

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as a shareholder of Nirma Limited (“**Company**”).

LETTER OF OFFER

From

Shri Karsanbhai K. Patel

Resident of Nima Farm, Opp. YMCA Club, Sarkhej-Gandhinagar Highway, Ahmedabad – 380 054
Tel. No. +91 79 27546565; Fax No. +91 79 27546603

Smt. Shantaben K. Patel

Resident of Nima Farm, Opp. YMCA Club, Sarkhej-Gandhinagar Highway, Ahmedabad – 380 054
Tel. No. +91 79 27546565; Fax No. +91 79 27546603

M/s. Kulgam Holdings Private Limited

having its registered office at Nirma House, Ashram Road, Ahmedabad – 380 009
Tel: +91 79 27546565 Fax: +91 79 27546605

inviting you to tender your fully paid-up equity shares of ₹ 5/- each at the Exit Price of ₹ 260 (Rupees Two Hundred and Sixty Only) per Share pursuant to regulation 21 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (“**SEBI Regulations**”), of

NIRMA LIMITED

having its registered office at Nirma House, Ashram Road, Ahmedabad – 380 009

Exit Price	₹ 260 per Share
Exit Period Opens	March 31, 2011
Exit Period Closes	March 30, 2012

Dear Shareholder,

This is an invitation to tender your Shares of Nirma Limited to Shri Karsanbhai K. Patel, Smt. Shantaben K. Patel and M/s. Kulgam Holdings Private Limited (“**Acquirers**”) at the Exit Price of ₹ 260 (Rupees Two Hundred and Sixty Only) per share subject to the terms and conditions set out below pursuant to the SEBI Regulations.

1. The Acquirers had made an offer to the public shareholders of the Company for the acquisition of 3,63,26,362 fully paid-up equity shares of ₹ 5/- each (“**Offer Shares**”) of the Company vide a public announcement published on December 23, 2010 and the bid letter dated December 24, 2010 in accordance with the SEBI Regulations.
2. The public shareholders holding equity shares of the Company were invited to tender bids pursuant to a Reverse Book Building (“**RBB**”) process made available through the electronic facility of the BSE from January 17, 2011 to January 20, 2011 (“**Bid Period**”), in accordance with the SEBI Regulations.
3. In terms of regulation 15(1) of the SEBI Regulations, the Discovered Price (i.e. the price at which maximum number of Offer Shares were tendered by the public shareholders) determined through the RBB process was ₹ 260/- per Offer Share.
4. Vide a public announcement published on January 31, 2011 and in accordance with SEBI Regulations, the Acquirers accepted the discovered price of ₹ 260 per Share (“**Final Price**”). All the public shareholders of the Company who tendered their Offer Shares at or below the Final Price through

valid bids were paid the consideration at the Final Price. After the acquisition of the Offer Shares pursuant to the delisting offer, the Acquirer's and Promoter Group holding in the Company increased to 90.82% of the fully paid-up equity share capital of the Company.

5. The Company had thereafter applied for the delisting of its equity shares from the Bombay Stock Exchange Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**") (collectively referred to as the "**Stock Exchanges**"), where the equity shares of the Company are listed. Pursuant to the same, BSE vide its Notice no. 20110310-15 dated March 10, 2011 and NSE vide its Notice no. NSE/LIST/C/2011/0223 dated March 10, 2011 informed their members about discontinuation of trading of the equity shares of the Company with effect from March 24, 2011 and the delisting of the equity shares with effect from March 31, 2011.
6. Delisting of equity shares of the Company from the Stock Exchanges means that the equity shares of the Company cannot be and will not be traded on the Stock Exchanges and a liquid market for the Shares on Stock Exchanges will not be available.
7. **In accordance with regulation 21 of the SEBI Regulations, the Acquirers hereby provide an exit opportunity ("Exit Offer") to the public shareholders holding Offer Shares in the Company ("Residual Shareholders"). The Residual Shareholders of the Company can tender their Offer Shares to the Acquirers at the Final Price of ₹ 260/- (Rupees Two Hundred and Sixty only) per Offer Share ("Exit Price"), at any time from March 31, 2011 till March 30, 2012 ("Exit Period"), as per the terms and conditions set out in this letter of offer ("Letter of Offer") for the Exit Offer.**
8. **Procedure for tendering your Offer Shares under the Exit Offer**

8.1 Procedure for Residual Shareholders holding Offer Shares in Dematerialised Form

- 8.1.1 All Residual Shareholders holding Offer Shares in dematerialized form who wish to tender their Offer Shares in the Exit Offer must transfer their dematerialized Offer Shares from the depository account in which they are currently held, in off-market mode to the special depository account opened with National Securities Depository Limited (**NSDL**) ("**Special Depository Account**"), details of which are as below:

Special Depository Account Name	KMCC - Nirma Limited – Special Depository Escrow Account
Depository	NSDL
Depository Participant	HDFC Bank Limited
ISIN	INE091A01029
DP ID	IN301549
Client Identification Number	31834794

- 8.1.2 All transfers to the Special Depository Account should be in Off-Market mode
- 8.1.3 The Residual Shareholders should submit the Application Form enclosed with the Letter of Offer ("**Application Form**") duly completed and signed. In order for the Application Form to be valid, the Residual Shareholders must have transferred their Offer Shares from their respective depository accounts to the Special Depository Account, and should enclose a photocopy of the delivery instruction to their depository participant with the due acknowledgement of such depository participant.

- 8.1.4 The shareholders who hold their Offer Shares through Central Depository Services (India) Limited (“**CDSL**”) will have to execute an inter-depository delivery instruction for the purpose of crediting their Offer Shares in favour of the Special Depository Account.
- 8.1.5 The Offer Shares will be held in trust by the Manager to the Offer in the above Special Depository Account until the consideration payable has been dispatched to the eligible Residual Shareholders and the unaccepted Shares are credited back to the Residual Shareholders’ depository account.
- 8.2 Procedure for Residual Shareholders holding Offer Shares in Physical Form**
- 8.2.1 All Residual Shareholders holding Offer Shares in the form of physical share certificates (“**Physical Shares**”) who wish to tender their Offer Shares in the Exit Offer should submit the Application Form duly completed and signed by the Residual Shareholder(s) in the order in which their name(s) appear on the Physical Shares.
- 8.2.2 The Residual Shareholders must enclose the Physical Shares and valid share transfer deed/form(s) enclosed herewith duly signed as transferors by sole or all registered Residual Shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with the Company and duly witnessed at the place.
- 8.2.3 The Registrar to the Offer will hold in trust the Physical Shares and the share transfer deed (in accordance with instructions of the Manger to the Offer) until the dispatch of the consideration payable has been completed to the eligible Residual Shareholders and the unaccepted Physical Shares have been dispatched to the Residual Shareholder concerned.
- 8.2.4 The Offer Shares to be acquired under this Exit Offer are to be acquired free from all liens, charges and encumbrances and together with the rights attached thereto.
- 8.3 If the number of Shares inserted in the Application Form is different from the number of shares either deposited into the Special Depository Account / Physical Shares enclosed with the Application Form, the number of Shares deposited in the Special Depository Account / as implied from the the Original Share Certificate (s) will be deemed to be the number of Shares tendered by you, and your Application Form will be deemed to have been automatically amended.
- 8.4 The Residual Shareholders should submit the aforesaid documents either by hand delivery or by Registered Post or courier (at their own risk and cost) to the **Registrar to the Offer, Unit: Nirma Limited, Sharepro Services (India) Private Limited, 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072, Tel : +91 22 67720300, 67720400, Fax: +91 22 28591568** on or before March 30, 2012.
- 8.5 In the event that Residual Shareholders do not receive their Letter of Offer, they may obtain a copy by writing to the Registrar to the Offer by marking the envelopes to “NIRMA DELISTING – EXIT OFFER”. A copy of this Letter of Offer (including the Application Form) would also be available on the website of Registrar (www.shareproservices.com) and Manager (www.investmentbank.kotak.com) during the Exit Offer.
- 8.6 Application Form / Shares should not be submitted to the Manager to the Offer or to the Acquirers or to the Company.**

9. Non-Resident Shareholders

If you are a Non-Resident Shareholder, you should also enclose with your Application Form a copy of the original permission that you received from the Reserve Bank of India (“**RBI**”) and the additional consents or confirmations or declarations or undertakings as may be required and as enumerated in the Application Form to tender your Offer Shares in the Exit Offer failing which, your Offer Shares may either not be accepted under the Exit Offer or tax may be deducted as per applicable laws.

10. Settlement

10.1 Following fulfilment of the terms and conditions mentioned in the Letter of Offer, the applicable consideration will be paid by the Acquirers either by way of NEFT / RTGS / cheque / demand draft, which will be dispatched by the Registrar to the Offer to the relevant Residual Shareholders whose shares are accepted under the Exit Offer (or, in the case of joint holders, the first-name holder’s bank account), at their own risk, by way of Registered Post / Speed Post. So as to avoid fraudulent encashment in transit, the shareholder(s) holding Offer Shares in physical form should provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly. For Offer Shares that are tendered in dematerialised form, the bank account details as obtained from the beneficiary position download to be provided by the depositories will be considered and the payment shall be processed with the said bank particulars, and not any details provided in the Application Form. In case of shareholder(s) holding Shares in physical form, if the bank account details are not provided, then the consideration will be dispatched in the name of the sole/first named holder at his registered address (at their own risk).

