LETTER OF OFFER

This Document is important and requires your immediate attention

This Letter of offer is sent to you as a shareholder(s) of Innova Health System Limited. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or CIL SECURITIES LIMITED "Managers and Registrar to the Issue". In case you have recently sold your shares in the Company, please hand over this Letter of Offer and the accompanying Form of Acceptance cum acknowledgement, Form of Withdrawal and Transfer Deed to the Member of Stock Exchange through whom the said sale was effected."

CASH OFFER AT Rs. 6.00 /- (RUPEES SIX ONLY) PER FULLY PAID-UP EQUITY SHARE OF Rs. 10/- (RUPEES TEN ONLY) EACH AND AT Re.1.00/- (RUPEE ONE ONLY) FOR PARTLY PAID-UP EQUITY SHARE (Rs.2.50/- PAID UP)

[Pursuant to Regulation 10 & 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto]

TO ACQUIRE

upto 10,11,180 Equity Shares (being 20 % of Issued Capital) at Rs 6.00/- (Rupees Six only) per fully paid share and Re 1.00 (Rupee One) for partly paid equity shares (Rs 2.50 Paid up). The offer of 10,11,180 Equity Shares being acquired shall consists of 5,22,000 Fully paid equity shares being 20% of the voting capital and 4,89,180 partly paid equity shares being 20% of the outstanding partly paid equity shares

of

Innova Health Systems Limited

(Registered Off: " 1005, Deccan Towers, Basheerbagh, Hyderabad – 500 029, Ph No. 91-040-30281234, Fax No. 91-040-30281234, E-mail: innova_health@rediffmail.com)

BY

Mr PVRRLN Prasad**, S/o** P. Koteswararao, Resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel 9393111039, Fax:08941-251079, E-mail: pvrr_prasad@rediffmail.com

and

Mr. P. KOTESWARARAO S/o. Veeraraghavulu**,** Resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel 9346833399, Fax: 08941-251079, E-mail : pkoteswararao@rediffmail.com

1. The offer is subject to the approval of RBI under the Foreign Exchange Management Act, 1999 for acquiring shares tendered by NRIs/FIIs/OCBs. No other approval is required to be obtained from Banks/Financial Institutions for the offer
2. Besides this, as on this date to the best of the knowledge of the Acquirers, no other statutory approvals are required to acquire the Shares tendered pursuant to this Open Offer. However, the Open Offer would be subject to all statutory and such other approvals that may be applicable at a later date.
3. The Acquirers shall complete all procedures relating to the Offer within a period of 15 days from the closure of the Offer, in terms of Regulation 22(12) of the Regulations. In the case of delay in receipt of statutory approvals, SEBI has the power to grant extension of time for the purpose of making payment subject to the Acquirers agreeing to pay interest for the delayed period to the shareholders as directed by SEBI. Further if the delay occurs on account of willful default by the Acquirers in obtaining the requisite approvals, Regulation 22(13) of the Regulations will also become applicable.
4. In case the required RBI approvals for shares tendered by NRIs/FIIs/OCBs are not submitted/obtained, the Acquirers reserves the right to reject such Shares tendered. The Acquirers shall withdraw this offer if the statutory/other approval(s) which shall become applicable at a later date, as specified in point no.2 above, is refused as provided in regulation 27 of the SEBI (SAST) Regulations 1997
5. Shareholders who have accepted the offer by tendering the requisite documents, in terms of the Public announcement / Letter of offer, can withdraw the same upto three working days prior to the date of the closure of the offer i.e Wednesday, 27th December 2006.
6. Upward revision or withdrawal, if any, of the offer would be informed by way of Public Announcement in the same newspapers where the original Public Announcement has appeared. The last date for such revision will be Wednesday, 20th December 2006 (regulation 26). The same price would be payable by the Acquirers(s) for all the shares tendered anytime during the offer.
7. **If there is competitive bid:**
   -The public offers under all the subsisting bids shall close on the same date.
   - As the offer price can not be revised during 7 working days prior to the closing date of the offers / bids (i.e Wednesday, 20th December 2006**) , it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly**
8. **This is not a competitive bid.**
9. The Offer is not subject to any minimum level of acceptance and is not a conditional offer.
10. A copy of public announcement and Letter Of Offer (including form of acceptance cum acknowledgment) is also available on SEBI's web-site (www.sebi.gov.in) from the Offer Opening Date, i.e., Wednesday, 13th December 2006

MANAGERS & REGISTRARS TO THE OFFER

CIL Securities Limited
#214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001
Phone No: 040 23202465/ 3155 , Fax: 040 23203028,
Email: advisors@cilsecurities.com
Contact Person: B.M. Maheshwari, President

OFFER OPENS ON: Wednesday, 13th December 2006	**OFFER CLOSES ON:** Monday, 1st January 2007

SCHEDULE OF ACTIVITIES

Activity	**Current Day and Date**	**Revised Day and Date**
Public Announcement Date	Saturday, 09th September 2006	Saturday, 09th September 2006
Last date for a Competitive Bid	Friday, 29th September 2006	Friday, 29th September 2006
Specified Date	Friday, 06th October 2006	Friday, 06th October 2006
Date by which Letter of Offer to be dispatched to Shareholders	Monday, 16th October 2006	Tuesday, 05th December 2006
Date of opening of the Open Offer	Wednesday, 25th October 2006	Wednesday, 13th December 2006
Last date for revising the Offer Price / number of shares	Thursday, 02nd November 2006	Wednesday, 20th December 2006
Last date for withdrawing acceptance from the Open Offer	Wednesday, 08th November 2006	Wednesday, 27th December 2006
Last date of closing of the Open Offer	Monday, 13th November 2006	Monday, 1st January 2007
Last date of communicating rejection / acceptance and payment of consideration for accepted tenders	Tuesday, 28th November 2006	Tuesday, 16th January 2007

* Specified Date is only for the Purpose of determining the names of shareholders as on such date to whom the letter of offer would be sent.

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Risk Factors relating to transaction, relating to the offer and involved in associating with the Acquirers:

1. The Acquirers are not having any previous experience in the activities in which the Target Company primarily operates.

2. If the aggregate of the valid responses to the offer exceeds offer size, then the acquirers shall accept the valid application on a proportionate basis in accordance with Regulation 21(6) of the Regulations. In such an event all equity shares tendered by the applicant may not be accepted.

3. In the event that either (a) a regulatory approval is not received in a timely manner, (b) there is any litigation leading to stay on the Offer, or (c) SEBI instructs the Acquirers not to proceed with the Offer, then the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to the public shareholders of IHSL whose Shares have been accepted in the Offer as well as the return of Shares not accepted by the Acquirers may be delayed. In case of the delay, due to non-receipt of the statutory approvals, as per Regulation 22(12) of the Regulations, SEBI, may, if satisfied that the non-receipt of approval was not due to the willful default or negligence or failure to diligently pursue on the part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, as may be specified by the SEBI. Further, shareholders should note that after the last date of withdrawal i.e., Wednesday, 27th December 2006, the shareholders who have lodged the shares would not be able to withdraw them even if the acceptance of the Shares under the Offer and dispatch of consideration gets delayed. The tendered shares and documents would be held by the Managers & Registrar to the Offer, till such time as the process of acceptance of tenders and the payment of consideration is completed. The Offer is subject to the receipt of statutory and regulatory approvals by the Acquirers under the Offer. The Acquirers may not be able to proceed with the Offer in the event the approvals are not received in terms of the Regulation 27 of the Regulations. Delay, if any, in the receipt of these approvals may delay completion of the offer.

4. The Acquirers propose to acquire ownership and control of Target Company by the direct acquisition of 53.26 % of the voting capital of Target Company from the Promoter Group of the Target Company pursuant to the Share Purchase Agreement. The Acquirers makes no assurance with respect to the financial performance of the Target Company.

