

LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Letter of Offer is sent to you as a shareholder of **Mysore Cements Limited**. If you require any clarifications about the action to be taken, you should consult your stockbroker or investment consultant or the Manager/ Registrar to the Offer. In case you have sold your equity shares in Mysore Cements Limited, please hand over this Letter of Offer, the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the member of the stock exchange through whom the said sale was effected.

Cementum I B.V.

Registered Office: Sint Teunislaan 1, 5231 BS 's-Hertogenbosch, The Netherlands
(Tel: (+ 31) 73 6401209 Fax: (+ 31) 73 6401208)
(hereinafter referred to as the "Acquirer" or "CIBV")

and

HeidelbergCement AG

Registered Office: Berliner Strasse 6, 69120 Heidelberg, Germany (Tel: (+49) 6221 481 227, Fax: (+49) 6221 481 217)

who is acting in concert with the Acquirer for the purpose of the Offer
(hereinafter referred to as the "Person Acting in Concert" or "PAC" or "HCAG")

**MAKE A CASH OFFER AT Rs.58 (RUPEES FIFTY EIGHT ONLY) PER FULLY PAID-UP
EQUITY SHARE OF FACE VALUE OF RUPEES TEN EACH**

(The Offer Price is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by Rs. 14.50 per Share. On an appeal filed by the Acquirer, the Hon'ble Securities Appellate Tribunal has permitted the Offer to be proceeded with at the price Rs. 58 per Share, subject to outcome of the appeal. Please refer to Paragraph 7.1.4 of this Letter of Offer for details)

pursuant to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto upto the Public Announcement (the "SEBI Takeover Code")

TO ACQUIRE 35,000,000 FULLY PAID-UP EQUITY SHARES

representing 22.15 % of Fully Expanded Voting Equity Capital (as defined later) of



Mysore Cements Limited

Registered Office: 1st Floor, "Industry House", 45, Race Course Road, Bangalore 560 001
(Tel: (+91) 80 22389313, Fax: (+91) 080 2238 9315)

Please Note :

- The Offer is being made pursuant to and in compliance with Regulations 10, 12 and other applicable provisions of the SEBI Takeover Code.
- Subsequent to the approval of the Preferential Issue by the shareholders in the Extra-Ordinary General Meeting held on August 16, 2006, the Acquirer and the PAC have announced that the condition as to the minimum level of acceptances mentioned in the Public Announcement has been waived. Therefore, the acquisition of Shares tendered in the Offer shall not be conditional upon the minimum level of acceptances, and all Shares tendered in response to the Offer shall be acquired subject to the basis of acceptances in the event of the Shares tendered being in excess of the size of the Offer.
- The Offer is subject to the receipt of the approval from Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for the acquisition of equity shares by the Acquirer under the Offer. The Offer is also subject to the approval from RBI for the opening and operation of the escrow account and special account to be opened under the applicable provisions of the SEBI Takeover Code and other related matters. These approvals have been received vide letter dated August 9, 2006 of the RBI. Please refer to paragraph 8 of this Letter of Offer for details.
- If the aggregate of the valid response exceeds 35,000,000 shares, then the Acquirer shall accept shares equal to 35,000,000 shares, on a proportionate basis, in consultation with the Manager to the Offer, in accordance with Regulation 21(6) of the SEBI Takeover Code.
- If there is any upward revision in the Offer Price by the Acquirer and the PAC till the last date of revision i.e. Thursday, January 4, 2007 or withdrawal of the Offer in terms of the SEBI Takeover Code, the same would be informed by way of a public announcement in the same newspapers where the original Public Announcement dated July 21, 2006, the Revised Public Announcement dated August 18, 2006, Corrigendum to the Public Announcement dated September 4, 2006, Second Corrigendum to the Public Announcement dated December 5, 2006 and Third Corrigendum to the Public Announcement dated December 15, 2006 had appeared. Such revised offer price would be payable for all the equity shares of Mysore Cements Limited, tendered anytime during the Offer and accepted under the Offer.
- The procedure for acceptance is set out in paragraph 9 of this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and a Form of Withdrawal is enclosed with this Letter of Offer.
- As on the last date for a competitive bid i.e. Saturday, August 12, 2006, there has been no competitive bid.
- The Public Announcement, Letter of Offer, Form of Acceptance-cum-Acknowledgement and Form of Withdrawal would also be available on the website of Securities and Exchange Board of India <http://www.sebi.gov.in>.
- Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement / Revised Public Announcement / Corrigendum to the Public Announcement / Second Corrigendum to the Public Announcement / Third Corrigendum to the Public Announcement / Letter of Offer, can withdraw the same upto three working days prior to the date of the Offer Closing Date. Requests for such withdrawals should reach the designated collection centres before the close of business hours on Wednesday, January 10, 2007.**
- 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 the period after Thursday, January 4, 2007, 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.

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

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
 <p>Ambit Corporate Finance Private Limited Ambit RSM House, 449, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Contact Person: Kashyap Choksi Tel: +91-22-39821819 Fax: +91-22-39823020 Email: mclopenoffer@ambitpte.com</p>	 <p>Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound L B S Marg Bhandup (W) Mumbai – 400078. Contact Person: Vishwas Attavar Tel: +91-22-25960320-28 Fax: +91-22-25960329 Email: vishwasa@intimespectrum.com</p>

OFFER OPENS ON: WEDNESDAY, DECEMBER 27, 2006

OFFER CLOSES ON: MONDAY, JANUARY 15, 2007

(For Schedule of the Major Activities of the Offer please refer the next page)

Letter of Offer

SCHEDULE OF THE MAJOR ACTIVITIES OF THE OFFER:

Activity	Original Schedule		Revised Schedule	
	Date	Day	Date	Day
Date of publication of Public Announcement.	July 22, 2006	Saturday	July 22, 2006	Saturday
Date of publication of Revised Public Announcement.	–	–	August 18, 2006	Friday
Date of publication of Corrigendum to the Public Announcement.	–	–	September 5, 2006	Tuesday
Date of publication of Second Corrigendum to the Public Announcement.	–	–	December 6, 2006	Wednesday
Date of publication of Third Corrigendum to the Public Announcement	–	-	December 16, 2006	Saturday
Specified Date (for the purpose of determining the names of shareholders to whom the Letter of Offer will be posted).	August 4, 2006	Friday	August 4, 2006	Friday
Last date for a competitive bid.	August 12, 2006	Saturday	August 12, 2006	Saturday
Last date for completion of dispatch of the Letter of Offer to the eligible shareholders.	September 1, 2006	Friday	December 20, 2006	Wednesday
Date of opening of the Offer.	September 6, 2006	Wednesday	December 27, 2006	Wednesday
Last date for revising the Offer Price / number of Shares.	September 14, 2006	Thursday	January 4, 2007	Thursday
Last date for withdrawal by shareholders who have accepted the Offer.	September 20, 2006	Wednesday	January 10, 2007	Wednesday
Date of Closing of the Offer.	September 25, 2006	Monday	January 15, 2007	Monday
Last date for communicating rejection/acceptance and payment of consideration for Shares accepted and for dispatch of Share certificate(s) for the rejected Shares / credit of unaccepted demat Shares.	October 10, 2006	Thursday	January 30, 2007	Tuesday

RISK FACTORS

- i. Acceptance of equity shares of Mysore Cements Limited tendered in the Offer is subject to receipt of the statutory approvals, as mentioned in paragraph 8 of this Letter of Offer.
- ii. In the event that either (a) a regulatory approval is not received in time, (b) there is any litigation leading to a stay on the Offer, or (c) SEBI instructing the Acquirer and the PAC 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 shareholders of Mysore Cements Limited whose shares have been accepted in the Offer as well as the return of the shares not accepted by the Acquirer may be delayed. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI Takeover Code, SEBI may, if satisfied that the non receipt of approvals was not due to any wilful default or negligence on the part of the Acquirer and the PAC, grant an extension for the purpose of completion of the Offer subject to the Acquirer and the PAC agreeing to pay interest to the shareholders, as may be specified by SEBI. Further, shareholders should note that after the last date of withdrawal i.e. Wednesday, January 10, 2007, shareholders who have lodged their acceptances would not be able to withdraw them even if the acceptance of shares under the Offer and dispatch of consideration gets delayed. The tendered shares and documents would be held by the Registrar to the Offer, till such time as the process of acceptance of tenders and the payment of consideration is completed.
- iii. The Acquirer and the PAC make no assurance with respect to the market price of the shares of Mysore Cements Limited, both during the Offer period and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by the shareholders on whether or not to participate in the Offer.
- iv. The Acquirer and the PAC make no assurance with respect to the financial performance of Mysore Cements Limited. The Acquirer and the PAC make no assurance with respect to their investment / divestment decisions relating to their proposed shareholding in Mysore Cements Limited.
- v. The Acquirer has not conducted any business activities or operations from the date of incorporation, April 25, 2006, to the period ending July 19, 2006 and therefore has not earned any significant revenues.

The risk factors set forth above pertain to the acquisition and the Offer and not in relation to the operations of Mysore Cements Limited 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 Mysore Cements Limited are advised to consult their stockbroker or investment consultant, if any, for further risks with respect to their participation in the Offer.

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1 DEFINITIONS

Acquirer / CIBV	Centrum I B.V.
BgSE	The Bangalore Stock Exchange Association Limited
BIFR	The Board for Industrial and Financial Reconstruction
BSE	The Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Combined Public Announcements	Together, the Public Announcement, the Revised Public Announcement, the Corrigendum to the Public Announcement, the Second Corrigendum to the Public Announcement, the Third Corrigendum to the Public Announcement
Corrigendum to the Public Announcement	Announcement dated September 4, 2006 published on September 5, 2006
Depositories	Collectively NSDL and CDSL
DP	Depository Participant
Eligible Person(s) for the Offer	All owners (registered or unregistered), including the beneficial owners, of equity shares of Mysore Cements Limited (other than parties to SSSPA & SHA) anytime before the closure of the Offer
EGM	Extraordinary General Meeting
EUR / €	Euros
FEMA	Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder
FII(s)	Foreign Institutional Investor(s)
Fully Expanded Voting Equity Capital	The voting paid-up equity share capital of MCL as expected to be at the expiry of 15 days after the Offer Closing Date i.e. 158,009,765 Shares, subsequent to full allotment under the Preferential Issue and allotment of 1,274,944 Shares to IFCI Ltd.
Form of Acceptance / FOA	Form of Acceptance-cum-Acknowledgement
FY	Financial Year
Indian JV Partners	Some members of the Promoter Group comprising of Birla Eastern Limited, Birla VXL Ltd., Central India General Agents Ltd., Sutlej Cotton Mills Supply Agency Ltd., Madhushree Birla, Meenakshi Birla, Sidharth Kumar Birla, Sudarshan Kumar Birla and Sumangala Birla
INR / Rs.	Indian National Rupee
Letter of Offer / LOF	this Letter of Offer
Ltd.	Limited
Manager/ Manager to the Offer / Merchant Banker	Ambit Corporate Finance Private Limited
MCL / the Target Company	Mysore Cements Limited
Mn / mn	Million
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NRI	Non Resident Indian
OCB	Overseas Corporate Bodies
Offer	This open offer for acquisition of 35,000,000 fully paid-up equity shares of face value of Rs.10/- each, representing 22.15 % of Fully Expanded Voting Equity Capital at the Offer Price.

