

LETTER OF OFFER*(Private & Confidential)**For Equity Shareholders of the Company Only***ORBIT EXPORTS LIMITED**

(Originally incorporated as "Orbit Exports Private Limited" on 16/09/1983 and subsequently converted into public limited company and changed its name to "Orbit Exports Limited" on 30/09/1994 and obtained a fresh certificate of incorporation from Registrar of Companies, Maharashtra, Mumbai)

Registered Office : 11, Mehta Chambers, Kalyan Street, P.D'Mello Road, Masjid Bunder (East),
Mumbai 400 009 **Tel:** 91-022-6634 6675; **Fax:** 91-022- 2375 6599
Contact person: Mr. Jitendra Kakani, Company Secretary & Compliance Officer
Email: info@orbitexports.com; **Website:** www.orbitexports.com
(for details regarding changes in registered office of the Company in past please refer page no. 38)

**OFFER FOR 35,20,700 EQUITY SHARES OF RS.10/- EACH FOR CASH AT PAR (I.E. AT A PRICE OF RS. 10/- PER SHARE) AGGREGATING TO RS. 352.07 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF ONE (1) EQUITY SHARE FOR EVERY ONE (1) EQUITY SHARE (I.E. 1:1) OF RS. 10/- EACH HELD ON 20/09/2007 (BOOK CLOSURE DATE).
THE ISSUE PRICE IS SAME AS THE FACE VALUE OF RS.10/-**

GENERAL RISKS

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document. **The attention of investors is drawn to the statement of Risk Factors appearing on page nos. [iv] to [ix] of this Letter of Offer.**

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the company are listed on the Bombay Stock Exchange Limited (BSE). The Company has received in-principle approval from BSE vide their letter no. DCS/PREF/JA/IP-RT/576/07-08 dated 07/06/2007 for listing of the equity shares being issued in terms of this Letter of Offer.

LEAD MANAGER TO THE ISSUE**REGISTRAR TO THE ISSUE****KEYNOTE**

CORPORATE SERVICES LTD

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building, 5,
J. N. Heredia Marg, Ballard Estate, Mumbai - 400001
Tel : 91- 022 -30266000-5; **Fax:** 91- 022- 22694323
E-mail: mbd@keynoteindia.net
Website: www.keynoteindia.net
SEBI Regn. No.: INM 000003606
AMBI Regn No: AMBI/040

**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup West,
Mumbai – 400 078
Tel.: 91-22- 2596 0320 (9 Lines) ; **Fax:** 91-22- 2596 0329
E-mail: orbitext-rights@intimespectrum.com
Website:www.intimespectrum.com
SEBI Regn. No.: INR 000003761

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Saturday, 29 th September 2007	Monday, 15 th October 2007	Monday, 29 th October 2007

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II. DEFINITIONS AND ABBREVIATIONS

In this Letter of Offer, the terms “the Company” or “Orbit Exports” or “OEL”, unless the context otherwise implies, refer to Orbit Exports Limited. All references to “Rs.” or “INR” refer to Rupees, the lawful currency of India. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words “lakh” or “lac” mean “100 thousand” and the word “million” means “10 lac” and the word “crore” means “10 million” or “100 lac” and the word “billion” means “1,000 million” or “100 crores”. Any discrepancy in any table between the total and the sums of the amounts listed are due to rounding off.

CONVENTIONAL / GENERAL TERMS

Term	Description
Act	The Companies Act, 1956 and subsequent amendments thereto
AS	Indian Accounting Standard
EGM	Extra Ordinary General Meeting
EPS	Earnings Per Share
FY/ Financial year or Fiscal Year	The twelve months ended March 31 st of a particular year
MoU	Memorandum of Understanding
NAV	Net Assets Value
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit Before Depreciation and Tax
PBT	Profit Before Tax
P/E Ratio	Price/Earnings Ratio
RONW	Return on Networth
Security Certificate	Equity Share Certificate
Security(ies)	Equity Share(s)
SE/ Stock Exchange(s)	Bombay Stock Exchange Ltd. (BSE)

ISSUE RELATED TERMS

Term	Description
Articles	Articles of Association of Orbit Exports Ltd.
Board	Board of Directors, of Orbit Exports Ltd.
BSE/Designated Stock Exchange	Bombay Stock Exchange Limited
CAF	Composite Application Form
Directors	Directors on the Board of Orbit Exports Ltd.
Equity Shareholders	Equity Shareholders of the Company whose name appear as: <ul style="list-style-type: none"> ✓ Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in electronic form and ✓ On the Register of Members of the Company in respect of the Equity Shares held in Physical form
Equity Shares	Equity Shares of the Company of Rs.10/- each
Lead Manager/ LM	Lead Manager to the Issue i.e. Keynote Corporate Services Ltd.
Issue/ Rights Issue	The issue of 35, 20,700 Equity Shares of Rs.10/- each for cash at par (Issue Price Rs.10/-) on rights basis to existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Shares for every 1 (One) Equity Shares held on 20/09/2007 (Book Closure Date) aggregating Rs.352.07 lacs as per this Letter of Offer.
Issue Closing Date	The date on which the issue closes for subscription.
Issue Opening Date	The date on which the issue opens 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

Term	Description
	under this Letter of Offer.
Issuer/ Company/ OEL	Orbit Exports Ltd.
Letter of Offer/ LOO/ Offer Document	This Letter of Offer dated 17/09/2007 circulated to the Equity Shareholders and filed with the Stock Exchanges containing <i>inter alia</i> the Issue price and the number of equity shares to be issued and other incidental information.
Book Closure Date	20/09/2007
Renounee	A person who has acquired rights entitlement from equity shareholders.
Rights Entitlement	The no. of equity shareholders that a shareholder is entitled to in proportion to his/her shareholding in the Company as on the Book Closure Date.
Registrar to the Issue	Intime Spectrum Registry Limited

ABBREVIATIONS

Term	Description
CDSL	Central Depository Services (India) Limited
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
DP	Depository Participant
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FI	Financial Institution
FII (s)	Foreign Institutional Investors registered with SEBI under applicable laws.
GIR Number	General Index Registry Number
GOI	Government of India
NA	Not Applicable
NAV	Net Assets Value
NRE Account	Non Resident External Account
NRI(s)	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
RBI	The Reserve Bank of India
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
SEBI Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 & amendments thereof.

COMPANY/INDUSTRY RELATED TERMS

Abbreviation	Full Form
OEL	Orbit Exports Ltd.
GRSEH	Government Recognised Star Export House
HRD	Human Resource Development
MRP	Material Resource Planning
OEM	Original Equipment Manufacturer
QS	Quality Systems
R&D	Research and Development
TDI	Tech Development Incorporation
US/USA	United States of America

III. RISK FACTORS

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

The Letter of Offer also includes statistical data regarding the industry in which Company operates. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believes to be reliable. Neither the Company nor the Lead Manager has independently verified such data. The Managements’ proposal to address the risks has been enumerated wherever applicable.

INTERNAL RISK FACTORS

1. *Outstanding Litigations/disputes/cases pending against the Company/ Promoter / Directors and Group companies :*

I. Litigations against the Company

Winding up Petition

Mr. Fazal Ahmed Noorul Haque Ansari has filed company petition no.581 of 2007, in Hon’ble High Court of Mumbai on 19/07/2007 for winding up of the Company in the matter of non payment of dues amounting to Rs.67.41 Lacs. The said petition has been admitted on 06/09/2007. On 13/09/2007, the Company has taken 15 days extension from Hon’ble High Court for reply to the petition

Other Litigations

The Company is involved in certain legal proceedings, incidental to its business and operations, which if determined against the Company, may have an adverse impact on the results of its operations and financial condition.

Sr. no	Particulars	No. of cases/disputes	Approx .amount involved where quantifiable (Rs. in lacs)
1.	Labour Cases	1	2.11
2.	Income Tax related appeals	5	1.15
3.	Sales Tax related	1	2.61

Besides this Company by its letter dt. 06/11/2004 given its consent to pay Rs. 175000/- as penalty under section 15A of the SEBI Act and also agree for the consent order by the learned Adjudication officer (AO) for non compliance of Regulations 6(2) and 6(4) for 1997 and 8(3) for 1998,1999,2000,2001,2002. Company had also agreed to waive their right to a hearing under Rule 4(5) of SEBI (Procedure for holding inquiries and imposing of penalties by Adjudication Officer) Rule, 1995.

For more information please refer to the section “Outstanding Litigations and Defaults” commencing on page no. 72 of this Letter of Offer.

II. Litigation pending against venture of Promoters

There are two demand notices amounting to Rs.11.84 lacs have been issued by income tax department against Pankaj Textiles, a proprietary concern of promoter for the Assessment year 2003-04 & 2004-05. For more information please refer to page no. 75 of this Letter of Offer.

2. The Auditors of the Company has made certain Audit Qualifications in their report for the year ended 31/03/2003 to 31/03/2007.

The Statutory Auditors of the company in their report have invited attention/inter alia to following:

- The Management of the Company on 12th May, 2005 obtained Actuarial Valuation of Gratuity Liabilities as on 31st March, 2005. The Company has, for the first time, provided a sum of Rs.15,00,000/- towards Gratuity Liability. The Company has decided to take out Gratuity Valuation on bi-yearly basis. The incremental Liability for the year ended as on 31st March, 2006 has been provided on estimate made by Management. Due to the change of accounting policy the profit of the company for the year under audit has been deflated to that extent and liabilities of the company has been inflated to that extent.
- There is non provision of Gratuity Liability as prescribed under Accounting for Retirement Benefits by Employers (AS-15) by the Company since the year 2001 to 2006. The management follows cash basis of accounting for gratuity.
- Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts

For details of Audit Qualifications in all years & Company's response to the qualifications please refer page no. 58-59

Management's Proposal

The Management of the Company on 12th May, 2005 obtained Actuarial Valuation of Gratuity Liabilities and as on 31st March 2005, provided a sum of Rs. 1500000/- as Gratuity liability and thereafter continued providing on estimated basis.

Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.

3. The Company has reported negative cash flow of Rs.201.89 lacs from operating activities for the year ended 31/03/2007.

The Company has reported negative cash flow of Rs.201.89 lacs from operating activities for the year ended 31/03/2007 on account less realization from the customers.

4. As per the audited accounts as of 31/03/2007, the Company had contingent liabilities of Rs.9.20 Lacs, determination of which against the company may adversely affect the financial position of the Company

As per the audited accounts as of 31/03/2007, the Company had contingent liabilities of Rs.9.20 Lacs,. The details of contingent liabilities as per the audited accounts of the Company are as follows:

Particulars	(Rs. in lacs)
	As at 31/03/2007
Sales Tax	2.71
Income tax	6.24
Bank Guarantee	0.25

The company has received winding up petition from Mr. Fazal Ahmed Noorul Haque Ansari for recovery of dues amounting Rs 67.41 Lacs. Since the said matter occurred after the date of last balance sheet same has not been provided for.

In the event such contingent liabilities materialize it may have an adverse affect on the company's financial performance

5. Adverse Financial Position of the Company in past

As per audited accounts of the Company, the Company reported losses during the years 2002, 2003 and 2004 amounting to Rs. 100.39 Lacs, Rs. 153.96 Lacs and Rs. 327.93 Lacs respectively. The Company has become a potential Sick Company within the meaning of sub-section (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 as its 50% of Peak net worth was eroded on 31st March, 2004. The Company has reported such erosion to the Board for Industrial & Financial Reconstruction (BIFR).

Management Proposal

The losses during past years were mainly on account fall in turnover due to severe recession in market conditions overseas as well as local. Further the margins were under pressure due to higher interest costs resulting into further losses.

The performance of the Company has improved during the current year and the Company is no longer a Potentially Sick Company within the meaning of sub-section (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company has intimated the change of status to BIFR based on the Audited Balance Sheet as on 31st December, 2006.

6. Volatility in raw material prices may affect the Company's financial performance and operations

Variation in prices of raw material & non- availability of primary raw material i.e cotton may affect the company's financial performance and operations. The prices of yarn & fabrics, key raw materials for the Company is susceptible to volatility and forms a major portion of the total cost of production. The Company has not entered into any firm arrangements with any party for supply of key raw materials like yarn and fabrics. Any upward fluctuations in their prices or unavailability may affect the Company's financial performance and operations.

7. OEL's business is dependent on the manufacturing facilities. The loss of or shutdown of operations at any of the manufacturing facilities may have a material adverse effect on the business, financial condition and results of operations

The Company's principal manufacturing facilities, located at Jalgaon and Erandol are subject to operating risks, such as breakdown or failure of equipment, disruption in power supply, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect the operating results of the company.

Management Proposal

The Company normally carries out planned shutdowns of the aforesaid plants for maintenance, and takes precautions to minimize the risk of any significant operational problems at these facilities.

8. Shortfall in the Promises vis-à-vis performances during the previous issue made by the Company

The Company came out with a Public Issue in the year 1994. The Company had made certain projections on the operating and financial performances in relation to last Public issue based on the then prevailing situation. However, due to stiff competition and slackness in international market, particularly in textile sector and also due to unfavourable Government policies, the projections could not be achieved. For further details, please refer to page 82 of this Letter of Offer.

9. Various licenses/approvals required for operations of the Company has expired and are yet to be renewed

The following licences/certificates for the manufacturing facilities of the Company located at Jalgaon, & Erandol having different validation dates are under renewal:

Plant	Nature of license	Status	Remarks
Jalgaon	Factory License	Expired	Applied for renewal on 18/10/2006
Erandol	Factory License	Expired	Applied for renewal on 18/10/2006
Jalgaon	Consent for Pollution Control	Expired	Applied for renewal on 19/04/2004

If the Company does not receive the above approvals or if such approvals are delayed, the operations of the Company may be affected.

Management Proposal

The Company has paid renewal fees for both Jalgaon and Erandol factory for 5 years from 2007 to 2011 along with application; and the Company is following up with respective department for formal approval.

The Company has paid renewal fees alongwith application to pollution control board for Jalgaon factory; and the Company is following up with respective department for formal approval.

10. *The Objects of the Issue for which funds are being raised has not been appraised by any Bank or Financial Institution*

Objects of the Issue for which the funds are being raised have not been appraised by any Bank or Financial Institution. In the absence of any such independent appraisal, the requirement of funds raised through this Issue as stated in the section titled "Objects of the Issue" are based on the estimates of management and deployment of these funds is at the discretion of the management of the Company.

11. *Restrictive covenants*

There are restrictive covenants in agreements the Company has entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants require to seek the prior permission of the said banks to:

- Effect any change in the Company's capital structure;
- Formulate any scheme of amalgamation or reconstruction;
- Implement any scheme of expansion or acquire fixed assets not related to its activity;
- Invest by way of share capital in or lend or advance funds to or place deposits with any other concern;
- Declare dividends for any year except out of profits relating to that year after making all dues and necessary provisions and provided further that no default had occurred in any repayment obligations and stipulated Net Working capital has been maintained.

(For details of loan please refer to page no 64 of this letter of offer)

12. *Risk relating to failure or inability to adopt change in technology*

Technology plays a vital role in manufacturing plants. The Company's failure or inability to adopt any change in technology might place its competitors at an advantage in terms of cost, efficiency and timely delivery of final products.

13. *Non availability of product quality certification*

The manufacturing process of the Company has not been certified by any quality certifying organization. This will have an added advantage, specifically in international market, to the competitors of the Company having ISO certification for their products.

14. *Unsecured loans are repayable on demand basis*

As on 31/03/2007, the Company has outstanding unsecured loans aggregating Rs.230.66 Lacs repayable on demand basis. The repayment schedule in respect of unsecured loan has not been specified. Unscheduled demand of these loans and payments thereof, may impact the liquidity positions.

15. *Non declaration of dividend for the past five financial years.*

The company has not declared dividend for the past five financial years with a view to conserve the resources due to carried forward losses.

16. The business of the company is order based and there are no fixed suppliers or customers. Supply of raw material depends on availability and price advantage factors.

17. The Company proposes to raise funds for long term working capital requirement .However there is no firm selling commitment in domestic or overseas market. In case of non-availability of demand for the product, production of the company will affect and funds raised for working capital requirement will remain idle.

EXTERNAL RISK FACTORS

1. **Increased competition from other countries in domestic market**

After the phasing out of the Multi Fibre Agreement, the quotas imposed on various countries for exporting garments have been removed. As a result low cost producers of textiles and garments in the world have the advantage of being able to export whatever quantities are produced in their domestic economies at competitive costs. This has lured the low cost producers like India, China, Pakistan and Bangladesh into increasing their production facilities and stepping up production to meet the growing demand for low cost products from these countries. Thus exporters in India face competition from the other low cost manufacturers in the world, especially China which has huge production capacities and thus has higher cost advantage.

Certain countries which enjoy FTAs / PTAs with major importing countries may have an advantage (by way of lower or zero import tariffs) over exporters from countries that do not have such agreements. India currently is not party to such agreements which does adversely affect the company's/OEL's competitiveness and concurrently the operations and profitability.

2. **Competition from Foreign Players**

With the liberalization of the Indian economy, foreign multinational companies are expected to set up large infrastructures for manufacturing textiles in the country threatening the existence of local manufacturers with old and obsolete technology.

3. **There may be changes in the regulatory framework that could adversely affect us.**

The statutory and regulatory framework for the Indian textile industry may see changes in the next few years. The nature or extent of the changes are not known and cannot assure that such changes will not have an adverse impact on OEL's financial condition and results of operations.

4. **The company is subject to adverse impact of economic and political conditions.**

Global economic and political factors that are beyond the control, influence, forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex.

5. **The company is subject to risks arising from exchange rate fluctuation**

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from the export business.

6. **Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.**

India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. Further prolonged spells of below normal rainfall, floods, and other natural calamities could have a negative impact on the Indian economy, adversely affecting the business of the Company.

7. **OEL's equity shares may experience fluctuations in the stock price, which may affect the trading price of the equity shares issued in this Offering.**

The stock market in general and the market for shares of Textile & fabric companies in particular, have from time to time experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating performance of the affected companies. In addition, factors such as competition, general regional and national economic conditions, bulk deal in Company's stocks, consumer trends and preferences, new product introductions may have an adverse effect on the market price of Company's shares.

NOTES:

1.

Pre issue Net worth as on 31/03/2007	:	Rs. 537.63 lacs
Pre-issue Net Asset value per share as on 31/03/2007	:	Rs. 15.27
Issue Size	:	The issue of 35, 20,700 Equity Shares of Rs.10/- each for cash at par (Issue Price Rs.10/-) on rights basis to existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Shares for every 1 (One) Equity Shares held on 20/09/2007 (Book Closure Date) aggregating Rs.352.07 lacs as per this Letter of Offer.
Cost per share to the promoter	:	Rs.4.98

2. There is no interest of promoters/directors/ key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits except to the extent of shareholding held by them or their relatives and associates and persons acting in concert or held by the associate/group Companies, firms & trusts in which they are directors, members, partner and/or trustee and to the extent of benefits arising out of such shareholding. The Promoter-Directors are also interested to the extent of Unsecured Loan given to the Company and allotment against the said Unsecured Loan after the conversion in this issue.
3. There is no transaction during the past 6 months on the stock exchanges in the equity shares of the Company by the Promoters/Promoter group/Directors of the Company.
4. For details on Related party disclosures refer page no. 60 of this Letter of Offer
5. The Lead Manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.

IV. INTRODUCTION

A. SUMMARY

Industry Summary

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16.63 percent to the country's export earnings. It provides direct employment to over 35 million people, which includes a substantial number of scheduled castes, scheduled tribes, and women. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market. The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

India's competitive advantage lies in its ability to offer a strong presence and production capabilities across the entire textile value chain, from fiber production to garment manufacturing. India is well positioned to benefit from the textile outsourcing trend given the outlook for demand and fresh investments in textile technology and production capacity. Large organized producers have in particular benefited from the textile outsourcing trend as large retailers look to source higher value textile business to India. Many of the larger Indian textile manufacturers have also started to work directly with international retailers, which has led to industry consolidation and limited economies of scale becoming apparent in India.

Business Summary

Orbit Exports Limited (OEL) is a listed public limited Company. The Company has developed the technical excellence to manufacture a variety of fancy textiles both for domestic and export consumption.

OEL is a Government Recognised Star Export House (GRSEH) engaged in the manufacture and export of fancy fabrics. The company deals in fancy textiles that find its uses in Christmas Craft, Ladies Dress Material and Home Textiles. The company has core strength in marketing value added fabrics and metallic brocades to niche markets around the globe. From traditional markets in the Far East like Indonesia / Malaysia to far off markets in Africa and Latin America the company sells its products to specialized buyers. With the US markets opening on post quota, there has been a significant increase in demand for all the various products offered by the company.

The manufacturing facilities of the Company are located in Jalgaon, Erandol and Dombivali.

Issue Details

Issue of 35,20,700 Equity Shares of Rs. 10/- each for cash at par (Issue Price of Rs 10/-) per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Shares for every 1 (One) Equity Shares held on 20/09/2007 (Book Closure Date) aggregating Rs. 352.07 lacs. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is same as the face value.

Summary of Financial Data

Annexure I Statement of Adjusted Profit & Losses

	(Rs. in Lacs)				
	For the year ended 31.03.03 (12 Months)	For the year ended 31.03.04 (12 Months)	For the year ended 31.03.05 (12 Months)	For the year ended 31.03.06 (12 Months)	For the period ended 31.03.07 (12 Months)
INCOME					
Sales:					
- Of products manufactured by the Company (net of Excise duty)	946.13	968.83	1,646.06	2,361.44	2,720.95
- Of products traded in by the Company	-	-	-	-	-
Sub-total	946.13	968.83	1,646.06	2,361.44	2,720.95
Other Income	12.81	8.92	0.53	1.23	9.96
Increase/(Decrease) in Stock	23.24	(111.95)	130.62	8.70	217.06
Total	982.18	865.80	1,777.21	2,371.37	2,947.97
EXPENDITURE					
Purchase of goods traded	-	-	-	-	-
Raw materials Consumed	791.79	721.74	971.83	1,500.36	2,075.47
Staff Costs	61.40	80.11	95.66	127.50	128.20
Other Manufacturing expenses	49.76	174.93	256.13	235.93	199.57
Administrative expenses	63.69	85.35	117.55	128.64	159.59
Selling and Distribution exp.	25.61	93.10	132.11	130.80	109.99
Interest	92.17	69.97	54.39	73.39	87.68
Total Expenditure	1,084.42	1,225.20	1,627.67	2,196.62	2,760.50
Profit before depreciation and extraordinary items	(102.24)	(359.40)	149.54	174.75	187.47
Depreciation	51.90	69.70	76.14	77.95	82.74
Less: Transfer from Revaluation reserve	0.18	0.24	0.24	0.24	0.24
Net Depreciation	51.72	69.46	75.90	77.71	82.50
Profit/(Loss) before taxation	(153.96)	(428.86)	73.64	97.04	104.97
Extraordinary items	-	-	-	-	-
Int.w/back & (Loss) on sale of office premises	-	100.93	-	-	(25.76)
Profit before tax	(153.96)	(327.93)	73.64	97.04	79.21
Deferred tax credit(Net)	-	-	114.62	(45.84)	9.32
Provision for current Tax (incl.FBT)	-	-	-	(3.44)	(11.53)
Effect of adj. on Tax	-	-	-	-	-
Profit after tax	(153.96)	(327.93)	188.26	47.76	77.00
Income/wealth tax in respect of earlier years	-	-	-	-	-
Expenses in respect of earlier years	-	-	-	-	-
Less: Profit Transfer From General reserve	6.57	-	-	-	-
Profit/(Loss)	(147.39)	(327.93)	188.26	47.76	77.00

Annexure II
Statement of Balance Sheet

(Rs. in Lacs)

	AS AT 31ST MARCH 2003	AS AT 31ST MARCH 2004	AS AT 31ST MARCH 2005	AS AT 31ST MARCH 2006	AS AT 31ST March 2007
A- FIXED ASSETS:					
Gross Block	1,659.93	1,665.87	1,675.35	1,824.09	1,800.33
Less: Accumulated Depreciation	1,117.53	1,187.23	1,263.37	1,341.31	1,424.05
Less: Revaluation reserve	21.73	21.49	21.25	21.01	20.77
NET BLOCK	520.67	457.15	390.73	461.77	355.51
Capital work in Progress	-	-	-	-	-
TOTAL	520.67	457.15	390.73	461.77	355.51
B-. Investments	-	-	-	-	1.00
C-.Net deferred tax Liabilities	43.50	43.50	(71.11)	(25.27)	(34.59)
D- Current Assets , Loans & Advances:					
Inventories	597.40	485.45	650.26	658.58	936.10
Sundry Debtors	445.94	139.04	269.21	278.75	322.34
Cash & Bank Balances	16.36	4.45	8.43	28.64	38.41
Loans & Advances & other current assets	168.80	186.63	233.03	267.89	342.20
	1,228.50	815.57	1,160.93	1,233.86	1,639.05
A+B-C+D	1,705.67	1,229.22	1,622.77	1,720.90	2,030.15
E-Less :Liabilities & Provisions:					
Secured Loans	974.15	536.38	597.82	728.63	1,040.35
Unsecured Loans	35.25	220.33	316.09	264.07	230.66
Current Liabilities	205.78	243.97	295.60	248.74	194.50
Provisions	-	-	-	17.70	27.01
	1,215.18	1,000.68	1,209.51	1,259.14	1,492.52
Networth (A+B-C+D-E)	490.49	228.54	413.26	461.76	537.63
Represented By:					
I- Share Capital	351.78	351.78	351.80	351.80	352.07
II.Reserves & Surplus	316.81	378.27	378.03	377.79	377.55
Less: Revaluation Reserve	21.73	21.49	21.25	21.01	20.77
Reserves (net of Revaluation Reserve)	295.08	356.78	356.78	356.78	356.78
iii- Less: Misc.Expenditure (to the extent not writtenoff/adjusted)	7.05	2.77	6.33	5.60	7.00
iv- Less :P & L (loss)	(149.32)	(477.25)	(288.99)	(241.22)	(164.22)
Networth (i+ ii - iii- iv)	490.49	228.54	413.26	461.76	537.63

The above should be read with Notes to Statements of Adjusted Profits & Losses & Assets & Liabilities, as restated appearing in Annexure IV & Significant Accounting Policies as appearing in Annexure III to Auditors report commencing on page no. 48.

