers conferred by these Articles, the Directors shall have the power, from Time to time at their discretion by a Resolution passed at a meeting of the Board and not by Resolution by circulation, accept deposits from Member, either in Advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of moneys for the purposes of the company provided that the total amount borrowed at any time together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not, without the consent of the Company in General Meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution which shall provide for the total amount upto which moneys may be borrowed by the Board. The expression "temporary loans" in this article means loans repayable on demand or within six months from the date of the loans such as short term cash credit arrangements, discounting of bills and the issue of other short-term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature.**
87. The Board may authorise or empower any Director or Directors, Managing Director, Manager or Secretary of the Company either by name, by virtue of office or otherwise, or any other person or persons, either singly or jointly, to exercise or perform all or any of the powers, including the power to sub-delegate authorities and duties conferred or imposed on the Directors by law or Articles of Association subject to such restrictions and conditions, if any, and either generally or in specific cases as the Board may think proper.
- 88. The Board may appoint and, at their discretion, remove or suspend such officers, by whatever designation named, managers, engineers, experts, legal advisors, solicitors, clerks, agents, salesmen, workmen and other servants or professionals, for permanent, temporary or special services as the Board may from time to time think fit and determine their duties, fix their salaries or emoluments and delegate or confer upon them such powers, including the power to sub-delegate authorities and discretions as the Board may think fit.**

89. Every director present at any meeting of the Board or of a Committee thereof shall sign his name in a book to be kept off that purpose.

PROCEEDINGS OF BOARD

90. (1) The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings, as it thinks fit.
(2) The Chairman of the Board or any director may, and the Manager or Secretary on the requisition of a Director shall at any time, summon a meeting of the Board
91. (1) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes
(2) In case of equality of votes, the Chairman of the meeting shall have as second or casting vote.
- 92. The continuing Directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum, or of summoning a general meeting of the Company, but for no other purpose**
93. (1) The Board may elect a Chairman and determine the period for which he is to hold office and the Chairman so elected shall preside at the meetings of the Board.
(2) If no such Chairman is elected, or if at any meeting the Chairman is not present, within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be the Chairman of the Meeting.
94. If a meeting of the Board could not be held for want of quorum, the meeting shall stand adjourned till the same day in the next week at the same time and place and if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise determined by the Chairman of the Board or failing him, by the Directors or the Director present at the original meeting.
95. (1) The Board may, subject to the provision of the act, delegate any of its powers to committees consisting of such number of members of its body as it thinks fit.
(2) The Board may also constitute any committee consisting of one or more of the Directors or of one or more of the Directors along with one or more of the officers of the Company with such powers, duties and obligations as the Board may think fit and determine from time to time.
(3) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board. All acts done by any such Committee in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board
96. (1) A committee may elect a Chairman of its meetings unless otherwise specified by the Board.
(2) If there be no such Chairman, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting
97. (1) A committee may meet and adjourn as it think proper.
(2) Question arising at any meeting of a Committee shall be detennined by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.
- 98. All acts done by any meeting of the Board or of a Committee thereof or by any person acting as a Director shall, notwithstanding that it may be afterwards discovered that there**

was some defect in the appointment of anyone or more of such Directors or any person acting as aforesaid or that they or any of them are disqualified, be as valid as if every such Director or person had been duly appointed and was qualified to be a Director.

99. Save as otherwise expressly provided in the Act, a resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, if the same had been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the committee, then in India, not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be and to all other Directors or members at their usual addresses in India, and has been approved by such of the Directors as are then in India or by a majority of such of them, as are entitled to vote on the resolution.