Letter of Offer

Offer Closing Date	Monday, January 15, 2007
Offer Price	Rs.58 (Rupees Fifty Eight only) per Share, payable in cash. This is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by Rs. 14.50 per Share. On an appeal filed by the Acquirer, the Hon'ble Securities Appellate Tribunal has permitted the Offer to be proceeded with at the price Rs. 58 per Share, subject to outcome of the appeal. Please refer to Paragraph 7.1.4 of this Letter of Offer for details.
Offer Size	35,000,000 Shares
PAC / HCAG/ HeidelbergCement	Person acting in concert with the Acquirer i.e. HeidelbergCement AG
Preferential Issue	Issue of 66,500,000 Shares on a preferential allotment basis at a price of Rs. 54 per Share to the Acquirer
Promoter Group	Janardhan Trading Co Ltd., GCC Investment & Trading Co Ltd., Sutlej Cotton Mills Supply Agency Ltd., Sukriti Education Society, Sushila Birla Memorial Institute, Birla Eastern Limited, Birla VXL Ltd., Central India General Agents Ltd., Madhushree Birla, Meenakshi Birla, Sidharth Kumar Birla, Sudarshan Kumar Birla, Sumangala Birla, Birla Education Trust, BITS Pilani, Govt. of Karnataka and Mycemco Workers Welfare Fund Trust, Mycemco Officers Welfare Fund Trust, Mycemco Staff Welfare Fund Trust, Trajax Investments & Trading Co. Ltd., Shri S.K.Birla, Karta of Sudarshan Kumar Sidharth Kumar Birla (HUF), Vasusri Trading Co.
Public Announcement/ PA	Announcement of the Offer dated July 21, 2006 published on July 22, 2006
Revised Public Announcement	Announcement of waiver of conditionality clause in the Offer published on August 18, 2006
RBI	Reserve Bank of India
Registrar to Offer	Intime Spectrum Registry Limited
Sale Consideration	Aggregate amount to be paid by the Acquirer to Sellers for acquisition of Sale Shares - Rs.7,772 lakhs
Sale Price	The price per Share to be paid to the Sellers – Rs.58 per Share
Sale Shares	13,400,000 Shares agreed to be sold by the Sellers to the Acquirer under the SSSPA
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto upto the Public Announcement
Second Corrigendum to the Public Announcement	Announcement dated December 5, 2006 published on December 6, 2006
Sellers	Janardhan Trading Co Ltd., GCC Investment & Trading Co Ltd., Sutlej Cotton Mills Supply Agency Ltd., Sukriti Education Society and Sushila Birla Memorial Institute
SHA	Shareholders' Agreement dated July 18, 2006 entered into between the Acquirer, Indian JV Partners and MCL
Share(s)	Fully paid-up equity shares of face value of Rs.10/- each of MCL
SSSPA	The Share Subscription and Share Purchase Agreement dated July 18, 2006 entered into between the Acquirer, the Sellers and MCL
Specified Date	Friday, August 4, 2006
Subscription Price	The price at which the Acquirer has subscribed to the Shares allotted under Preferential Issue - Rs. 54 per Share
Subscription Consideration	Aggregate amount to be paid by the Acquirer for the Preferential Issue – Rs.35,910 lakhs
Third Corrigendum to the Public Announcement	Announcement dated December 15, 2006 published on December 16, 2006

2 DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE 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 SHAREHOLDERS OF MYSORE CEMENTS LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, PAC 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 ACQUIRER 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 ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, AMBIT CORPORATE FINANCE PVT LTD, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED AUGUST 4, 2006 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 ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

3 DETAILS OF THE OFFER

3.1 Background of the Offer

- 3.1.1 The Offer is being made by the Acquirer and the PAC to the equity shareholders of MCL to acquire from them 35,000,000 Shares, representing 22.15 % of Fully Expanded Voting Equity Capital of MCL at a price of Rs.58/- (Rupees Fifty Eight only) per Share, payable in cash and subject to the terms and conditions mentioned hereinafter and in the Public Announcement. CIBV will acquire all the Shares validly tendered and accepted under the Offer. HCAG will not acquire any Shares under the Offer. The Offer Price is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by Rs. 14.50 per Share. On an appeal filed by the Acquirer, the Hon'ble Securities Appellate Tribunal has permitted the Offer to be proceeded with at the price Rs. 58 per Share, subject to outcome of the appeal. Please refer to Paragraph 7.1.4 of this Letter of Offer for details.
- 3.1.2 Other than CIBV and HCAG who are acting in concert with each other for the purpose of the Offer, no other person is acting in concert with the Acquirer and the PAC for the Offer. Due to operation of Regulation 2(1)(e)(2) of the SEBI Takeover Code, there could be persons who could be deemed to be acting in concert with the Acquirer and the PAC. ENCI Holding N.V., Cimenteries CBR S.A. and HeidelbergCement International Holding GmbH are intermediate companies, through which HCAG controls the 100% shareholding of the Acquirer, as disclosed in paragraph 4.1.4. These companies could be deemed to be acting in concert with the Acquirer and the PAC. However, no such person is in fact acting in concert for the purpose of this Offer.
- 3.1.3 The acquisitions in terms of the Offer and the SSSPA would result in a change in control of MCL. The Offer is being made in compliance with Regulations 10, 12 and other applicable provisions of the SEBI Takeover Code.
- 3.1.4 On July 18, 2006 the Acquirer has entered into the SSSPA with the Sellers and MCL for acquisition of Shares of MCL. The proposed acquisition under the SSSPA is as follows:
- 66,500,000 new Shares issued by MCL on a preferential basis in accordance with provisions of, amongst others, SEBI (Disclosure and Investor Protection) Guidelines, 2000 at a price of Rs. 54 per Share aggregating Rs.35,910 lakhs. The Shares allotted by way of the Preferential Issue represent 42.09% of the Fully Expanded Voting Equity Capital of the Target Company.
 - 13,400,000 existing Shares from the Sellers at a price of Rs.58 per Share aggregating Rs.7,772 lakhs. The Sale Shares will represent 8.48% of the Fully Expanded Voting Equity Capital, and 14.85% of the equity share capital of the Target Company as on the date of signing the SSSPA.