B. GENERAL INFORMATION

Dear shareholder(s),

The Board of Directors in their meeting held on 05/04/2006 has decided to make following offer to the existing shareholders of the Company:

Issue of 35,20,700 Equity Shares of Rs. 10/- each for cash at par (i.e. at a price of Rs.10/- per share) aggregating to Rs. 352.07 Lacs on a rights basis to the existing equity shareholders of the Company in the ratio of One equity share for every One equity share held on Book Closure Date 20/09/2007. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is equal to the face value.

The resolution in respect of this has been approved by the shareholders of the Company in the EGM of the Company held on 13/05/2006.

Name of the Company	:	Orbit Exports Limited
Registered Office	:	11 Mehta Chambers, Kalyan Street, P.D'Mello Road, Masjid Bunder (East), Mumbai- 400 009 (Maharashtra) India Tel: 91-022-6634 6675 Fax: 91-022-2375 6599 Email: info@orbitexports.com Website: www.orbitexports.com
Works	:	<ul style="list-style-type: none">☞ Plot No. G-99, Additional M.I.D.C Jalgaon 425 003 Maharashtra Tel: 91-0257-2210101 Fax: 91-0257-2211735;☞ Gatt No. 447/8, Vikhran Road Erandol, Dist. Jalgaon Tel: 91-0257-2244331☞ D-5/1, hase-1, Dombivali MIDC Industrial Area, Dombivali (East)
Registration No.	:	11-30872
Contact person:	:	Mr. Jitendra Kakani, Company Secretary & Compliance Officer Email: info@orbitexports.com
Registrar of Companies	:	100, Everest, Marine Drive, Mumbai - 400 002

IMPORTANT

1. This Issue is pursuant to the resolution approved by shareholders under sections 81, 81(A) of the Companies Act. 1956 at the Extraordinary General Meeting held on May 13, 2006.
2. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the 20/09/2007 (Book Closure Date)
3. Your attention is drawn to the section on risk factors starting from page no. (iv) of this Letter of Offer.
4. Please ensure that you have received the CAF with this Letter of Offer.
5. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.

6. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
7. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
8. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises of:

Name of the Director	Designation	Status
Mr. Pankaj Seth	Managing Director	Executive and Non - Independent
Ms. Anisha Seth	Whole – time Director	Executive and Non - Independent
Mr. Bruce Larry Kieval	Director	Non-Executive Non Promoter
Mr. Yeshwant R. Shah	Director	Non-Executive Independent
Mr. Manoj Kumar Jain	Director	Non-Executive Independent
Mr. Gopikrishna Bubna	Director	Non-Executive Independent
Mr. Vishnu Ajitsaria	Director	Non-Executive Independent

BRIEF BIOGRAPHY OF MANAGING DIRECTOR AND WHOLETIME DIRECTOR

Mr. Pankaj Seth, aged 43 yrs, is the Managing Director of the company and has done his masters in Management Studies. He has a vast experience of 17 years in trading and export of fabrics.

Ms. Anisha Seth, aged 42 yrs, is Deputy Managing Director and she has also done her masters in Management Studies. She has an experience of around 16 yrs in varied fields like banking and textile operations & is currently instrumental in the day to day operations of the company.

ISSUE MANAGEMENT TEAM

Company Secretary & Compliance Officer

Mr. Jitendra Kakani

Company Secretary
Orbit Exports Limited
11 Mehta Chambers, Kalyan Street, P. D'Mello Road,
Masjid Bunder (East), Mumbai 400 009
Tel: 91 022 6634 6675; **Fax:** 91 022 2375 6599;
Email: info@orbitexports.com

Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refund orders etc.

Bankers to the Company

State Bank of India

Overseas Branch,
World Trade Centre, Cuff Parade
Mumbai 400005
Tel: 91 022 2218 9161 ; **Fax:** 91 022 2218 6611

Lead Manager to the Issue

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building,
5, J. N. Heredia Marg, Ballard Estate,
Mumbai – 400 001

SEBI Regn No: INM 000003606

Tel : +91 022 30266000-5; **Fax:** + 91 022 22694323

E-mail: mbd@keynoteindia.net; **Website:** www.keynoteindia.net

Contact Person: Mr. Satish Mangutkar

Registrar to the Issue

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup West,
Mumbai – 400 078

SEBI Regn. No.: INR 000003761

Tel.: 91 022 2596 0320 (9 Lines); **Fax:** 91 022 2596 0329

E-mail: orbitext-rights@intimespectrum.com; **Website:**www.intimespectrum.com

Contact Person: Mr. Sachin Acharya

Bankers to the Issue

AXIS Bank Ltd.

Universal Insurance Bldg.,
Ground Floor,
Sir P.M.Road,
Fort, Mumbai - 400001

Tel.: 91 022 66107256; **Fax:** 91 022 22835785

Auditors to the Company

Krishna R. Moondra & Associates

Chartered Accountants
JBF House, 1st Floor, Old Post Office Lane,
Kalbadevi Road, Mumbai – 400 002

Tel: 91 022 66332602

Email: kmoondra@vsnl.com

INTERSE ALLOCATION OF RESPONSIBILITIES

Not Applicable

CREDIT RATING/DEBENTURE TRUSTEE

This being Rights Issue of equity shares, no Credit Rating or appointment of Debenture Trustee is required.

MONITORING AGENCY

Not Applicable

APPRAISING ENTITY

Not Applicable

MINIMUM SUBSCRIPTION

- i) If the Company does not receive minimum subscription of 90% of the issued amount, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.
- ii) If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay 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.

UNDERWRITING/ STANDBY SUPPORT

This issue of equity shares 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 REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Saturday, 29 th September 2007	Monday, 15 th October 2007	Monday, 29 th October 2007

C. CAPITAL STRUCTURE OF THE COMPANY

Details as on date of Letter of Offer	Aggregate Nominal Value (Rs. In Lacs)
A. Authorized Capital 1,00,00,000 Equity Shares of Rs. 10/- each	1000.00
B. Issued, Subscribed & Paid-up Capital 35,20,700 Equity Shares of Rs.10/- each	352.07
C. Present Rights Issue 35,20,700 Equity Shares of Rs. 10/- each	352.07
D. Post Issue Capital 70,41,400 Equity Shares of Rs.10/- each	704.14
E. Share Premium Account Before the Offer After the Offer	222.10 222.10

Notes to Capital Structure:

1. Changes in the Authorised Capital of the Company:

Date of resolution	Increased From	Increased To
09/05/1994	Rs. 50.00 lacs consisting of 5,00,000 equity shares of Rs. 10 each	Rs. 105.00 lacs consisting of 10,50,000 equity shares of Rs. 10 each.
20/07/1994	Rs 105.00 lacs consisting of 10,50,000 equity shares of Rs 10 each	Rs 225.00 lacs consisting of 22,50,000 equity shares of Rs 10 each.
25/08/1994	Rs 225.00 lacs consisting of 22,50,000 equity shares of Rs 10 each	Rs 375.00 lacs divided into 37,50,000 equity shares of Rs 10 each.
30/09/2004	Rs 375.00 lacs divided into 37,50,000 equity shares of Rs 10 each.	Rs 1000.00 Lacs consisting of 100,00,000 equity shares of Rs 10 each

2. Details of increase in the paid-up Equity Share capital are as follows:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative No. of shares	Consideration	Nature of allotment
16/09/1983	100.00	100.00	30	30	Cash	Subscribers to Memorandum of Association upon Incorporation.
25/03/1984	100.00	100.00	4,980	5,010	Cash	Promoters, At Par
18/06/1985	100.00	100.00	1,000	6,010	Cash	Promoters, At Par
31/10/1985	100.00	100.00	5,990	12,000	Cash	Promoters, At Par
05/08/1994	100.00	100.00	1,92,000	2,04,000	-	Bonus Issue (16:1)
25/08/1994	10.00	-	19,20,000	20,40,000	-	The Share capital of the Company has been subdivided into shares of Rs.10/- each w.e.f. 25/08/1994
25/08/1994	10.00	25.00	72,000	21,12,000	-	Conversion of 4% 18000 Preference Shares of Rs.100/- each.
25/08/1994	10.00	25.00	120,000	22,32,000	Cash	Further issue to promoters
25/08/1994	10.00	25.00	3,36,000	25,68,000	Cash	Further issue to promoters
13/02/1995	10.00	25.00	9,52,700	35,20,700	Cash	Public Issue

* Up to 24/08/1994 the Face value & Issue price of shares was Rs 100 /-. The Share capital of the Company has been subdivided into shares of Rs.10/- each w.e.f. 25/08/1994. Consequent upon change in Face value of shares the number of shares has been corresponding increased by multiple of 10 times.

In the year 1994, the Company has converted the preference shares into equity shares to the extent of 72,000 equity shares of Rs.10/- each. While conversion of preference shares into equity, price was charged which has been shown in consideration. Since cash was paid while issuing preference shares, it has been mentioned as cash consideration. Presently there are no preference shares or the preference share capital in the Company.

3. Promoters' Contribution and Lock-in

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable.

4. Present Rights Issue :

Type of Instrument	Ratio	Face Value (Rs.)	No. of shares	Issue Price (Rs.)	Consideration
Equity Shares	1:1	10/-	35,20,700	10/-	Cash

5. Pre & Post issue shareholding pattern of the Company assuming full subscription in the rights issue is given below :-

	Category of Shareholder	Pre-issue (As on date)		Post-issue	
		Number of Shares	%	Number of Shares	%
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/ Hindu Undivided Family	12,91,740	36.69	25,83,480*	36.69
(b)	Bodies Corporate	-	-	-	-
	Sub- Total (A)(1)	12,91,740	36.69	25,83,480	36.69
2	Foreign				
	Sub-Total (A)(2)	--	--	--	--
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	12,91,740	36.69	25,83,480	36.69
(B)	Public shareholding				
1	Institutions				
	Sub-Total (B)(1)	--	--	--	--
2	Non-institutions				
(a)	Bodies Corporate	8,86,061	25.17	17,72,122	25.17
(b)	Individual	11,70,311	33.24	23,40,622	4.88
(c)	Others	1,71,668	4.88	3,43,336	0.03
(d)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	920	0.03	1,840	25.17
	Sub-Total (B)(2)	22,28,960	63.31	44,57,920	63.31
	Total public shareholding (B)= (B)(1)+(B)(2)	22,28,960	63.31	44,57,920	63.31
	TOTAL (A)+(B)	35,20,700	100.00	70,41,400	100.00

* Sweet Solutions Ltd., one of the shareholder of the Company vide their letter dt. 09/04/2007 has confirmed that they are agreeable to renounce their rights entitlement of the present Rights Issue in favour of the Promoters. In case the promoters exercises this right their post issue shareholding (presuming full subscription from all other shareholders) will be 33,41,040 equity shares representing 47.45% of post issue capital.

6. The shareholding pattern of the promoter group is as detailed below:

Particulars	Present		Post Rights	
	No. of equity shares of Rs. 10/- each	% of present capital	No. of equity shares of Rs. 10/- each	% of post issue capital
a) Promoters				
Pankaj Seth	12,81,240	36.39	2,56,24,80	36.39
Anisha Seth	10,500	0.30	21,000	0.30
SUB - TOTAL	12,91,740	36.69	25,83,480	36.69
b) Immediate relatives of promoters (Spouse, Parent, Child, Brother, Sister):	-	-	-	-
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 a member.	-	-	-	-
d) Company in which the Company mentioned in © 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.	-	-	-	-
GRAND TOTAL	12,91,740	36.69	25,83,480	36.69

The promoters intend to subscribe to their rights entitlement in full. In case of under subscription in the present Rights Issue, promoters have undertaken to subscribe to entire unsubscribed portion by the public shareholders therein. The promoters have brought in funds by way of unsecured loans to the extent of Rs. 166.60 lacs. The money brought in by the Promoters will be adjusted towards their subscription either for their entitlement and subscription through renunciation by other shareholders in their favour, if any or subscription to un-subscribed portion, if any, in the present Rights Issue.

The details of unsecured loans brought in by the promoters as certified by M/s Krishna R. Moondra & Associates, Chartered Accountants, statutory Auditors of the Company vide their certificate dated 15/05/2007 are as follows:

Name of Promoter/Director	Amount (in lacs)
Mr. Pankaj Seth	153.74
Mrs. Anisha Seth	12.86
Total	166.60

As a result of this subscription and consequent allotment, the promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding. Presuming no subscription is received from other shareholders and the promoters subscribing to Rights Issue as mentioned, their shareholding shall increase to 68.34% of the post Rights Issue equity capital of the Company. This subscription and acquisition of additional equity shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

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.
8. Equity shares of the Company are being traded in compulsory dematerialized mode. The market lot of the equity shares is 1 (one).

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 above entities directly or indirectly through other persons.
10. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback or similar arrangements for purchase of securities issued by the Company.
11. The Company has not availed of any bridge loans to be repaid from the proceeds of the issue.
12. 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 for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.
13. The total number of shareholders in the Company is 4208.
14. The ten largest shareholders two years prior to the date of filing of this Letter of Offer with Stock Exchanges are as follows :

No.	Name of the Shareholders	Number of Equity Shares	Percentage of shareholding
1	Pankaj Seth/Anisha Seth	1281240	36.49
2	Sweet Solutions Ltd.	778560	22.11
3	TAIB Securities Mauritius Ltd.	150000	4.26
4	Madhu Jain	27250	0.77
5	Karvy Stock Broking Ltd.	26300	0.75
6	Shailaja R. Asave	19400	0.55
7	Anagram Stockbroking Ltd.	19187	0.55
8	Sadhana Balkrishna Patil	11990	0.34
10	Soman S. Nair	11000	0.31
	Total	2324927	66.13

10. The ten largest shareholders as on 10 days prior to the date of filing of the Letter of Offer with Stock Exchanges are as follows :

No.	Name of the Shareholders	Number of Equity Shares	Percentage of shareholding
1	Pankaj Seth/Anisha Seth	1281240	36.49
2	Sweet Solutions Ltd.	778560	22.11
3	Ashika Stock Broking Ltd.	147500	4.19
4	Bhagirath Chandulal Arya	40685	1.16
5	Ravikumar Ashokmal Lodha	30000	0.85
6	Madhu Jain	27250	0.77
7	Gandhar Share Broking Pvt. Ltd.	26165	0.74
8	Sadhana Balkrishna Patil	24514	0.70
9	Shailaja R. Asave	19400	0.55
10	ASP Investments (p) Ltd.	15112	0.43
	Total	2390426	67.99

11. The ten largest shareholders as on the date of filing of the Letter of Offer with Stock Exchanges are as follows :

No.	Name of the Shareholders	Number of Equity Shares	Percentage of shareholding
1	Pankaj Seth/Anisha Seth	1281240	36.49
2	Sweet Solutions Ltd.	778560	22.11
3	Ashika Stock Broking Ltd.	147500	4.19
4	Bhagirath Chandulal Arya	40685	1.16
5	Ravikumar Ashokmal Lodha	30000	0.85
6	Madhu Jain	27250	0.77
7	Gandhar Share Broking Pvt. Ltd.	26165	0.74
8	Sadhana Balkrishna Patil	24514	0.70
9	Shailaja R. Asave	19400	0.55
10	ASP Investments (p) Ltd.	15112	0.43
	Total	330626	9.39

12. The Company shall not make any 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 the Letter of Offer to SEBI for the Rights Issue till the securities referred in the Letter of Offer have been listed or application money refunded on account of failure of the issue.
13. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this LOO or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.
14. In case of oversubscription the allotment will be made within the overall size of the issue and there will not be any retention of oversubscription.
15. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.

D. OBJECTS OF THE ISSUE

The object of the issue is to increase the capital base to meet the requirements of funds arising out of growth of operations of the company and for meeting the expenses of the issue.

The main object clause of the Memorandum & Articles of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

Funds Requirement

	(Rs. In Lacs)
General Corporate Purpose	148.00
Working Capital	173.00
For Embroidery machines	18.84
Issue Expenses	12.23
Total	352.07

Means of Finance

	(Rs. In Lacs)
Proceeds of the Rights Issue	352.07
Total	352.07

Details of Funds requirement

1. General Corporate Purpose

Since FY 2001 to FY 2004 the Company was incurring losses due to decrease in sales and the margins of the Company were also under pressure due to higher interest costs. Interest cost was higher because of borrowed capital and also high contracted rate of interest on these borrowings.

The infusion of funds in the Company is necessitated to improve the weak financial position of the Company. To strengthen the trading and manufacturing operation by improvisation margins the Company needed infusion of funds and management and technical inputs. The present Promoter of the Company Mr. Pankaj Seth and Ms. Anisha Seth took over the management of the Company alongwith other PACs from erstwhile promoters subsequent to open offer in terms of SEBI (SAST) Regulations, 1997. The formalities regarding the open offer have been completed in the year 2004.

On acquisition the Company looked at various options of restructuring the Company including corporate debt restructuring and expenditure on product development.

After the acquisition the Promoters have brought in funds from time to time to revive the operations of the Company. The Company undertook the restructuring process. The Company reached a one time settlement with the Bank of India in respect of the then outstanding loan availed from them. The total funds brought in by the promoters by way of unsecured loan till date amounts to Rs.166.60 Lacs out of which Rs.115 Lacs have been used towards repayment under one time settlement.

The Company has been regularly evaluating various options for growth and has been continuously working towards development of new products and upgrading the existing products to suit the needs of clients. The Company has earmarked balance of Rs.33.00 Lacs towards the said corporate purpose.

2. Working capital requirement

The detailed calculation of the working capital requirement which is partly to be funded through the proceeds of the issue is as under:

Particulars	No. of Days	Estimated for 2007-2008 Rs. In Lacs
(A) Current Assets		
1. Inventory	38	282.98
Stock in process	85	445.91
Finished Goods	45	386.65
Stores & spares		18.00
Total		1133.54
2. Debtors		
Local	90	144.18
Exports	51	444.34
Total		588.52
3. Other Current Assets		304.33
Total Current Assets (A)		2026.39
(B) Current Liabilities		
1. Creditors	28	210.11
2. Other Liabilities		74.00
Total Current Liabilities (B)		284.11
Net Working Capital		1742.28
Less: Margin (37%)		644.28
Net Working Capital		1098.00
Less: Financed by Bank		925.00
Shortfall in working capital		173.00
To be Finance through Right Issue		173.00

The Company has already received sanction of working capital limits from State Bank of India upto 925 Lacs (fund based). The Company has utilized Rs.30.39 Lacs brought in by the Promoters by way of unsecured loan towards the shortfall of working capital as mentioned above.

3. Embroidery Machinery

Name of the Machines	Name of the Supplier	Qty	Amount (in Lacs)
Ribbon winding machine fabricated of M.S. material with spindle speed 750 RPM driven by positive drive and winding drum with tension adjustment rods, winding heads to both sides of the spindle.	Gopi Mercantile Pvt. Ltd.	3	18.84

The Company has already purchased the above mentioned machineries and installed at Dombivali factory. The Company will utilize these machineries for the purpose of designing fabrics as per requirements of clients.

4. Issue Expenses

The break up of issue expenses is as given below:

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Fees to the intermediaries	6.50
	<i>Lead Manager to the Issue – Rs.5.50 Lacs</i>	
	<i>Registrar to the Issue – Rs.1.00 Lac</i>	
2	Printing & Stationery and Postage expenses	3.00
3	Advertisement and other Miscellaneous Expenses	2.73
	Total	12.23

APPRAISAL

The object for which the funds are being raised is not appraised by any Bank or Financial Institution.

SOURCES AND DEPLOYMENT

The Promoters of the Company have brought in funds by way of unsecured loan to the extent of Rs.166.60 Lacs. Out of the said funds Rs.115.00 lacs have been utilized to repay outstanding loan from Bank of India under one time settlement, Rs. 30.39 Lacs towards working capital requirement, Rs.18.84 lacs towards buying Embroidery machinery and Rs.2.37 Lacs towards issue expenses till 10/09/2007.

M/s Krishna R. Moondra & Associates, Chartered Accountants, have certified vide their certificate(s) dated 12/09/2007 the above sources and deployment of funds.

The Promoters have given consent to adjust the unsecured loan of Rs.166.60 Lacs towards their subscription in the rights issue and also towards subscription to unsubscribed portion if any in the present rights issue.

INTERIM USE OF FUNDS

The deployment of funds raised through the rights issue would be mainly for the purposes of funding long term working capital requirements and other objects of the issue immediately on completion of the rights issue. And hence the interim use of funds is not applicable.

BASIC TERMS OF THE ISSUE

Face Value	Each Equity Share shall have the face value of Rs. 10/-.
Issue Price	Each Equity Share is being offered at a price of Rs. 10/- (at par).
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 Equity Share for every 1 Equity Share (i.e 1:1) held as on the Book Closure Date.
Market Lot	The market lot for the Equity Shares in Dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").
Terms of Payment	Entire amount (i.e. Rs. 10/-) is to be paid on application.

E. BASIS FOR ISSUE PRICE

(a) Earnings Per Share (EPS)

Year ended 31 st March	EPS(Rs)	Wts
2004-2005	5.34	1
2005-2006	1.36	2
2006-2007	2.19	3
Weighted Average EPS	2.44	

(b) Price Earning Ratio (PE)

Particulars	Offer Price of Rs.10/- per share
P/E(based on EPS as on 31/03/2007)	4.57

(c) Return on Networth (RONW)

Year	RONW(%)	Wts
2004-2005	45.53	1
2005-2006	10.83	2
2006-2007	14.32	3
Weighted Average RONW	18.36	

(d)

Minimum RONW required maintaining pre-issue EPS of Rs. 2.19 as on 31/03/2007.	17.33
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(e) Net Asset Value (NAV)

NAV (pre issue) (as on 31/03/2007) (Rs.)	15.27
NAV (post issue) (Rs.)	12.64

(f) Industry P/E Ratio

Highest (Sunteck Realty)	262.4
Lowest (Punjab Woolcomb)	2.9
Average	26.2
<i>(Source: Capital Market Sep10-23,2007, textiles-Products Industry)</i>	

Comparison of key ratios with the companies in the same industry group

The Company is in the business of manufacturing fancy fabrics & garments. There are no listed companies, whose business model is same as that of the Company.

Although not comparable, the key ratios of the companies who are also manufacturing fancy fabrics amongst textile/other business activities are as follows:

Company Name	Book Value (Rs.)	EPS (Rs.)	RONW (%)	P/E Ratio
Pioneer Embroidery	64.6	12.9	18.9	10.1
Provoque (India)	133.2	10.3	10.8	55.9
Orbit Exports Limited (As on 31/03/2007)	15.27	2.19	14.3	4.57

(Source: Capital Market Sep10-23,2007,)) * figures for 31stMar2007

The Issue Price of Rs. 10/- per share is the same as the Face Value of Rs. 10/- per share of the equity shares being issued.

Considering the above factors & since the issue is made at par, the issue price of Rs.10/- per equity share is justified.

F. STATEMENT OF TAX BENEFITS

Tax benefits to the Company and its members

The Company has been advised by Krishna R. Moondra & Associates the auditors of the Company, about the possible tax benefits that may be available to the Company and its Shareholders under the Income Tax Act, 1961 and other Direct Tax laws of India vide their report dated 1st September 2007

The Board of Directors,
M/s Orbit Exports Limited.,
11, Mehta chamber, Kalyan Street,
P.D. Mello Road,
Masjid Bunder (East),
Mumbai-400 009

Dear Sirs,

We hereby report that the enclosed statement states the possible Tax Benefit available to **Orbit Exports Limited** ("**the Company**") and its **Shareholders** under the current direct tax laws, in India.

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

The 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 a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

- The Company or its Shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefit have been / would be met with;
- The revenue authorities / courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes.

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 and the interpretation of current tax laws.

FOR **Krishna R. Moondra & Associates.**,
Chartered Accountants
Sd/-
Anand Prakash Lahoti
Partner
Membership No.: 12657
Place: Mumbai
Date: 1st September, 2007

STATEMENT OF TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS.

A. BENEFITS TO THE COMPANY UNDER THE INCOME-TAX ACT, 1961 "ACT":

1. Subject to Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 the Company will be entitled to a deduction for depreciation: -
 - (a) In respect of tangible assets and 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 at the rates prescribed under the Income Tax Rules, 1962;
 - (b) In respect of machinery or plant (other than ships & aircrafts) which has been acquired and installed after 31st March, 2005 by the Company for the purpose of its business of manufacture or production, a further sum equal to 20% of the actual cost of such machinery or plant will be allowed as deduction.
2. Under section 10(34) of the Act, the income earned by way of dividend from domestic company (in which the company has invested) referred under section 115-O of the Act is exempt from tax in the hands of the company.
3. The income received by the company from distribution made by any mutual fund specified under section 10(23D) of the Act in respect of which tax is paid by such mutual fund under section 115R of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in section 10(35) of the Act is exempt from tax in the hands of the company.
4. Under section 10(38) of the Act, the Long-Term Capital Gains arising on transfer of securities, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the company.
5. The Company is eligible under Section 35D of the Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions specified under the said section.
6. As per the provisions of Section 112(1)(b) of the Act, other Long-Term Capital Gains arising to the company are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the Proviso to that section, the Long-Term Capital Gains resulting from transfer of listed securities or units [not covered by section 10(36) and 10(38) of the Act], are subject to tax at the rate of 20% on Long-Term Capital Gains worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% of Long-Term Capital Gains worked out without considering indexation benefit (plus applicable surcharge and education cess).
7. As per the provisions of section 111A of the Act, Short-Term Capital Gains arising to the company from transfer of Equity Shares in any other company through a recognized Stock Exchange or from sale of units of any equity-oriented mutual fund are subject to tax at the rate of 10% (plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.
8. In accordance with and subject to the conditions specified in Section 54EC and Section 54ED of the Act, the company would be entitled to exemption from tax on Long-Term Capital Gain [not covered by Section 10(36) and Section 10(38) of the Act] if such capital gain is invested in any of the long-term specified assets (herein-after referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of Capital Gains for which exemption is

availed earlier would become chargeable to tax as Long-Term Capital Gains in the year in which such new asset is transferred or converted into money.

9. The corporate tax rate shall be 30% (plus surcharge on tax @ 10% and Education Cess @ 3%). In addition to income tax, a fringe benefit tax at the rate of 30% (plus surcharge and education cess) would be payable in respect of fringe benefits provided/deemed to be provided to the employees.
10. Under Section 115JAA (1A) credit shall be allowed of any MAT paid under Section 115JB of the Act for any assessment year commencing on or after 1st day of April 2007. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income Tax Act. Such MAT credit shall be available for set-off upto 7 years succeeding the year in which the MAT credit initially arose.

