



Aavishkaar
International
Private Limited

10A Barker Road
Singapore 309875
www.aavishkaar.org
E-mail: arvind@questonthefrontier.com
anantha_n@aavishkaar.org
Company No. 200106268M

February 2, 2005

Shareholders
Aavishkaar International Private Limited

Dear

On Jan. 8th, Vineet Rai ('Vineet'), the Fund manager of Aavishkaar India and Mr. Arun Diaz ('Arun'), one of the two trustees of Aavishkaar India, made a presentation to Singapore based investors about the path that Aavishkaar India had travelled, in the last three years.

Investors in general felt pleased with the investments still having potential to become winners.

They emphasised that, for Aavishkaar to grow, it should scale up the number of investments. They understood the constraints. But, on balance, they felt four was a couple or three too short.

Further, they wanted some reverse cash flow (even if token) to happen from the Investee companies to Aavishkaar investors. It could be largely symbolic but it could have a big signal effect that their investments are not one-way donations. OF course, Vineet, Arun and the rest of the Aavishkaar Management Board present there (Arvind Singh and the undersigned) acknowledged the significance of what they said and promised to endeavour hard for that in the coming financial year, 2005-06.

Most investors expressed an interest to know more about specific problems we might face in running the Fund or in mentoring investee companies so that they could help.

For example, Aavishkaar Management could send a general mail to Aavishkaar investors on Servals (the first investment that Aavishkaar India made):

"Do you know any one in Chennai (India) that could provide shelf space to the 'Venus' burner?"

Nurturing ventures into enterprises

Another example:

Do you know any one who can help us break the deadlock with National Dairy Development Board in India (NDDDB) for Sri Kamdhenu Electronics Private Limited (SKEPL)?

It so turned out that one of the investors is going to help with this latter question.

Such engagement with investors would serve many purposes: it would help to solve the problem; it would help to remind investors of Aavishkaar and its activities and it would make them feel involved and trigger other thoughts or other avenues of co-operation.

In particular, some investors were pleased that expenses had been held on a tight leash. To give you some idea of the figures involved, in fiscal 2002-03 and 2003-04, INR 3.9 million had been spent on salaries, benefits and administrative expenses. Interest income earned was INR 1.8 million in these two years. So, net is INR 2.1 million of expenses after accounting for interest earnings.

In India, interest rates fell too quickly in the last three years and Aavishkaar India, otherwise, would have had a far lesser expense outgo. Including fiscal 2004-05, until end-December, total expenses (net of interest income) would be around INR3.7 millions.

If you recall, given the nature of the fund - with considerable effort and travel involved in scouting and mentoring Investee companies - we had provided for 4.5% of the total fund size of INR 50 million as our annual permissible expenses. That would have been equivalent to INR2.25 millions per financial year. Further, we had also not reckoned with interest rates in India coming down considerably in such a short period of time. It means that Aavishkaar India cash deposits earn far less interest than we anticipated.

Notwithstanding all of these, Aavishkaar India had kept expenses on a tight leash and would continue to do, even as it promises to strike a balance between that and providing adequate incentives to employees to close investment deals, to do better mentoring and monitoring, in the current calendar year, 2005.

Yes, Aavishkaar Management Board would be formulating an incentive plan for the Fund manager and the project executives.

Further, you might be pleased to note that Aavishkaar International has not and does not incur any operating expenses other than payments to Company Secretary and the Corporate Statutory auditors.

Overall, investors felt pleased with the effort on that evening and the efforts that have gone in the last two + years.

They had even collectively committed - and this includes prospects too - USD120, 000 to help us close the gap between what we have now and our target of INR 50.0 million.

We request those who promised to contribute, to kindly send us the amounts at their earliest convenience and also remind your friends that are not Aavishkaar investors currently but who were present on January 8th.

In summary, it was a good and motivating start to the year for us in Aavishkaar. It is up to us, the Management Board of Aavishkaar, to sustain our momentum and investors' interest and grow Aavishkaar India in the next half decade or more into an institution that imparts a greater meaning to our lives while it makes a meaningful material difference to that of our investee companies and investors.

I am attaching the latest Investor Presentation on Aavishkaar. Please note that this presentation is NOT the presentation that Vineet and Arun made on January 8th.

I hope to be back soon with an update on Aavishkaar's fifth investment.

Thanking you,

Sincerely,

(V. Anantha Nageswaran)