The Preferential Issue was considered by the Board of Directors of the Target Company in their meeting held on July 18, 2006 and an EGM of the Target Company was held on August 16, 2006 to authorise the Preferential Issue by way of a special resolution under Section 81(1A) of the Companies Act, 1956 and other applicable provisions. Further, 1,274,944 Shares are issued to IFCI Ltd. upon conversion of amount outstanding under the terms of IFCI Ltd's loan facilities. The Shares under the Preferential Issue and to IFCI Ltd. were allotted on August 23 2006. Accordingly, the Fully Expanded Voting Equity Capital of the Target Company is 158,009,765 Shares, after the full allotment under the Preferential Issue and allotment of 1,274,944 Shares to IFCI Ltd. As mentioned elsewhere in this Letter of Offer, there are forfeited shares, fully convertible debentures kept in abeyance and loan conversion rights generally available to lenders. Voting rights arising out of reissue of forfeited shares / other conversions in future, if any, are not taken into account for the calculation of the Fully Expanded Voting Equity Capital.

3.1.5 The Sellers under the SSSPA are:

	Shares held as on the date of SSSPA	Shares proposed to be sold under SSSPA	Contact details (Address, Tel, Fax) *
Janardhan Trading Co Ltd.	3,123,593	3,123,593	9/1, RN Mukerjee Road Kolkata – 700 001 Tel: 033-22480508 / 32596745 Fax No: 033-22131144
GCC Investment & Trading Co Ltd.	6,480,000	6,480,000	
Sutlej Cotton Mills Supply Agency Ltd.	3,261,439	3,189,207	
Sukriti Education Society	399,300	399,300	
Sushila Birla Memorial Institute	207,900	207,900	

* as provided by MCL

The Sellers are part of the Promoter Group of the Target Company.

Sutlej Cotton Mills Supply Agency Ltd., one of the Sellers, has furnished a non-disposal undertaking to the lending institutions of MCL, under loan agreements pursuant to which loans have been availed of by MCL. Consent of the lenders is yet to be taken under the loan agreements, for the execution and delivery of the SSSPA (and related documents) by MCL and/or the Sellers.

3.1.6 In addition to the SSSPA, a shareholders' agreement (the "SHA") has been entered into between the Acquirer, the Target Company and Birla Eastern Limited, Birla VXL Ltd., Central India General Agents Ltd., Sutlej Cotton Mills Supply Agency Ltd., Madhushree Birla, Meenakshi Birla, Sidharth Kumar Birla, Sudarshan Kumar Birla & Sumangala Birla (some members of the present promoter group of the Target Company, hereinafter referred to as the "Indian JV Partners"). Further, the Acquirer and the Sellers have entered into an escrow agreement (the "Sale Share Escrow Agreement") dated July 21, 2006 with Standard Chartered Bank, acting through its London and Mumbai offices (the "Sale Share Escrow Agent") to hold the Sale Shares, the Sale Consideration and the Non-Compete Consideration for release to the respective parties as per the relevant terms and conditions of the SSSPA.

3.1.7 Following is a summary of the key terms of the SSSPA:

- In addition to the Sale Price, the Acquirer has also agreed to pay Rs.14.50 per Sale Share as non-competitive consideration aggregating Rs.1,943 lakhs ("Non-Compete Consideration"). The Sellers and their affiliates shall, for a 5 year period not directly or indirectly participate as an investor, manager, consultant or in any other capacity in a business that competes with the Target Company; solicit any client or agent or supplier of the Target Company; supply any product or service which is similar to that provided by the Target Company except that they could invest upto 5% in any listed entity.
- On completion of certain conditions, including the shareholders of the Target Company successfully approving the Preferential Issue, the First Closing (as defined in the SSSPA) shall take place. At the time of First Closing, the Acquirer shall pay the Subscription Consideration to the Target Company. Simultaneously, the Target Company shall appoint 4 directors nominated by the Acquirer, in compliance with the second proviso to Regulation 22(7) of the SEBI Takeover Code. Further, there shall be 5 independent directors comprising of (a) 3 directors nominated by the lenders and (b) 2 directors nominated by the Acquirer. Mr. Sudarshan Kumar Birla and Mr. Sidharth Kumar Birla shall continue as directors and the Sellers shall cause the resignation of all directors that are not covered above ("Seller Directors") such that the Board of Directors shall comprise 11 directors.
- At the time of First Closing the Sale Share Escrow Agent shall release to the Sellers 50% of the total Sale Consideration and 50% of the Non-Compete Consideration, as payment in advance.
- Upon completion of certain conditions, including completion of Offer formalities, the Second Closing (as defined in the SSSPA) shall take place. At this time, the Sale Share Escrow Agent shall release the Sale Shares to the Acquirer, and the balance of the Sale Consideration & Non-Compete Consideration (as reduced by the advance already paid at First Closing) to the Sellers.
- If the First Closing does not take place, resignation of the Seller Directors and appointment of directors nominated by the Acquirer shall take place upon Second Closing such that the Board of Directors shall comprise 11 directors.
- The Acquirer shall comply with the provisions of the SEBI Takeover Code.
- There are certain covenants of the Sellers and of the Target Company which are intended to protect the rights of the Acquirer. One of the covenants restricts the right of the Target Company to issue fresh Shares at any time on or before the First Closing, or if the First Closing fails to occur, at any time on or before the Second Closing, except for issuance of 1,274,944 Shares to IFCI Ltd. It is also provided that in the event of breach of certain conditions by the Target Company, the Acquirer shall be compensated a sum of ten million US Dollars.

- It is also provided that if the Acquirer, in pursuance of the SSSPA, fails to comply with the provisions of the SEBI Takeover Code, the SSSPA, to the extent it relates to the sale and purchase of the Sale Shares, shall not be acted upon by the Sellers, the Target Company or the Acquirer.
- It is also provided that the SSSPA could be terminated by either of the parties in specified circumstances whereby the Acquirer or the Sellers or the Target Company are not able to fulfill the specified obligations.

