

LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer (LOO) is sent to you as equity shareholder(s) of Innovation Medi Equip Limited. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or Systematix Corporate Services Limited (Manager to the Offer) or Cameo Corporate Services Limited (Registrar to the Offer). In case you have recently sold your shares in the Company, please hand over this LOO and the accompanying Form of Acceptance cum acknowledgment and Transfer Deed to the Member of Stock Exchange through whom the said sale was effected.

CASH OFFER AT A PRICE OF RS. 4.75 (RUPEES FOUR AND SEVENTY FIVE PAISE ONLY) PER EQUITY SHARE

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

TO ACQUIRE

from existing equity shareholders up to 9 00 000 equity shares of Rs. 10/- each representing 20% of the voting share capital of

INNOVATION MEDI EQUIP LIMITED

Registered office : No. 290, SIDCO Industrial Estate, Ambattur, Chennai 600 098.Tel: (044) 26257414 Fax: (044) 26258764

By

Mr. Mubarak Ali, residing at 304-15 Blk 865, Yishun St B1, Singapore 760865 domiciled in India at D3 Nest Tower,72, Kamdar Nagar III st,Mahalingapuram,Chennai 600 034

Mrs. Anarkali Begum, residing at 304-15 Blk 865, Yishun St B1, Singapore 760865 domiciled in India at D3 Nest Tower,72, Kamdar Nagar III st,Mahalingapuram,Chennai 600 034

Mr. Sathish Kumar, residing at 7650, Sundown Lane,Prunedale, CA 93907 domiciled In India at Samanwayam near GLP School ,PO ,Kottooli ,Calicut , Kerala 673 016

(HEREINAFTER COLLECTIVELY REFERRED TO AS “ACQUIRERS”)

1. The Offer is subject to approval, if any required from RBI for acquiring of shares by the acquirers and transfer of shares by the Non Resident Shareholders. As on the date of this Letter of Offer, there are no other approvals, statutory or otherwise, required under the Companies Act 1956, Monopolies and Restrictive Trade Practice Act, 1969, the Foreign Exchange Management Act, 1999 and / or any other applicable laws and from any bank and /or financial institutions for the said acquisition.

2. The Shareholders shall have the option to withdraw acceptance tendered by them up to three working days prior to the date of closure of the offer i.e. on or before 25th March, 2005

3. In case of any upward revision / withdrawal of the Offer, the Public Announcement for the same would be made in the same newspapers where the original Public announcement has appeared. The last date for such upward revision, if any, is 7 working days prior to the date of closure i.e., 18th March,2005.

4. The Acquirers will pay the same price for all the equity shares tendered in the Offer.

5. The Offer is not subject to minimum level of acceptance.

6. The Offer is not a competitive bid

Equity shareholders may note that if there is a competitive bid

-The public offers under all the subsisting bids shall close on the same date

-As the Offer Price cannot be revised during 7 working days prior to the closing date of the offers / bids, it would, there-fore, be in the interest of the shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.

7. **No pending Litigations are pending against the Acquirers i.e., Mr Mubarak Ali, Mrs Anarkali Begum and Mr Sathish Kumar**

78. A copy of the Public Announcement & Letter of Offer (including form of acceptance cum acknowledgement and form of withdrawal) is also available at the website of SEBI www.sebi.gov.in

Manager to the Offer	Registrar to the Offer
SYSTEMATIX CORPORATE SERVICES LTD EGA TRADE CENTRE, BLOCKS C &D, 4TH FLOOR 809,POONAMALLEE HIGH ROAD CHENNAI 600 010 Tel:04426612184/ 88 Fax: 044 26612190 Contact Person: Mr. C P Khandelwal Email:scslch@vsnl.com SEBI Regn no: INM 000004224	CAMEO CORPORATE SERVICES LTD SUBRAMANIAN BUILDING CLUB HOUSE ROAD CHENNAI 600 002 TEL:044 28460390 FAX: 044 28460129 Contact Person: Mr. A Siva Subramian Email:siva@cameoindia.com SEBI Regn no: INR000003753
OFFER OPENS ON March 14th,2005	OFFER CLOSES ON April 15thMarch 29th,2005

Activity schedule

Activity	Original Day and Schedule	Revised Schedule
Public Announcement Date (PA)	January 13 th ,2005, Thursday	January13 th ,2005, Thursday
Specified Date	February 11 th 2005, Friday	February 11 th 2005, Friday
Date by which Letter of Offer to be despatched to Shareholders	February 25 th 2005, Friday	February 25 th 2005, Friday
Offer opening Date	M a r c h 1 4 th 2005, Monday M a r c h 14th 2005, Monday	M a r c h 9 th 2005, Wednesday
Offer Closing Date	A p r i l 15 th 2005, Friday A p r i l 15th 2005, Friday	March 29 th 2005, Tuesday
Date of Supplementary Public Announcement		February 22 nd 2005, Tuesday
Last date for revising the Offer Price/ number of shares	A p r i l 5 th 2005, Tuesday A p r i l 5th 2005, Tuesday	March 18 th 2005, Friday
Last date for a Competitive Bid	February 3 rd 2005, Thursday	F e b r u a r y 3 rd 2005, Thursday
L a s t d a t e o f communicating rejection / acceptance and payment of consideration for accepted tenders	April 19 th 2005, Tuesday	April 12 th 2005, Tuesday
Last date for withdrawing acceptance from the Open Offer	A p r i l 11 th 2005, Monday A p r i l 11th 2005, Monday	March 25 th 2005, Friday

INDEX

Sr.No	Subject	Page No
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1	Disclaimer Clause	1
2	Details of the Offer	1
3	Rationale for the Offer	4
4	Back Ground of the Acquirers	6
5	Back Ground of the Target Company - IMEL	7
6	Offer Price	13
7	Financial Arrangements	16
8	Terms and Conditions for the Offer	17
9	Statutory Approvals	17
10	Procedure for acceptance and settlement of the Offer	18
11	Offer Period	20
12	Withdrawal Option	21
13	General	21
14	Documents for Inspection	22
15	Declaration by the Acquirers	23