The risk factor set forth above pertains to the acquisition and the Offer and not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for further risk with respect to their respective participation in the Offer.

Definitions

Acquirers	Mr. PVRRLN Prasad and Mr. P. Koteswararao
ASE	Ahmedabad Stock Exchange Limited
Board/Board of Directors/ Directors	Board of Directors of Innova Health Systems Limited
HSE	The Hyderabad Stock Exchange Limited
Managers & Registrars to the Offer/CIL	CIL Securities Limited
Number of Shares acquired through Share Purchase Agreement	13,90,000 Fully paid Equity Shares of Rs 10/-each
Offer	Open cash offer to acquire upto 10,11,180 Equity Shares (being 20 % of Issued Capital) at Rs 6.00/- (Rupees Six only) per fully paid share and Re 1.00 (Rupee One) for partly paid equity shares (Rs 2.50 Paid up). The offer of 10,11,180 Equity Shares being acquired shall consists of 5,22,000 Fully paid equity shares being 20% of the voting capital and 4,89,180 partly paid equity shares being 20% of the outstanding partly paid equity shares
Persons eligible to participate in the Offer	All Equity Shareholders holding both Fully paid up equity shares and partly paid up equity shares
Public Announcement/PA	Public Announcement for the Open Offer released on behalf of the Acquirers on Saturday, 09th September 2006
Regulations or Takeover Regulations or SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and takeovers) Regulation 1997 and subsequent amendments thereof
SEBI	Securities and Exchange Board of India
Sellers/Promoters	Mr. M Kalyana Chakravarthy, Mr. M N Vishnuvardhan and Mrs. K Varalakshmi
Share Purchase Agreement	Agreement dated Wednesday, 06th September 2006 entered into between Acquirers and the Promoters of IHSL (as defined therein)
Target Company/IHSL	Innova Health Systems Limited

1. **DISCLAIMER CLAU SE**

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMI TED PURPOSE OF OVERSEEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF INNOVA HEALTH SYSTEMS LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRERS, OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER O F OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRERS IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSU RE THAT ACQUIRERS DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, CIL SECURITIES LIMITED, HYDERABAD HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 20/09/2006 TO SEBI IN ACCORDANCE WITH THE SEB I (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS 1997 AND SUBSEQUENT AMENDEMENT (S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQU IRED FOR THE PURPOSE OF THE OFFER."

2. **DETAILS OF THE OFFER**

2.1 Background of the offer

2.1.1 Mr. PVRRLN Prasad, S/o P. Koteswararao, Resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel : 9393111039, Fax:08941-251079, E-mail : pvrr_prasad@rediffmail.com and Mr P Koteswararao, S/o. Veeraraghavulu, Resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel : 9346833399, Fax : 08941-251079, E-mail : pkoteswararao@rediffmail.com are making an open offer to the shareholders of M/s Innova Health Systems Limited, pursuant to Regulation 10 and 12 of SEBI (SAST) Regulations for the purpose of substantial acquisition of Shares with change in control & management of the Target Company. There are no Persons Acting in Concert ("PAC") with the Acquirers for the purpose of this offer.

2.1.2 The Acquirers have entered into a Share Purchase Agreement dated Wednesday, 06th September 2006 with Promoter Group of Innova Health Systems Limited whose details are given in the table below to acquire from them 13,90,000 fully paid -up Equity Shares of Rs.10/- each representing aggregate of 27.493% of the Subscribed Equity Share Capital (53.26% of Voting Capital) of Innova Health Systems Limited ("the acquisition") for cash at a price of Rs.1.00/- (Rupee One only) per share ('the negotiated price').

S.NO	Name of the Member of Promoter Group	Address of the Member of Promoter Group	Telephone No	Fax No.	No of Shares	Percentage of Subscribed/Voting capital	Amount @Rs 1.00 per fully paid equity share
1.	M Kalyana Chakravarthy	H.No.8-3-318/11/S/1, Jayaprakash Nagar, Ameerpet, Hyderabad – 500 073	040-23396879	040-23318473	500000	9.89/19.16	500000
2.	M N Vishnuvardhan	H.No.8-3-318/11/S/1, Jayaprakash Nagar, Ameerpet, Hyderabad – 500 073	040-23396879	040-23318473	500000	9.89/19.16	500000
3.	K Varalakshmi	Plot No.28 Arunodaya Nagar Colony, L B Nagar, Hyderabad.	----	----	390000	7.71/14.94	390000
			Total		**13,90,000**	**27.49/53.26**	**13,90,000**

The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid.

2.1.3 Salient features of the Share Purchase Agreement:

1. The acquirers shall acquire the Shares in the following proportion
   Mr PVRRLN Prasad - 4,90,000 fully paid equity shares
   Mr. P. Koteshwara Rao - 9,00,000 fully paid equity shares
   The Purchase consideration for the shares shall be paid as follows (a) A sum of Rs 0.50 (Fifty paisa only) per share as earnest money or deposit with the execution of this agreement. (b) Balance of Rs 0.50 (Fifty paisa only) per share at the time of completion
2. In case of non –compliance of any of the provisions of the Securities Exchange Board of India Takeover Regulations, this agreement shall not be acted upon by either Party.
3. The Acquirers and Seller have undertaken that if the public shareholding in the Company falls below the limit specified in listing Agreement with Stock Exchanges for the purpose of listing on continuous basis, purs uant to the agreements and Open Offer, the Acquirers will acquire only such number of shares under the agreement so as to maintain the minimum specified public shareholding in the Company.

2.1.4 The Acquirers, Sellers or Target Company have not been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11-B of the SEBI Act, and also not been violating any other regulations framed under the SEBI Act.

2.1.5 No Change in the Board of Director of the Target Company is Proposed after the offer as on the date of this letter of offer

2.2 The Offer

2.2.1 The Public Announcement dated Saturday, 09th September 2006 was made in the following newspapers, in accordance with Regulation 15 of the SEBI (SAST) Regulations:

Languages	Publication	Editions
English	Business Standard	All Editions
Hindi	Hindi Milap	All Editions
Telugu	Andhra Prabha	All Editions

(The Public Announcement is also available on the SEBI Website at http://www.sebi.gov.in/*)*

2.2.2 Since the total shares to be acquired under the Share-Purchase Agreement constitute 53.26% of the total voting capital of the Target Company which is more than 15% as prescribed under Regulation 10 of the Takeover Regulations and also resulting in change in control of the Target Company as prescribed under Regulation 12 of the Takeover Regulations, it requires open offer to be given by the Acquirers pursuant to Regulations 10 & 12 of the Takeover Regulations, to the shareholders of the Target Company. The Acquirers are now making this open offer to acquire upto 10,11,180 Equity Shares (being 20 % of Issued Capital) at Rs 6.00/ - (Rupees Six only) per fully paid equity share and Re 1.00 (Rupee One) for partly paid equity shares (Rs 2.50 Paid up). The offer of 10,11,180 Equity Shares being acquired shall consists of 5,22,000 Fully paid equity shares being 20% of the voting capital and 4,89,180 partly paid equity shares being 20% of the outstanding partly paid equity shares

2.2.3 The Offer is not subject to any minimum level of acceptance and is not a conditional offer.

2.2.4 The Acquirers do not hold any shares in the Target Company as on the date of this Letter of Offer. The Acquirers have not acquired any shares after the date of the Public Announcement till the date of this Letter of Offer.

2.2.5 **This is not a competitive bid.**

2.3 Object of the acquisition/ offer

2.3.1 This Open Offer to the Shareholders of the Target Company is being made, pursuant to Regulation 10 and 12 of SEBI (SAST) Regulations for the purpose of substantial acquisition of Shares with change in control & management of the Target Company.