B. TO THE MEMBERS OF THE COMPANY

Under the Income-tax Act, 1961

Resident Members

- o Under section 10(34) of the Act income earned by way of dividend from domestic company referred to in section 115O of the Act is exempt from income-tax in the hands of the shareholders.
- o Any income arising from the transfer of a long term capital asset (i.e. capital asset held for the period of 12 months or more) being an Equity Share in a company or a unit of an equity oriented fund is exempt u/s 10(38), where the transaction of sale of such equity share or unit is entered through recognized Stock Exchange on or after 1-10-2004 and such transaction is chargeable to Securities Transaction Tax.
- o In accordance with section 10(23D) of the Act, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve bank of India subject to the conditions specified therein are eligible for exemption from Income-tax on their entire income, including income from investment in the shares of the company.
- o Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by –
 - a. National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - b. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
 - c. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;
 - d. National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

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

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

- o Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under Section 10(38) of the Act] arising on the transfer of shares of the Company, will be exempt from capital gains tax if capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.
- o Under Section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- o As per the provisions of section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount arrived at by applying the average rate of income tax on such business income.
- o Under section 111A of the Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized stock exchange in India will be subject to tax at the rate of 10% [plus applicable surcharge and educational cess on income-tax].
- o Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

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

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

Tax on income from investment and Long Term Capital Gains:

- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Act viz. "Special Provisions Relating to certain incomes of Non-Residents".

- Under section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under section 10(38) of the Act] be concessionally taxed at a flat rate of 10% (plus applicable surcharge and educational cess on income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.

Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases

- Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of income not to be filed in certain cases

- Under provisions of section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

Other Provisions

- Under section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him, instead the other provisions of the Act shall apply.
- Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by –
 - a. National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - b. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
 - c. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

- d. National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - e. Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.
- If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
 - Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under Section 10(38) of the Act] arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.
 - Under Section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
 - 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 "Profit 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.
 - Under section 111A of the Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized stock exchange in India will be subject to tax at the rate of 10% [plus applicable surcharge and educational cess on income-tax].
 - Under section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act] arising on transfer of shares in the company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. However, indexation will not be available if the investment is made in foreign currency as per the first proviso to section 48 stated above, or it can be taxed at 10% (plus applicable surcharge and the education cess on income-tax) (without indexation), at the option of assessee.

Foreign Institutional Investors (FIIs)

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

- o In terms of section 10(38) of the Act, any Long Term Capital Gains arising to an investor from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:
 - a) The transaction of sale of such equity shares is entered into on or after 1st October, 2004.
 - b) The transaction is chargeable to such securities transaction tax.
- o The income realized by FIIs on sale of shares in the company by way of short term capital gains referred to in Section 111A of the Act would be taxed at the rate of 10% (plus applicable surcharge and educational cess on income-tax) as per section 115AD of the Act.
- o The income by way of short term capital gains (not referred to in section 111A) or long term capital gains [not covered under section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act.
 - Short term capital gains – 30% (plus applicable surcharge and education cess on income-tax)
 - Long term capital gains – 10% (without cost indexation plus applicable surcharge and education cess on income-tax)

(shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).
- o Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by –
 - a. National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - b. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
 - c. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;
 - d. National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - e. Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.
- o Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] on the transfer of shares of the company, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer for one year.
- o 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 "Profit 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.

Venture Capital Companies / Funds

In terms of section 10(23FB) of the Act and subject to the conditions specified therein, all Venture Capital undertakings referred to in Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette and Venture Capital Companies, are eligible for exemption from income tax on all their income, including income from dividend.

Infrastructure Capital Companies / Funds or Co-operative Bank

In accordance with and subject to the conditions specified in section 10(23G) of the Act, income from specified investments made to a power sector company by an Infrastructure Capital Fund or Infrastructure Capital Company or Cooperative Bank on or after first day of June, 1998 is exempt from levy of Income-Tax.

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

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

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

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

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

Notes:

- We hereby give our consent to include our above referred opinion regarding the tax benefits available to the Company and to its shareholders in the offer document which the Company intends to submit to the Securities and Exchange Board of India, Mumbai.
- *Our views expressed herein are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.*
- **IN VIEW OF THE INDIVIDUAL NATURE OF TAX CONSEQUENCE, EACH INVESTOR IS ADVISED TO CONSULT HIS / HER OWN TAX ADVISER WITH RESPECT TO SPECIFIC TAX CONSEQUENCES OF HIS / HER PARTICIPATION IN THE SCHEME.**

V. ABOUT THE ISSUER COMPANY

A. INDUSTRY OVERVIEW

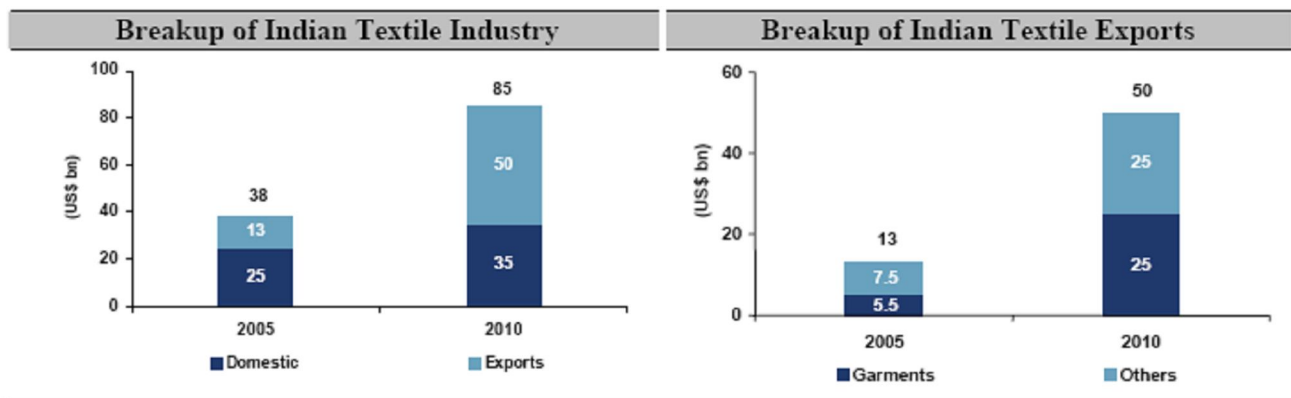
The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites/publications and company estimates. Industry websites/publications generally 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 the Company believes industry, market and government data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed to be reliable, have not been verified by any independent agencies.

Overview of the Indian Textile Industry

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16.63 percent to the country's export earnings. It provides direct employment to over 35 million people, which includes a substantial number of scheduled castes, scheduled tribes, and women. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market. The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

The following graphs illustrate the Ministry of Textile's vision for growth of the Indian textile industry through 2010:



Source: Ministry of Textile, available at <http://texmin.nic.in/annualrep/arep.htm>; http://texmin.nic.in/mst_20050722.pdf.

India's competitive advantage lies in its ability to offer a strong presence and production capabilities across the entire textile value chain, from fiber production to garment manufacturing. India is well positioned to benefit from the textile outsourcing trend given the outlook for demand and fresh investments in textile technology and production capacity. Large organized producers have in particular

benefited from the textile outsourcing trend as large retailers look to source higher value textile business to India. Many of the larger Indian textile manufacturers have also started to work directly with international retailers, which has led to industry consolidation and limited economies of scale becoming apparent in India.

Table on segment-wise Fabric Production in the country

FY	Cotton fabrics			blended fabric			100% non-cotton fabric			Total	
	Quantity (Million sq. Mtr.)	Growth rate %	% share	Quantity (Million sq. Mtr.)	Growth rate %	% share	Quantity (Million sq. Mtr.)	Growth rate %	% share	Quantity (Million sq. Mtr.)	Growth rate %
2001	19718	3.84	50%	6351	7.41	16%	13606	0.87	34%	39675	2.71
2002	19769	0.26	48%	6287	(1.01)	15%	15334	12.70	37%	41390	4.32
2003	19300	(2.37)	47%	5876	(6.54)	14%	16135	5.22	39%	41311	(0.19)
2004	18040	(6.53)	43%	6068	3.27	15%	17613	9.16	42%	41721	0.99
2005	20632	14.37	46%	6032	(0.59)	14%	17998	2.19	40%	44662	7.05
2006	23873	15.71	49%	6298	4.41	13%	18637	3.55	38%	48808	9.28
2007(E)	27417	14.85	51%	6403	1.67	12%	19740	5.92	37%	53560	9.74

(Source: Ministry of Textiles, Government of India)

The Indian garment industry is also witnessing a significant amount of global relocation of production and outsourcing from India.

Post-Multi Fibre Arrangement (MFA) Scenario

In the period after the expiry of the Multi Fibre Arrangement (MFA) from January 1, 2005, textiles exports were up by 22% in 2005-06 over 2004-05. The share of Indian textiles exports in imports of the USA increased from 4% to 5% in the calendar year 2005, as compared to those in 2004. The share of textiles exports in extra-EU imports increased from 6% to 7% in 2005, growing at 18%, year-on-year, as compared to 5.6% growth in extra-EU imports. In 2005, India was the third largest supplier of textiles to USA and EU. During 2005-06, India's total apparel exports were US\$ 8.63 billion, registering a year-on-year increase of 31%. The country enjoys a higher realization in US markets for apparel (US\$ 3.9/sq. mtr.), compared to China (US\$ 2.8/sq. Mtr.). (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

Investment in the textiles sector has picked up in the past two years, increasing from Rs. 7349.00 crores in 2004-05 to Rs. 15,032.00 crores in 2005-06. It is estimated that total investment in the textiles and clothing industry during 2003-06 was around Rs. 42,978.00 crores. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

Overview of Global Textile Industry

During 2005, as per the latest available WTO data, India's percentage share in the global textiles and clothing trade was 3.9% in textiles, and 3% in clothing. India's rank in world trade has been seventh in textiles and fifth in clothing. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

Asian countries particularly India, Pakistan and China have a competitive advantage over their peers elsewhere in world. This advantage stems from their large cotton cultivation bases and low cost labour. India, China and Pakistan would gain market shares on the strength of their cost-competitiveness; Italy, Turkey and USA are likely to be lose out.

With the implementation of Agreement of Textiles and Clothing (ATC) all trade barriers both tax and non-tax imposed by the developed countries on imports from developing countries has come to an end with effect from January 1, 2005 giving way for free trade regime in global textile trade. This has opened the way for the most competitive developing countries to develop stronger clusters of textile. Developing countries having both downstream and upstream facilities in textiles may be able to prosper in the new competitive environment.

Exports of Textiles

Textiles exports contribute substantially to country's export earnings. The export basket comprises cotton yarn and fabrics, manmade yarn and fabrics, wool and silk fabrics, made-ups and variety of garments. The textiles products, including handlooms and handicrafts, are exported to more than hundred countries. During 2005-06, the share of textiles exports, including handicrafts, jute, and coir, in country's total exports was 16.63%. The textiles exports, as per Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata, have registered strong growth in the post quota period, increasing from US\$ 14.03 billion in 2004-05 to US\$ 17.08 billion in 2005- 06, recording a growth of 21.76%. Therefore, the Government has fixed a higher target of US\$ 19.73 billion for 2006-07. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

The momentum has sustained in 2006- 07, and as per provisional figures of DGCI&S, the textiles exports during April - October 2006, are up by 6.47% in dollar terms and 11.43% in Rupee terms over exports during the corresponding period of the previous year. (Source: Ministry of Textiles, Government of India, Annual Report, 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>).

The progressive shift in favour of made-ups shows India's emergence as a strong finished goods. It also reflects growing confidence of international buyers in India's capabilities in servicing value added products. To achieve the export target of 50 billion USD by 2010, investments of the order of Rs. 1, 40,000 Crore are required. This would generate 12 million additional jobs. . [Source: Chairman's speech of TEXPROCIL]

Government initiatives:

The Government has recognised the urgency to revive and modernise the industry and hence the Ministry has set the following targets to be achieved in a 5-year period:

1. Upgradation of the technology of the industry for achieving a growth of the textile economy from the current level to \$ 105 billion by 2010;
2. Creation of supportive environment for facilitating massive investment in the sector and thereby creating additional 12 million jobs in Textile Sector;
3. Increasing India's share in world textile trade from the current 4% to 8% by 2010 and achieving export value of \$ 50 billion by 2010;
4. Expediting the process of modernisation and consolidation for creating a globally competitive industry;
5. Undertaking effective schemes for ensuring handsome growth in handlooms, power looms and handicrafts, thereby substantially enhancing the incomes of the weavers and artisans; and
6. Turning the Public Sector Undertakings from chronic loss making units into self-reliant entities.

Initiative for Organised Mill Sector

Efforts will be made to restore the organised mill industry to its position of pre-eminence to meet international demand for high value, large volume products. For this purpose, the following measures will be initiated:

- Integration of production efforts on technology driven lines;
- Encouragement to setting up of large integrated textile complexes;
- Strategic alliances with international textile majors, with focus on new products and retailing strategies;

- Creation of awareness and supportive measures for application of IT for upgradation of technology, enhancement of efficiency, productivity and quality, better working environment and HRD.

Strategy

A multi-disciplinary strategy has been formulated to:

1. Continue and give stability to the fiscal duty reform process and thereby encouraging fresh investment into the Sector;
2. Make the Banks to proactively invest in Textile Sector;
3. Provide an additional allocation of Rs. 1000 crore in the balance Xth Plan period for Technology Upgradation Fund Scheme (TUFS), Technology Mission on Cotton (TMC), Textile Infrastructure Development Scheme and Apparel Parks for Export Scheme (APE);
4. Provide 10% Capital subsidy for processing under TUFS;
5. De-reserve knitting sector from the ambit of Small Scale Industries (SSI);
6. Accelerate Labour & Power reforms to enhance the competitiveness of the Indian textiles and
7. Accelerate the process of leveraging assets of PSEs for funding already approved rehabilitation schemes.

In the Budget 2007-08, the following important announcements concerning the textiles sector were made.

- Customs duty on polyester staple fibre and polyester filament yarn has been reduced from 10% to 7.5%.
- Customs duty on polyester chips has been reduced from 10% to 7.5%.
- Customs duty on Raw material such as Di-Methyl Terephthalate (DMT), Purified Terephthalate Acid (PTA) and Mono-Ethylene Glycol (MEG) has been reduced from 10% to 7.5%.
- Excise duty on Caprolactam and Nylon chips has been reduced from 16% to 12%.
- Excise duty on Benzene for manufacture of Caprolactam has been reduced from 16% to 12%.
- The Technology Upgradation Fund Scheme (TUFS) will continue during the XIth five year plan.
- The allocation for TUFS has been enhanced from Rs. 535.00 crores in 2006-07 to Rs.911.00 crores in 2007- 08.
- The allocation for the Scheme for Integrated Textiles Parks (SITP) has been increased from Rs. 189.00 crores in 2006-07 to Rs. 425.00 crores in 2007-08.
- The cluster development approach for the development of handlooms will continue and an additional 100-150 clusters will be taken up for development.
- The coverage of the Health Insurance Scheme for handlooms will be enlarged to include ancillary workers.
- The provision for the handlooms sector has been increased from Rs. 241.00 crores in 2006-07 to Rs. 321.00 crores in 2007-08.

Opportunities and Threats

The opening of the international markets has thrown a host of opportunities with unique set of challenges. The margins, though, are under pressure due to severe competition from other countries. The competition will not only intensify in the international markets but also in the domestic markets. Various countries, especially the developed nations may, however, increasingly resort to protectionist measures or regional trade agreements to protect their domestic textile & clothing industry, which has been severely impacted by the imports of low cost products from China.

Despite all round positive developments, the Indian textile sector faces a number of challenges, foremost being infrastructure and inflexible labour laws. Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognizing the threat these spurious imports poses, if continued unchecked, the government has taken a number of steps to check the inflow of such products. Rising oil prices could result in higher input prices, especially polyester and fuel, and higher inflation which will push up the cost structure.

B. BUSINESS OVERVIEW

Overview

Orbit Exports Limited, a company registered under the Indian Companies Act, 1956, is a Government Recognised Star Export House engaged in the manufacture and export of fancy fabrics. The company deals in fancy textiles that find its uses in Christmas Craft, ladies dress material & home textiles. The company has core strength in marketing value added fabrics and metallic brocades to niche markets around the globe.

From traditional markets in the Far East like Indonesia/Malaysia to far off markets in Africa and Latin America the Company sells its products to specialised buyers. With the US markets opening up post quota, there has been a significant increase in demand for all the various products offered by the company. Currently the Company has manufacturing facilities (plants) located at Jalgaon and Erandol are well connected by road & rail with easy access from Mumbai. The products of company are being widely accepted in local as well as overseas market. The professional team in place at the locations and well established systems of reporting ensure that the plants function smoothly. The Buying Office located in Surat is in charge of all base fabric purchase & processing. This fabric then goes through various stages of value addition such as hand-paint & embroidery in Mumbai and nearby locations. Recently Company has purchased property at Dombivali MIDC Industrial area for manufacturing of Ribbons (Christmas made ups). Company has got good response for its Ribbon business from overseas market particularly from USA.

The Turning Point

OEL went through difficult times financially, owing to huge debts, lack of economics of scale and inadequate marketing capability. The Company incurred huge losses in the period from 2001 – 2004 and as a result the Company had a carried forward losses to the tune of 480.95 lacs on 31st March, 2004. In April'2004 the control and management of the Company under went a change when the Mr. Pankaj Seth took over the Company.

Capacity and Capacity Utilistion

Particulars	2006-07	2005-06	2004-05	2003-04
Installed Capacity				
Looms	42	42	42	42
Fabrics (in meters)	750000	750000	750000	750000
Capacity Utilisation				
Fabrics (in meters)	682584	659352	566196	690226
In %	91.01	87.91	75.49	92.03

In addition to above the Company also outsourced fabrics from other manufacturers. I the year 2006-07 the company outsourced 45.04 lacs mtrs. of fabrics.

DETAILS OF THE BUSINESS OF THE COMPANY

Location of the plants

The company has two existing manufacturing facilities and has recently purchased one new unit at Dombivali. These plants are located at:

- 1) Plot No. G-99, Additional MIDC, Jalgaon, 7 km away from Jalgaon and
- 2) GAT No.- 447/B, Vikhran Road, Erandol, 28 km from Jalgaon on the Bombay – Nagpur Highway.
- 3) D-5/1, hase-1, Dombivali MIDC Industrial Area, Dombivali (East) Dist. Thane

All the units are easily accessible by road and rail ensuring smooth flow of raw material & finished products. The company has manufacturing facilities to weave fancy textiles such as Metallic Jacquard Brocade and

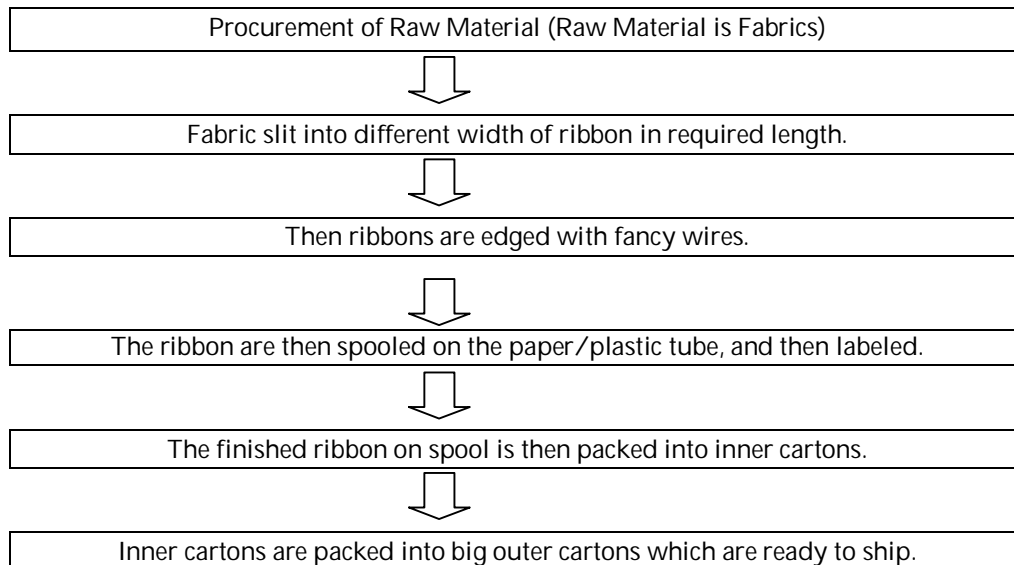
Jacquard Velvets. It also has machines to manufacture embroidered/transfer sequins fabric, a replacement for sequins done by hand.

The professional team in place at the locations and well established systems of reporting ensure that the plants function smoothly. The current capacities of the in-house units including outsourced units have a capacity to manufacture approx 4 Million mtrs per annum.

The Buying Office located in Surat is in charge of all base fabric purchase & processing. This fabric then goes through various stages of value addition such as hand-paint & embroidery in Mumbai and nearby locations.

Manufacturing Process and Technology

For its new Ribbon Products



For its existing fabric business

Raw material, which is mainly synthetic yarn, is purchase from local market, directly from spinners and sent for twisting to other units on conversion basis or taken for warping process (weaving process) on the Company's own equipment depending on requirement.

From twisted yarn bobbins a sheet of yarn is made on weaver's beam which is suitable for mounting on the loom to form the base fabric

For Velvet Warp, yarn for pile is required in the form of small flanged bobbins. Hence this yarn is rewound on to small bobbins and mounted on creels. All ends are combined and drawn in sheet form to be fed to the loom.

In the weft, mainly twisted yarn is used directly on cones. For Velvet looms yarn is wound on to small Pirns suitable for shuttles.

Weft yarn is made to interlace with warp yarn on loom to form a double fabric. This fabric is then slit in the center with a knife automatically on the loom to form the two part plush fabric (velvet fabrics are known as plush fabric). The grey fabric is processed on shearing machine to extract unwanted loose threads and to smoothen and even out the plush surface. After this the fabric is dyed on a jet dyeing machine, finished on the stenter machine and brushed after which the fabric is ready for sale. Finished fabric is cut as per gradation, packed and then sold.

For the embroidered fabric, polyester film is slit into required sizes and coated with a special hot melt adhesive on the backside. The face side is then combined with a clear polyester film which has been coated with releasing agent chemical. The combined films are then punched on a sequins cutting design machine. These punched sequins are then mounted on the embroidery machine and transferred by heat and pressure upto the base fabric in design form. Goods are then checked for defects, mended and packed for delivery to the customer as per their requirement.

Infrastructure Facilities

- **Raw Material**

Both units use various types of yarns – polyester, metallic, rayon, acrylic and cotton blended. Most of the yarns are easily available in the Indian market from Modipon, Malwa Cotton, Garware, Deepak Spinners and Century Rayon. For special effects metallic yarns are imported from the Far East.

- **Utilities**

Water: The Company has adequate water supply for all the plants and for general human consumption from respective Municipal Corporations and bore wells.

Power: The Company has sanction of 100 H.P. power supply for its Jalgaon and Erandol plant from Maharashtra State Electricity Board.

Environmental: Company is conscious of the need for environmentally clean and safe operations. All the existing plants of the Company have obtained “No Objection” certificates from concerned Pollution Control Authorities.

Manpower:

The details of existing manpower are given below:

Sr. No.	Category	Head Office	Factory	Total
1.	Managerial	8	1	9
2.	Supervisory Technical-Non Technical	0	4	4
3.	Clerical	7	13	20
4.	Labour:-			
	Skilled	0	63	63
	Semi Skilled	0	0	0
	Unskilled	0	8	8
5.	Other categories	12	0	12
	Total	27	89	116

Products

The Company makes specialty fabrics for the above applicants by:

- a) Specialized weaving that incorporates computerized designing. This intricacy in designs is not possible to be obtained with conventional weaving.
- b) Imported equipment that allows the use of wide range of yarns, for instance metallic yarn.
- c) Appropriate selection of the type of yarn from a wide range such as

- (i) The type of the yarn i.e. Polyester, Nylon, Viscose, Cotton, Acrylic, Metallic or Blends of the above. Each of these yarn provide a different hand feel, look, anti crease property and thus find different use in different applications.
- (ii) The level of yarn twisted and or textured/crimped, mono or multi filaments spun. These change the physical property of the yarn which in turn affects the hand feel and look of the fabric & design.
- (iii) Colour of yarn, the choice of yarn, design and specialized processing on the Companies machines lead to a wide variety of fancy fabrics. These can transform relatively ordinary cloth into exclusive garments highly desired by consumers for instance for weaving on festive occasions.
- (iv) The finished weight of the fabrics ranges from 120gms to 400gms per meter with widths ranging from 44 inches to 58 inches.

Selection of the yarn or a combination of yarns is important in creating specialized fabrics that meet the differing needs of different end markets. To meet such needs the Company uses it's know how in selecting the yarn based on the various parameters.

Product Applications

The Company's products are highly specialized and provide special effects to the final products in which they are used. Fancy "Jacquard Fabrics" manufactured by the Company's first unit and the sequins embroidered fabric are used for upscale dress material trimmings and furnishings.

The second unit makes "Velours de Lyons" which is used for light weight fine velvet dress material with woven designs. These fabrics were originally made in the Lyon District of France from where it derives its name. Such fancy dress materials are used to enhance the visual appeal and luxurious look of garments.

Besides high fashion garments, the product has found usage in accessories such as hand bags, footwear, belts, hair bands etc., packaging and furnishings. The Company's fabrics have been successfully marketed for this entire range of Applications. In North America & Europe, these fabrics are used for making fancy ribbons & bows for quality gift packaging. Pillowcases, curtains special effect usage in the theatre & entertainment industry is some of the other uses in the furnishing industry for this fabric.

Marketing Strategy

The Company plans to produce approx 34-36 Lacs meters based on the present product mix. Management believes that based on the demand estimates the scope to increase production is tremendous. The Marketing efforts of the Company have been two pronged – domestic & exports to maximize turnover and profitability.

In the domestic market, the Company sells to wholesalers & distributors. This is advantageous because of lower cost of distribution which helps in getting best results out of available sales force.

In India the Company's marketing efforts have been confined to metropolitan and semi urban areas. This leaves the total rural market, which is fairly significant, totally untapped. Also with the increase of purchasing power of the Middle class, the company's main product which is a silk brocade and hand embroidery substitute will be a tremendous success. Its wash ability and durability also make it very popular.

In the export market the Company expects to continue growing through well established buyers in South East Asia, Middle East, North America, Canada and United Kingdom. Here again the Company provides several key advantages versus competition which tend to be largely from Japanese and Korean producers. The advantages are largely due to the possibility of selling at competitive prices as labour cost are cheaper than in Japan specially in fabrics like the velour unit which is labour intensive. Also the Company can supply smaller runs & dye lots which are not possible from Japan & Korea.