DEFINITIONS

Acquirers	Mr. Mubarak Ali, Mrs. Anarkali Begum and Mr. Sathish Kumar
Date Of Public Announcement	13 th January ,2005
PA	Public Announcement
Public Announcement	The Public Announcement relating to the offer as appeared in the newspapers on 13.01.2005
Letter of Offer / LOO	This Letter of Offer dated 25 th January,2005
Persons eligible to participate in the Offer	Equity shareholders of Innovation Medi Equip Limited (other than Sellers / Acquirer) whose names appear on the Register of the Members of Innovation Medi Equip Limited at the close of business hours on 11.02.2005 (the “ Specified Date ”) and also to those persons who own the shares at any time prior to the closure of the offer, but are not the registered equity shareholders.
SPA	Share Purchase Agreement
SEBI	Securities Exchange Board of India
BSE	The Stock Exchange, Mumbai
MSE	Madras Stock Exchange
ASE	Ahmedabad Stock Exchange
DP	Depository Participant
Specified Date	February 11th,2005
The Regulations / SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof.
Target Company / IMEL	Innovation Medi Equip Limited
Manager to the Offer / Merchant Banker	Systematix Corporate Services Limited
Registrars to the Offer	Cameo Corporate Services Limited
Offer or Open Offer	Cash Offer being made by the Acquirers to the Shareholders of Innovation Medi Equip Limited on the terms contained in this Letter of Offer
Book Value per share	[(Share Capital+ Reserves (Net of revaluation reserves)-(Miscellaneous expenses to the extent not written off- Accumulated losses -Deferred Tax Asset)]/ Number of Shares
Offer Price	Rs4.75/- (Rupees Four and Seventy Five paise only) per fully paid up equity share of Rs10/- each of M/s Innovation Medi Equip Limited
Sellers / Promoters	M/s Innovation Software Exports Limited, M/s ISL Consulting Limited and Mr. C K Kothari
Form of Acceptance	The form of application cum

	acknowledgement and authority, which is enclosed with this Letter of Offer.
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RISK FACTORS

A. Relating to the Proposed Offer

The Offer is subject to approval, if any required from RBI for acquiring of shares by the acquirers and transfer of shares by the Non Resident Shareholders.

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

B. In associating with the Acquirers:

Post this Offer the Acquirers will have significant equity ownership and control over the Target Company pursuant to regulations 10 & 12 and the interest of the Acquirer may conflict with those of the other shareholders.

C. Relating to the Transaction

In the event of Non compliance of any of the Provisions ~~of Regulation 22~~ of SEBI (SAST) Regulations, 1997 the Share Purchase agreement shall not be acted upon by the Promoter ~~or Seller~~ or the Acquirer and the Manager to the Offer and shall act in accordance with SEBI (SAST) Regulations, 1997 and such directions as may be issued by SEBI.

1. DISCLAIMER CLAUSE

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 LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE EQUITY SHAREHOLDERS OF INNOVATION MEDI EQUIP LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. 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 OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRERS ARE 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 ENSURE THAT ACQUIRERS DULY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY.IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, SYSTEMATIX CORPORATE SERVICES LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 18th JANUARY, 2005 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE .

2. DETAILS OF THE OFFER

2.1 BACKGROUND

2.1.1 The offer is being made in compliance with Regulations 10 & 12 of the Regulations for Substantial Acquisition of shares of IMEL and consequent change in control of management of the Company.

2.1.2 The Acquirers have executed a Share Purchase Agreement (herein after referred to as “SPA”) on January 7, 2005 with the Promoters, comprising M /s Innovation Software Exports Limited (registered office : No. 290, Sidco Industrial Estate, Ambattur, Chennai 600 098.Tel: (044) 26257414Fax: (044) 26258764 , M/s ISL Consulting Limited (registered office :No. 290, Sidco Industrial Estate, Ambattur, Chennai 600 098.Tel: (044) 26257414 Fax: (044) 26258764 and Mr. C K Kothari residing at 6,Agam Apartment ,Barrage cross Road, Vasana , Ahmedabad, Gujarat by and under which they have agreed to purchase from the Sellers, by way of an off-market purchase, 13 80 848 fully paid up equity shares of Rs. 10/- each of M/s Innovation Medi Equip Limited (comprising 30.69 % of the existing paid up equity share capital of the Target Company) for a consideration of Rs. 4.75/- per equity share, aggregating to Rs. 65 59 028/- (Rupees Sixty Five Lakhs Fifty Nine Thousand and Twenty Eight Rupees only) to be paid in cash by the Acquirer in accordance with the terms of the Agreement.

The Salient features of the Agreement are:

- 1) Shares to be acquired under the agreement

Sl.No.	Seller	Buyer	No. of Shares
1	Innovation Software Exports Limited	1. Mr. Mubarak Ali	5 00 000
		2. MrsAnarkali Begum	1 29 900
2	ISL Consulting Ltd	1.Mrs Anarkali Begum	49 451
		2. Mr. Sathish Kumar	1 00 549
3	Chhaganlal K Kothari	Mr. Sathish Kumar	6 00 948
		Total	13 80 848

- 2) The Consideration for 13 80 848 Equity Shares at Rs 4.75/-aggregating 65 59 028/- has been paid to the Sellers by way of Demand Draft /Cheques dated 7th January 2005
- 3)The Sellers have deposited the shares in an Escrow Account – in favour of the Manager to the Offer who shall not transfer the shares to the acquirers until the completion of the Open offer.
- 4) Upon completion of the open offer formalities and compliance of Substantial acquisition of Shares and takeovers Regulations, the Manager to the offer shall transfer the shares to the acquirers as under:

Sl.No.	Name	No. of Shares	5) In the event of Non compliance of any of
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1	Mr. Mubarak Ali	5 00 000
2	Mrs.Anarakali Begum	1 79 351
3	Mr. Sathish Kumar	7 01 497

the Provisions of Regulation 22 of SEBI (SAST) Regulations, 1997 this agreement shall not be acted upon by the Promoters or the Acquirers and the Manager to the Offer

shall act in accordance with SEBI (SAST) Regulations, 1997 and such directions as may be issued by SEBI.

6) The present directors of the company during the pendency of the agreement, shall continue the management of the company. On completion of the purchase of shares under this agreement, the acquirers shall get appointed or shall nominate persons as Directors on the Board of the company. Simultaneously the present Directors shall resign from the Board of the company.

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2.1.3 The other Promoters holding 356449 shares constituting 7.92% are not the parties to the SPA dated 07.01.2005.They have also undertaken not to participate in the instant offer along with the Public.