2.3.2 Objects: The Object for acquisition of shares is to acquire the controlling stake in the Target Company.

2.3.3 Future Plans: The acquirers desire to continue the existing business of the Target Company and like to avail various growth opportunities in the existing business and thereby increase the value of stakeholders. The Acquirers are having vast experience in various fields of business. Both the acquires intend to use their vast business experience and continue the existing business of the target company by employing key managerial personnel having experience in the existing business of the Target Company

3 BACKGROUND OF THE ACQUIRERS (INCLUDING PACs, IF ANY)

3.1 Mr. PVRRLN PRASAD resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel : 9393111039, Fax: 08941-251079, Email : pvrr_prasad@rediffmail.com completed graduation from Andhra University and is having vast experience of about 10 years in the area of Administration, Marketing and Procurement of Agarbathies and has experience in Hotel , Restaurant and Real Estate business. Presently he is working for Ambica Agarbathies and Aroma Industries Limited as Asst. Manager and looking after Agarbathies, Hotel and Windmills division of the Company. He does not hold directorships in any Company. The Networth of Mr PVRRLN PRASAD as on 31st August 2006 is Rs 15,00,000 (Rupees Fifteen Lakhs only) as certified by Mr. Grandhi Vittal, Chartered Accountant, 2159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462)

3.2 Mr. P. KOTESWARARAO resident of Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002, Tel : 9346833399, Fax : 08941-251079, E-mail : pkoteswararao@rediffmail.com completed SSC from the Board of Secondary Education and is having an experience of 35 years in the area of Finance, Administration, Marketing and Procurement of Agarbathies and has experience in Hotel , Restaurant and Real Estate business. He is Director of Ambica Agarbathies and Aroma Industries Limited. The Networth of Mr P. KOTESWARARAO as on 31st August 2006 is Rs 1,30,00,000 (Rupees One Crore Thirty lakhs only) as certified by Mr. Grandhi Vittal, Chartered Accountant, 2159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462)

3.3 The Acquirer Mr P. KOTESWARARAO is father of Mr. PVRRLN PRASAD

3.4 Brief information of the Acquirers is given hereunder:

Name & Residential Address	Relationship, if any, with other Acquirer	Net Worth , as Certified by Chartered Accountant	Companies in which is a Director.
Mr PVRRLN Prasad S/o. P. Koteswararao Residing at Powerpet, Eluru, West Godavari Dist. Andhra Pradesh – 534 002	Son	Rs. 15,00,000 /- as on 31st August 2006. Certificate dated 31st August 2006	NIL
Mr P Koteswararao S/o Veeraraghavulu Residing at Powerpet, Eluru, West	Father	Rs. 1,30,00,000 /- as on 31st August 2006. Certificate dated 31st August 2006	Ambica Agarbathies & Aroma Industries Limited

Godavari Dist. Andhra Pradesh – 534 002			

3.5 Since the acquirers are not having any shares in IHSL, the disclosures under Chapter II of Regulations are not applicable.

3.6 None of the Acquirers hold any position on the Board of any listed companies

3.7 None of the Acquirers hold any controlling stake in any of the listed companies.

3.8 The Acquirers have agreed to Acquire the shares in the offer in the following manner (assuming full acceptance)

Mr PVRRLN Prasad to acquire 2,11,180 Equity Shares (including Partly Paid Equity Shares)
Mr P Koteswararao to acquire 8,00,000 Equity Shares (including Partly Paid Equity Shares)

3.9 The Acquirers have not promoted any Companies / Firms.

4. Disclosure required under Regulation 16(ix)

4.1 The acquirer undertake not to sell, dispose of or otherwise encumber any substantial asset of the target company except with the prior approval of the shareholders

4.2 As on the date of Public Announcement, the acquirers do not have any intention to dispose off or otherwise encumbrance of any assets of Target Company in succeeding two years except in ordinary course of business of the target company.

5. Option to the Acquirers in terms of Regulation 21(3)

As per clause 40A of the Listing Agreement, the company is required to maintain on a continuous basis, public shareholding of at least 25% of the total number of issued shares of a class or kind, for every such class or kind of its shares which are listed. On Completion of the offer formalities the public shareholding of the Target Company is not likely to fall below the limit specified for the purpose of listing on continuous basis in terms of the Listing Agreement with the stock exchange, therefore the option available under Regulation 21 (3) of the Takeover Regulation is not applicable.

6. Background of the Target Company

6.1 Innova Health Systems Limited was incorporated on November 18, 1992 as a Private Limited Company under the name Coromandel Spices & Resins Private Limited. It was converted into a Public Limited Company on December 9, 1994. The Company came out with a Public Issue during August, 1996 to implement the project of Manufacturing of Spices Oils and Oleoresins, Natural Colors (Food grade) & Herbal Extracts. The name of the company was changed to Innova Health Systems Limited on 26th July, 2001. The Registered office of the Target Company is at 1005, Deccan Towers, Basheerbagh, Hyderabad – 500 029, Ph No. 91-040-30281234, Fax No. 91-040-30281234, E-mail:innova_health@rediffmail.com. The Target Company has duly obtained all the required approvals/certificates for the change of Name and change in objects clause. .

6.2 The Target Company could not commence its project of Manufacturing of Spices Oil due to non-receipt of allotment money. At the Annual General Meeting held on 27th September 1999, the main objects of the Target Company were changed to carrying of business of providing of software services and solutions in the area of marketing of health care products like insurance, medical equipments, software, books pharmaceutical and services like telemedicines, pain clinics, diagnostics and consulting services, educational services.

6.3 The Target Company was initially promoted by Mr S.K Karimulla and Smt M.K Ratna Kumari. On 07th July 2000, Mr M Kalyan Chakravarthy along with Mr M.N Vishnuvardhan and Mrs Varalalshmi have agreed to acquire from Mr S.K Karimulla and associates (the then promoters) their holding by way of a Share Purchase Agreement. Public Announcement was made to the Shareholdes of the Target Company on 13th July 2000 and the Control of the management was changed to Mr M Kalyan Chakravarthy, Mr M.N Vishnuvardhan and Mrs Varalalshmi in compliance with the Takeover Regulation.

6.4 As on the date of Public announcement the Authorised Share Capital of IHSL is Rs 5,50,00,000/ - (Rupees Five Crores Fifty Lakhs Only) consisting of 55,00,000 Equity Shares of Rs. 10/ - each and the Issued and Subscribed Capital of the Company is Rs. 5,05,59,000 (Rupees Five Crores Five Lakhs Fifty Nine Thousand Only) consisting of 50,55,900 Equity Shares of Rs. 10/ - each and the paid-up capital of the Company is Rs. 3,22,14,750 (Rupees Three Crores Twenty Two Lakhs Fourteen Thousand Seven Hundred and Fifty Only) consisting of 26,10,000 full paid up Equity Shares and 24,45,900 Partly Paid up shares (i.e. Rs. 2.50/ - Per Equity share). As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid. There are no outstanding convertible instruments as on the date of this Public Announcement . The target Company has not taken any steps to forfeit the partly paid equity shares since the Public Issue of 1996

6.5 Share capital structure of the target company

Paid up Equity Shares of Target company	**No.of Shares/ voting rights**	**% of shares/voting rights**
Fully paid up equity shares	26,10,000 / 26,10,000	51.62% / 100%
Partly paid up equity shares	24,45,900 / NIL	48.38% / NIL
Total paid up equity shares	50,55,900/26,10,000	100%/51.62%