In the value added fabrics recently China has emerged as a very strong buyer. Orders are finalized in the U.S.A. & shipped to Hongkong for C.M.T. This business has huge potential & does not face any capacity constraints. Since fabric can be sourced from captive suppliers in Surat & value addition is done with various factories.

Insurance

Adequate Insurance Cover has been taken for all the properties viz. Building, Plant & Machinery, Furniture & Fixtures, Vehicles, and all stocks, etc of the Company. The risks covered are fire & shock, earthquake, lightening, explosion and implosion, aircraft damage, storm, cyclone, typhoon tempest, hurricane, tornado, flood and inundation, subsidence and landslide including rock slide, bursting and/or overflowing of water tanks, apparatus and pipes, missile testing operations, bush fire, etc.

Property

The place of registered office of the Company is owned by the Company. The property of plants at Erandol is owned by the Company. The land at Jalgaon plant is taken on lease for 95 years from MIDC. The land at Dombivali plant is on lease period of 95 years of MIDC.

Purchase of Property

The Company does not propose to purchase any property in the form of land, building or other structures out of the proceeds of the present rights issue.

C. KEY INDUSTRY REGULATIONS & POLICIES

Over the past five years, the Indian government has removed many of the barriers hindering growth of various sectors. But to fulfill the potential of the country's textile industry, the government needs to eliminate the remaining restrictions that perpetuate the lack of scale and poor operational and organisational performance of local manufacturers which discourage investment, particularly foreign direct investment.

Regulations still protect small-scale garment industry in a number of ways. While the production of ready-made garments is no longer reserved for small-scale manufacturers, a few products, such as hosiery, still are. In addition, Indian manufacturers often choose to set up several small plants, instead of a single big one, to take advantage of labour laws. As a result, Indian apparel/garment making units typically have less number of machines than its counterparts in other countries. In order to encourage upgradation of textile sector and to give a fillip to exports of textile products, some of the important initiatives taken by the Government of India are as follows:

Announcement of New Textile Policy:

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

Technology Up-gradation Fund Scheme:

In view of the urgent need for stepping up the process of modernisation and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five years time frame providing for 5% interest reimbursement in respect of loans availed under the Scheme from the concerned financial institutions for investment-benchmarked technology for the sectors of the Indian textile industries specified thereunder.

Liberalization of FDI Policy:

Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector, which is still reserved for SSI. SSI investment limit for the knitwear/knitting sector has been increased from Rs.1 crore to Rs. 5 crore.

Export Promotion Capital Goods (EPCG) Scheme:

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on March 31, 2003.

Advance Licensing Scheme:

With a view to facilitating exports and to access duty-free inputs under the scheme, standard input-output norms for about 300 textiles and clothing export products have been prescribed and this scheme remained under operation.

Duty Drawback & Duty Exemption Pass Book (DEPB) Scheme:

The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market. DEPB credit rates have been prescribed for textiles and clothing products.

Human Resource Development:

Attention has also been paid to Human Resource Development in the textile sector. National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to

cater to the human resource requirements of garment industry has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles.

Construction of Apparel International Mart:

Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government.

Apparel Park for Exports Scheme:

A centrally sponsored scheme titled "Apparel Parks for Exports Scheme" has been launched. The scheme is intended to impart focussed thrust to setting up of apparel manufacturing units of international standards at potential growth centres and to give fillip to exports. Since the inception of scheme in March 2002, eleven project proposals have been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh) and Mahal (Jaipur, Rajasthan).

Textile Centres Infrastructure Development Scheme (TCIDS):

Development of infrastructure facilities at pre-dominantly textile/apparel sector areas is one of the thrust areas of National Textile Policy, 2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers.

The WTO 2005 Initiative

Protection of the textile and clothing sector has a long history in United States and Europe. In the 1950s, Japan; Hong Kong, China; India and Pakistan agreed to voluntarily restrain export for cotton textile products to the United States. In 1962 a Long Term Agreement regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the MFA, which extended restrictions on trade to wool and man-made fibers in addition to cotton. Since 1947, when the General Agreements on Tariff and Trade (GATT) was first signed, an increasing proportion of international trade was regulated by the international agreements, designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms. Apparel / readymade garments were not included in GATT provisions. In 1947, the Multi-Fibre Agreement (MFA) was signed, without reference to GATT, essentially ratifying countries right to impose quotas on textiles and apparel/readymade garment imports from each other. This was intended to be a temporary measure allowing developed countries time to restructure their apparel / ready-made garments and textile industries before opening them up to competition from developed countries. In practice the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (ATC), committing to phasing out MFA and replacing it by the general systems for agreeing trade barriers and disputes that the GATT has laid down. Almost simultaneously, the GATT was replaced by the World Trade Organisation (WTO).

Accordingly, quota restrictions have been removed with effect from January 1, 2005. This removal of world trade quota restrictions is expected to bring a change in the global apparel trade. Productivity, labour costs, quality and creativity will determine which countries will eventually emerge as winners.

D. HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

BRIEF HISTORY

The Company was incorporated on 16th Sept'1983 under the Companies Act, 1956 as private limited company in the name of "Orbit Exports Private Ltd.". The name of Company was changed to "Orbit Exports Limited" and the Company obtained fresh certificate consequent to conversion from Private to Public Company on 30th Sept 1994 from Registrar of Companies, Maharashtra, Mumbai. The Company's Registered Office is situated at 11, Mehta Chambers, Kalyan Street, P.D'Mello Road, Masjid Bunder (East), Mumbai-400 009. It is having its manufacturing units at Plot no G-99, Additional MIDC, Jalgaon, GAT No. – 447/B, Vikhran Road, Erandol, Distt Jalgaon and D-5/1, hase-1, Dombivali MIDC Industrial Area, Dombivali (East) all are in Maharashtra State.

The company was originally promoted by Ms. Shailaja R. Asave and Mr. Shyamsunder Seth, father of Mr. Pankaj Seth. The Company is involved in manufacturing of fancy textiles. The Company came up with its maiden public issue of 8,80,000 equity shares of Rs. 10/- each for cash at a premium of Rs. 15/- per share aggregating to Rs. 220 lacs in the year 1994.

Since FY 2001 to FY 2004 the Company was incurring losses due to decrease in sales and the margins of the Company were also under pressure due to higher interest costs. Interest cost was higher because of borrowed capital and also high contracted rate of interest on these borrowings.

The infusion of funds in the Company is necessitated to improve the weak financial position of the Company. To strengthen the trading and manufacturing operation by improvisation of margins the Company needed infusion of funds, efficient management and technical inputs. The present Promoter of the Company Mr. Pankaj Seth and Ms. Anisha Seth took over the management of the Company alongwith other PACs from earstwhile promoters group i.e Tibro Fabrics Ltd., Fabgro Investment Pvt. Ltd., Itco Technical Consultants and made an open offer to the remaining shareholders in terms of SEBI (SAST) Regulations, 1997. The formalities regarding the open offer have been completed in the year 2004.

MAIN OBJECTS OF THE COMPANY

The main objects of the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

- 1) To carry on the business of exports of all kinds of yarn & Fabrics & other mercantile yarn merchants, carpet, rung, linen, and cloth manufactures, worsted stuff of vitriol bleaching and dyeing materials and selling, buying, importing, exporting, and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, wool, silk, art silk (artificial silk such as Polytaffeta, Ploy dupion are popular art silks), rayon, flax (Natural fibre), hemp (strongest natural fibre), linen, jute, and other natural and synthetic fibrous substances.
- 2) To carry on the business of processors, spinners, doublers, weavers, knitters, fabricators ad manufactures of cotton, wool, nylon, Polyester, rayon, flax, hemp, linen, jute and other natural and synthetic fibrous materials.
- 3) To transact all manufacturing, curing, preparing, dyeing, coloring, and bleaching processes, and to purchase and to tend the raw materials and manufactured articles

The object clause of the Memorandum enables the Company to undertake the activities for which funds are being raised in the present issue.

Changes in Memorandum of Association

Date of Approval	Amendment
9th June, 1989	Registered Office changes from : 41, Tardeo, A.C. Market, Tardeo, Mumbai To 3-E/2, Court Chambers, 35, New Marine Lines, Mumbai – 400 020
31st January, 1994	Registered Office changes from : 3-E/2, Court Chambers, 35, New Marine Lines, Mumbai – 400 020 To Divya Darshan, Ground Floor, 32, 2nd Fofalwadi, Bhuleshwar, Kalbadevi Road, Mumbai – 400 002
9th May, 1994	Increase of Authorized Capital from 50 Lacs to 105 Lacs
20th July, 1994	Increase of Authorized Capital from 105 Lacs to 225 Lacs
25th August, 1994	Increase of Authorized Capital from 225 Lacs to 375 Lacs (Subdivision of shares of Rs 100/- each into 10 Equity Shares of Rs 10/-)
30th Sept, 1994	Conversion from Private Company to Public Company
30th Sept, 2004	Increase of Authorized Capital from 375 Lacs to 1000 Lacs
14th January, 2006	Registered Office changes from : Divya Darshan, Ground Floor, 32, 2nd Fofalwadi, Bhuleshwar, Kalbadevi Road, Mumbai – 400 002 To 11, Mehta Chambers, P.D'Mello Road, Kalyan Street, Masjid Bunder(East), Mumabi – 400 009

SUBSIDIARIES OF THE COMPANY

There are no subsidiary companies of Orbit Exports Limited.

SHAREHOLDER'S AGREEMENTS

There is no subsisting shareholders agreement.

OTHER AGREEMENTS

Besides agreements entered into normal course of business, the Company has not entered into any other agreement.

E. MANAGEMENT

Board of Directors

Name, Age, Designation, Qualification, Address, Nationality	Qualification	Other Directorship	Experience	Date of expiration of current term
Mr. Pankaj Seth (43) <i>(DIN: 00027554)</i> Managing Director, Masters in Management from Bombay University 284, Venus Apartments, Cuffe Parade, Mumbai-400 005 Indian	B.Com – From Mumbai University, MBA From N. M. Institute of Management Mumbai	Nil	17 years	31-08-2009
Ms. Anisha Seth (42) <i>(DIN: 00027611)</i> Whole time Director, Masters in Management from Bombay University 284, Venus Apartments, Cuffe Parade, Mumbai-400 005 Indian	B.Com –from Bombay University, MBA from N.M. Institute of Management Mumbai	Nil	16 years	31.08.2009
Mr. Yeshwant R. Shah (64) <i>(DIN: 00019557)</i> Director, B.Text 1-A, Dhanratna Apartments, Off. J.P.Road, Opp. Navrang Cinema, Andheri (West), Mumbai 400 058 Indian	B.Tex–from Gujarat University	i) Krishna Knitwear Tech. Ltd ii) Rishiraj Filaments Ltd iii) Pranavadiya Spinning mills Ltd. iv) Domtex India Pvt. Ltd. v) Simba India Pvt. Ltd. vi) Arunoday Mills Ltd. vii) Amit Spinning Industries Ltd. viii)Nitin Spinners Ltd.	35 years	Rotational
Mr. Bruce Larry Kieval (49) <i>(DIN:00335336)</i> Director Qualification: Diploma in Textile 2400 N. Btaeswood \$120, Houston, Texas, NA,-77030 US USA	Diploma in Textile from USA	Nil	25 years	To date of next AGM
Mr. Gopikrishna Bubna (54) <i>(DIN: 01338170)</i> Director, Chartered Accountant 204/B, Radhakunj Society, Nivetiya Road Malad (East), Mumbai – 400097 Indian	B.Com from Bombay University, CA – ICAI,	Nil	25 years	To date of next AGM

Name, Age, Qualification, Nationality	Designation, Address,	Qualification	Other Directorship	Experience	Date of expiration of current term
Mr. Vishnu Ajitsaria (50) (DIN: 01340259) Director, Chartered Accountant 4/56, Krishna Niwas,496, Kalbadevi Road, Mumbai – 400002 Indian		B.Com from Rajasthan University, CA – ICAI,	Nil	22 years	To date of next AGM
Mr. Manoj Kumar Jain (35) (DIN: 00543580) Director, Non executive Chartered Accountant 13/16 Kapadia Chamber Ground Floor, 599 J. S. S. Road, Chirabazar Mumbai – 400002 Indian		B.Com from Kolkatta University, ACS – ICSI, ACA- ICAI,	Nil	8 years	To date of next AGM

BRIEF BIOGRAPHY OF DIRECTOR

Mr. Pankaj Seth, aged 43 yrs, is the Managing Director of the company and has done his masters in Management Studies. He has a vast experience of 17 years in trading and export of fabrics.

Ms. Anisha Seth, aged 42 yrs, is Whole time Director and she have also done her masters in Management Studies. She has an experience of around 16 yrs in varied fields like banking and textile operations & is currently instrumental in the day to day operations of the company.

Mr. Yeshwant R. Shah, aged 64 yrs, is B.Text by qualification. He has more than 35 years of experience in the field of textile industry and on the board of various textile companies.

Mr. Bruce Larry Kieval, aged 49 yrs., is holding a diploma in Textile. He is having 25 years of experience in providing consultancy services to various textile manufacturing companies regarding marketing of specific value added fabrics in all over the world.

Mr. Gopikrishna Bubna, aged 54 years, is a director in OEL and he is a CA & ICWA by profession. He has 30 years of experience in different areas like textiles, readymade garments, metal refining, pharmaceuticals etc. The companies in which he worked earlier includes Kolsite, Transweigh, Siyaram Group etc.

Mr. Vishnu Ajitsaria, aged 50 years is a director of the company, and he is CA , LLB by profession. He has around 21 years of experience in the fields of textiles, readymade garment, rayon, cement etc. He has work Dora Silk Mills, Allahabad Bank, Punjab National Bank, Aerolex Industries Limited etc.

Mr. Manoj Kumar Jain, aged 35 years is a director of the company, and he is a CA & CS by profession. He has around 7 years of experience in fields of Corporate Laws, FEMA, SEBI, Income Tax matters and other allied areas. He was a Practicing Company Secretary for the 6 years and now he is a Practicing Chartered Accountant

Relationship among Directors

Ms. Anisha Seth is wife of Mr Pankaj Seth.

Compensation of Directors

Compensation of Managing Director

Shri Pankaj Seth was appointed as Managing Director of the Company for a period of 5 years from 01/09/2004 to 31/08/2009. The brief terms & conditions of the agreement are as follows:

Salary	:	Salary (including Bonus) Rs. 2,00,000/- per month. <i>(The salary has been revised from Rs.1,00,000/- per month to Rs.2,00,000/- per month w.e.f. 01/10/2006 with the approval of the shareholders at the AGM held on 29/09/2006)</i>
Perquisites	:	He will be entitled to the perquisites in accordance with the Company's Rules, the monetary value of such perquisites to be determined in accordance with the Income Tax Act, 1961, being restricted to Rs. 1,00,000/- P. A.
Other Terms	:	<ol style="list-style-type: none">1) Company's contribution to provident fund and superannuation fund or annuity fund, gratuity payment as per Company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites as aforesaid.2) In the event of absence or inadequacy of profits in any financial year, the remuneration payable to him by way of salary and perquisites shall not exceed the maximum limit prescribed under Schedule XIII to the Companies Act, 1956.3) The board shall have the discretion and authority to modify the forgoing terms and remuneration within, however, the limit prescribed under Schedule XIII to the Companies Act, 1956.
Termination	:	The appointment will be for a period of 5 years, effective from 1 st Day of September, 2004 to 31 st August, 2009 this may be terminated by either party giving to the other 30 days notice in writing or upon Shri Pankaj Seth ceasing to be a Director of the Company.

Compensation of Whole-time Director

Smt. Anisha Seth was appointed as Whole- time Director of the Company for a period of 5 years from 01/09/2004 to 31/08/2009. The brief terms & conditions of the agreement are as follows:

Salary	:	Salary (including Bonus) Rs. 1, 00,000/- per month. <i>(The salary has been revised from Rs.50,000/- per month to Rs.1,00,000/- per month w.e.f. 01/10/2006 with the approval of the shareholders at the AGM held on 29/09/2006)</i>
Perquisites	:	She will be entitled to the perquisites in accordance with the Income Tax Act, 1961, being restricted to Rs. 50,000/- P. A.
Other Terms	:	<ol style="list-style-type: none">1) Company's contribution to provident fund and superannuation fund or annuity fund, gratuity payment as per Company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites as aforesaid.2) In the event of absence or inadequacy of profits in any financial year, the remuneration payable to him by way of salary and perquisites shall not exceed the maximum limit prescribed under Schedule XIII to the Companies Act, 1956.3) The board shall have the discretion and authority to modify the forgoing terms and remuneration within, however, the limit prescribed under Schedule XIII to the Companies Act, 1956.
Termination	:	The appointment will be for a period of 5 years, effective from 1 st Day of September, 2004 to 31 st August, 2009 this may be terminated by either party giving to the other 30 days notice in writing or upon Ms. Anisha Seth ceasing to be a Director of the Company.

Compensation to other Directors

The Directors other than executive directors are presently not getting any sitting fees for attending a meeting. No commission is paid to any Director.

Borrowing powers of Directors

As per the Articles of Association of the Company (Article 60) the Board of Directors of the Company may, from time to time at its discretion, subject to the provisions of Sections 292 and 293 of the Companies Act, raise or borrow, either from the Directors or from banks and financial institutions and secure the payment of any sum of money for the purposes of the Company.

The Board of Directors is empowered to borrow up to the amount that may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of money/moneys borrowed at any time shall not exceed Rs. 50 crores.

Compliance to Corporate Governance requirements

The Company has complied with SEBI guidelines in respect of Corporate Governance especially with respect to broad basing of Board, Constituting the Committees. The extract of the report on corporate governance as required under Clause 49 of the Listing Agreement with the Stock Exchanges is set out below:

1. Board of Directors:-

The Board of the Company is well structured with adequate blend of Professional, Executive and independent Directors.

The Company's Board presently comprises of seven Directors, two are Promoter Executive Directors, and five are Non-Executive Independent Directors. More than Half of the Board of Directors comprises of Independent Directors.

2. Composition of the Board

Executive Directors

1. Mr. Pankaj Seth - Chairman & Managing Director
2. Ms. Anisha Seth - Executive Director/Whole time director

Non-Executive Independent Directors

1. Mr. Bruce Larry Kieval - Director
2. Mr. Manoj Kumar Jain - Director
3. Mr. Y.R Shah - Director
4. Mr. Gopikrishna Bubna - Director
5. Mr. Vishnu Ajitsaria - Director

Apart from this, no other non-executive director has any pecuniary relationships/transactions vis-à-vis the Company (other than the sitting fees for attending the Board/Committee meetings).

None of the Directors of your Company is a member of more than 10 committees or is the chairman of more than five committees across all companies in which they are Directors.

3. Constitution and composition of committees formed

• Audit Committee

The Audit Committee presently comprises of Mr. Yeshwant R. Shah, as Chairman, Mr. Manoj Kumar Jain and Mr. Vishnu Ajitsaria. All these members of this Committee are Independent Directors and possess requisite experience and expertise across a wide spectrum of functional areas including accounts and finance.

- **Shareholders'/Investors' Grievance Committee**

This Committee looks into Redressal of Shareholders and Investors Grievances with respect to transfer of shares, issue of duplicate certificates and other matters relating to Shareholder relationship. The committee shall also review the processes and service standards adopted by the Registrar and Transfer Agent, the complaints received by the company and their resolution.

The Committee comprised Mr. Pankaj Seth (Chairman), Mr. G.B. Bubna and Mr. Yeshwant R. Shah.

- **Remuneration Committee**

The Remuneration Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of Mr. Manoj Kumar Jain, Mr. Mr. G.B. Bubna and Mr. Yeshwant R. Shah.

Shareholding of Directors

As on date Mr. Pankaj Seth and Mrs. Anisha Seth were holding 12,81,240 equity shares and 10,500 equity shares of the Company respectively. None of the other directors are holding any equity shares of the Company.

Interest of Directors

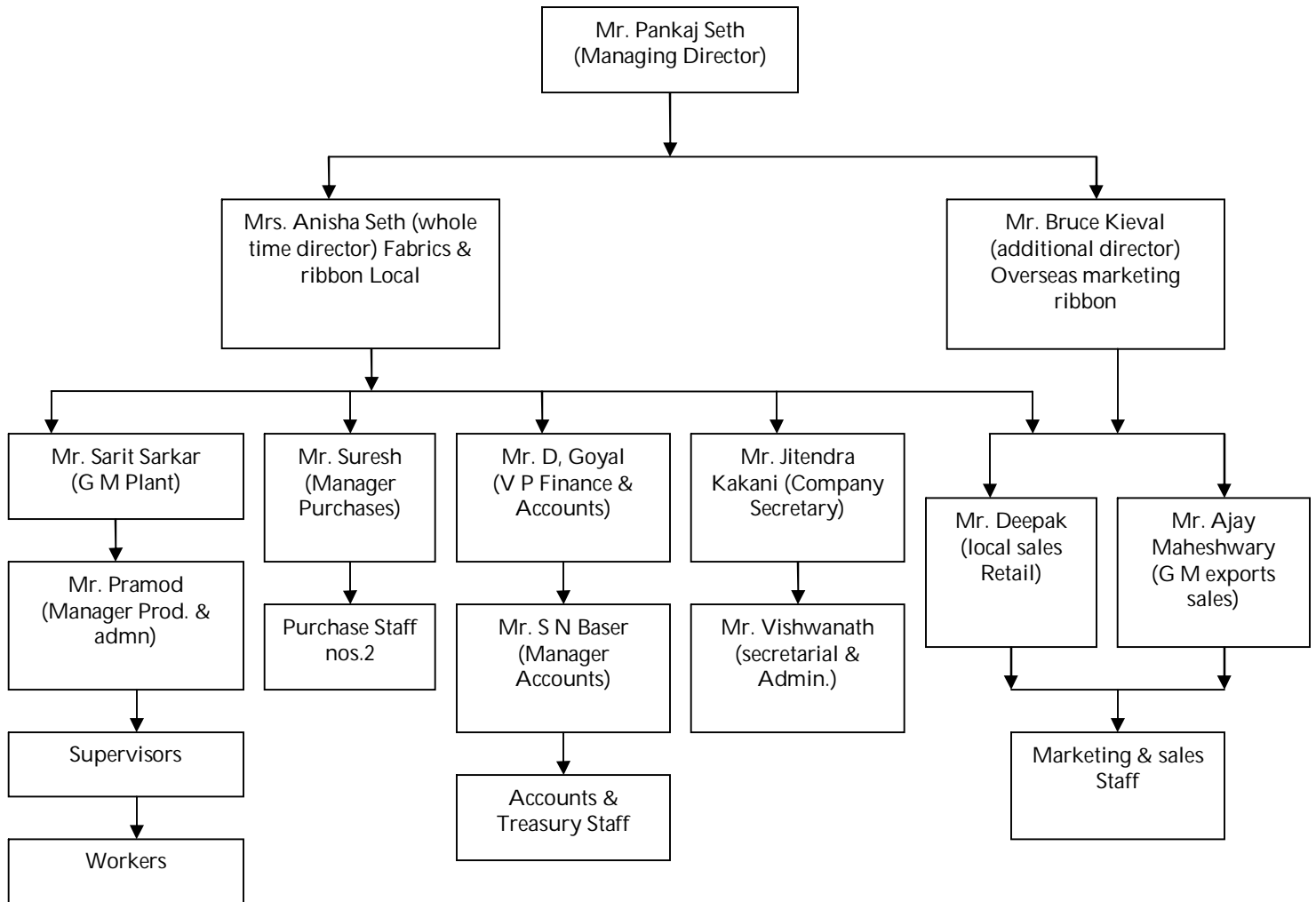
All the Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/Member respectively 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. The Promoter-Directors are also interested to the extent of Unsecured Loan given to the Company and allotment against the said Unsecured Loan after the conversion in this issue.

Change in Board of Directors

Details of Changes in Board of Directors during last three years:

S.No.	Name of Directors	Date of Appointment / Resignation	Reason for Appointment/Resignation
1	Mr. Yeshwant Lal Shah	23/10/2004	Appointed as Additional Director
2	Mr. Anand Kumar	26/10/2004	Resigned
3	Mr. Daven Radia	05/03/2005	Resigned
4	Mr. Bruce Larry Kieval	10/06/2006	Appointed as Additional Director
5	Mr. Manoj Kumar Jain	28/10/2006	Appointed as Additional Director
6	Vipin Kumar Jain	28/10/2006	Resigned
7	Mr. Gopalkrishan Bubna	05/03/2007	Appointed as Additional Director
8	Mr. Vishnu Ajitsaria	05/03/2007	Appointed as Additional Director
9	Mr. Sanjay Dosi	05/03/2007	Resigned
10	Mr. Rakesh Kathotia	27/03/2007	Resigned

ORGANISATION STRUCTURE



Details of Key Managerial Personnel

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/engineering/distribution/marketing/finance and corporate laws. Following are the key functionaries in different functions of the Company excluding the promoters/directors of the Company: -

Sr. No.	Name & Designation	Age (Years)	Date of appointment	Qualifications	Experience in the Company	Previous Company and Total Experience	No of Shares held
1.	Devendra Goyal Vice President Finance	39	15-02-2007	B.Com, FCA	2 months	Zenith Birla (India) Limited 10 years	Nil
2.	Mr. Ajay Maheshwari Vice President Marketing	35	06.06.2005	Be. Text. And MBA Marketing	Approx 2 years	Siyaram silk Mills Ltd.	800

3.	Mr. Jitendra Kakani Company Secretary	37	01.08.2006	Company Secretary	8 months	Consultancy, 8 years	Nil
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All the above mentioned key managerial personnel are permanent employees of the Company. The remuneration of each of key managerial personnel includes salary, bonus, Company's contribution to Provident Fund, Leave Travel Allowance/Concession, Medical Expenses and value of other facilities inclusive of accommodation as may be applicable in such case. The Company has not offered any profit sharing plan to its Key Managerial Personnel.

Changes in Key Managerial Personnel (last 3 years)

Name & Designation	Date of Appointment	Date of Resignation	Reason
Mr. Devendra Verma Company Secretary	06/12/2004	31/03/2005	Resigned
Mr. Ajay Maheshwari Vice Chairman (Marketing)	06/06/2005	-	Appointed
Mr. Devendra Goyal Vice President Finance	15/02/2007	-	Appointed

There is a change in Management in 2004, as current Management has taken over management control through open offer.