2.1.4. The Acquirers and Innovation Medi Equip Limited and the Sellers comprising Innovation Software Exports limited, ISL Consulting Limited and Mr. Chhaganlal K Kothari have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act, 1992, as amended (the “SEBI Act”) or any other regulation made under the SEBI Act

2.2 The Offer

2.2.1 Pursuant to the aforesaid Agreement provisions of Regulation 10 read with Regulation 12 of SEBI (Substantial Acquisition of Shares and Takeovers), Regulations 1997 and subsequent amendments thereto (hereinafter referred to as ‘Regulations’) have been attracted. The Acquirer announced an open offer under the Regulations, to acquire by tender up to 9,00,000 fully paid-up equity shares of Rs.10/-each of IMEL representing 20% of its paid up equity share capital from the shareholders of IMEL (other than “Sellers” “Acquirer”) on the terms and subject to the conditions set out below, at a price of Rs.4.75 (Rupees Four and Seventy Five Paise Only) per equity share **(the “Offer Price”)** payable in cash **(the “Offer”)**. This offer is made for substantial acquisition of shares & change in control pursuant to regulations 10 & 12.

2.2.2. The offer is not subject to any minimum level of acceptance.

2.2.3 As on the date of the Public Announcement, Acquirers collectively hold 6 41 818 equity shares representing 14.26% of the paid up share capital of IMEL. The highest and average price at which the Acquirers have acquired shares in the Target Company during the last 12 months are Rs 5/- and Rs4.03/- respectively.

2.2.4 The Offer is subject to the terms and conditions set out herein.

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2.3 Details of the Proposed Offer

2.3.1 The Public Announcement dated 13th January,2005, as per Regulation 15(1) of the Regulations, was made in the following newspapers:

Sl.NO	Name of the Publications	Editions
1	Business Line (English)	All Editions
2	Makkal Kural (Tamil)	All Editions
3	Prathakal (Hindi)	All Editions

A copy of Public Announcement is also available at SEBI’s website (www.sebi.gov.in)

2.3.2 The Acquirers have announced an open offer under Regulation 10 of the Regulations, to the shareholders of Innovation Medi Equip Limited to acquire up to 9 00 000 fully paid up equity shares of Rs.10/- each representing 20% of the paid-up capital of the Target Company, at a price of Rs.4.75/- per equity share (the “Offer Price”) payable in cash (the “Offer” or “Open Offer”).

2.3.3 The equity shares of Innovation Medi Equip Limited are currently listed on The Stock Exchange, Mumbai (“BSE”), Madras Stock Exchange Limited, Chennai (“MSE”) and The Ahmedabad Stock Exchange Limited, Ahmedabad (“ASE”). The Company has made an application to de list the shares from MSE and ASE. The de listing approvals are awaited from these stock exchanges. The equity shares of the Target Company are frequently traded on the BSE (source www.bseindia.com) and are infrequently traded on MSE & ASE within the meaning of Regulation 20 of the SEBI (SAST) Regulations. The Offer Price of Rs.4.75/- per equity share has been determined as per Regulation 20 (4) of the SEBI (SAST) Regulations.

2.3.4 The equity shares of Innovation Medi Equip Limited to be acquired, pursuant to the Offer, shall be free from all liens, charges and encumbrances and together with all

rights attached thereto, including the rights to all dividends or other distributions hereinafter declared, made or paid.

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

2.3.6 The Offer is not a competitive bid

2.3.7 The Acquirers have not acquired or sold any equity shares of Innovation Medi Equip Limited since the date of the Public Announcement to the date of this Letter of Offer. Any upward revision in the Offer with respect to the Offer Price will be announced in the above-mentioned newspapers and same price would be payable by the Acquirers for all the shares tendered anytime during the Offer.

2.4 RATIONALE FOR THE OFFER

2.4.1 The prosthetic implant industry has a good potential for growth both in India and Export markets. Presently the focus on the domestic market is also low. The Company is in the market for 12 years and its products are well accepted. The acquirers have found that with a good and focused marketing set up and new product development the company can have a turn around with their business expertise.

2.4.2 ~~2.4.2~~ Acquirers do not have any plans to dispose off or otherwise encumber any of the assets of IMEL in the next two years except in the ordinary course of business of IMEL and have undertaken not to sell, dispose off or otherwise encumber any substantial assets of IMEL except with the prior approval of the shareholders.

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2.4.3 The Sellers /Promoters have not complied with the applicable provisions of Chapter II of SEBI(SAST) Regulations,1997.

By SELLERS/PROMOTERS

Sl.No	Regulation /Sub -Regulation	Due Date for Compliance as mentioned in the regulation	Actual Date for Compliance	Delay,if any(in no of days) Col. 4- Col.3	Remarks
1	2	3	4	5	6
1	6(1)	20-4-1997	NOT COMPLIED WITH		
2	6(3)	20-4-1997			
3	8(1)	21-4-1998			
4	8(2)	21-4-1998			
5	8(1)	21-4-1999			
6	8(2)	21-4-1999			
7	8(1)	21-4-2000			
8	8(2)	21-4-2000			
9	8(1)	21-4-2001			
10	8(2)	21-4-2001			
11	8(1)	21-4-2002			
12	8(2)	21-4-2002			
13	8(1)	25-7-2002			
14	8(2)	25-7-2002			
15	8(1)	21-4-2003			
16	8(2)	21-4-2003			
17	8(1)	21-4-2004			
18	8(2)	21-4-2004			

SEBI shall initiate suitable action for the non - compliance with the provisions of Chapter II of the Regulations by the Sellers /Promoters.

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3 BACKGROUND OF THE ACQUIRERS

Name, Age	Address	Qualification& Experience	Buisness&Financial activities	Networth (Rs in Lakhs)
Mr. Mubarak Ali,45 yrs	Residing at 304-15, Blk 865, Yishun St B 1, Singapore 760865 domiciled in India at D3 Nest Tower 72, Kamdar Nagar III st Mahalingapuram Chennai 600 034	B Com (Business of Import -20 yrs)	Propreitor of Nellagam International a company involved in the business of Import from various countries in the world ,also involved in the business of Trading.	155.07
Mrs. Anarkali Begum,39 yrs	Residing at 304-15, Blk 865, Yishun St	House wife	NA	134.17

	B 1 , S i n g a p o r e 760865 domiciled in India at D3 Nest Tower 72, Kamdar N a g a r I I I s t Mahalingapuram Chennai 600 034			
Mr. Sathish Kumar,39 yrs	residing at 7650, S u n d o w n L a n e Prunedale, CA 93907 domiciled In India at Samanwayam near G L P S c h o o l P O Kottooli Calicut Kerala 673 016	M.S., M.B.A (Engineering, operations management and corporate financial management-10yrs)	Founder of Verdant Solutions , a consulting firm specializing in studying technology	53.02

dated 08/01/2005 have certified the Net worth of Mr. Mubarak Ali , Mrs. Anarkali Begum and Mr. Sathish Kumar as on 08th January,2005

b) Mr. Mubarak Ali, Mrs. Anarkali Begum and Mr. Sathish Kumar do not hold any position on the Board of Directors of any Company

c) Mr. Mubarak Ali, Mrs. Anarkali Begum and Mr. Sathish Kumar ~~and~~ have not promoted any companies .