Note: The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid

6.6 Current Capital Structure of the Company has been built up since inception as per the details given below:

Date of allotment	Shares issued		Cumulative paid up capital		Mode of allotment	Identity of allottees	Status of compliance
	Number	**%**	**Shares**	**Capital**			
18-11-1992	2000*	0.04	2000	20000	Subscription to MoA	Promoters	Complied
01-03-1994	1250*	0.02	3250	32500	Further Issue	Promoters	Complied
14-10-1994	38700*	0.77	41950	419500	Further Issue	Promoters	Complied
15-09-1995	68400	1.35	110350	1103500	Further Issue	Promoters	Complied
28-11-1995	570000	11.27	680350	6803500	Further Issue	Promoters	Complied
30-11-1995	380000	7.52	1060350	10603500	Further Issue	Promoters	Complied
05-12-1995	287150	5.68	1347500	13475000	Further Issue	Promoters	Complied
05-12-1995	147500	2.92	1495000	14950000	Further Issue	Promoters	Complied
05-12-1995	20700	0.41	1515700	15157000	Further Issue	Promoters	Complied
23-09-1996	1094300	21.64	2610000	26100000	Further Issue	Promoters	Complied
23-09-1996	2445900**	48.38	5055900	32214750	Public Issue	Public	Complied
Total	**5055900**	**100.00**					

* On 18-11-1992, 01-03-1994 and 14-10-1994 the Target Company has allotted 200, 125 and 3870 Equity Shares of Rs 100/ - each and later the target company by special resolution at its EGM held on 21 -08-1995 have sub-divided the shares into face value of Rs.10/ - each. However the no. of shares shown in the table above is after sub division of shares.

**The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid

6.7 The equity shares of Target Company are listed on Hyderabad Stock Exchange Limited (HSE) and Ahmedabad Stock Exchange, and are infrequently traded. The Details of Listing fee payable by the Target company are as under:

- Hyderabad Stock Exchange Limited – Paid till the Financial Year 2006-07
- Ahmedabad Stock Exchange Limited – Paid till the Financial Year 2006-07

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6.8 This is to certify that:

a. In relation to Compliance of listing agreement requirements with HSE and ASE, the company has made delayed compliance with various provisions of the listing agreement.

b. The Company's securities are not suspended in any of the Stock Exchanges

The Stock Exchanges have not taken any action against the company for the non compliances/delayed compliances of the Listing Agreement

6.9 There are no outstanding convertible instruments (warrants / FCDs / PCDs). The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid

6.10 The Promoters / Sellers have complied with the provisions of Chapter II of the SEBI (SAST) Regulations, 1997 within the time specified under the regulations expect for the year 2001 the disclosure under regulation 8(1) were not made by the Promoters/Sellers. The disclosure u/r 7(1A) for the s ale by the promoters on 29th April 2005, 28th July 2005, 29th October 2005 and 29th December 2005 were made only to the Target Company and not to the Stock Exchanges.

6.11 Compliance with provisions of Chapter II of the SEBI (SAST) Regulations, 1997: The Targ et Company has not complied with Regulation 6(2) and 6(4) of regulations. In addition for the financial year ending 31/03/1998 and 31/03/1999 the disclosure under regulation 8(3) of the Regulation were not made. The disclosures under regulation 8 (3) for t he financial year ending 31/03/2000 were made with a delay of 100 days. The Target Company has received a show cause notice from SEBI vide its Letter no OTW/248/2001, dated 18th May 2001, for non compliance of the above said provisions. Later adjudication proceedings were initiated by SEBI against the Company for non-compliance of the above said provisions. However, an order, dated 21st November 2001, was passed discharging the adjudication proceedings taking into consideration the fact that there were no undue gains to the acquirers and to the Target Company and no loss to the Investors. The disclosures under regulation 8(3) for the financial year 2001 was not made by the Target Company and the disclosures under regulation 8(3) for the financial years 2002 to 2006 were made with delay on 10th August 2006. The disclosures under Regulation 7(3) for the sale by the promoters on 29th April 2005, 28th July 2005, 29th October 2005 and 29th December 2005 were made with delay on 22nd August 2006. SEBI may initiate suitable action, at a later stage, against the promoters and the target company for the aforesaid non-compliance with Chapter-II of the Regulation. The Status of Chapter II Compliance by the Promoters and the Target Company in form of Tables are provided as Annexure to this Letter of Offer.

6.12 No merger/ de-merger, spin off has taken place during the last 3 years. Innova Health Systems Limited was incorporated on November 18, 1992 as a Private Limited Company under the name and style of "Coromandel Spices & Resins Private Limited". It was converted into a Public Limited Company on December 9, 1994. The Name of the Target Company was changed to Innova Health Systems Limited on 26th July, 2001.

6.13 Composition of Board of Directors and details thereof:

Names	Designation	Date of Appointment	Qualification	Residential Address	Experience
M. Kalyana Chakravarthy	Non Executive Promoter Director	10-5-2001	MS, PGDBM	H.No.8-3-318/11/S/1, Jayaprakash Nagar, Ameerpet, Hyderabad – 500 073	He has an experience of 3 Years in the filed of Software Development in area of health care products.
M. Nagendra Vishnu Vardhan	Non Executive Promoter Director	10-5-2001	MBBS	H.No.8-3-318/11/S/1, Jayaprakash Nagar, Ameerpet, Hyderabad – 500 073	He has an experience of 6 Years in the filed of Software Development
Rajesh Kakkeri	Independent Director	10-5-2001	MS (General Surgery)	Rajdham, Opp. Public Garden, Station Road, Raichur.	He has an experience of over 10 years in designing and development of software.
S. Subbarao	Independent Director	29-4-2006	M Com., B.L	Sri Anjaneyam, H.No.47B, Errapragadawari Street, Ashok Nagar, Eluru – 534002	He is working as liaison officer for last 10 years for Ambica Agarbathies & Aroma Industries Limited
G. Trinath	Independent Director	29-4-2006	B Com.,	Vanaja Towers, Plot No 106, Opp Balaji Nagar Colony, Eluru - 534005	He is having an experience of over 15 years in the filed of Marketing and is acting as marketing manager in Ambica Agarbathies and Aroma Industries Limited.

6.14 Brief Audited financial details of the Target Company is as follows: (Amount Rs. In lacs)

Profit & Loss Statement	**2003-04**	**2004-05**	**2005-06**
Income from operations	4.76	4.01	4.20
Other Income	NIL	NIL	NIL
Total Income	4.76	4.01	4.20
Total Expenditure.	10.44	11.16	4.35
Profit Before Depreciation Interest and Tax	(5.68)	(7.15)	(0.15)
Depreciation	0.24	0.24	0.24
Interest	NIL	NIL	NIL
Profit (Loss) Before Tax	(5.92)	(7.39)	(0.39)
Provision for Tax	NIL	NIL	NIL
Profit (Loss) After Tax	(5.92)	(7.39)	(0.39)
Balance Sheet Statement			
Sources of funds			
Paid up share capital	322.15	322.15	322.15
Reserves and Surplus (excluding revaluation reserves)	NIL	NIL	NIL
Profit and Loss (Debit Balance)	(30.43)	(37.92)	(38.31)
Net worth	291.72	284.23	283.84
Secured loans	NIL	NIL	NIL
Unsecured loans	2.05	2.05	2.27
Deffered tax liability	NIL	NIL	NIL
Total	**324.20**	**324.20**	**324.42**
Uses of funds			
Net Fixed Assets	1.30	1.06	0.83
Investments	NIL	NIL	NIL
Net Current Assets	285.69	285.22	285.28
Total Miscellaneous Expenditure not written off	37.21	37.92	38.31
Total	**324.20**	**324.20**	**324.42**
Other Financial Data			
Dividend (%)	NIL	NIL	NIL
Earning Per Share(Rs.)	-ve-	-ve-	-ve-
Return on Net worth (%)	-ve-	-ve-	-ve-
Book Value Per Share (Rs)	8.84	8.82	8.81

“ Reason for Changes in Profit/(Loss) after Tax / Networth :

The Target Company could not commence its project of Manufacturing of Spices Oil due to non-receipt of allotment money. The Company has later changed it main objects to carrying of business of providing of software services and solutions in the area of marketing of health care products like insurance, medical equipments, software, books pharmaceutical and services like telemedicines, pain clinics, diagnostics and consulting services, educational services. However due to low Income from Operations from the Software Services the company has been sustaining continues losses, resulting in reduction of networth over the years.