Employees

As on date the Company has approx. 116 personnel as employees. The Company focuses on hiring and retaining the best talent in the industry. The Company make serious efforts to provide training to newly hired professionals and view this process as necessary tool to maximize performance of employees. Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

Payment or Benefit (Non-Salary Related) to officers of the Company

Except as stated in this Letter of Offer, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company. None of the beneficiaries of loans, advances and sundry debtors are related to the Company's Directors.

F. PROMOTERS

	<p>Mr. Pankaj Seth, Managing Director (43 years)</p> <p>Mr. Pankaj Seth, aged 43 years, is the Managing Director of the company and has done his masters in Management Studies. He has a vast experience of 17 years in trading and export of fabrics</p> <p>Educational Qualification: Masters in Management from Bombay University Driving Licence No.: 80/C/4617 Passport No.: Z-1588138 PAN ; AABPS3481Q</p>
	<p>Ms. Anisha Seth, Director-Marketing (42 years)</p> <p>Ms. Anisha Seth, aged 42 years, is Whole time Director and she have also done her masters in Management Studies. She has an experience of around 16 yrs in varied fields like banking and textile operations & is currently instrumental in the day to day operations of the company.</p> <p>Educational Qualification: Masters in Management from Bombay University Driving Licence No.: NIL Passport No.: A-6668197 PAN : AABPS5362A</p>

The Company confirms that the Permanent Account Number, Bank Account Numbers, Passport Number have been submitted to the Stock Exchanges at the time of filing of the Letter of Offer.

Common Pursuits

M/s Pankaj Textiles and M/s Hasmukhlal & Co., are proprietary concern ventured by Promoter/Promoter group are engaged in the business of trading in textile fabric. Presently these firms are not doing any business hence there is no common pursuit between the Company and them. There is no other venture in the promoter group of the Company.

Ventures promoted by the Promoters of the Company

Name of the Entity	Constitution	Name of the proprietor/partner	Nature of Business	Turnover as on 31/03/2007 (Rs.in lacs)	Turnover as on 31/03/2006 (Rs.in lacs)	Turnover as on 31/03/2005 (Rs.in lacs)
M/s Pankaj Textiles	Proprietary Concern	Mr. Pankaj Seth	Trading in Textile Fabric (Presently not doing any business)	Nil	Nil	8.84
M/s Hasmukhlal & Co.	Proprietary Concern	Mr. Shyamsunder Seth	Trading in Textile Fabric (Presently not doing any business)	Nil	4.76	13.91

Since the above entities are proprietary concerns, other details are not applicable.

Interest of Promoters

All the Promoter-Directors may be deemed to be interested to the extent of Remuneration and reimbursement of expenses, if any, payable to them. The 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. The Promoters are also interested to the extent of Unsecured Loan given to the Company and allotment against the said Unsecured Loan after the conversion in this issue.

Related Party Transactions

For details please refer page no. 60.

Disassociation of the Promoters

Present promoters of the Company, Mr. Pankaj Seth and Mrs. Anisha Seth acquired substantial stake in Orbit Exports Limited (OEL) along with Sweet Solutions Limited (SSL) who acted as "Person Acting in Concert" in April 2004.

Since the investment of SSL was strategic in nature and they were not part of day to day management, SSL opted to exit from the joint venture on termination of agreement on 26/08/2006. The representative of SSL on the Board of OEL, Mr. Rakesh Kathotia have resigned on 27/03/2007. Consequent to that Sweet Solutions Ltd. is no longer part of the promoter of the Company and will remain as a shareholder in the Company. Sweet Solutions Ltd. is also not a related party to the Company.

The names and other details of Directors and Promoters of Sweet Solutions Limited (SSL) are as follows:

- i) Mr. Rakesh S. Kathotia (Director & Promoter)
- ii) Mrs. Arti R. Kathotia (Director & Promoter)
- iii) Mr. Manu Punnoose (Director)
- iv) Mr. Vipin Kumar Jain (Director)

Mr. Rakesh S. Kathotia (B.Com) aged 39 years is having office at 15, Onlooker, 14, Sir P.M. Road, Fort, Mumbai and 19 years business experience.

Mrs. Arti Kathotia (B.A.) aged 34 years is having office at 15, Onlooker, 14, Sir P.M. Road, Fort, Mumbai and 12 years business experience.

Mr. Manu Punnoose (M.B.A.) aged 34 years residing at B-202, Safal Pride, Sector 25, Nerul (E), Navi Mumbai is having 13 years business experience.

Mr. Vipin Kumar Jain (B.Com. FCA, L.L.B.) aged 39 years residing at 43, Venus Appt., Cuffe Parade, Mumbai – 400005 is having 19 years business experience

G. Dividend Policy

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders of OEL, at their discretion, and will depend on a number of factors, including but not limited to the Company's profits, capital requirements, and overall financial requirements.

VI. FINANCIAL INFORMATION

A. AUDITOR'S REPORT

The Board of Directors
ORBIT EXPORTS LIMITED.
11, Mehta Chamber
P.D'Mello Road,
Masjid Bunder (East)
Mumbai-400 009

Dear Sirs,

We have examined the financial information of ORBIT EXPORTS LIMITED [hereinafter referred to as 'the Company'] contained in the statements annexed to this report, which is proposed to be included in the Offer Document in connection with the proposed Right Issue of Equity Shares of the Company.

In terms of the requirement of:

- a. Paragraph B (1) of Part – II of Schedule II to the Companies Act, 1956,
- b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI on January 19, 2000, in pursuance of Section 11 of Security and Exchange Board of India Act (SEBI), 1992, 'the SEBI Guidelines';
- c. The instructions dated 24th august, 2007, received from the Company, requesting us to issue a report as Statutory Auditors of the Company relating to the Offer Document being issued by the Company in connection with the Right issue Offer of Equity Shares of the Company.

The Company:

- (a) We have examined the accompanying 'statement of adjusted Profits and Losses' (Annexure- I) for the five financial periods/years ended 30th June 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and for the current Financial Year twelve months ended 31st March 2007 examined and certified by us and the 'statement of adjusted assets and liabilities' (Annexure - II) as on those dates, forming Part of the 'Financial Information' dealt with by this Report, detailed below. Both read together with the notes thereon, which are the responsibility of the Company's management, have been extracted from the financial statements for each of the financial periods/years audited by us and/or certified by us and made up.
- (b) We report as under:-
 - (i) The statement of adjusted profits and/or losses, and the assets and liabilities of the Company as at the end of each of the five financial periods/years ended 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006, and for the current Financial Year twelve months ended 31st March 2007, reflect the profits and losses and assets and liabilities extracted from the Profit and Loss Accounts and Balance Sheets for those periods/years, audited by us and/or certified by us after making such adjustments, ***except that certain adjustments have not been made in respect of matters listed in the annexure "V*** , regrouping and disclosures as were, in our opinion, appropriate and required to be made in accordance with Clause (b) of paragraph 6.10.2.7 of The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI on January 19, 2000, in pursuance of Section 11 of SEBI Act, 1992, "the SEBI Guidelines,"

- (ii) in our opinion, read with the respective Significant Accounting Policies and **subject to/read** together with the notes thereon and after making such adjustments, **except that adjustments have not been made in respect of certain matters listed in the annexure "V "**, regroupings and disclosures as were, in our opinion, appropriate and required, have been prepared in accordance with Part – II of Schedule II of the Companies Act, 1956, and the SEBI Guidelines.

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

- i) Statement of the Cash Flow of the Company (Annexure-VIII)
- ii) Details of Other Income (Annexure - IX)
- iii) Age-wise analysis of Sundry Debtors and details of Loans and Advances as at 31st December 2006 (Annexure – XIII & XIV)
- iv) Capitalization Statement (Annexure - VI)
- v) Details / Analysis of Outstanding Secured & Unsecured Loans taken by the Company (Annexure –XI & XII)
- vi) Related Party Transactions (Annexure -VII)
- vii) Summary of Accounting Ratios based on adjusted profits relating the earning per share, net asset value and return on net worth (Annexure – X)
- viii) Statement of Tax Shelter

We confirm that the Company has not paid/proposed any dividend on Equity Shares in respect of each of the financial periods/years 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and 31st March 2007 and that the Company had no other class of issued and paid-up shares during those periods/years.

Our this Report, is being provided solely for the use of Orbit exports Limited, for the purpose of inclusion in the said Offer Document in connection with the Right Issue Offer of the Equity Shares 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 and on behalf of
Krishna r. moondra & associates
Chartered Accountants
Sd/-
Anandprakash Lahoti
Partner
Membership No.: 126257

Place: Mumbai

Date: 1st September, 2007

Annexure I
Statement of Adjusted Profit & Losses

(Rs. in Lacs)

	For the year ended 31.03.03 (12 Months)	For the year ended 31.03.04 (12 Months)	For the year ended 31.03.05 (12 Months)	For the year ended 31.03.06 (12 Months)	For the period ended 31.03.07 (12 Months)
INCOME					
Sales:					
- Of products manufactured by the Company (net of Excise duty)	946.13	968.83	1,646.06	2,361.44	2,720.95
- Of products traded in by the Company	-	-	-	-	-
Sub-total	946.13	968.83	1,646.06	2,361.44	2,720.95
Other Income	12.81	8.92	0.53	1.23	9.96
Increase/(Decrease) in Stock	23.24	(111.95)	130.62	8.70	217.06
Total	982.18	865.80	1,777.21	2,371.37	2,947.97
EXPENDITURE					
Purchase of goods traded	-	-	-	-	-
Raw materials Consumed	791.79	721.74	971.83	1,500.36	2,075.47
Staff Costs	61.40	80.11	95.66	127.50	128.20
Other Manufacturing expenses	49.76	174.93	256.13	235.93	199.57
Administrative expenses	63.69	85.35	117.55	128.64	159.59
Selling and Distribution exp.	25.61	93.10	132.11	130.80	109.99
Interest	92.17	69.97	54.39	73.39	87.68
Total Expenditure	1,084.42	1,225.20	1,627.67	2,196.62	2,760.50
Profit before depreciation and extraordinary items	(102.24)	(359.40)	149.54	174.75	187.47
Depreciation	51.90	69.70	76.14	77.95	82.74
Less: Transfer from Revaluation reserve	0.18	0.24	0.24	0.24	0.24
Net Depreciation	51.72	69.46	75.90	77.71	82.50
Profit/(Loss) before taxation	(153.96)	(428.86)	73.64	97.04	104.97
Extraordinary items	-	-	-	-	-
Int.w/back & (Loss) on sale of office premises	-	100.93	-	-	(25.76)
Profit before tax	(153.96)	(327.93)	73.64	97.04	79.21
Deferred tax credit(Net)	-	-	114.62	(45.84)	9.32
Provision for current Tax (incl.FBT)	-	-	-	(3.44)	(11.53)
Effect of adj. on Tax	-	-	-	-	-
Profit after tax	(153.96)	(327.93)	188.26	47.76	77.00
Income/wealth tax in respect of earlier years	-	-	-	-	-
Expenses in respect of earlier years	-	-	-	-	-
Less: Profit Transfer From General reserve	6.57	-	-	-	-
Profit/(Loss)	(147.39)	(327.93)	188.26	47.76	77.00

Statement of Balance Sheet

(Rs. in Lacs)

	AS AT 31ST MARCH 2003	AS AT 31ST MARCH 2004	AS AT 31ST MARCH 2005	AS AT 31ST MARCH 2006	AS AT 31ST March 2007
A- FIXED ASSETS:					
Gross Block	1,659.93	1,665.87	1,675.35	1,824.09	1,800.33
Less: Accumulated Depreciation	1,117.53	1,187.23	1,263.37	1,341.31	1,424.05
Less: Revaluation reserve	21.73	21.49	21.25	21.01	20.77
NET BLOCK	520.67	457.15	390.73	461.77	355.51
Capital work in Progress	-	-	-	-	-
TOTAL	520.67	457.15	390.73	461.77	355.51
B- Investments	-	-	-	-	1.00
C- Net deferred tax Liabilities	43.50	43.50	(71.11)	(25.27)	(34.59)
D- Current Assets , Loans & Advances:					
Inventories	597.40	485.45	650.26	658.58	936.10
Sundry Debtors	445.94	139.04	269.21	278.75	322.34
Cash & Bank Balances	16.36	4.45	8.43	28.64	38.41
Loans & Advances & other current assets	168.80	186.63	233.03	267.89	342.20
	1,228.50	815.57	1,160.93	1,233.86	1,639.05
A+B-C+D	1,705.67	1,229.22	1,622.77	1,720.90	2,030.15
E-Less :Liabilities & Provisions:					
Secured Loans	974.15	536.38	597.82	728.63	1,040.35
Unsecured Loans	35.25	220.33	316.09	264.07	230.66
Current Liabilities	205.78	243.97	295.60	248.74	194.50
Provisions	-	-	-	17.70	27.01
	1,215.18	1,000.68	1,209.51	1,259.14	1,492.52
Networth (A+B-C+D-E)	490.49	228.54	413.26	461.76	537.63
Represented By:					
I- Share Capital	351.78	351.78	351.80	351.80	352.07
II. Reserves & Surplus	316.81	378.27	378.03	377.79	377.55
Less: Revaluation Reserve	21.73	21.49	21.25	21.01	20.77
Reserves (net of Revaluation Reserve)	295.08	356.78	356.78	356.78	356.78
iii- Less: Misc. Expenditure (to the extent not written off/adjusted)	7.05	2.77	6.33	5.60	7.00
iv- Less :P & L (loss)	(149.32)	(477.25)	(288.99)	(241.22)	(164.22)
Networth (i+ ii - iii- iv)	490.49	228.54	413.26	461.76	537.63

Note: Refer Note No.4 in Annexure IV.

The above should be read with Notes to Statements of Adjusted Profits & Losses & Assets & Liabilities, as restated appearing in Annexure IV & Significant Accounting Policies as appearing in Annexure III.

Annexure III

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting :

The financial statements are prepared under historical cost convention on an accrued basis and comply with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) referred to in Section 211 (3C) of the Companies Act, 1956.

a) General:

- i) Accounting policies not specifically referred to otherwise are in consistence with earlier years and in consonance with generally accepted accounting principles.
- ii) Expenses and income considered payable and receivable respectively are accounted for on accrual basis.

b) Sales:

- i. Sales are accounted on mercantile basis, when the sale of goods is completed.
- ii. Sales are exclusive of sales tax.
- iii. License premium is accounted on the basis of sale of license taken place.

c) Valuation of Inventories

Inventories are valued at cost except finished goods, which are at lower of cost or net realisable value.

d) Investment

Investments intended to be held for more than one year are classified as Long-Term investments and other Investments are classified as Current Investments. Long – Term Investments are valued at Cost less Provision, if any, for diminution in value, which is other than temporary. Current Investments are valued at the lower of Cost or Market Value on Scrip wise basis. Cost is determined on First-In-First-Out (FIFO) basis

e) Fixed Assets & Depreciation:

- i. Fixed assets are capitalised at cost inclusive of interest, freight, duties, taxes and all incidental expenses related thereto.
- ii. Depreciation on assets has been provided on Straight Line Method at the rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation in respect of additions to/and deletion from assets has been charged on pro-rata basis with reference to the month of addition or deletion.
- iii. In respect of Revalued Fixed assets, depreciation is charged on straight line method on gross value of assets as increased by the year on pro-rata basis with reference to the month of addition.

f) Foreign Currency Transactions:

Foreign Currency transactions are recorded in the books by applying the exchange rates as on the date of the transaction. Foreign Currency Assets & Liabilities are converted at the exchange rate prevailing on the date of the Balance Sheet and the resultant exchange difference is adjusted to the profit & Loss account.

g) Retirement Benefits

The Company has provided for Gratuity Liability on accrual basis on the basis of Actuarial Valuation. The Company is regularly contributing to the PF Authorities under the provisions of Provident Fund Act.

h) Taxes on Income

Current Taxation

Income Tax is computed in accordance with AS 22, Accounting for Taxation on Income issued by the ICAI.

Deferred Taxation

Deferred Tax is provided on all temporary differences at the Balance sheet date between the tax bases of Assets and Liabilities and carrying amounts for financial reporting purposes.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the Balance Sheet date.

Deferred Tax Assets in respect of unabsorbed depreciation and carry forward losses are measured and recognized only to the extent of virtual certainty of future profits to adjust such depreciation and losses.

i) Earning per Share:

The Basic Earning per Share (EPS) is computed by dividing the Net Profit after tax for the year available for the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.

j) Contingencies:

Contingencies arising from Claim, Litigation, Assessments, Fines, Penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

k) Impairment:

At each Balance Sheet date, the Company determines whether a provision should be made for Impairment loss on Fixed Assets (including Intangible Assets) by considering the indications that an Impairment Loss may have occurred in accordance with Accounting Standard (AS) – 28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India. Where the recoverable amount of any Fixed Assets is Fixed Assets is lower than its carrying amount, a provision for Impairment Loss on Fixed Assets is made.

l) Accounting Policies not specifically referred to herein above is in consistent with generally accepted accounting practices.

2 Contingent Liabilities and commitments not provided for :-

		2007	2006
		(Rs. In Lacs)	(Rs. In Lacs)
A.	Letters of Credit	---	25.01
B.	Sales Tax	2.71	2.71
C.	Bank Guarantee	0.25	0.25
D.	Income Tax	6.24	43.07

3 Balances of Sundry Debtors, Creditors, Unsecured Loans, Loans & Advances are subject to confirmation and reconciliation, if any.

4. Stocks are valued as certified by Management.
5. Except otherwise mentioned herein in the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of business. The provision of all known liabilities is adequate and not in excess of the amount reasonably necessary.
6. The Company has sold its old office premises situated at Bhuleshwar, Mumbai for a price of Rs. 35.21 Lacs and accounted for the resultant loss in the books of accounts.
7. The Company has not amortised Goodwill amounting to Rs. 0.27 Lacs, hence the profit is overstated to that extent and Fixed Assets are overstated to that extent.
8. a) The computation of Net Profit for the purpose of calculation of directors' remuneration under section 349 of the Companies Act, 1956 is not enumerated, since no commission has been paid to any director.

b) **Managing Director's Remuneration**

	Particulars	2006-07 Rs.in lacs	2005-06 Rs.in Lacs
i.	Salary & Bonus	18.00	12.00
ii.	Contribution to Provident Fund and Other funds	---	---
iii.	Perquisites	---	---
		18.00	12.00

c) **Whole Time Director's Remuneration**

		2006-07 Rs. in Lacs	2005-06 Rs. in Lacs
i	Salary & Bonus	9.60	7.20
ii	Contribution to Provident Fund and Other funds	---	---
ii	Perquisites	---	---
	Total	9.60	7.20

9. Related Party Transactions

The list of related parties and nature of their relationship is furnished in below :

Related parties with whom transactions have taken place during the year :

Directors of the Company

Managing Director	Mr. Pankaj Seth
Whole-time Director	Ms. Anisha Seth

Other Related Parties

Associates

- Pankaj Textile
- Sweet Solution Limited
- Mr. Shyam Sunder Seth
- M/s V. Hasmukhlal 7 co.

Notes :-

1.
 - a. The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS-a8) "Related Party Disclosures" issued by the Institute of Chartered Accountants of India and the same have been relied upon by the Auditors.
 - b. The relationship as mentioned above pertain to those related parties with whom transactions have taken place during the current / previous year, except where control

exists, in which case the relationship have been mentioned irrespective of transactions with the related party.

2. Remuneration to Directors Rs. 27.60 lakhs (Refer Item No.7 b & C)
3. The following transactions were carried out with the related parties in the ordinary course of business

Particulars	Related Parties			
	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
Rent Expenses incurred	----	----	1.20	1.20
Managerial Remuneration	----	27.60	-----	27.60
Loan Taken	----	39.20	----	39.20
Loan Repaid/Given	75.00	----	(5.73)	69.27
Brokerage	----	----	----	----
Professional Fees	----	----	----	----
Interest paid on Loan	7.25	12.37	----	19.62
Balance Receivable as at year end	----	----	14.62	14.62
Balance Payable as at year end	57.56	171.07	2.15	230.79

10. **Remuneration to Directors** Refer Item No. 8 (b) & (C)

The Company has become a potential Sick Company within the meaning of sub-section (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 as its 50% of Peak net worth has eroded on 31st March, 2004. The Company has reported such erosion to the Board for Industrial & Financial Reconstruction (BIFR).

However, the performance of the Company has improved during the current year and the Company is no longer a Potentially Sick Company within the meaning of sub-section (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company shall be intimating the change of status to BIFR based on the Audited Balance Sheet as on 31st December, 2006.

10. **Segment Information:**

Textile business is the Company's only business segment, hence disclosure of segment-wise information is not applicable.

11. The Company does not have any subsidiary hence the provisions of Accounting Standard - 21 are not applicable.

12. As per Accounting Standard 22 "Accounting of Taxes on Income", issued by ICAI which requires companies to provide for deferred tax Assets/ Liabilities as of Balance Sheet dates.

The Company has recognized the deferred tax assets (net) as at 31st March, 2007 amounting to Rs. 34.59 Lacs in accordance with Accounting Standard - 22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India (ICAI).

13. Basic and Diluted Earnings per share ("EPS") computed in accordance with Accounting Standard - 20 "Earnings per Share."

Particulars		<u>31.03.2007</u>	<u>31.03.2006</u>
Numerator			
Profit/ (Loss) after tax	Rs.in Lacs	77.57	47.78
Denominator			

Weighted average number of equity shares	Nos.	3,520,700	3,520,700
Earnings per Share (Basic & Diluted) =	Numerator/Denominator	Rs per share	2.20
			1.36

14. **Payment to Auditors**

(Rs.in Lacs)

	2006-07	2005-06
For Audit	0.56	0.45
For Tax Audit	0.11	0.11
	0.67	0.56

15. The Company has not provided for Gratuity Liability as prescribed under "Accounting for Retirement Benefits of Employees" – AS 15 issued by the ICAI. The management follows cash basis of accounting for Gratuity hence profit is overstate by required gratuity provision.

16. (Rs.in Lacs)

	2006-07	2005-06
Earnings in foreign exchange		
Export of goods on FOB basis	1393.45	1314.74
Freight on Export	44.56	52.31
Export Insurance	0.63	0.73

17. The amount outstanding payable to Small Scale Industries as at the end of year was Rs. Nil (P.Y. Nil). There were no outstanding amounts payable to SSI's for more than 12 months.

18. Previous years figures have been regrouped and recasted wherever necessary. Figure in brackets represent corresponding figure for the previous year.

19. Details of Reserves and Surplus are as under:

(Rs. In Lacs)

Particulars	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Revaluation Reserve	21.73	21.49	21.25	21.01	20.77
Capital Investment subsidiary	50.00	50.00	50.00	50.00	50.00
Share Premium	222.11	222.11	222.11	222.11	222.11
Invest. Allow. Reserve	22.95	22.95	22.95	22.95	22.95
Export Profit Reserve	0.02	0.02	0.02	0.02	0.02
Capital Reconstruct. Res.	0.00	61.70	61.70	61.70	61.70
General Reserve	0.00	0.00	0.00	0.00	0.00
Total	316.81	378.27	368.03	377.79	377.55

20. Details of Sales are as under:

(Rs. In Lacs)

Years	Export sales	Local sales	Total sales
2006-07	1393.45	1327.50	2720.95
2005-06	1314.74	1046.70	2361.44
2004-05	1027.74	618.32	1646.06
2003-04	604.95	363.88	968.83
2002-03	100.38	845.75	946.13

Annexure IV

Sr. No.	Particulars	Year ended 31.03.03	Year ended 31.03.04	Year ended 31.03.05	Year ended 31.03.06	Year ended 31.03.07
---------	-------------	---------------------	---------------------	---------------------	---------------------	---------------------

Adjustments income/expenses in statement of Profit and Loss arising out of:						
a) Audit qualifications						

a	Non provision of loans and advances	-	-	-	-	-
b.	Non provision of diminution in value of Investments	-	-	-	-	-
c.	Non provision of Workers Wages	-	-	-	-	-
d.	Effect of adj. On Tax	-	-	-	-	-

Adjustment (Income/ expenses) in Statement of Profit and Loss arising out of:						
b) Prior Period items / excess Provision written back						

a.	Staff Cost	0.56	-	-	-	-
b.	Other Manufacturing Expenses	-	(4.74)	(0.58)	-	-
c.	Administration Expenses	-	-	-	(0.16)	-
d.	Selling & Distribution Expenses	-	-	-	-	-
e.	Other Income	-	-	(4.74)	(0.17)	(0.41)
f.	Interest	-	-	-	-	-
g.	Prior Period Exp.	(1.95)	0.50	(1.05)	-	0.16
h.	Effect of adj. on Tax	-	-	-	-	-

c) Adjustments (Increase/ decrease) in Statement of Assets & Liabilities						
---	--	--	--	--	--	--

a	Reserves & Surplus	(0.55)	3.70	0.59	0.58	0.01
b	Current liabilities	0.55	(3.70)	(0.59)	(0.58)	(0.01)

1. In respect of the Following Accounting Standards coming into effect mandatory from the periods stated there against, the effects thereof have been considered in the respective accounting periods and disclosures made accordingly :

- (i) AS- 17 "Segment Reporting" w.e.f 1/4/2001.
- (ii) AS-18"Related Party Transactions"w.e.f. 1/4/2001.
- (iii) AS- 22"Accounting for Taxes on Income"w.e.f . 1/4/2001.
- (iv) AS-28" Impairment in value of Assets"w.e.f 1/4/2004.

2. In respect of the matter referred to in the Annexure V hereto, for the reason stated therein, no effects has been given in the adjusted Profit & Loss account and adjusted Assets & Liabilities of the respective years.

3. Extra ordinary items details are as under, :

- a) For the year ended 31.03.2004 - Rs. 100.93 lacs (interest w/back on OTS)
- b) For the period ended 31.03.2007 - Rs. 15.43 Lacs (Loss on sale of office premises) & Target plus Incentive Scheme written off by Rs. 10.33 lacs.

4. Figures for the previous periods have been regrouped /rearranged wherever considered necessary to facilitate comparison.