3.1 The acquirers have complied with the applicable provisions of Chapter II of SEBI (SAST) Regualtions,1997 within the time specified in the regulations.

3.2 No Litigations are pending against the acquirers i.e., Mr Mubarak Ali , Mrs Anarkali Begum and Mr Sathish Kumar

~~4 DELISTING OPTION TO IMEL~~

~~Pursuant to this offer the public shareholding will not be reduced to 10% or less of the voting capital of IMEL, and therefore the provisions of regulation 21(3) of the Regulations are not applicable.~~

45 BACKGROUND OF THE TARET COMPANY- INNOVATION MEDI EQUIP LTD(IMEL)

45.1 Innovation Medi Equip Limited was incorporated on 25th June 1992 and is having its Registered Office at 290, SIDCO Industrial Estate, Ambattur, Chennai 600 098.

45.2 Presently the Company manufactures Orthopedic Implants like Total Hip, Total Knee, Bone Plate, Bone Screw , External fixator and Instruments for Hip Surgery ,Knee Surgery etc.

The company exports its products to various countries like West Indies , Singapore and Indonesia.

The main objects of the Company is to manufacture Buy, Sell, Import, Export and deal in all kinds of Medical equipment anatomical, orthopaedia and Surgical Instrument and other appliances which may be requisite in the treatment of patients or injured persons or animal etc.,

45.3 The Share Capital Structure of the Company as on date of the PA was:

Particulars	No of Equity Shares/voting rights	% o f Shares/voting rights	Face Value	Nominal Value
Authorised Capital	120 00 000		10	1 2 0 0 0 0 000
Fully Paid up Equity Shares	45 00 000	100%	10	450 00 000
Partly paid up Equity Shares	Nil	NA		
Total Paid up Equity shares	45 00 000	100%	10	450 00 000
Total voting rights in the Target	45 00 000	100%	10	450 00 000

Company					
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45.4 Build up of the Capital Structure of IMEL:

Date of Allotment	No of Shares issued	Cumulative paid up Capital (Rs)	Mode of Allotment	Identification of the allottees	Status of Compliance
29.10.92	700	7000	Subscribers to Memorandum	Promoters	Complied
31.05.93	2249300	22500000	Public Issue	Public	Complied
31.05.93	750000	30000000	Public Issue	Promoters	Complied
07.10.94	1500000	45000000	Preferential Allotment	Promoters	Complied

45.5 All the equity shares of Innovation Medi Equip Limited are currently listed on The Stock Exchange, Mumbai ("BSE"), Madras Stock Exchange Limited, Chennai ("MSE") and The Ahmedabad Stock Exchange Limited, Ahmedabad ("ASE").The Company has made an application to delist the shares from MSE and ASE. The delisting approvals are awaited from these stock exchanges. The whole capital of IMEL is listed

4.6 The trading of these shares have never been suspended from trading.

4.7 The Target Company has not complied with the applicable provisions of Chapter II of SEBI(SAST) Regulations,1997.

The Target Company has not even complied with SEBI Regularisation Scheme,2002 for non compliance with Regulations 6 and 8 of the SEBI(Substantial acquisition of shares and Takeovers)Regulations,1997

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By INNOVATION MEDI EQUIP LIMITED

Sl.No	Regulation / Sub-Regulation	Due Date for Compliance as mentioned in the regulation	Actual Date for Compliance	Delay,if any(in no of days) Col. 4- Col.3	Remarks
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<u>1</u>	<u>6(2)</u>	<u>20-5-1997</u>	NOT COMPLIED WITH		-
<u>2</u>	<u>6(4)</u>	<u>20-5-1997</u>			-
<u>3</u>	<u>8(3)</u>	<u>30-4-1998</u>			-
<u>4</u>	<u>8(3)</u>	<u>30-4-1998</u>			-
<u>5</u>	<u>8(3)</u>	<u>30-4-1999</u>			-
<u>6</u>	<u>8(3)</u>	<u>30-4-1999</u>			-
<u>7</u>	<u>8(3)</u>	<u>30-4-2000</u>			-
<u>8</u>	<u>7(3)</u>	-			-
<u>9</u>	<u>8(3)</u>	<u>30-4-2000</u>			-
<u>10</u>	<u>8(3)</u>	<u>30-4-2001</u>			-
<u>11</u>	<u>8(3)</u>	<u>30-4-2002</u>			-
<u>12</u>	<u>8(3)</u>	<u>30-4-2003</u>			-
<u>13</u>	<u>8(3)</u>	<u>30-4-2004</u>			-
<u>14</u>	<u>7(3)</u>	<u>11-Nov-04</u>	<u>5-Nov-04</u>	<u>nil</u>	-
<u>15</u>	<u>7(3)</u>	<u>17-Nov-04</u>	<u>10-Nov-04</u>	<u>nil</u>	-

SEBI has intimated vide its letter dated February 16th, 2005 that it shall initiate suitable action for the non - compliance with the provisions of Chapter II of the Regulations by the Target Company.

However the reporting requirement under Clause 35 of the Listing Agreement have been complied with.

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5.84.8 -IMEL, vide its letter dated 12th January,2005 has certified that it has not been penalized on account of default of compliance of listing agreement formalities by BSE, MSE and ASE, where its shares are listed IMEL has complied with the listing requirements.