10.2 The First Settlement Cycle shall begin on March 31, 2011 and shall end on April 20, 2011. All subsequent settlement cycles will begin on 21st day of each calendar month and end on 20th day of subsequent calendar month except the last monthly settlement cycle which shall begin on February 21, 2012 and end on March 30, 2012. The Relevant Settlement Date shall be last date of the respective settlement cycle.

10.3 The Registrar to the Offer shall dispatch / transfer the consideration to Residual Shareholders, who have validly tendered their shares in the Exit Offer on or before the relevant settlement date, within seven working days of the Relevant Settlement Date, (subject to receipt of regulatory approvals, if required).

10.4 Residual Shareholders to whom the funds have been transferred electronically shall be duly intimated by way of a letter by the Registrar to the Offer.

11 Statutory and Other Approvals

11.1 RBI, vide its letter dated November 30, 2010, has granted its no objection for the acquisition of upto 3,63,26,362 equity shares of the Company by the Acquirers from the shareholders of the Company (other than those holding as erstwhile Overseas Corporate Bodies (“**OCBs**”)) in accordance with the SEBI Regulations and other applicable laws and regulations and subject to the terms and conditions stated therein. If the equity shares are tendered by OCBs, payment will be made to them only after receipt of necessary approvals from the RBI. To the best of the Acquirers’ knowledge, as on date, there are no other statutory or regulatory approvals required to acquire the Offer Shares of the Company. If any other statutory or regulatory approvals need to be obtained, the acquisition of Offer Shares by the Acquirers will be subject to such statutory or regulatory approvals.

11.2 It shall be the responsibility of the Residual Shareholders tendering Offer Shares in the Exit Offer to obtain all requisite approvals (including corporate, statutory or regulatory approvals),

if any, prior to tendering in the Exit Offer, and the Acquirers shall take no responsibility for the same. The shareholder should attach a copy of any such approval to the Application Form, wherever applicable.

11.3 Tax shall be deducted at source from the payment to be made to Residual Shareholders in accordance with applicable law.

12. Tax to be deducted at source

An opinion obtained from Hemanshu Shah & Co., Chartered Accountants, Ahmedabad, dated November 30, 2010 is reproduced below:

1. *"No tax will be deducted at source on payment to be made to resident shareholders for purchase price of shares acquired under the offer and as per the prevailing laws"*
- 2.1. *As per the provisions of Section 195(1) of the Income tax Act, 1961 (IT Act), any person responsible for paying to a non-resident any sum chargeable to tax is required to deduct tax at source (including applicable surcharge and cess).*
- 2.2. *Where, the offer consideration is chargeable to tax as capital gains under the IT Act, the Acquirers will need to deduct tax at source (including applicable surcharge and cess) at the capital gains tax rate on the amount of capital gains payable to the Shareholders.*
- 2.2.1 *Income by way of "capital gains" is to be computed as provided in section 48 of the IT Act, by deducting cost of acquisition from the value of consideration. The rate at which tax is to be deducted at source varies depending upon the period for which the shares tendered under the offer are held by the Shareholder. Capital gains arising on shares held for more than 12 months from the date of acquisition would be regarded as 'long term capital gains, else the gains would be treated as 'short term capital gains'.*
- 2.2.2 *All non-resident shareholders (other than FIIs referred to in 3 below) are accordingly requested to provide the Acquirers their legal status and evidence with regard to date and cost of acquisition of the shares tendered by them pursuant to the offer as also the evidence of eligibility for claiming any double tax treaty benefit. In the event, the relevant evidence is not provided, the capital gains on which tax is required to be deducted would be computed by taking the cost of acquisition as 'Nil', the capital gains would be deemed to be short term in nature and the liability and rate for deducting tax at source would be as prescribed under the IT Act in preference to any double tax avoidance treaty the non-resident may be otherwise eligible.*
- 2.2.3 *Depending upon the legal status of the Shareholder, the provisions of tax deduction at source are given below:*
 - a. *Non-resident Indians: As per the provisions of section 195 of the IT Act, any income by way of capital gains, payable to non resident Indians, shall be liable to the provisions of withholding tax (at applicable tax rates plus education cess on the amount of capital gains), subject to the provisions of the relevant tax treaty. Accordingly, income tax may have to be deducted at source in the case of a non-resident Indian at the rate under the IT Act or under the tax treaty, whichever is beneficial to the selling shareholder unless a lower withholding tax certificate obtained from the tax authorities is furnished to the Acquirers.*
 - b. *Non-domestic companies: As per the provisions of section 195 of the IT Act, any income by way of capital gains, payable to foreign companies, shall be liable to the*