Annexure- V

A. Auditors qualifications pertaining to year ended 2002-03 for which adjustments could not be carried out in the adjusted financial statements and response of the company in respect of the same:

Sr. No.	Qualification	Response
a.	As reported by the Auditor – Non provision of Gratuity Liability as prescribed under Accounting for Retirement Benefits by Employers (AS-15) . The management follows cash basis of accounting for gratuity.	The Management of the Company on 12 th may, 2005 obtained Actuarial Valuation of Gratuity Liabilities and as on 31 st March 2005, provided a sum of Rs. 1500000.00 as Gratuty liability and thereafter continue providing on estimated basis.
b.	Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts	Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.
c.	Relating to short provision of interest Rs. 12.35 Lacs for the period on Term Loan from the Bank Of India	Proposal for waiver was accepted and Company has entered into one time settlement with Bank in terms of which these short provision has waived

B. Auditors qualifications pertaining to year 2003-04 for which adjustments could not be carried out in the adjusted financial statements and response of the company in respect of the same:

Sr. No.	Qualification	Response
a.	As reported by the Auditor – Non provision of Gratuity Liability as prescribed under Accounting for Retirement Benefits by Employers (AS-15) . The management follows cash basis of accounting for gratuity.	The Management of the Company on 12 th may, 2005 obtained Actuarial Valuation of Gratuity Liabilities and as on 31 st March 2005, provided a sum of Rs. 1500000.00 as Gratuty liability and thereafter continues providing on estimated basis.
b.	Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts	Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.

C. Auditors qualifications pertaining to year 2004-05 for which adjustments could not be carried out in the adjusted financial statements and response of the company in respect of the same:

Sr. No.	Qualification as per annual accounts	Management Reply
a.	As reported by the Auditor – Non provision of Gratuity Liability as prescribed under Accounting for Retirement Benefits by Employers (AS-15) . The management follows cash basis of accounting for gratuity.	The Management of the Company on 12 th may, 2005 obtained Actuarial Valuation of Gratuity Liabilities and as on 31 st March 2005, provided a sum of Rs. 1500000.00 as Gratuty liability and thereafter continue providing on estimated basis.
b.	Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts	Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.

D. Auditors qualifications pertaining to year 2005-06 for which adjustments could not be carried out in the adjusted financial statements and response of the company in respect of the same:

Sr. No.	Qualification	Response
a.	As reported by the Auditor – Non provision of Gratuity Liability as prescribed under Accounting for Retirement Benefits by Employers (AS-15) . The management follows cash basis of accounting for gratuity.	The Management of the Company on 12 th may, 2005 obtained Actuarial Valuation of Gratuity Liabilities and as on 31 st March 2005, provided a sum of Rs. 1500000.00 as Gratuty liability and thereafter continue providing on estimated basis.
b.	Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts.	Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.

E. Auditors qualifications pertaining to year 2006-07 for which adjustments could not be carried out in the adjusted financial statements and response of the company in respect of the same:

Sr. No.	Qualification	Response
a.	Relating to pending confirmation and reconciliation of Balances of Sundry Debtors various Lenders, sundry creditors, Loans and Advances, Deposits given and one of the Bank Accounts and its effects, if any on the revenue, as detailed in the note are as disclosed by the Books of Accounts.	Company has sent copy of account statement (Ledger copy) for confirmation to all parties, however some parties has send their confirmation and some are still awaited.

Annexure VI

Statement of Capitalisation

(Rs. In Lacs)

Particulars	Pre issue as at 31st March 2007	Adjusted for present issue
Borrowings:		
Short Term Debts (Note-1)	891.20	891.2
Long Term Debts	149.14	149.14
Total Debts	1040.34	1040.34
Shareholders Funds:		
Share Capital	352.07	704.14
Reserves & Surplus	192.56	192.56
Total shareholders Funds	544.63	896.70
Long Term Debt/ Equity ratio	0.27	0.17

Note: Debts maturing within next one year from 31st March 2007 are considered as short term debts.

Annexure VII

Related Party Transaction

Particulars	For the year ended 31.03.07	For the year ended 31.03.06	For the year ended 31.03.05	For the year ended 31.03.04	For the year ended 31.03.03
(A) Where control exists:					
<u>Associate Companies & Relatives</u>	Sweet Solutions Ltd. Pankaj Textiles Mr. Shyam Sunder Seth M/s V. Hasmukhlal & Co.	Sweet Solutions Ltd. Pankaj Textiles Mr. Shyam Sunder Seth M/s V. Hasmukhlal & Co.	Itco Fabrics Pvt. Limited Fabgro Invest. Pvt. Ltd. Tibro Fabrics Pvt. Ltd. Sweet Solutions Ltd. Pankaj Textiles Mr. Shyam Sunder Seth M/s V. Hasmukhlal & Co. Asthami Investments	Itco Fabrics Pvt. Limited Fabgro Invest. Pvt. Ltd. Tibro Fabrics Pvt. Ltd.	Itco Fabrics Pvt. Limited Fabgro Invest. Pvt. Ltd. Tibro Fabrics Pvt. Ltd.
(B) <u>Key Personnel</u>	Mr. Pankaj Seth Ms. Anisha Seth	Mr. Pankaj Seth Ms. Anisha Seth	Mr. Pankaj Seth Ms. Anisha Seth	Mrs. Shailaja	Mrs. Shailaja
(C) <u>Subsidiary</u>	-	-	-	-	-

Note: Related Party relationship is as identified by the company based on available information and relied upon by the auditors.

Annexure VII (Contd)

Related Party Transaction

(Rs. in Lacs)

Particulars	Year	Related Parties	Related Parties	Related Parties
		referred in (A) above	referred in (B) above	referred in (c) above
Purchase of goods	2006-07	-	-	-
	2005-06	1.00	-	-
	2004-05	5.80	-	-
	2003-04	-	-	-
	2002-03	-	-	-
Loan Taken	2006-07	-	39.20	-
	2005-06	-	2.59	-
	2004-05	50.31	12.74	-
	2003-04	-	-	-
	2002-03	-	21.13	-
Loan Refund	2006-07	69.27	-	-
	2005-06	7.21	-	-
	2004-05	63.87	20.33	-
	2003-04	0.75	0.81	-
	2002-03	-	-	-
Rent paid	2006-07	1.20	-	-
	2005-06	1.20	-	-
	2004-05	0.80	-	-
	2003-04	-	-	-
	2002-03	-	-	-
Interest paid on loans taken	2006-07	7.25	12.37	-
	2005-06	25.50	-	-
	2004-05	19.33	-	-
	2003-04	-	-	-
	2002-03	-	-	-
Advances given	2006-07	-	-	-
	2005-06	(1.00)	-	-
	2004-05	0.33	11.82	-
	2003-04	0.53	-	-
	2002-03	(0.02)	-	-
Remuneration	2006-07	-	27.60	-
	2005-06	-	19.20	-
	2004-05	-	19.20	-
	2003-04	-	1.35	-
	2002-03	-	1.35	-

Annexure VIII

Cash Flow Statement

(Rs. in Lacs)

	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
A) CASH FLOW FROM OPERATING ACTIVITIES					
Net profit before tax and extraordinary items	(153.96)	(428.86)	73.64	97.04	104.97
Add: adj. On a/c of prior period & Excess prov.w/ back of earlier years I.e. before 1999-2000	0.00	0.00	0.00	0.00	0.00
Depreciation	51.72	69.70	75.90	77.71	82.50
Provision for Doubtful Advance	20.23	0.00	-	-	-
Misc. Exp. W/off	8.23	4.28	0.82	0.73	0.73
Interest Received	0.00	-0.32	(0.01)	(0.11)	(0.13)
Bad Debts	2.11	11.53	-	-	-
Profit/Loss on Sale of Fixed Assets(Net) & Target plus w/off	0.54	0.00	-	-	(25.76)
Operating Profit/(Loss) before working capital changes	(71.13)	(343.67)	150.34	175.36	162.31
Adjustment for :-					
Trade and other receivables	54.49	277.54	(176.58)	(44.39)	(117.91)
Inventories	(32.41)	111.95	(164.81)	(8.32)	(277.51)
Trade Payables	35.45	38.20	51.64	(29.15)	(44.93)
Cash Generated from Operations	(13.60)	84.02	(139.41)	93.51	(278.04)
Interest Paid	92.17	69.97	54.39	73.39	87.68
Direct Tax Paid	(3.87)	0.00	-	(3.44)	(11.53)
Prior Period item	0.00	0.00	-	-	-
Extraordinary item	0.00	100.93	-	-	-
Net cash flow operating activities	74.70	254.92	(85.02)	163.46	(201.89)
B) CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	(6.28)	(5.94)	(9.48)	(148.75)	23.76
Sale of Fixed Assets	0.00	0.00	-	-	-
Reduction in Investments	0.00	0.00	-	-	(1.00)
Net cash flow from investing activities	(6.28)	(5.94)	(9.48)	(148.75)	22.76
C) CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of share Capital	0.00	0.00	0.02	-	0.27
Increase in Reserves and Surplus	0.00	61.46	-	-	-
Loan Borrowed (Net of Repayment)	31.07	(252.70)	157.21	78.79	278.30
Deffered Revenue Expenditure	(3.30)	0.00	(4.38)	-	(2.12)
Interest Received	0.00	0.32	0.01	0.11	0.13
Interest Paid	(92.17)	(69.97)	(54.39)	(73.39)	(87.68)
Net cash flow from Financing Activities	(64.40)	(260.89)	98.47	5.51	188.90
Net increase/(Decrease) in Cash	4.02	(11.91)	3.97	20.22	9.77
Opening balance of cash & cash equivalents	12.33	16.36	4.45	8.42	28.64
Closing balance of cash & cash equivalents	16.35	4.45	8.42	28.64	38.41

Annexure IX

Other Income

(Rs. in Lacs)

	Year ended 31.03.2003 12 Months	Year ended 31.03.2004 12 Months	Year ended 31.03.2005 12 Months	Year ended 31.03.2006 12 Months	Year ended 31.03.2007 12 Months
Details of Other income					
Recurring					
Scrap sales	-	0.28	0.52	1.12	0.48
Sales tax refunds/set off	-	-	-	-	-
Insurance claims	-	-	-	-	6.33
Interest on Fixed Deposits	0.18	0.32	0.01	0.11	0.13
Duty Drawbacks	12.63	8.32	-	-	-
Sundry balances w/back	-	-	-	-	-
Interest on I.T.Refund	-	-	-	-	3.02
Income from job contract	-	-	-	-	-
TOTAL (A)	12.81	8.92	0.53	1.23	9.96
Non Recurring					
Profit on sale of stores & raw material	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	-	-
Total (B)	-	-	-	-	-
Total (A+B)	12.81	8.92	0.53	1.23	9.96

Notes:

1. Details of Other income is as per the Statement of Adjusted Profit and Loss.
2. The Classification of Other income by management into recurring and non-recurring is based on the current operations and business activities of the company.

Annexure X

Accounting Ratio

(Rs. in Lacs except EPS)

	PARTICULARS	Year ended 31st March, 2003	Year ended 31st March, 2004	Year ended 31st March, 2005	Year ended 31st March, 2006	Year ended 31st March, 2007
1	EARNINGS PER SHARE (EPS)					
	Net Profit after Tax	(153.96)	(327.93)	188.26	47.76	77.00
	No.of Equity shares	3,520,700.00	3,520,700.00	3,520,700.00	3,520,700.00	3,520,700.00
	EARNINGS PER SHARE (EPS)	(4.37)	(9.31)	5.35	1.36	2.19
2	NET ASSETS VALUE (NAV)					
	Net Assets	490.49	228.54	413.26	461.76	537.63
	No.of Equity shares	3,520,700.00	3,520,700.00	3,520,700.00	3,520,700.00	3,520,700.00
	NAV PER SHARE	13.93	6.49	11.74	13.12	15.27
3	RETURN ON NET WORTH					
	Net Profit after Tax	(153.96)	(327.93)	188.26	47.76	77.00
	Net Worth	490.49	228.54	413.26	461.76	537.63
	RETURN ON NET WORTH	(0.31)	1.43	0.46	0.10	0.14

Definitions of Ratios

1. Earning per Equity Share :- (Adjusted Net Profit after tax)/ (weighted average number of Equity shares).
2. Net Asset Value :- (Adjusted Net assets after reduction of miscellaneous expenditure not written off)/ (weighted average number of equity shares).

3. Return on Net Worth :- (Adjusted Net Profit After Tax /Adjusted Equity Share holders fund after reduction of Miscellaneous expenditure not written off at the end of the year)

Annexure XI

Statement of Secured Loan

(Rs.in Lacs)

Sr. No.	Name of the Lender	Principal Outstanding as on March 31, 2007	Term & Rate of Interest	Condition 31/03/07	Reported based on
				Repayment Schedule	Details of Security (if applicable)
1	Term Loans from Banks:				
	i. State Bank Of India (Plant & Machinery, Building & others)	86.40	12.25	3.00 P.M. (2.5 years)	First charge on all the Fixed assets & Hypothecation on all the current assets of the Co. and personal guarantee of promoter Directors i.e Mr. Pankaj and Mrs. Anisha seth.
	ii. Kurla Nagrik Sahakari Bank Ltd.	87.72	12.50	1.70 P.M. (7 years)	First charge on the office premises Located at Mehta chambers, Mumbai
	Interest accrued	0.48			
	iii. HDFC Bank Ltd. (Car loan)	6.03	12.00	(3 years)	Hypothecation of specific Vehicle purchased under the scheme.
	Total	180.63			
2	Cash Credit Facilities:				
	State Bank of India				
	i) Packing Credit	735.22	9.50		Hypothecation of finished, semi finished goods, raw material, book debts, all current and fixed assets of the company and personal guarantee of promoter Directors i.e. Mr. Pankaj seth and Mrs. Anisha seth.
	ii) Cash Credit and Bill Disc.	124.49	12.25		
	Total	859.71			
	Grand Total	1040.34			

Annexure XII

Statement of Unsecured Loan

(Rs. in Lacs)

Sr. No	Particulars	Principal Outstanding as on March 31, 2007
A	From Promoters, Directors	
	i) Mr. Pankaj Seth (Rate of Interest- 9% p.a.)	156.84
	ii) Mrs. Anisha Seth (Interest Free)	12.86
	Total (A)	169.70
B	From Bodies Corporates (Related Party)	
	i. Sweet Solutions Limited (Rate of Interest- 12% p.a.)	57.56
	Total (B)	57.56
C	From Others (Interest Free)	3.40
	Total (C)	3.40
	Total (A + B + C)	230.66
E	Repayment	On demand

Annexure XIII

Ageing schedule of Sundry Debtors

(Rs.in Lacs)

		As on	As on	As on	As on	As on
		31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
More than 6 months	Receivable from Promoter/ Promoter Group Co.	-	-	-	-	-
	Receivable from Others	9.49	20.89	25.96	18.09	223.60
	Less: Provision	-	-	-	-	17.50
		9.49	20.89	25.96	18.09	206.10
Less than 6 months	Receivable from Promoter/ Promoter Group Co.	-	-	-	-	-
	Receivable from Others	312.85	257.86	243.25	120.95	239.84
		312.85	257.86	243.25	120.95	239.84
Total		322.34	278.75	269.21	139.04	445.94

Ageing Schedule of sundry Debtors as per export and Domestic Sales are as Follow:

Particulars	as on 31.03.2007	as on 31.03.2006	as on 31.03.2005	as on 31.03.2004	as on 31.03.2003
Export Debtors					
More than 6 months	-	-	-	-	-
Less than 6 months	207.59	174.13	151.32	28.46	15.98
Total	207.59	174.13	151.32	28.46	15.98
Domestic Debtors					
More than 6 months	9.49	20.89	25.96	18.09	206.10
Less than 6 months	105.26	83.73	91.93	92.49	223.86
Total	114.75	104.62	117.89	110.58	429.96
Grand Total	322.34	278.75	269.21	139.04	445.94

Annexure XIV

Adjusted Statement of Loans & Advances Given

(Rs in Lacs)

	For the Year Ended 31st March 2007	For the Year Ended 31st March 2006	For the Year Ended 31st March 2005	For the Year Ended 31st March 2004	For the Year Ended 31st March 2003
Receivable from Promoter/ Promoter Group Co.*	14.66	20.46	21.46	1.53	0.00
Loans To Employees	1.79	1.16	0.81	1.41	1.32
Advance tax including TDS & refund receivable (net of provision)	1.60	9.02	8.88	8.83	3.51
Dividend Tax Refundable	0.00	3.52	3.52	3.52	3.52
Deposits and Balance with Central Excise/Custom Authorities	35.42	33.89	33.39	57.51	60.92
Other advances recoverable in cash or in kind or for value to be received	226.31	106.41	127.96	87.09	50.47
DEPB and drawbacks receivable	48.58	89.73	36.57	25.32	46.55
Prepaid exp.	7.93	3.70	0.44	1.42	2.14
VAT Refundable	5.91	0.00	0.00	0.00	0.00
	342.20	267.89	233.03	186.63	168.43

* V.Hansmukhlal & Co

14.66 20.46 21.46 1.53 -

The Board of Directors,
M/s Orbit Exports Limited.,
11, Mehta Chamber, Kalyan Street,
P.D. mello, Road
Masjid Bunder (East),
Mumbai-400 009

Dear Sirs,

'Statement of Tax Shelter'

In accordance with the requirements of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('SEBI Guidelines') and our terms of reference with Orbit Exports Limited ('the Company') dated 24th August, 2007 requesting us to make this report for the purpose of Letter of Offer in connection with the **Right** Issue, we have examined the attached Statement of Tax Shelter. The attached Statement of Tax Shelter is the responsibility of the Company's management. Our responsibility is to report on the statement based on our examination. The statement of Tax Shelter has been prepared by the Company's management based on the statement of adjusted Profit & Losses for the year/period ended 31.03.2003; 31.03.2004; 31.03.2005; 31.03.2006 and 31.03.2007 audited by the Statutory Auditors of the Company subject to such notes and qualifications and significant accounting policies adopted by the Company and reported by the Statutory Auditors in their report in respect of the Statement of Adjusted Profit and Loss Account, Statement of Adjusted Assets and Liabilities and other financial information.

In our opinion, the above Statement of Tax Shelter subject to the above, based on the Adjusted Profit & Loss Account as audited by the Statutory Auditors has been prepared in accordance with the 'SEBI Guidelines'

This report is intended only for your information.

for **Krishna R. Moondra & Associates**
Chartered Accountants.

Sd/-

Anandprakash Lahoti
Partner
M. No. 126257
Place : Mumbai:
Dated : 1st September, 2007

Statement of Tax Shelter

(Rs. in Lacs)

Previous Year	2005-2006	2004-2005	2003-2004	2002-2003	
Assessment Year	2007-2008	2006-2007	2005-2006	2003-2004	
I. Income from Business					
Profit/ (Loss) as per Profit & Loss Account	79.21	99.52	73.47	(428.86)	(131.78)
Add : Items disallowed / considered seperately					
Bank Interest Unpaid	0.00	0.00	0.00	0.00	36.35
Bonus payable	6.41	6.41	5.34	6.00	0.73
Depreciation	82.74	77.95	75.90	69.70	68.79
Employees Contribution to ESIC (U/s 36 (1) (Va)	0.00	0.00	0.00	0.00	0.00
Employees Contribution to P.F.(U/s 36 (1) (Va)	0.00	0.00	0.00	0.00	0.00
ESIC Fund Delayed Payment	0.00	0.00	0.00	0.22	1.22
Loss On Sale Of Assets	15.43	0.00	0.00	0.00	0.54
Preliminary Expenses W/off	0.73	0.29	0.82	4.28	8.24
Prior Period Expenses	0.00	0.00	0.00	0.00	1.95
Providend Fund Delayed Payment	0.00	0.00	0.00	2.93	8.08
Provision For Doubtful Debts	0.00	0.00	0.00	0.00	40.35
Provision For Gratuity U/s 40A(7)	2.42	15.00	0.00	0.00	0.00
Sales Tax Payable	0.00	0.00	0.00	0.00	0.63
	186.94	199.17	155.53	(345.73)	35.08
Less : Items allowable/ considered seperately					
Interest Providend in Previous Year - bank paid in c. year					
Lease Rental Capitalised	0.00	0.00	0.00	0.00	0.00
Preliminary Expenses W/off	0.00	0.00	0.00	4.57	10.78
Interest Capitalised	0.00	0.00	0.00	0.00	0.00
Bonus paid	8.54	5.35	6.73	0.00	1.09
Employees Contribution to P.F.	0.00	0.00	2.93	0.99	0.00
Sales Tax Paid	0.00	0.00	2.42	0.00	0.00
Employees Contribution to ESIC	0.00	0.00	0.22	0.00	0.00
Depreciation (As per Income Tax Act)	32.26	19.20	18.85	22.08	26.54
	40.80	24.54	31.15	27.64	38.41
Profit/ (Loss) from Business	146.14	174.63	124.38	(373.38)	(3.33)
Less : Set off against previous Losses as per returns					
Business Loss	0.00	4.56	23.79	0.00	0.00
Business Loss	146.14	170.06	100.59	0.00	0.00
	146.14	174.63	124.38	0.00	0.00
Net Tax Payable as per Income Tax as above	0.00	0.00	0.00	(373.38)	(3.33)
Provision for MAT on Book Profit	8.93	0.00	0.00	0.00	0.00

Specific notes by management on financial information

Increase in Inventory during 2006-07

- There is a decline in demand for the company's products in local as well as international market particularly in the month of November/December 2006. Besides this the company proposed introduction of new product i.e. Ribbon. The substantial part of increase in inventory during this period is attributed to increase in inventory of this product, manufacturing of which commenced from September 2006. The demand for Ribbon in international market is seasonal in nature & is a labour intensive business. The dispatch of this product generally starts in the month of February/March. Since the actual dispatch could not be completed before 31/03/2007 the inventory built up is reflected in accounts for 12 month ended 31/03/2007.

Adjustment of General Reserve

- During the period ended 31/03/2003 available general reserve of Rs.6.57 lacs has been adjusted against the loss during the relevant period i.e Rs.153.96 lacs.

Adjustment in accounts during March 2007

- Write off of Rs. 2.48 Lacs in march, 2007 was related to the year 2005-06. In recasting, we have transferred back the above exp. in 2005.06.

Profit as per March, 2007 Recasted accounts (2005-06)	Rs. 50.24 Lacs
Profit as per dec, 2006 Recasted accounts (2005-06)	Rs. 47.76 Lacs
Difference	Rs. 2.48 Lacs

B. CHANGES IN ACCOUNTING POLICIES

Prior to May 2005 the management followed cash basis of accounting for gratuity. The Management of the Company on 12th May, 2005 obtained Actuarial Valuation of Gratuity Liabilities as on 31st March, 2005. The Company has decided to take out Gratuity Valuation on bi-yearly basis. The incremental Liability for the year ended as on 31st March, 2006 and as on 31st December, 2006 has been provided on estimate made by Management. Due to the change of accounting policy the profit of the company for the year under audit has been deflated to that extent and liabilities of the company has been inflated to that extent.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the business of the Company

Orbit Exports Limited (OEL) is a listed public limited Company engaged in the business of manufacturing variety of fancy textiles both for domestic and export consumption.

OEL is a Government Recognised Star Export House (GRSEH). The company deals in fancy textiles that find its uses in Christmas Craft, Ladies Dress Material and Home Textiles. The company has core strength in marketing value added fabrics and metallic brocades to niche markets around the globe. From traditional markets in the Far East like Indonesia / Malaysia to far off markets in Africa and Latin America the company sells its products to specialized buyers. With the US markets opening on post quota, there has been a significant increase in demand for all the various products offered by the Company.

Significant development after the date of last Audited Accounts i.e.31/12/2006

In the opinion of the Directors, there has not arisen, since the date of the last financial statements disclosed in the Letter of Offer, any circumstances that materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay liabilities within the next 12 months.

Factors that may affect results of Operations

Except as otherwise stated in this Letter of Offer, the Risk Factors given in this Letter of Offer and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting industrial activity;
- Increasing competition in the industry;
- Increases in raw materials prices;
- Cyclical or seasonal fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

Results of Operations

Results of operations for the last three years/periods are as follows:

Particulars	(Rs. In Lacs)			
	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Sales	2947.97	2371.37	1777.21	865.80
Other Income	9.96	1.23	0.53	8.92
Increase (Decrease) in Stock	217.06	8.70	130.62	(111.95)
Interest Expenses	87.68	73.39	54.39	69.97
Depreciation	82.74	77.95	76.14	69.70
Profit Before Tax	79.21	97.04	73.64	(327.93)
Profit After Tax	77.00	47.76	188.26	(327.93)

Comparison of Results of operation :

Financial performance for FY 2006-07 vs. FY 2005-06

- Sales:** The turnover of the Company during FY was Rs. 2947.97 lacs against turnover of Rs. 2371.37 lacs for the year ended 31/03/06, a rise of 24.32%.
- Other Income:** The other income of the Company was increased by Rs.8.73 lacs during FY 2006-07. The increase in other income is on account of receipt of insurance claim of Rs.6.33 lacs & interest on I.T. refund of Rs.3.02 lacs during the year.
- Interest Expenses:** The Interest and Financial Expenses have gone up to Rs.87.68 lacs during FY 2006-07 from Rs. 73.39 lacs for FY 2005-06 on account of availment of additional working capital facilities.
- Expenditure:** The total expenditure was increased to Rs.2760.50 lacs as against Rs.2196.62 lacs. The total expenditure was increased disproportionately to the turnover on account of increase in raw material cost. The cost of raw material comprise of 75.18% of the total expenditure.

- v. **Profit After Tax:** During FY 2006-07 the Profit after tax of the Company was rose by 61.22% than previous year. The profit of the Company was increased on account of increase in turnover.

Financial performance for the FY 2005-06 vs. Financial Year 2004-05

- i. **Sales:** The sales of the Company increased to 2371.37 Lacs as compared to the last financial year registering an increase of 33.43%. During the year the Export Sales was increased as compared to previous year.
- ii. **Other Income:** The Company has earned other income of Rs 1.23 lacs for the FY 2005-06 as against other income of Rs. 0.53 lacs for FY 2004-05. Other income during this year was marginally gone up on account of increase in income from sale of scrap by Rs.0.60 lacs.
- iii. **Increase (Decrease) in Stock:** The Company's inventory position as on 31/03/2006 was decreased to Rs 8.70 lacs against the Rs. 130.62 lacs as on 31/03/2005, a change of 93.34%. The reason for this is that during the year the Company was able to increase its sales as compared to previous year.
- iv. **Interest Expenses:** The Interest Expenses have gone up to Rs. 73.39 lacs for the year ended on 31/03/2006 from Rs 54.39 lacs as on for the year ended 31/03/2005 on account of availment of additional working capital facilities.
- v. **Profit after tax:** The Profit after tax is at Rs 47.76 lacs for the year ended on 31/03/2006 against Rs 188.26 lacs for the year ended 31/03/2005. The Profit after tax was impacted on account of provision for deferred tax during the year.