6.15 (a) Pre and Post- Offer share holding pattern of the target company as per the following table .-

a. based on subscribed capital — As on the date of letter of offer

Shareholders' category	Shareholding prior to the agreement/ acquisition and offer.		Shares agreed to be acquired which triggered off the Regulations.		Shares to be acquired in open offer (Assuming full acceptances)		Share holding after the acquisition and offer. i.e.	
	(A)		(B)		(C)		(A)+(B)+(C)=(D)	
	No.of Shares Issued	% of Issued Capital	No. of Shares Issued	% of Issued Capital	No.of Shares Issues	% of Issued Capital	No.of Shares Issues	% of Issued Capital
1. Promoter Group.								
a. Parties to agreement, if any	13,90,000	27.49	NIL	NIL	NIL	NIL	NIL	NIL
b. Promoters other than (a) above	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total 1(a+b)	**13,90,000**	**27.49**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
(2) Acquirers								
a. PVRRLN Prasad	NIL	NIL	4,90,000	9.69	2,11,180	4.18	7,01,180	13.87
b. P Koteswararao	NIL	NIL	9,00,000	17.80	8,00,000	15.82	17,00,000	33.62
Total	**NIL**	**NIL**	**13,90,000**	**27.49**	**10,11,180**	**20.00**	**24,01,180**	**47.49**
(3) Parties to agreement other than(1) (a) & (b)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(4) Public	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
a. FIs/MFs/FIIs/ Banks,SFIs (indicate names)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Others	*36,65,900	72.51	NIL	NIL	NIL	NIL	26,54,720	52.51
Total (4)(a+b)	**36,65,900**	**72.51**	**NIL**	**NIL**	**NIL**	**NIL**	**2654,720**	**52.51**
GRAND TOTAL (1+2+3+4)	***50,55,900**	**100**					**50,55,900**	**100**

Note 1: *The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid

Note 2: As on the date of Public Announcement there are 1336 No. of shareholders in public category.

b. based on voting capital — As on the date of letter of offer

Shareholders' category	voting rights prior to the agreement/ acquisition and offer.		voting rights agreed to be acquired which triggered off the Regulations.		voting rights to be acquired in open offer (Assuming full acceptances)		voting rights after the acquisition and offer. i.e.	
	(A)		(B)		(C)		(A)+(B)+(C)=(D)	
	No of Voting Rights	% of Voting Capital	No of Voting Rights	% of Voting Capital	No of Voting Rights	% of Voting Capital	No of Voting Rights	% of Voting Capital
1. Promoter Group.								
a. Parties to agreement, if any	13,90,000	53.26	NIL	NIL	NIL	NIL	NIL	NIL
b. Promoters other than (a) above	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total 1(a+b)	**13,90,000**	**53.26**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
(2) Acquirers								
a. PVRRLN Prasad	NIL	NIL	4,90,000	18.77	1,22,000	4.67	6,12,000	23.44
b. P Koteswararao	NIL	NIL	9,00,000	34.48	4,00,000	15.33	13,00,000	49.81
Total	**NIL**	**NIL**	**13,90,000**	**53.26**	**5,22,000**	**20.00**	**19,12,000**	**73.26**
(3) Parties to agreement other than(1) (a) & (b)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(4) Public	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
a. FIs/MFs/FIIs/ Banks,SFIs (indicate names)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Others	* 12,20,000	46.74	NIL	NIL	NIL	NIL	6,98,000	26.74
Total (4)(a+b)	**12,20,000**	**46.74**	**NIL**	**NIL**	**NIL**	**NIL**	**6,98,000**	**26.74**
GRAND TOTAL (1+2+3+4)	***26,10,000**	**100**					**26,10,000**	**100**

Note 1: *The Target Company has 24,45,900 partly paid equity shares on which an amount of Rs 2.50 per share is paid. As per Article 111 of the Articles of Association of the company, no voting rights are exercisable on the shares on which calls or other sums presently payable have not been paid

Note 2: As on the date of Public Announcement there are 1336 No. of shareholders in public category

6.16 Corporate Governance **:** M/s Kari Venkateswarlu & Associates, Chartered Accountants, the Statutory Auditors of the Company vide their report on Corporate Governance dated 14/06/2006 which forms part of the annual report for the year 2005-06, confirmed that (a) They have examined the compliance of conditions of Corporate Governance by the Company for the year ended March 31st 2006 as stipulated in clause no. 49 of the Listing Agreement. (b) The company has complied with the conditions of corporate governance as stipulated in the listing agreement, and (c) Such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

6.17 Pending Litigation matters: There are no pending litigation matters except the following:

a) The Company has received a show cause notice from Office of Registrar of Companies, Andhra Pradesh, Hyderabad vide its Letter No. RAP/JTAI/15033/383A/2001 dated 02.08.2001 under section 383A (1A) of the Companies Act, 1956 for non appointment of Qualified Company Secretary. The Company in reply vide its Letter No. HIS/ROC/01 dated 16th August 2001 has appealed Registrar of Companies, Andhra Pradesh not to initiate any action on the grounds that the company has been incurring losses, the management of the company has recently changed and assured that the company would appoint a Company Secretary very shortly. Thereafter no action has been taken against the company by the Registrar of Companies, Andhra Pradesh.

b) The Company has received a show cause notice from Office of Registrar of Companies, Andhra Pradesh, Hyderabad vide its Letter No. ROC/TS-15033/JTAII/2001 dated 14.08.2001 for Technical Scrutiny of annual accounts of the company as on 31.03.2000 for violation of various provisions Section 217 of the Companies Act, 1956 relating to in-adequate disclosure in Directors Report. No reply was submitted by the Company till date nor was any action taken against the Company by the Registrar of Companies.

6.18 The Compliance Officer: Mr. M Nagendra Vishnu Vardhan, 1005, Deccan Towers, Basheerbagh, Hyderabad – 500 029, Ph No. 91-040-30281234, Fax No. 91-040-30281234, E-mail:Nagendra_vishnu@rediffmail.com)

7. OFFER PRICE AND FINANCIAL ARRANGEMENTS

7.1 Justification of Offer price

7.1.1 The annualized trading turnover during the preceding 6 calendar months prior to September 2006 in which the Public Announcement is made in terms of number & % of total listed shares, in each stock exchange where the shares of the target company are listed, is as under:

Name of stock exchange(s)	Total no. of shares traded during the 6 calendar months prior to the month in which PA was made.	Total No.of listed Shares	Annualized Trading turnover(in terms of % to total listed shares)
The Hyderabad Stock Exchange Limited (HSE)	NIL	50,55,900	NIL
The Ahmedabad Stock Limited (ASE)	NIL	50,55,900	NIL

Hence in terms of Regulation 20 (5) the shares of the Target Company are infrequently traded.