MANAGING/WHOLE-TIME DIRECTOR

100. Subject to the approval of the Central Government under section 269 and other applicable provisions of the Act, the Company may, by ordinary resolution or the Board may, from time to time, appoint one or more of the Directors to be Managing Director or Managing Directors in which expression shall be included joint Managing Directors or whole-time Director or whole-time Directors of the Company for a term not exceeding five years at a time and may from time to time and subject to the provisions of any contract between him or them and the company remove or dismiss him or them from office and appoint another or others in his or their place or places.
101. A Managing or whole-time Director shall not, while he continues to hold that office, be subject to retirement by rotation, and he shall not be reckoned as a Director for the purpose of determining the retirement of directors by rotation or in fixing the number of Directors to retire but subject to the provisions of any contract between him and the company he shall be subject to the provisions as to resignation and removal as the other Directors of the company, and he shall, ipso facto and immediately, cease to be a Managing Director or whole-time Director, if for any cause, he ceases to hold the office of Director.
102. In addition to or in substitution of the usual remuneration of a Director, the remuneration of Managing Director and of whole-time Director, shall be such as may, from time to time, be fixed by the Board or by the company in general meeting subject to the provisions of Section 309 of the Act
103. Subject to the provisions of the Act and in particular to the prohibitions and restrictions in Section 292 of the Act, the Board may, from time to time, entrust to and confer upon a Managing Director or whole-time director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions (if any) as it thinks expedient, and it may confer such power, either collaterally with or to the exclusion of and substitution for all or any of the powers of the Board, in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

MANAGER OR SECRETARY

104. Subject to the provisions of the Act-
- (1) A manager or secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit and manager or secretary so appointed may be removed by the Board.
 - (2) A Director may be appointed as manager or secretary.

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105. Any provision of the Act or these Articles requiring or authorising a thing to be done by or to a Director and the Manager or Secretary shall not be satisfied by its being done or to the same person acting both as Director and as, or in place of the Manager or Secretary.

THE SEAL

106. (1) The Board shall provide a common seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof.
- (2) The Board shall provide for the safe custody of the Seal.
- (3) Save as provided under the Companies (Issue of Share Certificates) Rules, 1960, the Seal shall not be affixed to any instrument except in the presence of an officer, including a Director, manager or secretary, authorised by the Board in this behalf, from time to time, who shall sign every instrument to which the Seal is affixed
107. The Company may exercise the powers conferred by Section 50 of the Act with regard to having an official seal for use abroad, and such powers shall vest in the Board.

DIVIDENDS AND RESERVES

108. The declaration of the Board as to the amount of net profits of the Company shall be conclusive
109. The Company in general meeting may declare dividends, but no dividend shall exceed the amounts recommended by the Board.
110. Subject to the provisions of the Act, the Directors may, from time to time, pay to the Members on account of the next forthcoming dividend, such interim dividend as in their judgement the position of the company may justify.
111. (1) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks proper as reserve or reserves or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provisions for meeting contingencies or for equalizing dividends, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit.
- (2) The Board may also carry forward any profits which it may think expedient not to divide without setting them aside as a reserve.
112. (1) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up or credited as paid up on shares in respect whereof the dividend is paid.
- (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Article as paid on the share.
- (3) All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly
113. The Board may deduct from any dividend payable to any member all sums of money. If any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the company.
114. The company in general meeting may decide that any dividend payable to the members may be set off against any call payable by the members or any call in arrear by that member.
115. (1) Any dividend, interest or other moneys payable in respect of shares may be paid in cash or cheque, warrant or postal order sent through the post or by money order directed to the registered address of the holder or, in the case of joint holders, to the registered address of one of the joint holders who is first named on the Register of

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- Members, or to such person and to such address as the holder or joint holders *may*, in writing direct.
- (2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
- (3) The Company shall not be responsible for the loss of *any* cheque, warrant or postal order sent by post or by money order in respect of dividends, whether by request or otherwise, at the registered address or the address communicated to the company before-hand by the member or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means
- (4) The company may issue a duplicate cheque or dividend warrant or interest warrant to a shareholder or holder of debentures on furnishing such indemnity or otherwise as it may think proper.
116. Anyone or two or more joint holders of shares may give effectual-receipts for any dividends, bonuses or other moneys payable in respect of such shares.
117. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
118. No dividend shall bear interest against the Company.
119. No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the company shall comply with the provisions of Section 205A of the Act, in respect of any unclaimed or unpaid dividend

INTEREST OUT OF CAPITAL

120. The Company is authorized to pay interest out of capital as permissible under Section 208 of the Act.

INSPECTION'

121. Where under any provision of the Act, any person, whether a member of the company or not is entitled to inspect any register, return, certificate, deed, instrument or document required be kept or maintained by the company, the person so entitled to inspection shall be permitted to inspect the same during the hours of 11 A.M. to 1 P.M. on any working day unless otherwise determined by the company in general meeting.