Financial performance for the FY 2004-05 vs. FY 2003-04

- i. **Sales:** During the year 2004-05 the performance of the Company has improved and the Company is no longer a Potential Sick Company within the meaning sub-section (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The turnover to the company has gone up from Rs 865.80 lacs for the year ended on 31/03/2004 to Rs. 1777.21 lacs for the year ended on 31/03/2005. The increase in turnover resulted on account of increase in export sales during the year.
- ii. **Other Income:** The other income of the Company has dropped to Rs 0.53 lacs for the year ended on 31/03/2005 as against other income of Rs 8.92 lacs for the year ended on 31/03/2004. The Company received duty drawback to the extent of Rs.12.63 lacs during previous year..
- iii. **Increase (Decrease in Stock):** The Company's inventories have increased to Rs 130.62 lacs during period ended 31/03/05 as against Rs. (111.95) lacs for the year ended 31/03/04.
- iv. **Interest Expenses:** The Interest Expenses have reduced to Rs. 54.39 lacs for the year ended on 31/03/2005 from Rs 69.97 lacs for the year ended on 31/03/2004 on account of availment of additional working capital facilities and interest paid on unsecured loan.
- v. **Profit after tax:** The Profit After Tax is at Rs 188.26 lacs for FY 2004-05 as against Rs (327.93) lacs in the year 2003-04. The profit has gone up due to increase in Sales, better margins on products manufactured.

An analysis of reasons for the changes in significant items of income and expenditure due to following reasons:

◆ Unusual or infrequent events or transactions

There are no material infrequent transactions which may affect results of operations of the Company.

◆ **Significant economic changes**

Government's focus on exports will have major bearing on the companies involved in export. Any major changes in the policies of the government would have significant impact on the profitability of the company.

◆ **Known trends or uncertainties**

Rise in the prices of fabric can put margin pressure on the sales of Company's products. Besides this there are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

◆ **Future changes in relationship between costs and revenues**

The revenues would be dependent on the ability to compete in the post – quota regime, which the Company has successfully weathered over the last one year.

◆ **Extent of impact on Sales volume**

Increases in revenues are by and large linked to increases in volume of business activity carried out by the Company.

◆ **New Products**

The Company is planning to introduce production of Ribbons. In North America & Europe, there is huge demand for such fancy ribbons & bows for quality gift packaging.

◆ **Seasonality of business**

The business of the Company is not seasonal however there is a distinct increase in sales volume during marriage and festival.

◆ **Dependence on single or few suppliers/customers**

The Company is not facing any difficulties in procurement of fabrics since it is easily available in the local market. The Company has wide customer base spread all over India and abroad and hence there is no over dependence.

◆ **Competitive Conditions**

The Company is facing huge competition from domestic unorganized sector as well as from unorganized foreign players.

WORKING RESULTS

Information relating to the company sales, gross profit etc., as required by the Ministry of Finance Circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even No. dated March 8, 1977 as under:

The unaudited working results of the company for the period 01/04/2007 to 31/08/2007 are given hereunder:

Particulars	(Rs.in lacs)
	For the four months period ended 31/08/2007
Net Sales	1362.37
Other Income	0.39
Total Income	1362.76
Total Expenditure	1238.40
Gross Profit	124.36
Depreciation	33.50
Interest	36.69
Profit Before Tax	54.17
Provision for taxation	6.14
Net Profit	48.03
Paid up equity share capital	352.07
EPS	1.36

VII. LEGAL AND OTHER INFORMATION

A. OUTSTANDING LITIGATIONS AND DEFAULTS

OUTSTANDING LITIGATIONS AGAINST THE COMPANY

There are no pending proceedings initiated for economic offences against the Company. No disciplinary action/ investigation have been taken by the SEBI against the Company. The Company is not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by the company in part or pending against them.

Save as stated herein under, the Company, have not defaulted in meeting any of its statutory or institutional dues and have made all payments/refunds on fixed deposits or no proceedings have been initiated against the Company, for any of the offences specified in paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956. Further, there are no disputes/litigations towards tax liabilities or criminal prosecutions against the Company and its Directors for any offence, economic or otherwise civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed below.

Winding up Petition

Mr. Fazal Ahmed Noorul Haque Ansari has filed company petition no.581 of 2007, in Hon'ble High Court of Mumbai on 19/07/2007 for winding up of the Company in the matter of non payment of dues amounting to Rs.67.41 Lacs. The said petition has been admitted on 06/09/2007. On 13/09/2007, the Company has taken 15 days extension from Hon'ble High Court for reply to the petition.

Contingent liabilities not provided as on 31/03/2007:

	<u>Amount (Rs.in lacs)</u>
1) Income Tax	6.24
2) Sales tax	2.71
3) Bank Guarantee	0.25
Total	9.20

Income tax related disputes

1) Assessment Year 1995-96

Company Filed its Return of Income on 28.12.1995 declaring Total income NIL. Case was selected for scrutiny and Assessing officer (A.O) disallowed the certain items and recalculate the total income Rs.1208094/- and issued a demand notice for tax recovery for Rs. 1063495/-.

Against above order of A.O, Company has preferred an appeal with CIT (A) and CIT (A) after hearing by its order dt 27.12.2003 allowed the Company's appeal and calculates the total income as NIL.

Against above order of CIT (A) dept. filed an appeal before ITAT (Appellate Tribunal). After hearing both parties ITAT by its order dated (Common order for A.Y. 1995-96, 1996-97 and 1999-2000, as issues involved were common for all the appeals) 28.04.2006 dismissed the dept. appeal and restored the matter to A.O. for recalculation of total income as per their order which are pending in hearing and for disposal.

Status:As on today, no demand is outstanding against the Company for the above assessment year i.e. for A.Y. 1995-96.

2) Assessment Year 1996-97

Company Filed its Return of Income on 26.11.1996 declaring Total income NIL. Case was selected for scrutiny and Assessing officer (A.O) by its order dated 27.10.1998 recalculate the total income as Rs. 14278/-.

Aforsaid order dt 27.10.1998 was subject matter of revision u/s 263 of the act, as according to CIT it was erroneous:

Rejecting the objections the CIT by its order dt 28.03.2001 set aside the assessment order and directed the assessing officer to reworkout deduction u/s 80 HHC.

Assessing officer thereafter passed impugned order u/s 143(3) r.w.s. 263 on 26.03.2002 declaring total income Rs. 3830520/- due to less deduction u/s 80 HHC at Rs. 678924/- against Rs. 4495162/-.

The order passed u/s 143(3) r.w.s. 263 of the act dt. 26.03.2002 was assailed before CIT(A) .(i.e. appeal filed before CIT (A)).

In its order passed by CIT(A) on 17.12.2002 reveal non-adjudication of the dispute (ground no. 12) and recalculate the total income of Rs. 3213676/- and issued a demand note for tax of Rs. 3948093/-.

Against above order of CIT (A), Company filed an appeal before ITAT (Appellate Tribunal). After hearing both parties i.e. dept. and cross objections filed by Company, ITAT by its order dated (Common order for A.Y. 1995-96, 1996-97 and 1999-2000, as issues involved were common for all the appeals) 28.04.2006 dismissed the dept. appeal and restored the matter to A.O. for recalculation of total income as per their order.

The A.O. after giving effect of ITAT order, recalculate the total income as NIL and issued a refund order for Rs. 1406550/-.

Status: As on today there is no demand is outstanding against the Company for the above A.Y. 1996-97.

3) Assessment Year 1998-1999

Company Filed its Return of Income on 26.12.1998 declaring Total income NIL. And Revised return filed on 18.11.1999 declaring total income as NIL. Case was selected for scrutiny and Assessing officer (A.O) by its order dated 28.02.2001 recalculate the total as Rs. 2404580/- and issued a demand note for tax recovery of Rs. 1325494/-.

Against above order of A.O, Company has preferred an appeal with CIT (A) and CIT (A) after hearing by its order dt. 18.06.2002, allowed the Company's appeal partly and calculate the total income as Rs. 715830/- and issued a demand note for tax recovery for Rs. 474611/-.

Against above order Company has filed an application u/s 154 for rectification.

Against above order of CIT (A), dept. filed an appeal before ITAT (Appellate Tribunal). After hearing both parties ITAT by its order dated 19.09.2005 dismissed the dept. appeal and restored the matter to A.O. for recalculation of total income as per their order which are pending in hearing and for disposal.

Status: As on today there is no demand is outstanding against the Company for the above A.Y. 1998-1999. Against above order of ITAT, Dept again filed an appeal before Hon'ble High Court in March, 2006. and till today Company has not received any notice of hearing .

4) Assessment Year 1999-2000

Company Filed its Return of Income on 27.12.1999 declaring Total income NIL. Case was selected for scrutiny and Assessing officer (A.O) by its order dated 26.03.2002 recalculate the total income as Rs. 2926380/- and issued a demand note for tax recovery of Rs. 1561956/-.

Against above order of A.O, Company has preferred an appeal with CIT (A) and CIT (A) after hearing by its order dt. 17.12.2002, allowed the Company's appeal partly

Against above order of CIT (A), dept. filed an appeal before ITAT (Appellate Tribunal). After hearing both parties ITAT by its order dated (Common order for A.Y. 1995-96, 1996-97 and 1999-2000, as issues involved

were common for all the appeals) 28.04.2006 dismissed the dept. appeal and restored the matter to A.O. for recalculation of total income as per their order which are pending in hearing and for disposal.

Status: As on today there is no demand is outstanding against the Company for the above A.Y. 1999-2000. Against above order of ITAT, Dept again filed an appeal before Hon`ble High Court on 08.09.2006. and till today Company has not received any notice of hearing .

5) Assessment Year 2001-2002

Company Filed its Return of Income on 31.10.2001, declaring Loss of Rs. 6220344/-. Case was selected for scrutiny and Assessing officer (A.O) by its order dated 22.03.2004 recalculate the total income as Rs. 199480/- and issued a demand note for tax recovery of Rs. 114791/-.

Against above order of A.O, Company has preferred an appeal with CIT (A) and CIT (A) after hearing by its order dt. 31.01.2007, allowed the Company's appeal partly. After giving effet of above CIT (A) order, demand will be reduced to NIL.

Status: Against above order of CIT (A), Company has preferred an appeal in may, 2007 before ITAT, and as on date hearing is pending before ITAT. As on today there is no demand is outstanding against the Company for the above A.Y. 2001-02.

6) Assessment Year 2004-2005

Company Filed its Return of Income on 31.10.2004, declaring Loss of Rs. 37812220/-. Case was selected for scrutiny and Assessing officer (A.O) by its order dated 19.11.2004 recalculate the total Loss as Rs. (34194190/-) and issued a demand note for tax recovery of Rs. NIL.

Against above order of A.O, Company has preferred an appeal before CIT (A) on 06.10.2006.

Status: Till today nothing has been received regarding above hearing from CIT(A) and matter is pending for hearing before CIT(A). As on today there is no demand is outstanding against the Company for the above A.Y. 2004-05.

Sales Tax Demand of Rs 2,60,705/-

The above demand was raised on completion of assessment for the year 1999- 2000. The company preferred an appeal against such demand, and a deposit of Rs. 56,000/ were deposited with the Sales tax dept. and obtained a stay against such demand. The matter has been heard by the learned Commissioner (Appeals) and order is awaited.

Based on the facts of the case and expert opinion received by the company from the Sales tax consultants the Company is certain that the demands will be deleted.

Labour related matters

There is no litigation pending against or by the Company related to Labour Laws and winding up petitions or closure, except one case of Provident fund case details of which are as under

The Company has received Order No. MH50104/PE/ENF/SRO/NSK/3425/1487 dated 30.12.2005 passed by the Asst. P.F. Commissioner u/s 7A of the Employees Provident Funds & Miscellaneous Provisions Act, 1952 for non- payment of dues and non-submission of returns for the period from 04/2003 to 06/2004 and for 2002-03 amounting to Rs. 210583/- being the amount payable by the Company in relation to the establishment.

The Company has preferred an appeal against the said order being application for review under sub section (1) of section 7B of Employees provident Funds & Miscellaneous Provisions Act, 1952 on 10.03.2006. As Company has paid all the dues and as on date , there is no outstanding.

Based on the facts of the case and expert opinion received by the company from the Company's advocate the Company is certain that the demands will be deleted and there will be no tax liability.

Other Matters

Company has received a letter from SEBI dt. 23rd July, 2004 for violation of Regulations 6(2) and 6(4) for 1997 and 8(3) for 1998,1999,2000,2001,2002 specifying that SEBI has introduced a Regulation scheme, 2002 for non compliance with Regulation 6 and 8 of the said Regulations 1997 (hereinafter called the scheme) in the year 2002-03 and you have not chosen to avail the scheme. You are therefore liable for payment of penalty under section 15A of SEBI Act, 1992.

For above violation SEBI has decided to consider company's request for consent order if Company are willing to pay an amount of Rs. 175000/- as penalty subject to acceptable to learned Adjudicating officer.

Company by its letter dt. 6th November, 2004 given its consent to pay Rs. 175000/- as penalty under section 15A of the SEBI Act and also agree for the consent order by the learned Adjudication officer (AO). Company had also agreed to waive their right to a hearing under Rule 4(5) of SEBI (Procedure for holding inquiries and imposing of penalties by Adjudication Officer) Rule, 1995.

As on date Matter is pending and Company has not received any correspondence from SEBI.

Cases filed by the Company

1. Company has given advance Rs. 25.00 Lacs to Marble Industries Limited against purchase of Fabrics to be delivered within specific time and for its safety has taken back a cheque of same amount of Rs. 25.00 Lacs if party fails to fulfill its promise i.e. deliver the goods on time, Company will recover its advance by encashing the above cheque. As party not fulfilled its promise and failed to deliver whole quantity (able to deliver goods worth of Rs. 11.78 Lacs only), Company has deposited the above cheque for recovery of its advance which become bounced (dishonoured). As Company failed to recover its advance inspite of repeated request and follow up with party for recovery of its advance, has filed the case u/s 138 for cheque bounce in civil court Mazgaon court and also filed the summary suit in Hon'ble Bombay high Court and matter is pending.

OUTSTANDING LITIGATIONS AGAINST PROMOTERS / DIRECTORS

➤ Litigations against the Promoter / Directors

There are no outstanding litigations, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the Company, except the following:

Against Pankaj Textiles (Proprietor- Mr. Pankaj Seth)

Pankaj Textiles is a proprietary concern of Mr. Pankaj Seth who is a Managing Director of Orbit Exports Limited.

Income Tax Related cases.

Assessment Year 2003-04

Return of Total Income was filed on 01.12.2003, declaring total income of Rs. 3828511/-. The case was selected for scrutiny and A.O. by its order dt. 31.03.2006 disallowed certain items and recalculate total income as Rs. 6072430/- and issued a demand note for tax recovery of Rs. 706834/-

Against the above assessment order, Proprietor u/s 154 of the I.T. act has filed an application dt. 18.04.2006 for rectifications on the basis of some apparent calculation mistakes taken place at the time of assessment. Again on 03.07.2006, Company has written a letter for above rectification and for grant of refund after giving the effect of rectification.

Status: Matter is still pending for above rectification.

Based on the facts of the case and expert opinion received from the Income tax consultants the Firm is certain that the demands will be deleted.

Assessment Year 2004-05

Return of Total Income was filed on 31.10.2004, declaring total income of Rs. 5546460/-. The case was selected for scrutiny and A.O. by its order dt. 29.12.2006 disallowed certain items and recalculate total income as Rs. 5737170/- and issued a demand note for tax recovery of Rs. 477401/-

Against the above assessment order, Proprietor has filed an appeal before CIT(A) on 24.01.2007 and hearing for the same is still pending.

In another separate order dt. 28.03.2007, assessing officer u/s 221(1) has levied the penalty of Rs. 501732/- for delay in payment of part balance of self assessment tax.

Status: Against the above assessment order, Proprietor has filed an appeal before CIT(A) on 04.05.2007 for waiver of above penalty and hearing for the same is still pending.

MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

There are no material developments after the date of the latest balance sheet, which is likely to materially affect the performance and the prospects of the company. The company has not discontinued any of its existing business nor commenced any new business during past year.

ADVERSE EVENTS

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Letter of Offer with the Stock Exchanges.

B. GOVERNMENT APPROVALS

On the basis of the indicative list of approvals below, the Company is permitted to carry on business activities and no further approvals from any Government authorities/RBI are required by the Company to undertake the business of the Company. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf. The approvals obtained and/or required to be obtained relate to the Company and also particularly to each of its manufacturing units.

The Company has obtained necessary approvals and registrations from various authorities in relation to its business activities; which include:

- i) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961;
- ii) Registration under the Central Sales Tax Act, 1956, and various state sales tax legislations;
- iii) Importer-Exporter Code Number under the Foreign Trade Development and Regulation Act, 1992;
- iv) Registration with the Employees' State Insurance Corporation under Employees' State Insurance Act., 1948;
- v) Registration under Employees Provident Fund & Miscellaneous Provisions Act, 1952; and
- vi) Star Export house recognition.

The Company has also obtained necessary approvals from various authorities for conduct of business at the manufacturing units located at Jalgaon, Erandol and Dombivli. These approvals include:

- i) Consent order from Maharashtra Pollution Control Board for manufacturing unit located at Erandol & Dombivli.

Some of the registrations/licenses/approvals obtained by the Company have expired in the ordinary course of business and are in the process of being renewed. The Company undertakes to obtain all approvals, licenses, registrations and permissions required to continue to operate its business. Registrations/licenses/approvals pending renewal/approval include:

- i) Factory License under the Factories Act, 1948 for manufacturing units located at Jalgaon, Erandol. The Company has applied on 18/10/2006 for renewal of the same for both the unit. The Company has paid renewal fees for both Jalgaon and Erandol factory for 5 years from 2007 to 2011 alongwith application; and the Company is following up with respective department for formal approval;
- ii) Consent order from Maharashtra Pollution Control Board for manufacturing unit located at Jalgaon. The Company has applied on 19/04/2004 for the same, the consent is still awaited. The Company has paid renewal fees alongwith application to pollution control board for Jalgaon factory; and the Company is following up with respective department for formal approval.

VIII. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present Issue

The Board of Directors at their meeting held on 05/04/2006 have approved the rights Issue of 35,20,700 Equity Shares of Rs. 10/- each for cash at par (i.e. at a price of Rs.10/- per share) aggregating to Rs. 352.07 Lacs on a rights basis to the existing equity shareholders of the Company in the ratio of One equity share for every One equity share held on Book Closure Date . The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is equal to the face value. The resolution in respect of this has been approved by the shareholders of the Company in the EGM of the Company held on 13/05/2006.

The Board of Directors of the Company has approved the Letter of Offer for the issue in the board meeting held on 17/09/2007. The Company has fixed 20/09/2007 as Book Closure for the purpose of determining the rights.

Prohibition by SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

Eligibility for the issue

Orbit Exports Limited is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, OEL, group companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Disclaimer clause

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MERCHANT BANKER, KEYNOTE CORPORATE SERVICES LTD. HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER KEYNOTE CORPORATE SERVICES LTD. HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 21/05/2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

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

WE CONFIRM THAT:

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

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

THE PROMOTERS / DIRECTORS OF OEL VIZ. MR. PANKAJ SETH, MS. ANISHA SETH, MR. YESHWANT R. SHAH, MR. BRUCE LARRY KIEVAL, MR. GOPIKRISHAN BUBNA, MR. VISHNU AJITSARIA AND MR. MANOJ KUMAR JAIN DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN 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/MIS-REPRESENTATION, 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 statement / Company Disclaimer

The Issuer Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

Disclaimer in respect of Jurisdiction

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorised

under their constitution to hold and invest in shares), Foreign Collaborators and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Offer Document comes is required to inform him about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Orbit Exports Ltd. since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer clause of BSE, the Designated Stock Exchange

The Bombay Stock Exchange Limited (the Exchange.) has given vide its letter DCS/PREF/JA/IP-RT/576/07-08 dated 07/06/2007, permission to the Company to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- (iii) Take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

And it should not 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 BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated in the offer document or other reason whatsoever.

Filing

A copy of this Letter of Offer has been filed with SEBI (SEBI Bhavan, C-4-A, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051), BSE (Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001), Designated Stock Exchange .

The Company has received in-principle approval from BSE vide its letter No. DCS/PREF/JA/IP-RT/576/07-08 dated 07/06/2007 for listing of the equity share being issued in terms of this Letter of Offer.

Listing

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE). Application will be made to BSE, for listing and trading permission for the Equity Shares being issued pursuant to this Letter of Offer.

The company has passed resolution for de-listing of Equity Shares from The Delhi Stock Exchange Association Ltd. (DSE), The Stock Exchange, Ahmedabad (ASE) and The Calcutta Stock Exchange (CSE) on 21/03/2003 and have completed all the formalities as prescribed in SEBI (Delisting of Services) Guidelines 2003. No confirmation from DSE, ASE and CSE has been received till this date. The Company will not list the Equity Shares being issued in terms of this letter of offer on any of these Stock Exchanges.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

Impersonation

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) 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."

Consents

Consents in writing of the Directors, Auditors, Lead Manager, Registrar to the Issue and Banker to the Issue to act in their respective capacities have been obtained and filed with Stock Exchanges at the time of filing this Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in the Letter of Offer and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

Expert opinion

The company has not obtained any expert opinion.

Expenses of the Issue

Sr. no.	Particulars	Amount (Rs. in lacs)	Amount as a % of total issue expenses	Amount as a % of total issue size
1	Fees to Intermediaries	6.50	53.15	1.85
	<i>Lead Manager to the Issue – Rs.5.50 Lacs</i>			
	<i>Registrar to the Issue – Rs.1.00 Lac</i>			
2	Printing & Stationery and Postage expenses	3.00	24.53	0.85
3	Advertisement, travel and other Miscellaneous Expenses	2.73	22.32	0.77
	Total	12.23	100.00	3.47

Underwriting commission, brokerage and selling commission

No Underwriting, Brokerage and selling Commission will be payable for this issue.

Previous issue details

The company has not made any public/rights issue of its equity shares during the last five years.

Issues otherwise than for cash

The Company has not issued any Equity Shares for consideration otherwise than for cash except as mentioned below:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Nature of allotment
05/08/1994	100.00	100.00	1,92,000	Bonus Issue (16:1)

Commission and brokerage on previous issues

The Company has not made any Public/Rights Issue during last five years, hence no commission or brokerage has been paid.

Promise vis-à-vis performance

Public Issue

OEL made a Public Issue of 8,80,000 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating to Rs.220.00 Lacs to the shareholders Prospectus dated 10/11/1994. Issue opened on 13/12/1994 and closed on 23/12/1994. The objects of the issue were to part finance the cost of computerized embroidery equipment and design machines, to augment working capital requirements and repay term loan of SICOM & MSFC, meeting the issue expense, to obtain enlistment of the equity shares of the company on the stock exchanges. The project was completed within the time schedule and funds were deployed for the purposes for which it has been raised.

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

Profitability Projections

(Rs. in Lacs)

Particulars	1994-95		1995-96		1996-97	
	Projected	Actual	Projected	Actual	Projected	Actual
Capacity Utilisation						
- Jaccquard Fabric	85%	82%	85%	75%	85%	68%
- Velvet	50%	49%	70%	51%	85%	46%
Capacity Utilisation (in Lac meters)						
- Jaccquard Fabric	5.00	4.80	5.65	4.98	6.10	4.86
- Velvet	2.10	2.08	2.95	2.14	3.50	1.91
Net Sales	850.00	1019.09	1330.00	1250.09	1850.00	1560.39
Profit Before Interest Depreciation & Tax	169.15	173.57	291.10	198.09	420.42	227.07
Interest	30.83	38.16	31.36	55.38	32.30	83.01
Depreciation	53.63	44.31	71.65	50.08	76.32	52.51
Profit before Tax	84.69	91.09	188.09	92.63	311.80	91.55
Tax	-	-	-	-	36.45	5.00
Profit After Tax	84.69	91.09	188.09	92.63	275.35	86.55
Dividend (%)	20	20	25	15	30	10
Paid – up capital	352.00	351.51	352.00	351.77	352.00	351.78
Reserves incl. subsidy (excluding revaluation reserve)	347.86	353.99	447.94	393.81	617.69	441.64
Net Worth	699.86	674.31	799.94	717.95	969.69	762.77
Book value (Rs.)	19.88	19.18	22.73	20.41	27.55	21.68
EPS (Rs.)	2.40	2.59	5.34	2.63	7.82	2.46

Management Perception:

1994-95

In terms of production and sales, Company has achieved the projected figure, but due to Competition and slackness in international market, particularly in textile sector and also due to unfavorable Govt. policies, Company could not maintain the projected profitability.

1995-96 and 1996-97

Low demand both in local and international market, unfavorable govt. policies and also due to dumping by Korea, Indonesia and China affected the margin very hard. If we look overall textile sector during 1994 to 1999, we will find that it was worst phase for textile in the history of textile industries. In spite of all these odds where even survival was very difficult, Company was able to survive and earn the profit.

Stock market data for shares of the company

The equity shares of the company are listed on the Bombay Stock Exchange Ltd. (BSE). The stock market data for the equity shares on the BSE are as follows:

Particulars	High			Low			Average Price (Rs.)	Total Volume
	High (Rs)	Date	Volume on date of high (no of shares)	Low (Rs)	Date	Volume on date of Low (no of shares)		
2004	21.12	24/12/04	4119	3.90	08/03/04	2000	11.05	2568125
2005	28.40	13/06/05	54737	12.00	08/02/05	1500	18.77	2233754
2006	19.95	17/05/06	4425	8.50	24/11/06	1350	13.54	765463
Mar 07	11.80	02/03/07	1648	9.50	08/3/07	350	10.30	25210
April07	12.00	11/04/07	603	9.90	26/04/07	700	10.95	14774
May 07	11.23	08/05/07	2950	9.40	30/05/07	3150	10.28	17541
Jun 07	14.55	18/06/07	3786	9.25	05/06/07	400	11.49	55633
Jul 07	13.20	16/07/07	3135	10.30	12/07/07	1371	11.81	40075
Aug 07	12.89	16/08/07	200	10.00	22/08/07	150	11.33	15847

Week -end price of equity Shares of OEL on the BSE.

Week ended	Price (Rs)
14/09/2007	14.55
07/09/2007	13.53
31/08/2007	10.21
24/08/2007	11.91

The market price of the equity shares of the Company as on 05/04/2006, the date on which the resolution of the Board of Directors approving the issue was passed is Rs. 19.25 (BSE).