7.1.2 Since the equity shares of the Target Company are infrequently traded in terms of explanation (i) to Regulations 20(5) of the SEBI (SAST) Regulations, 1997, the offer price of Rs.6.00/- per fully paid share has been determined as per Regulation 20(5) taking into account the following factors:

a. The Negotiated price in terms of the SPA entered into on Wednesday, 06th September 2006 is Rs. 1.00 /-(Rupees One only) per fully paid equity share.

b. The Acquirers have not acquired any shares of **Innova Health Systems Limited**, including by way of allotment in public or rights issue or by way of preferential allotment by Target Company during the 26 Weeks Period prior to the date of public Announcement.

c. Book Value per share: The Value per fully paid up equity shares based on the Audited Balance Sheet as on 31st March 2006 as certified by Mr. Grandhi Vittal Chartered Accountant vide his revised share valuation report dated 15th September 2006 is Rs 8.81/- (Rupees Eight and Paise Eighty one only) based on Net Asset Value Method.

d. Justification for the Offer Price in terms of the Regulation 20(4) & (5) of the SEBI (SAST) Regulations:

	Rs
(a) The negotiated price under the Agreement referred to in Regulation 14(1) of the SEBI (SAST) Regulations.	1.00
(b) Price paid by the Acquirer for acquisition, if any, during the twenty six week period prior to the date of public announcement	NA
(c) Return on Net Worth	-ve
(d) value per fully paid up share (Net Asset Value Method)as certified by Chartered Accountant.	8.81
(f) Earning Per Share	-ve
(g) Price earning ratio on offer price	NA
(h) The average of the weekly high and low of the closing prices of the Shares of the Target Company as quoted on Hyderabad Stock Exchange Limited and the Ahmedabad Stock Exchange Limited are not available, since the Shares of the Target Company are most infrequently traded.	No trading has taken place for the said period

The shares of Target Company are not traded and therefore, for the purpose of valuation, market value could not be considered. IHSL had no profits in the last three years, therefore Earning Based Value per share has not been used to determine the offer price. Mr. Grandhi Vittal, Chartered Accountant (M. No. 206462) has vide his share valuation report dated 20th November 2006 based on Hon'ble Supreme Court Decision in the Case of Hindustan Lever Employee Union Vs HLL, 1995(83.com Case 30) and t he erstwhile CCI Formula have stated that the fair value per fully paid equity share is Rs 6.00 (Rupees Six only) for the purpose of offer price to the shareholders of Innova Helath Systems Limited. In view of the above, the Offer Price of Rs. 6.00(Rupee s Six Only) per fully paid up equity share based on the Certificate of Mr. Grandhi Vittal, Chartered Accountant is justified.

Justification of offer Price for Partly Paid Shares calculated in terms of Regulation 20(10)

Particulars	Amount
Offer Price per fully paid shares	Rs 6.00
Less amount due towards call remaining un paid	Rs 7.50
Price for Partly Paid Shares	Rs -1.50)

However the acquirers intend to offer Rs 1.00/- for partly paid shares.

7.1.3 The offer price shall not be less than the highest price paid by the Acquirers for any acquisition of shares of Target Company from the date of PA upto 7 working days prior to the closure of the offer.

7.1.4 **Non Compete Agreement**
The Acquirers and Sellers have not entered into any non-compete agreement

7.1.5 **Financial Arrangements:**

7.1.5.1 The Total fund requirement for the open offer is Rs 36,21,180 (Rupees Thirty Six Lacs Twenty one Thousand One hundred and Eighty only) assuming that the entire open offer is accepted. The Fund requirement is calculated as follows

i. Rs 31,32,000 –5,22,000 fully paid equity shares being acquired @Rs 6.00/ - per share
ii. Rs 4,89,180 – 4,89,180 partly paid equity shares being acquired @Re 1.00/ - per share

7.1.5.2 The Acquirers have assets, resources and means to meet thei r obligations under the Open Offer in full. For this purpose, the Acquirer intends to utilize the resources available with them.

7.1.5.3 Mr. Grandhi Vittal, Chartered Accountant, 2-159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462), vide his Certificate dated 31st August 2006, has certified that Mr. PVRRLN Prasad and Mr. P Koteswararao (acquirers) have adequate liquid resources to implement the Offer in full

7.1.5.4 The Acquirers have opened an Escrow Account with HDFC Bank, Lakdi Ka Pul Branch, Hyderabad and deposited cash of Rs 10,00,000/- (Rupees Ten Lacs only) being more than 25% of the Total consideration payable as mentioned is para 7.1.5.1 above. Also Lien has been marked in favour of Managers & Registrars to the offer

7.1.5.5 The acquirers have empowered the Managers & Registrars to the Offer to realize the value of the Escrow Account by encashing or otherwise in terms of the SEBI (SAST) Regulations, 1997.

7.1.5.6 Based on the above, the Managers & Registrars to the Offer have satisfied the mselves about the Acquirer's ability to implement the Open Offer in accordance with the SEBI (SAST) Regulations.

8. TERMS AND CONDITIONS OF THE OFFER

8.1 The Letter of Offer, together with the Form of Acceptance cum Acknowledgment will be mailed to the Shareho lders holding fully paid shares (" shareholders") of the Target Company (except the Acquirers, Persons Acting in Concert and the sellers who are party to the share purchase agreement) whose names appear in the Register of Members of the Target Company an d to the beneficial owners of the fully paid Shares of the Target Company whose names appear as beneficiaries on the records of the respective Depositories at the close of business on Friday, 06th October 2006. ("Specified Date").

8.2 The Managers & Registrars to the offer have opened a Special Depository Account with CDSL in the name and style of **"Cil Sec Ltd Escrow A/c - IHSL Open Offer "(**the "Depository Escrow Account"). The DP ID is **12013500** and Client ID is **1201350000049979** Shareholders having their benef iciary account in NSDL have to use the inter-depository delivery instructions slip for the purpose of crediting their Shares in favour of the Special Depository Account with CDSL.

8.3 This Offer will open on Wednesday, 13th December 2006 and will close on Mon day, 1st January 2007 The Equity Shares offered under this Offer should be free from all liens, charges, equitable interests, encumbrances and are to be offered together with, if any, of all rights of dividends, bonuses or rights from now on and hereafter.

8.4 Specified date is only for the purpose of determining the names of the Shareholders as on such date, to whom the Letter of Offer would be sent and all owners (registered or unregistered) of Shares of IHSL anytime before the closure of the Offer, are eli gible to participate in the Offer.

8.5 Shares that are subject to any charge, lien or encumbrance are liable to be rejected.

8.6 The Acquirers will not be responsible in any manner for any loss of Equity Shares Certificate(s) and Offer Acceptance Document(s) during transit and the Equity Shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

8.7 While tendering the Shares under the Open Offer, NRIs / OCBs / FIIs if any will be required to submit the previous RBI Approvals (specific or general) that they would have obtained for acquiring the Shares of the Target Company. In case the previous RBI approvals are not submitted, the Acquirers reserves the right to reject such Shares tendered.

8.8 While tendering Shares under the Open Offer, NRIs / OCBs / FIIs if any will be required to submit a Tax Clearance Certificate from the Income Tax Authorities, indicating the amount of tax to be deducted by the Acquirers under the Income Tax Act, 1961, before remitting the consideration. In case the aforesaid Tax Clearance Certificate is not submitted, the Acquirers will arrange to deduct tax at the rate as may be applicable to the Category of the Shareholder under the Income Tax Act, 1961, on the entire consideration amount payable to such Shareholder.

8.9 Besides this, as on this date to the best of the knowledge of the Acquirers, no other statutory approvals are required to acquire the Shares tendered pursuant to this Open Offer. However, the Open Offer would be subject to all statutory and such other approvals that may be applicable at a later date.