CAPITALISATIONOF PROFITS "

- 122 (1) The Company in general meeting may, upon the recommendation of the Board resolve that:
- (a) It is desirable to capitalise any part of the amount for the time being standing to the credit of any of company's reserve accounts or to the credit of the profit and loss account. or otherwise available for distribution; and
- (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportion
- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3) either in or towards-
- (a) paying up any amounts for the time being unpaid on any shares held by such members respectively;
- (b) paying up in full unused shares in or debentures of the company to be allotted and distributed, credited as fully paid up to any amongst such members in the proportions aforesaid; or
- (c) partly in the way specified in sub-clause (a) and partly in that specified in

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- sub-clause (b).
- (3) A share premium account and a capital redemption reserve account may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.
- (4) The Board shall give effect to the resolution passed by the company in pursuance of this Article
123. (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall-
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, if any; and
- (b) generally do all acts and things required to give effect thereto.
- (2) The Board shall have full power-
- (a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares becoming distributable in fractions; and also
- (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.
- (3) Any agreement made under such authority shall be effective and binding on all such members.
- 124. A general meeting may resolve that any surplus money arising from the realisation of any capital assets of the company or any investments representing the same or any other undistributed profits of the company be distributed amongst the members in the footing that they receive the same as capital.**

WINDING UP

125. (1) If the company shall be wound up, the liquidator *may*, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.
- (2) For the purpose aforesaid, the liquidator may fix such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members
- (3) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities wherein there is any liability.

INDEMNITY AND RESPONSIBILITY

126. (1) Subject to the provisions of Section 201 of the Act. every Director or the Managing Director, Manager, Secretary and other Officer or employee, servant or auditor for the time being, of the Company and the Trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified by the Company against. and it shall be the duty of the Directors out of the funds of the

Company to pay all costs, losses and expenses (including traveling expenses) which any such Director, Managing Director, Officer or employee and the trustees (if any) for the time being acting in co-relation to any of the affairs of the company may incur or become liable to by reason of any contract entered into or any act or deed done by him as such Director, officer or servant or in any way in the discharge of his duties.

- (2) Subject as aforesaid every Director, Managing Director, Manager, Secretary or other officer or employee, servant or auditor of the company or the Trustees (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the act in which relief is given to him by the Court.

127. Subject to the provisions of Section 201 of the Act, no Director or Managing Director or other officer of the company shall be liable for the acts, omissions, receipts, neglects, defaults of any other Director or officer or for joining in any omission, receipt or other act for conformity or for any loss or expense suffered by the Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person or with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss, damage or misfortune whatever, which shall happen in the execution of duties of his office or in relation thereto, unless the same happens through his own dishonesty, willful neglect or default.

SECRECY

128. Every Director, manager, auditor, trustee, member of committee, officer, servant, agent, accountant or other person employed in the business of the company shall, if so required by the Board before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these presents contained

129. No member or other person (other than a Director) shall be entitled to enter the property of the company or to inspect or examine company's premises or properties or the Books of accounts of the company without the permission of the Board of Directors of the Company for the time being or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of business of the Company and which in the opinion of the Board it will be inexpedient in the interest of the Company to disclose or communicate

RECONSTRUCTION

130. The Board on any sale or transfer of the whole or any portion of an undertaking of the Company or the liquidator on a winding up may, if authorised by a special resolution, accept fully paid or partly paid-up shares, debentures or securities of any other company whether incorporated in India or not, either then existing or to be formed, for the purchase in whole or in part of the property of the Company, and the Board (if the profits of the company permit) or the liquidator (on a winding up), may distribute such shares or securities or any other property of the Company among the members without realisation or vest the same in trustees for them, and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or the property otherwise than in accordance with the strict legal rights of the members or contributories of the

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Company and for the valuation of any such securities or property as such price and in such manner as the meeting may approve and all holders of shares shall, subject to the provisions of Section 395 of the Act, be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto; save only such statutory rights, if any under Section 494 of the Act as are incapable of being varied or excluded by these Articles in case the Company is proposed to be or is in the course of being wound up.