The equity shares of the company was not traded on 13/05/2006 the date of EGM.

- The equity shares of the company were in no delivery period from 13/09/2007 to 19/09/2007.
- The cum-rights closing price of the shares of the company as on 12/09/2007 was Rs. 16.40.
- The ex-rights closing price of the shares of the company as on 13/09/2007 was Rs. 13.86.

Investor grievance redressal system

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed **Mr. Jitendra Kakani**, as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Rights Issue and ensure timely settlement.

All grievances related to the offer may be addressed to the Registrar to the Rights Issue quoting the application No. (Including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted.

Change in auditors

The changes in Auditors of the Company during last three years are as follows.

Year	Auditor	Change If any.
2002-03	R.K. Seth & Co.	Resigned
2003-04	Krishna R Moondra & associates	Appointed

Capitalisation of reserves or profits

The company has not capitalized its reserves or profit during the last five years.

Revaluation of assets

The Company has revalued its fixed assets on 01/04/1994, the details of which are as follows:

(Rs. In Lacs)

Particulars	Value as on 31/03/1994	Revalued value as on 01/04/1994	Revaluation Reserve (Rs.)
Freehold Land	2.14	14.50	12.36
Leasehold Land	0.95	6.00	5.06
Factory Building	70.41	77.58	7.17
Plant & Machinery	454.73	901.08	446.36
Electrical Installation	9.80	13.70	3.89
Air Conditioners	4.66	5.70	1.04
Total	557.22	1033.10	475.87

IX. OFFERING INFORMATION

A. TERMS OF THE ISSUE

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

Ranking of equity shares

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

Mode of payment of dividend

The dividend is paid to all the eligible shareholders as per the provisions of Companies Act.

Face value & issue price

The Face Value of Equity Shares of the company is Rs.10/-. The Equity Shares of Rs. 10/- each are being issued at par i.e. at a price of Rs. 10/- per share in the present rights issue.

Rights of equity shareholders

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, 1956, the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

Market lot

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

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 holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the

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

Fresh nominations can be made only in the prescribed form available on request at the office of the Company located at 11, Mehta Chambers, Kalyan Street, P.D'Mello Road, Masjid Bunder (East), Mumbai 400 009 or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.

Minimum subscription

- i) If the Company does not receive minimum subscription of 90% of the issued amount, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.
- ii) If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay 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.

Disposal of odd lots

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Restrictions on transfer and transmission of shares and on their consolidation/ splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

B. ISSUE PROCEDURE

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 Intime Spectrum Registry Ltd. on 16/10/2003 and with Central Depository Services (India) Limited (CDSL) and Intime Spectrum Registry Ltd. on 31/10/2003, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Book Closure Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

FRACTIONAL ENTITLEMENT

On applying the rights will not lead to fractional entitlement in this issue.

ENTITLEMENT RATIO

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1:1 i. e. One Equity Share for every One Equity Share held as on the Book Closure Date.

BASIS OF THE OFFER

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Book Closure Date. The Company has in consultation with the Designated Stock Exchange fixed the Book Closure Date for determining the shareholders who are entitled to receive this offer for Equity shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of (One) Equity Share for every (One) Equity Share held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on (Book Closure Date) at the close of business hours shall be entitled to the equity shares on the Rights basis in the ratio of one equity share for every one equity shares held by them.

JOINT-HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-tenants with benefits of survivorship subject to provisions contained in the Articles.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS

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

shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the Company and renounce the shares offered in full or part thereof in favour of a person named by them. Non Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

NOTICES

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

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 split 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

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 Letter of Offer. Payment should be made in cash (not

more than Rs.20,000/- or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

For Non-Resident Shareholders

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. Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

For applicants residing at places other than designated Bank collecting branches.

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Intime Spectrum Registry Pvt. Ltd. alongwith demand drafts, net of demand draft and postal charges, payable at Mumbai in favour of "OEL - Rights Issue" crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e 29/10/2007.

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.

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

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF :

Sr. No	Options available	Action Required
1.	Accept whole or part of the Equity Shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for.
2.	Renounce all the Equity Shares offered to you to one person (joint renounees are deemed as one person) without your applying for any of the Equity Shares offered to you.	Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renounee. The renounee/ joint renounee(s) must fill in and sign Part C of CAF.

3.	Accept a part of your entitlement and renounce the balance or part of it to one or more Renouncee(s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue.	
	OR	On receipt of Split Forms :	
4.	Renounce your entitlement or part of it to one or more persons (joint renounees are deemed as one person).	a	For the Equity Shares you are accepting, fill in and sign Part A.
		b	For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renounees should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

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 Mumbai 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.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

Application for additional Equity Shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Book Closure Date in consultation with The Designated Stock Exchange. In the case of requests for additional Equity Shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional Equity Shares without assigning any reasons thereof. The renounees can also make an application for additional shares.

Renunciation

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitution to hold shares in a company), OCBs, minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renounee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

Procedure for renunciation

(i) To Renounce in WHOLE

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounees) should complete and sign PART C of the CAF. In case of joint renounees, all joint renounees must sign.

(ii) To Renounce in PART

If you wish to either accept this offer in part or renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. 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. 15/10/2007.

If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above 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.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renounee(s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- b) Only the person to whom this Letter of Offer has been addressed and NOT the renounees shall be entitled to split forms. Forms once split cannot be resplit.

Request for spilt forms:

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

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 Mumbai which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e 29/10/2007) and should contain the following particulars:

- Name of Issuer, being Orbit Exports 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 Book Closure Date.
- 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. 10/-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 number allotted under the Income-Tax Act, 1961 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. Applications without this photocopy/ PAN Communication/declaration will be considered incomplete and are liable to be rejected.
- In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Mumbai be drawn in favour of "**OEL - Rights Issue**" (in case of Resident Indian) or "**OEL - Rights Issue - NR**" (in case of Non Resident Indian) crossed "A/c Payee only".

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. The Company shall refund such application amount to the applicant without any interest thereon.

Quoting of PAN/GIR no. in the application forms

The Shareholder, or in the case of a application in joint names, each of Shareholder, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. SEBI has issued a circular no. MRD/DoP/Cir-05/2007 DATED April 27, 2007 requiring that with effect from July 2, 2007, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount

of transaction. In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Applicant should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/First Applicant and joint Applicant(s) is/are not required to obtain PAN, each of the Applicant(s) shall mention "Not Applicable" and in the event that the sole Applicant and/or the joint applicant(s) have applied for PAN which has not yet been allotted each of the Applicant(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Applicant(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Applicant and each of the Joint Applicant(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address and (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Applicants are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Last date for submission of CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is 29/10/2007. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this 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".

Incomplete application

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

TERMS OF PAYMENT

The entire amount of Rs. 10/- per share is payable on application by all shareholders/applicants.

MODE OF PAYMENT

For Resident Shareholders/Applicants

Payment(s) must be made by cheque/demand draft 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.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Mumbai ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to **"OEL - Rights Issue"**. All cheques/ drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

For Non-Resident Shareholders/Applicants

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

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of **"OEL - Rights Issue - NR"** payable at Mumbai and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR 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 account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of **"OEL - RIGHTS ISSUE"** payable at Mumbai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed

with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

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 or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an 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.

Application will not be accepted by the Lead Manager or by the Company.

Note on cash payment (section 269 ss)

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

FORFEITURE

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue & hence no requirement of any forfeiture.

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, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, 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.

BANK DETAILS OF THE APPLICANT

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

GROUNDINGS 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;
- ☞ In case of physical shareholders, bank account details (for refund) are not given;
- ☞ Age of first applicant not given in case of renouncee(s);
- ☞ PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- ☞ Cash applications for an amount exceeding Rs.20,000/-;
- ☞ 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 CAF does not have the Applicant's depository account details;
- ☞ CAFs are not submitted by the Applicants within the time prescribed as per the CAF 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;
- ☞ 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 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;
- ☞ Multiple applications.

GENERAL

- (a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- (b) Please read the instructions in the enclosed CAF carefully.
- (c) ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.
- (d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- (e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
- (g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the

space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.

- (h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A,B,C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- (i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
- (j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
- (k) The last date for receipt of CAF alongwith the amount payable is 29/10/2007. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 60 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

For further instructions please read CAF carefully.

DEMATERIALISATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of OEL are traded in the demat segment. The Company has entered into a tripartite agreement dated 16/10/2003 with the National Securities Depository Ltd. (NSDL) and Intime Spectrum Registry Ltd for dematerialisation of the equity shares of the Company. The Company has also entered into a tripartite agreement dated 31/10/2003 with the Central Depository Services Limited (CDSL) and Intime Spectrum Registry Ltd for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE 231G01010.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have at least one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of Equity Shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue.

The applicant is responsible for the correctness of the applicants demographic details given in the share application form vis-à-vis those with his/her DP. Equity Shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 6 weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e. forty-two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by the Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page 96 of this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange 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 renounee(s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
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 the basis of the Equity Shares held as on the Book Closure Date.
3. Allotment to the renounees who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.
4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The issue will become undersubscribed after considering the number of shares applied as per the entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the Issue.

The promoters of OEL have undertaken to subscribe to their entitlement in full & have also undertaken to subscribe to the unsubscribed portion, if any in the rights issue. This acquisition of additional Equity Shares due to undersubscription, if allotted to the Promoter shall be in terms of proviso to regulation 3(1)(b)(ii) of the

Takeover Code and will be exempt from the applicability of regulation 11 and 12 of Takeover Code. This disclosure is made in terms of the requirement of Regulation 3(1)(b)(ii) of the Takeover Code. Further this acquisition of additional Equity Shares will not result in change of control of management of the Company.

In case of oversubscription the allotment would be done in a proportionate manner in consultation with the designated Stock Exchange. The Company shall not retain oversubscription.

LETTERS OF ALLOTMENT OR REFUND ORDERS

Company shall ensure despatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in section, Terms of the Issue clause "Mode of Payment" on page 93 of this Letter of Offer, as applicable, only at the sole or First Applicant's sole risk within 42 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

Allotment of Equity Shares to non-residents and the issue of letters of allotment/share certificates to nonresidents shall be subject to the approval received from RBI.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☛ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
- ☛ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

MODE OF PAYMENT OF REFUND

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the Depositories, the applicant's bank account details including nine digit MICR code. **Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to applicants at the applicant's sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.

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

- I. Direct Credit – For investors having their Bank Account with the Collecting Bankers, the refund amount would be credited directly to their Bank Account with the Collecting Bankers.
- II. RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Composite Application Form
- III. ECS - Payment of refund would be done through ECS for applicants residing at one the 15 centres, namely **Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram**, where clearing houses for ECS are managed by Reserve Bank of India. This would be subject to availability of complete Bank Account details including MICR code from the depositories.

For all the other applicants except for whom payment of refund is possible through I, II and III, the refund orders would be despatched under the Certificate of Posting for refund orders less than Rs. 1,500/- and through Registered Post or Speed Post for refund orders exceeding Rs. 1,500/-. These refund orders will be drawn on the Collection Bank(s) and payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be borne by the Applicants.

INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% per annum as stipulated under Section 73 of the Act.

UNDERTAKING

The Company undertakes that:

- i) the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- ii) all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment;
- iii) the funds required for dispatch of refund orders/ refund instructions/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue;
- iv) where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 working days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- v) that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and
- vi) no further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.;

The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

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 utilised out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilised.
- iii. details of all such unutilised 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 unutilised moneys have been invested.

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.

RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and FEMA and circulars and notifications issued there under. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. As per the sector specific guidelines of the GoI, Textile sector is permitted up to 100%.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In the Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

X. TERMS OF ARTICLES OF ASSOCIATION

Main provisions of the Articles of Association

Certificates

Article 11 The Certificates of title to the shares shall be issued under the Seal of the Company which shall be affixed in the present of and signed by (i) two Directors, (provided that one of the aforesaid two Directors shall be a person other than the Managing or whole-time Director) and (ii) the Secretary or some other person appointed by the Board for the purpose particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue.

Article 12 Every Member or Allottee of share(s) shall be entitled without payment to receive at least one certificate under the seal of the company for all the shares of each class or denomination registered in his name in such form as the directors shall prescribe or approve, specifying the share or shares allotted to him and the amount paid thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board.

Article 13 The Company shall within three months after the allotment of any of its shares or debentures and within two months after the application for registration of the transfer of any such shares or debentures, or in the case of debentures such further period(s) not exceeding 9 months as may be granted by the Company Law Board, complete and have ready for delivery the certificates of all shares and debentures allotted or transferred.

Transfer And Transmission of Shares

Article 35 The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Article 36 The instrument of transfer of any share shall be in writing and in the prescribed form and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be only complied with in respect of all transfers of shares and the registration thereof.

Article 37

- (2) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.
- (3) Where the application is made by the Transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the Transferee and, the Transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- (4) For the purpose of Clause (2) above notice to the Transferee shall be deemed to have been duly given if it is dispatched by pre-paid registered post to the Transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

Article 38 Every such instrument of transfer shall be signed by the Transferor and Transferee and the Transferor shall be deemed to remain the holder of such shares until the name of the Transferee is entered in the Register of Members in respect thereof.

- Article 39** The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the Transferor and by or on behalf of the Transferee and specifying the name, address and occupation, if any, of the Transferee, has been delivered to Company within the prescribed period alongwith the certificate relating of allotment of the shares. Provided that, whereon an application in writing made to the Company by the Transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the Transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit. Provided further that nothing in this article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has transmitted by operation of Law.
- Article 40** Subject to the provisions of Section 111 of the Act or any statutory modification thereof for the time being in force, the Directors may, at their absolute discretion, decline to register or acknowledge any transfer of shares and shall not be bound to give any reason for such refusal and in particular may so decline in respect of shares upon which the Company has a lien or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed Transferee is already a member. "Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on the shares".
- Article 41** If the Company refuses to register the transfer of any share or transmission of any right therein the Company shall within two months from the date on which the instrument of transfer or intimation of transmission was lodged with the Company, send notice of refusal to the Transferee or to the person giving intimation of the transmission, as the case may be and thereupon the provisions of Section 111 of the Act or any statutory modification thereof for the time being in force shall apply.
- Article 42** A transfer of a share in the Company of deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.
- Article 43** The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to the person depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company for a period of ten years or more.
- Article 44** The Directors shall have power on giving not less than 21 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 whole 45 days in each year but not exceeding 30 days at any one time.
- Article 45** The executor or administrators or the holders of a Succession Certificate in respect of the estate of a deceased member (not being one of two or more Joint holders) shall be the only person recognized 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 recognize 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, the Directors may dispense with the production of Probate or Letters of Administration or Succession Certificate and under the provisions of Article 46, 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.

Article 46 Subject to the provisions contained in Articles 40 and 41 hereof any person, becoming entitled to as a share in consequence of the death lunacy or insolvency of any member, upon producing proper evidence of the grant of Probate or Letters of Administration or Succession Certificate or such other evidence that he sustains the character in respect of which he proposes to act under this clause or of his title to the shares as the Board thinks sufficient may, with the consent of the Board (which it shall not be under any obligation to give), be registered as a member in respect of such shares, or may subject to the regulations as to transfer hereinbefore contained, transfer such shares. This clause is herein referred to as the transmission clause.

Article 47 Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register as member a person entitled by transmission to shares or his nominee as if he were the Transferee named in an ordinary transfer presented for registration.

Article 48 A person entitled to a share by transmission shall, subject to the right of the Directors to retain such Dividends, or money as hereinafter provided, be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the share.

Article 49 Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient provided nevertheless that there shall not be any obligation on the Company or the Directors to ask for any indemnity.

Article 50 No fee shall be chargeable for any transfer or transmission of shares and also for subdivision and consolidation.

Article 51 The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the company may have had notice of such equitable right, title or interest or may have received a notice prohibiting registration of such transfer and may have entered such notice or referred such notice thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or the under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the Company. The Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Directors shall so think fit.

MODIFICATION OF RIGHTS

Article 58 If at any time the share capital is divided into different classes the rights attached to any class of shares (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, be modified, commuted, affected, abrogated or varied (whether or not the Company is being wound up) with the consent in writing of the holders of not less than 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 that class of shares, and all the provisions hereinafter contained as to General Meeting shall mutatis, mutandis apply to every such meeting.

GENERAL MEETINGS

Article 67 The Company shall in addition to any other meetings, hold a General Meeting (herein called as " Annual General Meeting") at the intervals and in accordance with the provisions herein specified. The Company shall, subject to the provisions of Section 210(3)(a) of the Act, hold its first Annual General Meeting within eighteen months from the date of the incorporation of the Company and if such General Meeting is held within such period it shall not be necessary for the company to hold any Annual General Meeting in the year of its incorporation or in the following year, but subject to the aforesaid provisions the Annual General Meeting shall after the first Annual General Meeting be so held at least once in every calendar year and within six months after the expiry of each financial year and that no more than fifteen months shall elapse between the date of one Annual General Meeting and the next provided however that if the Register of Companies shall for any special person extended the time within which any Annual General Meeting shall be held the Annual General Meeting may be held within the additional time allowed by the Registrar.

VOTE OF MEMBERS

Article 95 Subject to the provisions of the Act and these Articles, votes may be given either personally or by proxy and in the case of a body corporate also by a representative duly authorized under Section 187 of the Act and Article 97 hereof.

Article 96 Subject to the provisions of the Act (particularly of Section 87, 88 and 92(2) thereof) and of these articles:-

- (i) Upon a show of hands every member holding equity shares and entitled to vote and present in person (including a proxy of a corporation or a representative of a company as mentioned in Article 97) shall have one vote.
- (ii) Upon a poll the voting right of every member holding equity shares and entitled to vote and present in person (including a proxy of a corporation or a representative of a company present as aforesaid) or by proxy shall be in the same proportion as the capital paid on the equity share or shares (whether fully paid-up or partly paid-up) held by him bears to the total paid-up equity capital of the company.

Article 97 No member not personally present shall be entitled to vote on a show of hands or unless such member is a body corporate present by a representative duly authorized under Section 187 of the Act in which case such representative may vote on a show of hands as if he were a member of the Company.

Article 98 Any person entitled under the Transmission Article (Article 46 hereof) to transfer any shares may vote at any General Meeting in respect thereof as if he were the registered holder of such shares, provided that atleast forty-eight hours before the time of holding of the meeting adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give indemnity, if any, as the Directors may require, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Article 99 Subject to the provisions of the Act no member shall be entitled to be present or to vote at any General Meeting either personally or by proxy or be reckoned in a quorum whilst any call or other sum shall be due and presently payable to the Company in respect of any of the shares of such member.

Article 100 Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or nor) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting.

Article 101 Every proxy shall be appointed by an instrument in writing signed by the appointer or his attorney duly authorized in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.

Article 102 The instrument of proxy shall be deposited at the office of the Company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be

treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution except in the case of the adjournment of any meeting first held previously to the expiration of such time.

Article 103 Every member entitled to vote at a meeting of the Company according to the provisions of these Articles on any resolution to be moved thereat shall be entitled during the period being twenty four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company provided not less than three day notice in writing of the intention so to inspect is given to the Company.

Article 104 Subject to the provisions of the Act and these Articles, the Chairman shall be the sole judge of the validity of every vote tendered at such meeting and subject as aforesaid the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

DIVIDEND

Article 157 The profits of the Company, subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively. Provided always that any capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide only entitled the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid up during such period on such share.

Article 158 Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to dividend or to participate in profits.

Article 159 The Directors shall observe and comply with the provisions of Section 205(2-A) of the Act and Rule made thereunder, while recommending any dividend.

Article 160 The Company in General Meeting may, subject to the provisions of Section 205 of the Act, declare a dividend to be paid to the members according to their respective rights, and interests in the profits and subject to the provisions of the Act may fix the time for its payment. When a dividend has been so declared either the dividend shall be paid or the warrant in respect thereof shall be posted within 42 days of the date of the declaration to the shareholders entitled to the payment of the same.

Article 161 No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, or otherwise than in accordance with the provisions of Section 205, 206-A and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Article 162 Subject to the provisions of the Act, the Directors may, from time to time pay to the members such interim dividends as in their judgement the position of the Company justifies.

Article 163 Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the Registered Address of the member or person entitled to the share or in the case of joint holders to that one of them First named in the Register in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The 150. A Managing Director so appointed shall not, while holding that office be subject to retirement by rotation. A Wholetime Director or Directors, if the terms of his or their appointment so provide or if the Board of Directors so resolve shall not be liable to retire by rotation for such period and subject to such conditions as the Board of Directors may from time to time determine.

Article 151 The remuneration of the Managing Director or Wholetime Director or wholetime Directors (subject to the provisions of Section 309 and in accordance with the conditions specified in Parts I & II of Schedule XII and other applicable provisions of the Act) shall

be in accordance with the terms of his or their contract with the Company.

Article 152

Subject to the provisions of the Act and to the terms of resolution of the Company in General Meeting or of any resolution of the Board, the Managing Director shall have effective control of the day to day management of the Company, under the superintendence, control and direction of the Board. He may, subject to the approval of the Board, have power to do all acts matters and things deemed necessary power or expedient for carrying on the business and concerns of the company, including power to appoint, suspend and dismiss officers, staff and workmen of the Company and to exercise such powers as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue expenditure on behalf of the company, entering into contracts, taking suitable legal actions, operating on bank accounts, making investments and other subjects.

WINDING UP

Article 177

If the Company shall be wound up, and the assets available for distribution among the members, as such, shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be possible the losses shall be borne by the members in proportion to the capital paid up or, which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in the winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital paid up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Article 178

- (1) If the Company shall be wound up, whether voluntarily or otherwise the liquidation may, with the sanction of a special resolution, but subject to the rights attached to any preference share capital, divide amongst the contributories in specie or kind and part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators, with the like sanction shall think fit.
- (2) If thought expedient, any such decision may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particulars any class may be given preferential or special rights or may be excluded altogether or in part but in case any decision otherwise than in accordance with the legal rights of the contributories shall be determined, any contributory who would be prejudice thereby shall have a right to dissent and ancillary rights. If any contributory so dissents rights shall follow in such a manner as if such determination were a Special Resolution passed pursuant to section 494 of the Act.
- (3) In case of any of the shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the Special Resolution by notice in writing intimate the liquidators to sell his properties and pay him the net proceeds and the liquidators shall if practicable act accordingly.

Article 179

A Special Resolution sanctioning a sale to any other company duly passed pursuant to section 494 of the Act, may subject to the provisions of the Act in like manner as aforesaid determine that any shares of other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said section.

INDEMNITY AND RESPONSIBILITY

Article 181

- (1) Subject to the provisions of Section 201 of the Act, every Director of the Company, Secretary and other officer or employee of the Company and the Trustee (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 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, Officer or employee and the trustee (if any) for the time being acting in relation to any of the affairs of the Company may incur or become liable of 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 or his duties.

- (2) Subject to as aforesaid every Directors, Secretary or other Officers or employee 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 judgement 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.

Article 182

Subject to the provisions of Section 201 of the Act, no Director or other officer of the Company shall be liable for the acts, omissions, neglects, defaults of any other Director or Officer or for joining in any receipt or other act for conformity, or for any loss or expenses suffered by the Company through insufficiency of title to any property acquired by the 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 tortious act of any person, company or corporation, with whom any moneys securities or effects of the Company shall be entrusted or deposited or for any loss occasioned by any error of judgement or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty, willful neglect or default.

XI. OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer may be inspected at the Registered Office of the Company between 11.00 a.m. - 4.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

A. MATERIAL CONTRACTS

1. Copy of Memorandum of Understanding dated 16/05/2007 between the Company and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 09/03/2007 between the Company and Intime Spectrum Registry Ltd, Registrar to the Issue.
3. Copy of tripartite agreement dated 16/10/2003 between the Company, National Securities Depository Limited (NSDL) and Intime Spectrum Registry Ltd.
4. Copy of tripartite agreement dated 31/10/2003 between the Company, Central Depository Services (India) Limited (CDSL) and Intime Spectrum Registry Ltd.
5. Copy of Agreement dt. 22/09/2004 with Mr. Pankaj Seth, Managing Director and the Company.
6. Copy of Agreement dt. 22/09/2004 with Mrs. Anisha Seth, Whole time Director and the Company.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum of Articles and Articles of Association of OEL.
2. Copies of Annual report of OEL for the year ended 31/03/2003, 31/03/2004, 31/03/2005, 31/03/2006 and 31/03/2007.
3. Copy of the Board resolution dated 05/04/2006 recommending the rights issue of the company.
4. Copy of Special Resolution under section 81, 81(1A) and other relevant provisions of Companies Act, 1956 dated 13/05/2006 passed at the Extra Ordinary General Meeting of the company authorizing present issue of equity shares.
5. Copy of certificate dated 01/09/2007 issued by M/s Krishna R Moondra & Associates. Chartered Accountants & Statutory Auditors of the Company reporting financials of the company in terms of part II schedule II of the Companies Act, 1956 and including capitalization statement, taxation statement, accounting ratios.
6. Copy of letter dated 01/09/2007 received from M/s Krishna R Moondra & Associates., Chartered Accountant, regarding tax benefits accruing to the company and its shareholders.
7. Copy of certificate(s) dated 12/09/2007 received from M/s Krishna R Moondra & Associates., Chartered Accountant, regarding sources & deployment of funds.
8. Copy of Letter of Offer dated 17/05/2004 in respect of the Open Offer made to the shareholders of OEL.
9. Copies of undertakings from OEL.
10. Copies of Consents from the Directors of the Company, Auditors of the Company, Registrar to the Issue, Lead Mangers to the Issue, Banker to the Company and Bankers to the Issue
11. Copy of in-principle approvals received from BSE vide their letter no. DCS/PREF/JA/IP-RT/576/07-08 dated 07/06/2007.
12. Copy of SEBI observation letter No. CFD/DIL/ISSUES/PB/PN/102978/2007 dated 04/09/2007 and compliance thereof.

DECLARATION

No statement made in this Letter of Offer shall contravene any of the provisions of the Companies Act, 1956 and the rules made there under. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with. We further certify that all the disclosures made in the Letter of Offer are true and correct.

Yours Faithfully
For Orbit Exports limited
Signed by all the Directors

Sd/-

Pankaj Seth
Managing Director

Sd/-

Anisha Seth
Deputy Managing Director

Sd/-

Manoj Kumar Jain
Director

Sd/-

Yeshwant R. Shah
Director

Sd/-

Gopikrishan Bubna
Director

Sd/-

Bruce Larry Kieval
Director

Sd/-

Vishnu Ajitsaria
Director

Place: Mumbai
Date: 17th September 2007