9 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT:

9.1 Beneficial owners (holders of Shares in dematerialised form), who wish to tender their shares will be required to send their Form of Acceptance cum Acknowledgement along with photocopy of the delivery instruction slip in "Off Market" mode or counterfoil of the delivery instruction slip in "Off Market" mode, duly acknowledged by the Depository Participant ("DP") in favour of **"CIL Sec Ltd Escrow A/c - IHSL Open Offer " (the "Depository Escrow Account")** to CIL Securities Ltd # 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad- 500 001 either by hand delivery on week days during the normal business hours or by Registered Post/Courier on or before the close of the Open Offer, i.e., not later than Monday, 1st January 2007, in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance cum Acknowledgement. The credit for the delivered Shares should be received in the Special Depository Account on or before close of the Open Offer, i.e., not later than Monday, 1st January 2007

9.2 Shareholders (holding physical share certificates) who wish to tender their Shares will be required to send the Form of Acceptance cum Acknowledgment, original Share Certificate(s) and transfer deed(s) duly signed to the collection center mentioned below, on or before the Close of the Offer, i.e., not later than Monday, 1st January 2007 in accordance with the instructions to be specified in the Letter of Offer and in the form of Acceptance cum Acknowledgement.

Name and Address of the persons (Managers & Registrars to the Offer) to whom the Shares should be sent including name of the contact person, telephone no., fax no. etc.	Working days and Timings	Mode of delivery
CIL SECURITIES LIMITED #214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001. Tel. Nos. (040) 2320 2465/3155. Fax No. (040) 2320 3028. Contact Person : Shri B.M. Maheshwari E Mail: advisors@cilsecurities.com	Monday to Saturday (Except on Holidays) 11:00 A.M to 5:00 PM	By Post/ Courier/ Hand Delivery

9.3 All owners (registered or unregistered) of Shares of the Target Company (except the Acquirers, Persons acting in concert and the sellers who are party to the share-purchase agreement) are eligible to participate in the Open Offer any time before the closure of the Open Offer. Unregistered owners can send their application in writing to the Managers & Registrars to the Offer, on a plain paper stating the Name, Address, Number of Shares held, Number of Shares offered, Distinctive Numbers, Folio Number, together with the original Share Certificate(s), valid Transfer Deed(s) and the original contract notes issued by the Broker through whom they acquired their Shares. No indemnity is required from the unregistered owners.

9.4 All shareholders (registered/unregistered, holding shares in physical/demat form) who wish to tender the shares should send all the required documents only to the Managers & Registrars to the Offer and the documents should not be sent to the acquirers/ Target Company.

9.5 In case of non-receipt of the Letter of Offer, the eligible persons may send their consent to the Managers & Registrars to the Offer, on a plain paper stating the Name, Address, Number of Shares held, Number of Shares offered, Distinctive Numbers, along with documents as mentioned above so as to reach the Mangers to the Offer on or before the close of the Open Offer. i.e., not later than Monday, 1st January 2007 or in case of beneficial owners, they may send the application in writing to the Managers to the Offer, on a plain paper stating the Name, Address, Number of Shares held, Number of Shares offered, DP Name, DP ID, Beneficiary Account Number, and a photo copy of the delivery instruction slip in "Off Market" mode or counterfoil of the delivery instruction slip in "Off Market" mode, duly acknowledged by the DP, in favour of the Special Depository Account, so as to reach the Managers & Registrars to the Offer, on or before the close of the Offer, i.e., not later than Monday, 1st January 2007.

9.6 In terms of Regulation 22(5A) of the SEBI (SAST) Regulations, Equity Shareholders desirous of withdrawing the acceptance tendered by them in the Open Offer, may do so up to 3 (three) working days prior to the date of closure of the Open Offer. The withdrawal option can be exercised by submitting the documents as per the instructions given below, so as to reach the Managers & Registrars to the Offer at the Collection Centre mentioned above, as per the mode of delivery mentioned therein, on or before Wednesday, 27th December 2006

9.7 The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with the Letter of Offer.

- 9.7.1.1 In case of non-receipt of Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application along with the following details:
- 9.7.1.2 In case of physical shares: Name, Address, Distinctive Numbers, Folio Number, Number of Shares tendered, and
- 9.7.1.3 In the case of Dematerilised Shares: Name, Address, Number of Shares Offered, DP Name, DP ID, Beneficiary Account Number and a photo copy of the delivery instruction slip in "Off Market" mode or counterfoil of the delivery instruction slip in "Off Market" mode, duly acknowledged by the DP, in favour of the Special Depository Account.

9.8 The Managers & Registrars to the Offer will hold in trust the Shares / Share Certificates, Shares lying in credit of the Special Depository Account, if any, and the transfer form(s) on behalf of the Shareholders of the Target Company who have accepted the Offer, till the cheques / drafts for the consideration and / or the acceptable Shares / Share Certificates are dispatched / returned.

9.9 If the aggregate of the valid responses to the Open Offer exceeds the Open Offer size of 10,11,180 Equity Shares (i.e 5,22,000 fully paid-up Equity Shares and 4,89,180 Partly Paid Equity Shares) of the Target Company (representing 20% of the Subscribed Capital of the Target Company), then the Acquirers shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. The market lot for the dematerialized shares will be 1 (one) share and for the physical share the market lot will be 100 (hundred) shares.

9.10 The Acquirers shall complete all procedures relating to the Offer within a period of 15 days from the closure of the Offer, in terms of Regulation 22(12) of the Regulations. In the case of delay in receipt of statutory approvals, SEBI has the power to grant extension of time for the purpose of making payment subject to the Acquirers agreeing to pay interest for the delayed period to the shareholders as directed by SEBI. Further if the delay occurs on account of willful default by the Acquirers in obtaining the requisite approvals, Regulation 22(13) of the Regulations will also become applicable.

9.11 Unaccepted Share Certificates, transfer forms and other documents, if any, will be returned by Registered Post at Shareholders' / unregistered owners' sole risk to the sole / first Shareholder. Unaccepted Shares held in demat form will be credited back to the beneficial owners' depository account with the respective depository participant, as per the details furnished by the beneficial owner in the Form of Acceptance cum Acknowledgement.

9.12 Shareholders who have sent their Shares for dematerialisation need to ensure that the process of getting their Shares dematerialised is completed well in time so that the credit in the Special Depository Account is received on or before the date of the closure of the Open Offer, i.e., not later than Monday, 1st January 2007., else their application would be rejected.

9.13 Any Shares that are the subject matter of litigation wherein the Shareholder(s) may be precluded from transferring the Shares during the pendency of the said litigation are liable to be rejected in case directions / orders regarding these shares are not received together with the Shares tendered under the Open Offer. The Letter of Offer in some of these cases, wherever possible, would be forwarded to the concerned statutory authorities for further action at their end.

10. DOCUMENTS FOR INSPECTION

Copies/Certified copies of the following documents will be available for inspection at the Office of CIL Securities Ltd (Managers & Registrars to the Offer) at # 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001 during normal business hours on any working day i.e Monday to Saturday between 11.00 AM to 5.00 PM during the of fer period , i.e. from Wednesday, 13th December 2006 to Monday, 01st January 2007.