DOCUMENTS AND SERVICE OF DOCUMENTS

131. A document (which expression for this purpose shall be deemed to include and shall include any summons, notice, requisition, process order, judgment or any other document in relation to or in the winding up of the company) may be served by the Company or any member either personally, or by sending it by post to his registered address in India to the address if any, within India supplied by him to the Company for the giving of notice to him.
132. Where a document is sent by post, service thereof shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document and to have been effected in the case of notice of a meeting at the expiration of 48 hours after the letter containing the same is posted and in any other case, the time at which the letter would be delivered in the ordinary course of post
133. A document advertised in a newspaper circulating in the neighbourhood of the registered office of the Company shall be deemed to be duly served on the day on which the advertisement appears, on every member of the Company who has no registered address in India and has not supplied to the Company an address within India for giving of notice to him.
134. A document may be served by the Company to the joint holders of a share by serving it on the joint holder first named in the Register of Members in respect of the share.
135. A document may be served by the Company to the persons entitled to a share in consequence of the death or insolvency of the member by sending it through the post in a prepaid letter addressed to them by name, or by title of representatives of the deceased or assignees of the insolvent, or by any like description, at the address if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which the same might have been served if the death or insolvency had not occurred.
136. (1) Notice of every general meeting shall be given in any manner herein before mentioned :.
 - (a) to every member of the company.
 - (b) to the persons entitled to a share in consequence of the death or insolvency of a member; and
 - (c) to the auditor or auditors for the time being of the company_(2) Any accidental omission to give notice to, or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meetings.
137. Any notice to be given by the company shall be signed by the Managing Director or such officer as may be authorised by the Board of Directors and the signature thereto may be written, printed, lithographed or stamped. Article 78 (5) was added as approved by the shareholders in their 18th AGM held on 12th September, 1997.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Draft Letter of Offer), which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Corporate Office of the Company situated at Hotel Crown Plaza, New Friends Colony, New Delhi-110 025 from 11.00 a.m. to 2.00 p.m. on any working day from the date of this Draft Letter of Offer until the date of closure of the Subscription List.

A. Material Contracts for Inspection

1. Memorandum of Understanding dated [●] between the Company and RR Financial Consultants Limited, the Lead Managers to the Issue.
2. Memorandum of Understanding dated [●], 2006 between the Company and RCMC SHARE REGISTRY (P) LTD.
3. Tripartite Agreement
4. Copy of Franchisee Agreement with M/s Six Continents Inc (Intercontinental Group)

B. Documents for Inspection

1. Duly updated Memorandum and Articles of Association of the Company.
2. Copy of the Board Resolution dated 28th July, 2006 approving this Issue and extract of the minutes for the resolution under section 81(1A) passed at the Annual General Meeting held on 27th September, 2006.
3. Consents of the Directors, Statutory Auditors, Tax Auditors to the Issue, Lead Managers to the Issue, Legal Advisors to the Company, Secretarial Consultants, Compliance officer of the Company, Bankers to the Issue, Bankers to the Company and Registrars to the Issue, to include their names in the Draft Letter of Offer to act in their respective capacities.
4. Letter dated 12th June, 2007 from the Tax Auditors of the Company confirming Tax Benefits as mentioned in this Draft Letter of Offer.
5. The Report of the Statutory Auditors, 15th June, 2007 as set out herein dated [●] in relation to the restated financials of the Company for the last five financial years.
6. Annual Report of the Company for the last five Financial Years.
7. In-principle listing approval dated [●] from DSE.
8. Letter No. [●] dated [●] issued by SEBI for the Issue.
9. Due Diligence Certificate dated 28th June, 2007 from RR Financial Consultants Ltd.
10. Tripartite Agreement dated 12th June, 2001 between the Company, CDSL and RCMC Share Registry (P) Ltd. to establish direct connectivity with Depository.
11. Tripartite Agreement dated 27th June, 2001 between the Company, NSDL and RCMC Share Registry (P) Ltd. to establish direct connectivity with Depository.

12. Annual Report of the Group Companies for the last three years.
13. Copy of various Undertakings received from the Company
14. Copy of the Legal Due Diligence Report as furnished by the Legal Advisors
15. Copy of the Land acquisition document at Jaipur
16. Copy of the Sanction letter for the term loan from HSBC Bank
17. Copy of the licenses/registrations

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Letter of Offer is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Draft Letter of Offer are true and correct.

On behalf of the Board of Directors of CHL Limited

Dr. L. K Malhotra

Mr. D.V. Malhotra*

Mr. A. K. Malhotra*

Mr. O.P. Bajaj*

Mr. B. N. Malhotra*

Mr. Kumud Malhotra*

Mr. Subhash Ghai*

Mr. Luv Malhotra*

Mr. Harish Chander Bhasin*

Mr. R. C. Sharma*

Mr. N. K. Goel
VP Finance

*** Through duly constituted Power of Attorney**

Date:

Place: New Delhi

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