54.9 The Board of Directors of the Target Company as on the date of Public Announcement was as under:

Name &	Date of	Date of	No. of	Qualification	Address & Tel	Area of
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Designation	Birth &Age	Joining	years experience		No	Experience
C.K.Kothari Managing Director	49 Years 10.05.1956	4.7.1994 a s a Director. 20.4.02 as MD	11 years	HSC	6.Agam Apartment Barrage cross Road Vasana , Ahmedabad Gujarat.	Over 15 yrs Experience Finance & Marketing
Hitesh C Kothari Director	25 Years 28.10.1980	30.04.2002	3 years	B Com	6.Agam Apartment Barrage cross Road ,Vasana , Ahmedabad Gujarat.	Experience Accounts, Administrat Dealer in bu Market
Hasmukh M Thakker Director	37 Years 15.01.1968	28.09.2002	3 years	HSC	No.15 Audyappan st Purasawakkam Chennai - 600 084. Ph : 26411290 Cell : 98400 50834.	Over 12 yrs experience in Import and Export Market.
Mahandra D Ganatra	57 Years 08.11.1948	31.03.2003	2 years	B.E	No.15.Chaitkali Society Jodhpur Village Road Sattelite Ahmedabad Gujarat	Over 15 yrs experience in Finance. Retired Manager of State Bank of India

45.10 There has been no merger / de-merger,spin-off during the past three years in IMEL

45.11 Audited financial information of IMEL for the financial year ended on March 31,2002,2003 and 2004 and for half year ending on 30.09.2004 (Source: (a) Annual Reports for the years ended on March 31, 2002, 2003 and 2004 and (b) Audited financial results for the 6 months period ended on September 30, 2004 is given below:-.

Profit and Loss Statement

(Rs in Lakhs)

	Year ended March 31.			
Particulars	2002	2003	2004	Period ended 30.09.2004
Income from operations	41.43	31.53	47.91	15.06
Other Income	1.26	0.95	7.56	0.38
Total Income	42.69	32.48	55.47	15.44
Increase/(Decrease) to WIP and Finished Goods	1.11	2.97	-11.44	-1.41
Total Expenditure	36.29	24.34	39.00	55.68
PBDIT	7.50	11.11	5.03	-41.65

Depreciation	5.91	5.92	6.03	2.34
Interest	0.44	0.00	0.11	0.10
Profit Before Tax	1.15	5.19	-1.10	-44.09
Extra Ordinary Items	Nil	Nil	Nil	Nil
Provision for Tax	Nil	-1.86	1.04	-0.26
Profit / (Loss) After Tax	1.15	3.33	-.06	-44.35

(Rs in Lakhs)

Balance Sheet Statement	As on March 31,			Six months
Particulars	2002	2003	2004	Period ended 30/09/2004
Sources of Funds				
Paid up Share Capital	450	450	450	450
Reserves and Surplus (excluding Revaluation Reserve)	40	68	68	68
Misc exp (Profit and Loss A/c)	256	252	252	296
Deferred Tax Asset		26	27	27
Net worth	234	240	239	194
Secured Loan	0	0	2	2
Unsecured Loan	54	49	0	0
Total	288	289	241	197
Application of Funds				
Net fixed Assets	97	91	88	81
Investments	43	43	37	0
Net Current Assets	148	155	117	115
Total	288	289	241	197

OTHER FINANCIAL DATA				
Dividend	Nil	Nil	Nil	<u>Nil</u>
Earnings Per share (EPS)	.03	.07	Negative	<u>Negative</u>
Return on Networth	.49	1.39	Negative	<u>Negative</u>
Book Value per share	5.21	5.33	5.30	<u>4.32</u>

Reason for rise and fall in Income and Profit After Tax :

FINANCIAL YEAR 2002-03:

During the financial year 2002-03, the company made a Profit of Rs. 3.33 Lakhs as against Rs. 1.15 Lakhs in 2001-02 with decrease in the Sales of 23.88%, which includes a one time profits like prior period income of Rs. 2.94 lakhs. Otherwise, the net results would be Profit of Rs. 0.39 lakhs.

FINANCIAL YEAR 2003-04:

During the financial year 2003-04, the sales has gone up by 51.94% and the company made a provision in respect of Diminution in the value of certain investments aggregating Rs. 6.59 Lakhs, which contributes the down fall by 13.75%.

In addition to the above, the company exposed all its stocks, which resulted in decrease by 23.88%

FOR THE PERIOD ENDED 30TH SEPTEMBER 2004:

During the period, the turnover has gone down by 60.36% comparing to previous half year.

The same period, the company incurred Loss on sale of Investments aggregating to Rs. 31.98 lacs, which contributes the downfall by 212.33%. Otherwise the company would have ended with a loss of Rs.12.11 instead of Rs. 44.09 lacs

45.12 Pre-and Post-Offer shareholding pattern of the Target Company is as follows:

Shareholder category	Shareholding & voting rights prior to the agreement / acquisition and offer.		Shares / voting rights agreed to be acquired which triggered off the Regulations.		Shares/voting rights to be acquired in open offer (Assuming full acceptances)		Share holding / voting rights after the acquisition and offer	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Promoter Group								
1. Seller								
1.1 Innovation Software Exports Limited	629900	14.00	(629900)	14.00			0	
1.2 ISL Consulting Limited	194300	4.32	(150000)	3.33			44300	.99
1.3 C K Kothari	604837	13.44	(600948)	13.36			3889	.086
Promoter group other than 1 (a)*	356449	7.92					356449	7.92
Total (a)+(b)	1785486	39.68	(1380848)	30.69			404638	8.99
Acquirers								
Mr. Mubarak Ali	0		500000	11.11				
Mrs. Anarkali Begum	332150	7.38	179351	3.99	900000	20	2922666	64.95
Mr. Sathish Kumar	309668	6.88	701497	15.59				
Total	641818	14.26	1380848	30.69	900000	20	2922666	64.95
Public (other than 1)								
2)	2064696	45.88			(900000)	20	1172696	26.06
NRI's / OCB's	8000	0.18						
Total	2072696	46.06			(900000)	20	1172696	26.06
GrandTotal (1+2+3+4)	4500000	100					4500000	100

Note: • The data within bracket indicates sale of equity shares.

*Promoters other than the sellers have given undertaking that they will not participate in the Open offer.

45.13 The Company has been complying with provisions relating to Corporate Governance and there are no pending litigations against the company.

45.14 Name and address of the compliance officer are as under:

Mr. Hitesh C Kothari

290.SIDCO Industrial Estate

Ambattur

Chennai – 600 098.

Mobile No. 93810-43799

5.1 The equity shares of IMEL are currently listed on The Stock Exchange, Mumbai (“BSE”), Madras Stock Exchange Limited, Chennai (“MSE”) and The Ahmedabad Stock Exchange Limited,Ahmedabad (“ASE”). The Company has made an application to delist the shares from MSE and ASE. The delisting approvals are awaited from these stock exchanges.