- 3.1.8 The SHA lays down the joint venture relationship that will take effect, governing the relationship between the Acquirer and Indian JV Partners. The SHA provides that the Acquirer shall have the first right of refusal for transfer of Shares held by Indian JV Partners in the Target Company. Further, it provides that the Indian JV Partners will not transfer their Shares in the Target Company to any competitor without prior written consent of the Acquirer. Mr. Sudarshan Kumar Birla and Mr. Sidharth Kumar Birla will continue on the Board of Directors of the Target Company for an initial period of 3 years, subject to extension by mutual consent.
- 3.1.9 The Sale Share Escrow Agreement entails deposit of the Sale Consideration, the Non-Compete Consideration and the Sale Shares with the Sale Share Escrow Agent. At the First Closing, the Sale Share Escrow Agent shall release an amount equal to 50% of the Sale Consideration and the Non-Compete Consideration to the Sellers, and at the Second Closing, release the balance of such amounts to the Sellers and the Sale Shares to the Acquirer.
- 3.1.10 The above mentioned proposed acquisition under the SSSPA of 79,900,000 Shares, represents 50.57 % of the Fully Expanded Voting Equity Capital of the Target Company. The Offer is for acquisition of upto 35,000,000 fully paid-up equity shares of Rs. 10 each of MCL from the existing shareholders of MCL (other than parties to SSSPA & SHA) representing 22.15 % of Fully Expanded Voting Equity Capital of MCL, at the Offer Price.
- 3.1.11 As mentioned above, at the EGM held on August 16, 2006, the shareholders approved the Preferential Issue, upon which the Acquirer and the PAC have announced that the condition as to the minimum level of acceptances has been waived. Therefore, the acquisition of Shares tendered in the Offer shall not be conditional upon the minimum level of acceptances set out in the Public Announcement, and all Shares tendered in response to the Offer shall be acquired subject to the basis of acceptances in the event of the Shares tendered being in excess of the size of the Offer. A Revised Public Announcement was made in the same newspapers where the Public Announcement had been made, and was published on August 18, 2006.
- 3.1.12 The First Closing (as defined in the SSSPA) took place on August 23, 2006. Accordingly, as stated in the SSSPA, the Acquirer has paid the Subscription Consideration to the Target Company and 50% of the Non-Compete Consideration to the Sellers. Simultaneously, the Target Company has allotted 66,500,000 Shares under the Preferential Issue to the Acquirer. Dr. Bernd Scheifele, Mr. Daniel Gauthier, Dr. Lorenz Nager and Mr. Ashish Guha, all representing the Acquirer, have been appointed as directors of MCL. Mr. Ashish Guha has been appointed as Managing Director of MCL (subject to necessary approvals) and Brad Taylor has been appointed as the Chief Financial Officer. Further, the Seller Directors have resigned from the Board of Directors of MCL. The Sale Share Escrow Agent has released to the Sellers 50% of the total Sale Consideration and 50% of the Non-Compete Consideration, as payment in advance.
- 3.1.13 Other than as stated above, the Acquirer and the PAC have neither acquired nor have been allotted any Shares of the Target Company in the last 12 months. As on the date of this Public Announcement, the Acquirer and the PAC did not held any Shares of the Target Company.
- 3.1.14 The Acquirer and the PAC have not been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the SEBI Act, 1992 or any other regulations made under the SEBI Act, 1992.
- 3.1.15 The applicable provisions of Chapter II of the SEBI Takeover Code, vis-à-vis the Target Company have been complied by the Acquirer and are not applicable to the PAC.

3.2 Details of the Offer

- 3.2.1 The Public Announcement dated July 21, 2006 was published in the following newspapers, in accordance with Regulation 15 of the SEBI Takeover Code:

Publication	Language	Editions
Financial Express	English	All editions
Business Standard	English	All editions
Jansatta	Hindi	All editions
Nav Shakti	Marathi	Mumbai
Samyukta Karnataka	Kannada	Bangalore

The Public Announcement was published on July 22, 2006. Subsequent announcements have also been published in the same newspapers where the Public Announcement was published. The details of these announcements are as follows:

Announcement	Publication date
a) Revised Public Announcement	August 18, 2006
b) Corrigendum to the Public Announcement	September 5, 2006
c) Second Corrigendum to the Public Announcement	December 6, 2006
d) Third Corrigendum to the Public Announcement	December 16, 2006

(All the above announcements would be available at the SEBI website: www.sebi.gov.in)

3.2.2 Except the shares issued under the Preferential Issue, the Acquirer and the PAC have not acquired any Shares since the date of the Public Announcement upto the date of this Letter of Offer. There has also been no other acquisition of shares of the Target Company by the Acquirer or the PAC prior to the announcement of the Offer. Also refer to paragraph 6.4 for the allotment of Cumulative Redeemable Preference Shares to CIBV.

3.2.3 As disclosed in paragraph 3.1.11, the Acquirer and the PAC have announced that the condition as to the minimum level of acceptances has been waived. Therefore, the acquisition of Shares tendered in the Offer shall not be conditional upon the minimum level of acceptances set out in the Public Announcement, and all Shares tendered in response to the Offer shall be acquired subject to the basis of acceptances in the event of the Shares tendered being in excess of the size of the Offer.

3.2.4 As on the last date for a competitive bid i.e. Saturday, August 12, 2006, there has been no competitive bid.

3.3 Object of the Offer and Future Plans for MCL

3.3.1 The Offer is being made in compliance with Regulations 10, 12 and other applicable provisions of the SEBI Takeover Code, for the purpose of substantial acquisition of Shares and voting rights, as disclosed earlier, accompanied with change in control and management of the Target Company, thereby enabling the Acquirer and the PAC to exercise control over the Target Company inter-alia, through the right to appoint directors or through control over management or policy decisions, by virtue of their shareholding. The Acquirer and the PAC reserve the right to seek reconstitution of the Board of Directors of the Target Company, in accordance with the provisions contained in the SEBI Takeover Code and the Companies Act, 1956. The Acquirer and the PAC may also consider changing the name of the Target Company at a later date.