provisions of withholding tax (at applicable tax rates plus surcharge and education cess on the amount of capital gains), subject to the provisions of the relevant tax treaty. Accordingly, income tax may have to be deducted at source in the case of a foreign company at the rate under the IT Act or under the tax treaty, whichever is beneficial to the selling shareholder unless a lower withholding tax certificate obtained from the tax authorities is furnished to the Acquirers.

- c. *Other foreign investors: As per the provisions of section 195 of the IT Act, any income by way of capital gains, payable to non-residents, shall be liable to the provisions of withholding tax (at applicable tax rates plus education cess on the amount of capital gains), subject to the provisions of the relevant tax treaty. Accordingly, income tax may have to be deducted at source in the case of non-residents at the rate under the IT Act or under the tax treaty, whichever is beneficial to the selling shareholder unless a lower withholding tax certificate obtained from the tax authorities is furnished to the Acquirers.”*

2.3 *Where the offer consideration is chargeable to tax as business income under the IT Act, the Acquirers will need to deduct tax at source (including applicable surcharge and education cess) at the appropriate tax rate prescribed under law on the gross value of consideration, unless a lower withholding tax certificate obtained from the tax authorities is furnished to the Acquirers.*

2.4 *In view of the provisions of Section 206AA of the IT Act, in case a shareholder does not have a Permanent Account Number (“PAN”), tax will be deducted at the rate of 20% or the applicable rate as per normal provisions whichever is higher. Surcharge and education cess will be added to tax deduction amount as applicable.*

3. *FII's enjoy exemption from tax deduction at source on capital gains under Section 196D(2) of the IT Act and hence no tax shall be deducted on amount payable to FII's subject to receipt of an undertaking from them stating their residential status and that it does not have a permanent establishment in India and the amount received by them as a part of the offer constitutes capital gains and does not constitute business income for them and that similar gains have been taxed as capital gains by the tax authorities in India in the past.*

4. **All Shareholders are advised to consult their tax advisors for the treatment that may be given by their respective assessing officers in their case, and the appropriate course of action that they should take. Shareholders may approach the income tax authority for obtaining certificate for appropriate withholding tax on this transaction. The Acquirers, and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of such advice. The aforesaid treatment of tax deduction at source may not necessarily be the treatment also for filing the return of income.”**

13. **Compliance Officer**

The Compliance Officer of the Company is:

Paresh Sheth

Company Secretary

Nirma Limited

Nirma House,

Ashram Road,

Ahmedabad -380 009

Tel: +91 79 27546565, Fax: +91 79 27546603

Email: secretarial@nirma.co.in

14. General

- 14.1 Every Residual Shareholder who desires to avail of the Exit Offer may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Acquirers, the Manager to the Offer, the Registrar to the Offer or the Company whatsoever by reason of any loss which may be suffered by such Residual Shareholder consequent to or in connection with the Exit Offer.
- 14.2 The Acquirers will inform the Residual Shareholders by way of a public announcement of any changes if any, to the information set out in this Letter of Offer.
- 14.3 For any clarification in connection with this Letter of Offer, you should consult the Manger to the Offer:

Manager to the Offer
 Kotak Mahindra Capital Company Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai - 400 021 Tel : +91 22 66341100 Fax: +91 22 22840492 Contact Person: Mr. Chandrakant Bhole Email: project.nirmaoffer@kotak.com

All future correspondence, if any, should be addressed to the Registrar to the Offer at the following address:

Registrar to the Offer
 Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel: +91 22 67720300, 67720400 Fax: +91 22 28591568 Contact Person: Mr. Anand Moolya Email: nirmadelist@shareproservices.com

Signed on behalf of the Acquirers

Mr. Paresh Sheth on behalf of Shri Karsanbhai K. Patel as his attorney vide a power of attorney dated November 27, 2010

Mr. Paresh Sheth on behalf of Smt Shantaben K. Patel as her attorney vide a power of attorney dated November 27, 2010

M/s Kulgam Holdings Private Limited

Karsanbhai K. Patel, Director

Shantaben K. Patel, Director

Date: March 24, 2011

Place: Ahmedabad

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