10.1 Copy of agreement dated Wednesday, 06th September 2006 entered between Promoters of IHSL and Acquirers
10.2 Copy of MOU dated Thursday, 07th September 2006, between the Acquirers and Manager to the Offer.
10.3 Copy of MOU dated Thursday, 07th September 2006, between the Acquirers and Registrars to the Offer.
10.4 Copy of the Agreement dated Thursday, 07th September 2006 for opening of Special Depository Account
10.5 Audited Annual Accounts of IHSL for the last three years, 2004, 2005 & 2006.
10.6 Copy of Certificate dated 31st August 2006, issued by Mr. Grandhi Vittal, Chartered Accountant, 2-159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462) certifying the Net Worth of Mr. P Koteswararao.
10.7 Copy of Certificate dated 31st August 2006, issued by Mr. Grandhi Vittal, Chartered Accountant, 2-159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462), certifying the Net Worth of Mr. PVRRLN Prasad
10.8 Copy of Book Value calculation Report issued vide letter dated 31st August 2006 by Mr Grandhi Vittal, Chartered Accountant
10.9 Copy of Certificate dated dated 31st August 2006, issued by Mr. Grandhi Vittal, Chartered Accountant, 2-159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462), certifying that the Acquirers have adequate resources to implement the Offer in full
10.10 Copy of share valuation report dated 20th November 2006, issued by Mr. Grandhi Vittal, Chartered Accountant, 2-159, Street No. 3, Vani Nagar, Malkajigiri, Hyderabad-500047. (Membership No. 206462) stating the fair price per fully paid equity shares for the purpose of offer.
10.11 Copy of letter dated 16/09/2006 from HDFC Bank Lakdi Ka Pul, Hyderabad, confirming the opening of Escrow Account and certifying that lien has been noted in favor of CIL Securities Limited, Manager to the Offer.
10.12 Copy of Letter addressed by Mr. P Koteswararao and Mr. PVRRLN Prasad, giving unqualified authority to Manager to the Offer to dispose off funds held in Escrow Account and copy of letter addressed to HDFC Bank, Ladki Ka Pul Branch, Hyderabad in this regard.
10.13 Copies of the Public Announcements made in newspapers on Saturday, 09th September 2006.
10.14 Due Diligence letter dated 20/09/2006 submitted to SEBI by CIL Securities Ltd., Manager to the Offer
10.15 SEBI Observation letter No. CFD/DCR/AG/79591/06 dated November 10,2006.

DECLARATION BY THE ACQUIRERS:

The Acquirers accepts full responsibility for the information contained in this Letter of Offer.
All information contained in this document is as on the date of the Public Announcement, unless stated otherwise.
The Acquirers shall be jointly and severally responsible for ensuring compliance of the Regulations.

Signed by the Acquirers

Sd/-	Sd/-
Mr. P Koteswararao	**Mr. PVRRLN Prasad**

Place: Hyderabad
Date: 29/11/2006

Encl.: 1. Annexure to Para 6.11 of the Letter of Offer
2. Form of Acceptance cum Acknowledgement.
3. Form of Withdrawal

ANNEXURE TO PARA 6.11 OF THE LETTER OF OFFER

STATUS OF COMPLIANCE WITH THE PROVISIONS OF CHAPTER II OF THE TAKEOVER REGUALTIONS (as applicable)

a) By M N Vishnuvardhan being the promoter/Seller/major shareholder

Sl. No.	Regulation/ Sub-regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	8(1)	21.04.2001	Not Complied	Not Complied	
2	8(2)	21.04.2001	Not Complied	Not Complied	
3	8(1)	21.04.2002	15.04.2002	No Delay	
4	8(2)	21.04.2002	15.04.2002	No Delay	
5	8(1)	21.04.2003	18.04.2003	No Delay	
6	8(2)	21.04.2003	18.04.2003	No Delay	
7	8(1)	21.04.2004	13.04.2004	No Delay	
8	8(2)	21.04.2004	13.04.2004	No Delay	
9	8(1)	21.04.2005	21.04.2005	No Delay	
10	8(2)	21.04.2005	21.04.2005	No Delay	
11	8(1)	21.04.2006	12.04.2006	No Delay	
12	8(2)	21.04.2006	12.04.2006	No Delay	
13	7(1A)	30.07.2005	29.07.2005	No delay	

b) By K Varalakshmi being the promoter/Seller/major shareholder

Sl. No.	Regulation/ Sub-regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	8(1)	21.04.2001	Not Complied	Not Complied	
2	8(2)	21.04.2001	Not Complied	Not Complied	
3	8(1)	21.04.2002	15.04.2002	No Delay	
4	8(2)	21.04.2002	15.04.2002	No Delay	
5	8(1)	21.04.2003	18.04.2003	No Delay	
6	8(2)	21.04.2003	18.04.2003	No Delay	
7	8(1)	21.04.2004	13.04.2004	No Delay	
8	8(2)	21.04.2004	13.04.2004	No Delay	
9	8(1)	21.04.2005	21.04.2005	No Delay	
10	8(2)	21.04.2005	21.04.2005	No Delay	
11	8(1)	21.04.2006	12.04.2006	No Delay	
12	8(2)	21.04.2006	12.04.2006	No Delay	
13	7(1A)	31.10.2005	30.10.2005	No delay	
14	7(1A)	31.12.2005	29.12.2005	No delay	

c) By M Kalyana Chakravarthy being the promoter/Seller/major shareholder

Sl. No.	Regulation/ Sub-regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	8(1)	21.04.2001	Not Complied	Not Complied	
2	8(2)	21.04.2001	Not Complied	Not Complied	
3	8(1)	21.04.2002	15.04.2002	No Delay	
4	8(2)	21.04.2002	15.04.2002	No Delay	
5	8(1)	21.04.2003	18.04.2003	No Delay	
6	8(2)	21.04.2003	18.04.2003	No Delay	
7	8(1)	21.04.2004	13.04.2004	No Delay	
8	8(2)	21.04.2004	13.04.2004	No Delay	
9	8(1)	21.04.2005	21.04.2005	No Delay	
10	8(2)	21.04.2005	21.04.2005	No Delay	
11	8(1)	21.04.2006	12.04.2006	No Delay	
12	8(2)	21.04.2006	12.04.2006	No Delay	
13	7(1A)	01.052005	30.04.2005	No delay	

Note :

1. The Existing Promoters have acquired the shares , control and management of the Target Company during the financial year 2000-2001, hence the disclosure u/r 6(1) and 6(3) were not required and disclosure u/r 8(1) and 8(2) up to 31.03.2000 were not required
2. The Disclosure u/r 7(1A) were made only to the Target Company and not to the Stock Exchanges where the shares of the target company are listed.

d) By Innova Health Systems Limited (i.e Target Company)

Sl. No	Regulation/Sub - regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	6(2)	20.05.1997	Not Complied	Not Complied	
2	6(4)	20.05.1997	Not Complied	Not Complied	
3	8(3)	30.04.1998	Not Complied	Not Complied	
4	8(3)	30.04.1999	Not Complied	Not Complied	
5	8(3)	30.04.2000	10.08.2000	100 days	
6	8(3)	30.04.2001	Not Complied	Not Complied	
7	8(3)	30.04.2002	10.08.2006	4 Years 3Months	
8	8(3)	30.04.2003	10.08.2006	3 Years 3Months	
9	8(3)	30.04.2004	10.08.2006	2 Years 3Months	
10	8(3)	30.04.2005	10.08.2006	1 Years 3Months	
11	8(3)	30.04.2006	10.08.2006	3Months	
12	7(3)	07.052005	22.08.2006	1 Year 3Months	
13	7(3)	05.08.2005	22.08.2006	1 Year	
14	7(3)	06.11.2005	22.08.2006	9 Months	
15	7(3)	05.01.2006	22.08.2006	7 Months	

Note : The Target Company has not complied with Regulation 6(2) and 6(4). In addition for the financial year ending 31/03/1998 and 31/03/1999 the disclosure under regulation 8(3) of the Regulation were not made. The disclosures under regulation 8 (3) for the financial year ending 31/03/2000 were made with a delay of 100 days. The Target Company has received a show cause notice from SEBI vide its Letter no OTW/248/2001, dated 18th May 2001, for non compliance of the above said provisions. Later adjudication proceedings were initiated by SEBI against the Company for non-compliance of the above said provisions. However, an order, dated 21st November 2001, was passed discharging the adjudication proceedings taking into consideration the fact that there were no undue gains to the acquirers and to the Target Company and no loss to the Investors.