3.3.2 After acquisition of control over the Target Company, the Acquirer and the PAC would continue the existing business of the Target Company and support the Target Company's Board of Directors in their endeavour to develop the business. The Acquirer and the PAC may also consider restructuring and / or streamlining of various operations, assets, liabilities, businesses or otherwise of the Target Company by way of arrangement / reconstruction, restructuring, mergers / demergers, at a later date. Such decisions will be governed by the provisions of the applicable laws and other applicable regulations. The Acquirer and the PAC will evaluate and consider such proposals and may, if appropriate, support the same. It will be the responsibility of the Board of Directors of the Target Company to make appropriate decisions in these matters in accordance with the business requirements and in line with opportunities or changes in the economic scenario, from time to time.

3.3.3 HCAG, through HeidelbergCement Central Europe East Holding B.V. holds a 50% stake in Indorama Cement Limited, which is an Indian company primarily engaged in manufacture and sale of cement - a line of activity substantially similar to that of the Target Company. Indorama Cement Limited has a single plant near Mumbai in Western India which caters primarily to the region in and around Mumbai. The Acquirer and the PAC do not foresee any significant impact on the operations / market share of the Target Company due to Indorama Cement Limited or vice versa since both the companies essentially cater to different markets. At present there are no plans for integrating the businesses of the two companies. The Acquirer and the PAC may consider harnessing the benefits of synergies of operations of the two companies for administrative and financial efficiencies through sharing of services, procurement of raw materials etc.

3.3.4 Except in the ordinary course of business and to the extent required or otherwise disclosed in the Letter of Offer, the Acquirer and the PAC undertake that they shall not sell, dispose off or otherwise encumber any substantial assets of the Target Company except with the prior approval of the shareholders of the Target Company.

4 BACKGROUND OF THE ACQUIRER AND THE PAC

4.1 Details of the Acquirer - Cementum I B.V.

4.1.1 Cementum I B.V. ("CIBV") is a private company, limited by shares and incorporated on April 25, 2006. It is registered in the Kingdom of The Netherlands with The Chamber of Commerce for Oost-Brabant under number 17190524. The registered office of CIBV is situated at Sint Teunislaan 1, 5231 BS 's-Hertogenbosch, The Netherlands, Telephone: (+31) 73 6401209, Fax: (+31) 73 6401208.

4.1.2 CIBV is incorporated as a holding company and its main objects authorize it to undertake a wide range of activities including activities to incorporate, to participate in any way, to manage, to supervise, to finance businesses and companies. CIBV has been recently incorporated and has not started any commercial operations.

- 4.1.3 The entire issued and paid up equity share capital of CIBV consists of 18,000 ordinary shares of EUR 1 each.
- 4.1.4 HCAG controls 100% shareholding of CIBV, through 3 intermediate wholly controlled companies. The entire share capital of CIBV is owned by ENCI Holding NV which is a 74.99% subsidiary of CBR SA, Belgium, the balance 25.01% held by HCAG. CBR SA, Belgium, is a subsidiary of HeidelbergCement International Holding GmbH, Germany, a 100% subsidiary of HCAG.
- 4.1.5 The Management Board of CIBV as on the date of the Public Announcement comprises Mr. Daniel Gauthier, president of the Management Board, Mr. Mathijs Cremers and Mrs. Wilhelmina Baten, members of the Management Board.

Name / Designation	Appointment Date	Experience	Qualification	Residential Address
Mr. Daniel Gauthier President	June 28, 2006	Daniel Gauthier joined CBR (since 1993 part of HeidelbergCement) in 1982. In 1988, he took on responsibility for white cement activities. From 1990 to 1994, he served as Technical Director of the cement business line in Belgium. He managed the Strategy & Development Department of the CBR Group from 1994 until 1998, when he was appointed Senior General Manager at HeidelbergCement with operating responsibility for the Central Europe East region. On 1 July 2000, Daniel Gauthier was appointed Deputy Member and on 1 July 2001 he was appointed Member of the Managing Board of HCAG.	Degree in mining engineering from Polytechnic University in Mons (Belgium)	Chemin de Stoisy 49 B-1400 Nivelles Belgium
Mr. Mathijs Cremers	June 28, 2006	Mathijs Cremers started his career as a tax advisor with the Dutch-based tax advisory firm Loyens & Loeff in 1988. From 1995-2000 he worked as in-house tax counsel for SHV Holdings NV (Energy, Consumer goods, Venture Capital and Recycling). Mid 2000 he joined the HC Group as Tax Manager Netherlands. Nowadays he is a board member of various Dutch entities within the HeidelbergCement Group.	Graduated in Fiscal Economics at the HAN University Arnhem (Netherlands) Obtained Tax advisor qualification Studied (Tax) Law at the Tilburg University (Netherlands)	Zwanenveld 23e straat 2303 NL-6538 NT Nijmegen The Netherlands
Mrs. Wilhelmina Baten	June 28, 2006	Wilhelmina Baten worked at Verboven Building Materials (Netherlands) before joining ENCI Holding NV in 1978. At ENCI Holding NV, a Dutch entity within the HeidelbergCement Group, she held different positions in the accounting as well as in the treasury department. Wilhelmina Baten is a board member of various Dutch entities within the HeidelbergCement Group	Dutch State Certificate for Business Administration Studies in Business Economics and Treasury Management	Herman de Manlaan 2 NL-5242 CW Rosmalen The Netherlands

- 4.1.6 The shares of CIBV are not listed on any stock exchanges.