5.2 The annualized trading turnover of the equity shares of IMEL on BSE, MSE and ASE are detailed below:

Name of the Stock exchange	Total no. of equity shares traded during the 6 calendar months prior to the month in which the PA was made	Total no of listed equity shares	Annualised Trading Turnover (as % to total listed equity shares
BSE	678884	4500000	30.17
MSE	Nil	4500000	Nil
ASE	Nil	4500000	Nil

Shares of IMEL are most frequently traded on BSE. The weekly high and low of the closing prices of the shares, during the 26-week period ended 8th January,2005 on BSE, are given below:

Week	End Date	High (Rs)	Low(Rs)	Average(Rs)	Volume
1	17-Jul-04	3.75	3.5	3.625	1100
2	24-Jul-04	4.15	2.81	3.48	4300
3	31-Jul-04	3.99	3.5	3.745	1202
4	07-Aug-04	3.8	3.5	3.65	2500
5	14-Aug-04	3.75	3.05	3.4	4305
6	21-Aug-04	3.79	3.79	3.79	5800
7	28-Aug-04	3.05	3.05	3.05	600
8	04-Sep-04	2.6	2.5	2.55	800
9	11-Sep-04	2.9	2.5	2.7	400
10	18-Sep-04	3.35	2.8	3.075	2625
11	25-Sep-04	2.9	2.9	2.9	5100
12	02-Oct-04	3.05	3.05	3.05	4995
13	09-Oct-04	4	4	4	11290
14	16-Oct-04	3.09	3	3.045	7690
15	23-Oct-04	4.44	4	4.22	2458
16	30-Oct-04	4.75	3.8	4.275	13501
17	06-Nov-04	4.7	4.3	4.5	185951
18	13-Nov-04	4.5	4.5	4.5	342029
19	20-Nov-04	4.6	4	4.3	2251
20	27-Nov-04	5.28	4.4	4.84	6700
21	04-Dec-04	4.5	3.75	4.125	61989
22	11-Dec-04	4.45	4.25	4.35	1075
23	18-Dec-04	3	3	3	1665
24	25-Dec-04	3.81	3.6	3.705	5550
25	01-Jan-05	4.7	4	4.35	3008
26	08-Jan-05	6.03	5.45	5.74	8065
26 Weeks Average				3.77	

b. The daily high, low and average prices of the shares of IMEL during the last 2 weeks of trading on the BSE, where shares of IMEL are most frequently traded, are given below:

Day	Date	High (Rs)	Low(Rs)	Average	Volume
1	27-Dec-04	3.5	3.1	3.3	508
2	28-Dec-04	3.93	3.93	3.93	200
3	29-Dec-04	4.7	3.28	3.99	700
4	30-Dec-04	3.93	2.8	3.365	1400
5	31-Dec-04	4.2	4	4.1	200
6	01-Jan-05	*	*	*	*
7	02-Jan-05	*	*	*	*
8	03-Jan-05	5.04	3.41	4.225	3355
9	04-Jan-05	6.03	5.45	5.74	1010
10	05-Jan-05	5.97	4.9	5.435	1000
11	06-Jan-05	5.5	3.98	4.74	1000
12	07-Jan-05	4.78	4.05	4.415	1700
2 Weeks Average				4.32	

*Denotes Saturday and Sunday, when no trading took place

The Offer Price of Rs.4.75/- (Rupees Four and Seventy Five Paise only) per fully paid up equity share is justified in terms of Regulation 20(4) of the SEBI (SAST) Regulations as it is higher than the price computed in accordance with the parameters mentioned in Regulation 20(4) as detailed below:

i. Negotiated Price of Rs. **4.75/-**.

ii. Highest Price paid by Acquirer/PAC for any acquisition including by way of allotment in a public or rights or preferential issue during the 26 weeks prior to the date of Public Announcement – 4.60/-

iii. The average of the weekly high and low of the closing prices of the Shares of the Target Company as quoted on The Stock Exchange, Mumbai, where the Shares of the Target Company are most frequently traded during the twenty six weeks or the average of the daily high and low of the prices of the Shares of the Target Company as quoted on The Stock Exchange, Mumbai, where the Shares of the Target Company are most frequently traded during the two weeks preceding the date of Public Announcement – **4.32/-**

The offer price of Rs 4.75/- (Rupees Four and Seventy Five Paise only) per Fully paid up Equity share is justified in terms of Regulation 20(5) of the SEBI (SAST) Regulations as follows:

	Rs	
(a) The negotiated price under the Agreement referred to in Regulation 14 (1) of the SEBI (SAST) Regulations.	4.75	-
(b) Price paid by the Acquirers for acquisition, if any, during the twenty six week period prior to the date public announcement	4.60	-
Other Parameters	Based on audited financials for six months period ended 30 th September,2004	-
a) Return <u>on</u> Networth	<u>Negative</u>	65.3 Acquirers have not acquired any equity shares of IMEL from the date of the PA up to the date of the Letter of Offer.
b) Book Value per share	4.32	-
c) Earnings Per share	<u>Negative</u>	-
d) Price Earnings Ratio on Offer Price	<u>Negative</u>	5.4 There is no non compete agreement entered between the Acquirer and the sellers and accordingly no non compete fee is
d) Industry Average P/E multiple	-	

being paid which should have any bearing on the offer price.

67 FINANCIAL ARRANGEMENTS

67.1 The total Funds requirement for the Offer is Rs.42 75 000/- (Forty Two Lakhs Seventy Five Thousand Only) assuming that the entire Offer is accepted.

67.2 The Acquirers have adequate financial resources and have made firm financial arrangement for the implementation of the Offer in full out of their own sources. No borrowings from Banks/ FIs or Foreign sources are envisaged. Mr. P.B. Srinivasan (Mem No 203774) of M/s P.B. Vijayaraghavan & Co, Chartered Accountants, Auditor to the Acquirers, 14, (old No 27) Cathedral Garden Road, Nungambakkam, Chennai 600 034 Tele No: 044 28263918 , 044 28263490 Fax No: 044 28276519 have certified, vide their letter dated 8th January, 2005 that sufficient resources are available with the Acquirers for meeting the obligations under this “Offer” in full.

67.3 In accordance with Regulation 28 of the Regulations, the Acquirers have created an Escrow Account in the form of fixed deposit of 21 37 500/- (Rupees Twenty One Lakhs Thirty Seven Thousand Five Hundred Only) being 50% of the total consideration payable under the Offer Price, with HDFC Bank, ITC Centre, Anna Salai 600 002. A lien has been marked on this escrow account in favour of Systematix Corporate Services Limited (“Manager to the Offer”).

67.4 The Manager to the Offer, Systematix Corporate Services Limited has been duly authorised by the Acquirers to operate & realize the value of Escrow Account in terms of the Regulations.

67.5 The Manager to the Offer has satisfied itself about the Acquirers’ ability to implement the Offer in accordance with the Takeover Regulations.

78 Terms and Conditions of the Offer

78.1 Eligibility for accepting the Offer: The offer is being made to the equity shareholders of IMEL (other than ‘Acquirers’ and ‘Sellers’) whose names appear on the Register of the Members of IMEL at the close of business hours on 11th February,2005 (the “Specified Date”) and also to those persons who own the equity shares at any time prior to the closure of the offer, but are not the registered equity shareholders.

78.2 Accidental omission to despatch this LOO or the non-receipt or delayed receipt of this LOO will not invalidate the Offer in anyway.

78.3 Subject to the conditions governing this Offer, as mentioned in the Letter of Offer, the acceptance of this Offer

by the shareholder(s) must be absolute and unqualified. Any acceptance to the Offer which is conditional or incomplete is liable to be rejected without assigning any reason whatsoever.

78.4 STATUTORY APPROVALS

78.4.1 The Offer is subject to approval, if any required from RBI for acquiring of shares by the acquirers and transfer of shares by the Non Resident Shareholders.

Besides the above approvals from the RBI, as on the date of the Public Announcement, no other statutory approvals are required to acquire the Shares tendered pursuant to this Offer. In the event that any of the statutory approvals that are required are not obtained in terms of Regulation 27 of the SEBI (SAST) Regulations, the Acquirers will not proceed with the Offer.

78.4.2 In case of delay in receipt of any statutory approval(s), SEBI has the power to grant an extension of time to the Acquirer for payment of consideration to the tendering shareholders, subject to the Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by the Acquirer in obtaining the requisite approvals, Regulation 22(13) of the SEBI (SAST) Regulations will also become applicable.

89 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT.

89.1 Procedure for accepting the offer by eligible persons

The equity shareholders of IMEL who qualify and who wish to avail of this Offer (hereinafter referred to as “Acceptor”) will have to deliver the relevant documents as mentioned at point (a), (b), and (c) below as applicable to the Registrar to the Offer M/s Cameo Corporate Services Limited (SEBIRegn.No.:INR000003753) at the address mentioned below:

Address	Contact Person	Working days and Timings	M o d e o f delivery	Phone No.	Fax
Subramanian Building, No1, Club house Road, Chennai 600 002	Mr. A Siva Subramanian	Monday to Friday 10.00A.M to 5.30 P.M	Hand Delivery / Registered Post / Courier	044-28460390	044-28460129

a. For equity shares held in dematerialized form:

For the purpose of the offer a Special Depository Account has been opened in the name and style of “Cameo Corporate Services Limited Escrow Account – Innovation Medi Equip Limited Open Offer” with Indian Overseas Bank as the Depository participant in National Securities Depository Limited (NSDL). Equity Shareholders holding the shares in dematerialized form will have to deliver the following documents:

- Form of acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein.
- 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 relevant Depository Participant (DP).
- For each delivery instruction the beneficial owner should submit separate Form of Acceptance.
- The details of the special depository account opened for this purpose are as under:

Name of Depository	National Securities Depository Limited
DP Name	Indian Overseas Bank
DP ID	IN302437
Beneficiary ID	20082393

v. Equity shareholders having their beneficiary account in Central Depository Services

Limited (CDSL) will have to use inter depository delivery instructions slip for the purpose of crediting their equity shares in favour of the special depository account.

vi. Shareholders who have sent their physical equity shares for dematerialisation need to ensure that the process of getting equity shares dematerialised is completed well in time so that the credit in the Special Depository Account is received on or before closure of offer.

b) For equity shares held in physical form

Registered equity shareholders should enclose:

i. Form of Acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein, by all equity shareholders whose name appears on the share certificates.

ii. Original share certificate(s)

iii. Valid share transfer form(s) duly signed as transferors by all registered equity shareholders (in case of joint holdings), in the same order and as per the specimen signatures registered with and duly witnessed at the appropriate place.

c) Unregistered owners of equity shares should enclose:

i. Form of acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein.

ii. Original share certificate(s)

iii. Original broker contract note of a registered broker of a recognized stock exchange.

iv. Valid share transfer form(s) as received from the market. The details of the buyer should be left blank. If the details of the buyer are filled in, the tender will not be valid under the offer. Acquirer's name will be subsequently filled in upon verifying the validity of the share transfer form.

v. No indemnity is needed from unregistered equity shareholders.

vi. Procedure for acceptance of the offer by the equity shareholders who do not receive the Letter of Offer and procedure for settlement

a) In case of non-receipt of the offer document, the unregistered equity shareholders who wish to accept the offer should communicate their acceptance in writing on a plain paper stating the name, address, no. of shares held, distinctive numbers, folio number, no. of shares offered to the Registrar to the Offer together with relevant share certificate(s), the transfer deed(s) and the original contract note issued by share broker of a recognized stock exchange through whom they acquired the equity shares before the close of the Offer, i.e. 29th March, 2005.

b) In the event of non-receipt of the Letter of Offer by beneficial owners, such beneficial owners can make an application to the Registrar to the Offer on plain paper stating their name, address, number of equity shares held, number of equity shares tendered, bank particulars, DP name, DP ID, beneficiary account number duly signed by all the holders and send the same along with a photocopy of the delivery instructions in "Off-market" mode or counterfoil of the delivery instructions in "Off-market" mode in favour of the special depository account, to the Registrar to the Offer on or before the Offer Closing Date. All beneficial holders maintaining an account with CDSL are requested to obtain, complete and submit an additional inter-depository slip together with the instructions to their respective DPs.

c) ~~Such equity shareholders may also download a copy of the form of acceptance cum acknowledgement from SEBI's website at www.sebi.gov.in and use the same.~~

d) Share Certificates would be held in trust by the Manager to the Offer / Registrar to the offer, as the case may be till the acquirers complete the offer obligations in terms of Regulations

NO DOCUMENT SHOULD BE SENT TO THE ACQUIRER OR TO IMEL (THE COMPANY) OR THE MANAGER TO THE OFFER

98.2. OFFER PERIOD

a) Offer period is the period between the date of Public announcement and the date of completion of offer formalities relating to the offer.