4.1.7 Brief financials of CIBV since incorporation are as follows:

STATEMENT OF INCOME FOR THE PERIOD APRIL 25, 2006 TO JULY 19, 2006

	EUR	Rupees
Administrative expenses	144	8,451.36
Operating result	(144)	(8,451.36)
Financial income and expenses	62	3,638.78
Result before tax	(82)	(4,812.58)
Taxation	–	–
Net result (Loss)	(82)	(4,812.58)

BALANCE SHEET AS AT JULY 19, 2006

	EUR	Rupees in lakhs
Current assets		
ABN AMRO Bank	17,918	10.52
Standard Chartered Bank SCB O/A Cementrum Escrow account (A/C-MCL Offer Account 56 01 2513536 96)	36,500,000	21,421.85
Total assets	36,517,918	21,432.37
Shareholder's equity		
Called and paid-in capital	18,000	10.56
Share premium reserve	7,500,000	4,401.75
Result for the period ended July 19, 2006	(82)	(0.05)
Shareholder's equity	7,517,918	4,412.27
Current liabilities		
Loans from related parties	29,000,000	17,020.10
Total Current liabilities	29,000,000	17,020.10
Total liabilities and Shareholder's equity	36,517,918	21,432.37

Other Financial Data	EUR	Rupees
Dividend (%)	–	–
Earning per share	–	–
Return on Networth (%)	–	–
Book Value per share	417.66	24,512.59

Note:

- (1) Earning per share = Profit (Loss) for the period / No. of shares outstanding
 - (2) Return on Net Worth (%) = Profit (Loss) for the period / Shareholders equity at the end of the period
 - (3) Book Value per share = Shareholders equity at the end of the period / No. of shares outstanding
- One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in

- 4.1.8 The significant accounting policies of CIBV, as per the audited financial statements for the period April 25, 2006 to July 19, 2006 are as follows:
- a. **Reporting exemptions** - CIBV has opted to make use of certain reporting exemptions as provided by article 403, Book 2 Dutch Civil Code.
 - b. **Foreign currency translation** - Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates ruling at the year-end. Foreign currency transactions are recorded at exchange rates, which approximate those ruling at the transaction date. Resulting gains and losses are recognized in income.
 - c. **Financial fixed assets** - Financial fixed assets comprise investments in group companies. In view of the international nature and structure of the group and the company's place therein, interests in group companies are valued at acquisition price less a provision for any permanent impairment. As a result no consolidation takes place.
 - d. **Other assets and liabilities** - Other assets and liabilities are stated at nominal values unless a different basis of valuation is indicated.
 - e. **Interest income and expenses** - This comprises interest received on deposits and cash discounts.
 - f. **Interest expenses** - This comprises interest paid to third parties and capital increase expenses.
 - g. **Revenue recognition** - Dividend income from investments in group companies is recognized when declared.
- 4.1.9 As per the report issued by the statutory auditors, there are no contingent liabilities for the period ended July 19, 2006.
- 4.1.10 This being the first year of operation of CIBV, a comparison of results cannot be done.
- 4.1.11 None of the above members of the Management Board of CIBV are on the Board of Directors of the Target Company.
- 4.1.12 The applicable provisions of Chapter II of the Takeover Code have been complied with by the Acquirer.
- 4.1.13 There are no mergers / demergers / spin offs involving CIBV during the last 3 years.
- 4.1.14 There are no companies that are presently promoted / controlled by CIBV.
- 4.2 Details of the PAC - HeidelbergCement AG**
- 4.2.1 HeidelbergCement AG (www.HeidelbergCement.com) is a company incorporated under the laws of Germany. The registered and business office of HCAG is situated at Berliner Strasse 6, 69120 Heidelberg, Germany, Telephone: (+49) 6221 481 227, Fax: (+49) 6221 481 217. It is registered with the Commercial Register of Mannheim. The registration number of the company is HRB No. 330082.
- 4.2.2 HCAG produces a wide range of building materials including cement, ready-mixed concrete, concrete products, aggregates, as well as dry mortar, lime, sand-lime bricks, and building chemicals. HCAG today, along with its group companies, has its activities in various countries and is among the largest cement manufacturers in the world.
- 4.2.3 The company was initially formed as a partnership firm in 1873-74. Over the years, HCAG has been developed to an international building materials company with a wide range of product and market diversification. It has embarked on a series of mergers and acquisitions of companies and cement plants.
- 4.2.4 According to the information available to HCAG per November 2006, 66% of its share capital is held by Spohn Cement GmbH and 11.32% of the share capital is held by Senator h.c. Dr. med. h.c. Adolf Merckle (thereof 11.09% via VEM Vermögensverwaltung GmbH). Further, 7.5% of the share capital is held by SCHWENK Beteiligungen GmbH & Co. KG. The remaining 15.18% shares are free float and held by the public. Spohn Cement GmbH is a company which belongs to members of the Merckle family. SCHWENK Beteiligungen GmbH & Co. KG is a company which belongs to members of the Schwenk/Schleicher family. For many decades the Merckle family and the Schwenk/Schleicher family have been shareholders of HCAG.
- 4.2.5 As on March 31, 2006, the share capital of HCAG amounts to EUR 296,064,791.04 and is divided into 115,650,309 no-par value bearer shares with a current proportionate nominal share value of EUR 2.56 each.
- 4.2.6 Compliance with Corporate Governance - On March 22, 2006, HCAG issued a statement of compliance pursuant to Art. 161 of the German Stock Corporation Act (AktG) which stated as follows: With the following qualifications, HeidelbergCement AG has been and is in compliance with the recommendations of the Corporate Governance Codex:

- The compensation of the members of the Managing Board is not broken down by individual members in the Consolidated Financial Statements (Section 4.2.4 of the Code).
- The Chairman of the Supervisory Board is not the Chairman of the Personnel Committee.
- There is no age limit for members of the Supervisory Board (Section 5.4.1 of the Code).
- Information on shareholdings of members of the Supervisory Board which exceed 1 % of the shares issued by the company is not provided in the Consolidated Financial Statements (Section 6.6 of the Code).