b) This Offer will remain open on all working days (excluding Sunday and Public Holidays) between 9th March, 2005 to 29th March, 2005 (both days inclusive). The equity shareholders of IMEL who wish to avail of this offer shall be required to send their acceptance in the manner stated above so as to reach the Registrar to the Offer on or before 29th March, 2005.

c) The form of acceptance along with the Share Certificate(s) and other documents delivered shall become acceptance on the part of the shareholder, but will become a fully valid and binding contract between shareholder and Acquirer only upon the fulfillment of all conditions mentioned herein.

d) On fulfillment of the conditions herein mentioned, the Acquirer will pay the Offer price by crossed Account Payee Pay Orders/ Demand Drafts which will be sent by Registered Post to the equity shareholders of IMEL, whose acceptance to the offer are accepted by the Acquirer, at the address registered with the Company. The Pay Orders/ Demand Drafts will be drawn in the name of first named shareholder in case of joint shareholding. In case of unregistered owners of the shares, payment will be made as per mandate given by such owner. The unregistered owner may give a mandate for drawing the pay order / demand draft in the name of the person whose bank details may be furnished by him in the Form of Acceptance for incorporating in the Pay Order / Demand Draft.

89.3 WITHDRAWAL OPTION

a) The equity shareholders, who are desirous of withdrawing their acceptances tendered in the offer, can do so up to

three working days prior to the date of the closure of the offer i.e. on or before 25th March,2005. The withdrawal option can be exercised by submitting the 'Form of Withdrawal' (separately enclosed with Letter of Offer) to the Registrar to the Offer, Cameo Corporate Services Limited so as to reach them on or before 29^h March,2005.

b) In case non-receipt of the form of withdrawal, the withdrawal option can be exercised by making an application on plain paper along with the following details:

- In case of physical shares: Name, address, distinctive numbers, folio nos. number of shares tendered / withdrawn.
- In case of dematerialized shares: Name, address, number of shares tendered / withdrawn, DP name, DP ID, Beneficiary account no. and photo copy of delivery instruction in "off market" mode of counterfoil of the delivery instruction in "off market" mode, duly acknowledged by the DP in favour of the Special Depository Account.

c) The form of Withdrawal can also be downloaded from SEBI's website www.sebi.gov.in or obtained from the Manager / Registrar to the Offer.

910. GENERAL

a) Acquirer can revise the price upwards up to seven working days prior to closure of the offer and revision if any in the offer price would appear in the same newspapers where the Public Announcement has appeared. The same price would be paid to all shareholders who tender their shares in the offer.

b) Shareholders may note that if there is a 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, 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.

c) For any queries regarding the Offer the shareholders / applicants may contact the Registrar to the Offer at the address mentioned in this Letter of Offer.

d) If the aggregate of the valid responses to the offer exceeds offer size, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 21 (6) of the Regulations.

e) Where the number of shares offered for sale by the shareholders are more than the shares agreed to be acquired by the Acquirer making the offer, the Acquirer shall, accept offers received from shareholders on proportional basis in consultation with Merchant Bankers taking care to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lot. Provided that acquisition of shares from a shareholder shall not be less than the minimum marketable lot or the entire holding if it is less than the marketable lot. The marketable lot of the equity shares of the company is one share .

f) Acquirer shall acquire the equity shares from the shareholders of the Company who have validly tendered the equity shares under the Offer (i.e. equity shares and other documents are in order in accordance with the terms of the Offer) and remit the consideration in respect thereof on or before 12th April,2004 in cash by Account Payee Pay Order/Demand Draft. Any delay will attract interest in terms of Regulation 22(12) of SEBI (SAST) Regulations 1997. The information as to whether the equity shares tendered by them have been accepted (in full or in part) or rejected and consideration payable would be sent by Registered Post.

g) Pursuant to the Regulation 13, the Acquirer has appointed Systematix Corporate Services Limited as the Manager to the Offer.

h) Systematix Corporate Services Limited, the Manager to the Offer, does not hold any equity shares of IMEL. Further, they have undertaken not to deal in the equity shares of IMEL up to a period of fifteen days after closure of the offer.

i) Acquirer accepts full responsibility for the information contained in this Letter of Offer and also for the obligations of Acquirer as laid down in the Regulations.

1011. DOCUMENTS FOR INSPECTION

The following documents are regarded as material documents and are available for inspection at the office of Manager to the Offer mentioned on cover page of this document from 11.00 a.m. to 3.00 p.m. on any working day until the Offer closes.

1. Copy of Agreement dated 07/01/2005 between Acquirer and the Sellers in respect of the proposed acquisition
2. Copy of confirmation of opening of special depository account by Manager to the offer as agreed in share Purchase Agreement.
3. Copy of MOU dated 07/01/2005 between Systematix Corporate Services Limited Manager to the Offer and Acquirers.
4. Copy of letter dated 5th January 2005 from the Acquirer appointing Cameo Corporate services Limited as Registrar to the Offer.

5. Memorandum and Articles of Association of IMEL.

6. Copies of Annual Report of IMEL for the financial years 2001-02, 2002-03 and 2003-04 , certified financials for the six months ended 30/09/2004.

7. Copy of certificate dated 08/01/2005 received from Mr. P B Srinivasan , Chartered Accountants ,regarding the ability of the Acquirer to complete the formalities under the Regulations.

8. Copy of Public Announcement as published in the newspaper on 13/01/2005.

9. Copy of Fixed Deposit Advice issued by HDFC Bank, ITC Centre, Anna Salai Chennai 600 002 in terms of the Escrow requirements.

10. Copy of confirmation of opening of special depository account by Registrar to the offer.

11. Due Diligence Certificate dated 18th January,2005

12. Undertakings by the Acquirers

13. Power of Attorney of Mr. Sathish Kumar

14. SEBI observation letter no CFD/DCR/TO/AG/33894/05 dated 16.02.2005

15. Copy of Published Revised Public Announcement dated 22nd February,2005

12. DECLARATION BY THE ACQUIRERS

The Acquirers accept full responsibility for the information contained in the Public Announcement and Letter of Offer and will be responsible for ensuring compliance with the obligations of Acquirer as laid down in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto.

Sd/-

Mr. Mubarak Ali

Mrs. Anarkali Begum

Mr. T P Anandh

Power Agent of Mr. Sathish Kumar

Date: 22/02/2005

Place: Chennai

Encl:

1. Form of Acceptance cum Acknowledgement
2. Form of Withdrawal