4.2.7 Following are the material litigations involving HCAG:

Legal and Arbitration Proceedings

Companies of the HeidelbergCement Group are involved in legal, regulatory and arbitration proceedings in Germany and in a number of other foreign jurisdictions which arise in the ordinary course of their businesses. It is not possible to predict the outcome of any pending or threatened proceeding. Save as disclosed herein, neither HCAG nor any consolidated subsidiary is engaged in any litigation or arbitration proceedings which may have a significant effect on the financial position of HCAG, nor, as far as HCAG is aware, are any such litigation or arbitration proceedings pending or threatened.

Based on the current status, HCAG estimates that the total amount of legal and arbitration proceedings shall not to be above EUR 50 million and it has formed appropriate provisions in the balance sheet. However, the actual financial implications would depend on the outcome of any pending or threatened proceedings.

Antitrust Proceedings:

In 2003 the Federal Cartel Office ("FCO") levied antitrust fines against the HCAG and some of its subsidiaries and some former managing board members of these companies in an aggregate amount of € 286.5 million.

HCAG has been involved in several proceedings involving antitrust violations but denies the majority of the accusations, including the allegation of a cartel in southern Germany and all incremental earnings resulting there from. HCAG and its subsidiaries (including the managing board members concerned) have appealed the fines. After further investigations the FCO informed that it found its first calculation of the assumed incremental earnings confirmed, so that it will not change the fines set in 2003 as outlined above. The FCO will now submit the file to the Higher Regional Court (Oberlandesgericht) in Düsseldorf, which is not bound by the result of the investigations of the FCO but has full discretion with regard to the investigation of, and the judgment on, the underlying facts. As a result of its findings it may levy a different or even a higher fine. The judgment of the Higher Regional Court (Oberlandesgericht) can be appealed to the Federal Court of Justice (Bundesgerichtshof). HCAG is not obliged to pay the antitrust fine until a legally binding final decision has been issued.

Certain other subsidiaries of HCAG are subject to investigations by antitrust and competition authorities in various countries, including The Netherlands, Romania, Poland, Hungary and Turkey, which are at different stages including court proceedings. The potential outcome of such proceedings including the possible amount of a definite fine is difficult to predict, but to the extent that these investigations have led to a fine in the last three years, they have not had material financial consequences for HCAG.

Lawsuits for Damages Suffered by Customers:

In addition to the above-mentioned antitrust proceedings, Cartel Damage Claims SA ("CDC"), a Belgian company, which asserts potential claims on behalf of 29 potentially damaged customers, has filed a lawsuit against the six alleged main participants of the alleged cement cartel in Germany, including *inter alia* HCAG. The claim amounts to approximately € 160 million (incl. interest), the precise amount to be fixed by the competent court. In case the courts decide in favour of CDC, it can obtain the full amount by one defendant, which then has the burden and risk to claim for (partial) recourse by other proven participants of the cartel. HCAG could also face further civil lawsuits for damages suffered by customers due to alleged excessive cement prices in Germany or other countries as a result of antitrust infringements.

Asbestos Litigation:

Members of the HeidelbergCement Group are named as defendants in several lawsuits in connection with asbestos claims. Although HCAG does not currently anticipate to incur significant financial losses as a result of these proceedings, as with all litigation, there can be no assurance that the outcome of such proceedings will not be worse than expected. However the risk is estimated to be lower than EUR 15 million and it is included in the overall risk amount of EUR 50 million for litigation and arbitration risks.

4.2.8 The shares of HCAG are listed on the Official Market of the German stock exchanges in Frankfurt/Main, Düsseldorf, Munich and Stuttgart. Further, the shares of HCAG are permitted to be traded under the category of "Open Market" on stock exchanges in Berlin/ Bremen, Hamburg and Hanover. The quoted price of HCAG share was EUR 86.41 on July 17, 2006 at the Frankfurt Stock Exchange (Xetra CisAuction).

4.2.9 The details of major acquisitions and divestments made by HCAG during the last three years and upto the date of the Public Announcement are as follows:

a. During the period January – June 2006:

Acquisitions:

- (i) Concluded a 50:50 joint venture agreement in India - Indorama Cement Ltd
- (ii) Purchased a stake of 51% in the Georgian cement producer Kartuli Tsementi

b. During the period January – December 2005:

Acquisitions:

- (i) 75.1% of the cement company Buchtarma Cement and its trading company Vostok Cement in Kazakhstan
- (ii) 100% of the cement company Doncement in the Ukraine
- (iii) 50:50 joint venture agreement with Tangshan Jidong Cement in China
- (iv) 88.9% share of Teutonia Zementwerk AG, Hanover / Germany
- (v) 50% share of Glens Falls Lehigh Cement Company, Glens Falls / US
- (vi) 50% share of Campbell Concrete & Materials L.P., Cleveland / US
- (vii) 19.1% share of maxit Deutschland GmbH, Breisach / Germany

Divestments:

- (i) 65% Inter-Beton GmbH / Germany
- (ii) 100% Kamenolom Cisarsky a.s. / Czech Republic

c. During the period January – December 2004:

Acquisitions: 50% share of Ferndale Ready Mix Gravel Inc., Washington / US

Divestments: 24.9% share of Nova Cimangola S.A.R.L. / Angola

d. During the period January – December 2003:

Acquisitions:

- (i) 55.89% share of Anneliese Zementwerke AG, Ennigerloh / Germany
- (ii) 100% share of Ekocem Sp. z.o.o., Katowice / Poland

Divestments:

- (i) 94.9% Limay Grinding Mill Corporation / Philippines
- (ii) 100% Zlatna Panega AD / Bulgaria
- (iii) 100% Bohemian Lime BV / Czech Republic

4.2.10 The board of directors of HCAG, as on the date of the Public Announcement, was as follows:

Managing Board

Name Designation / Responsibility	Appointment Date	Qualification	Experience	Residential Address
Dr. Bernd Scheifele Chairman of the Managing Board	February 1, 2005	College of Law at University of Illinois, Master of Laws Doctorate in laws from Freiburg University	Dr. Bernd Scheifele was partner of the renowned law firm Gleiss Lutz Hootz Hirsch at its headquarters in Stuttgart from 1988 to 1994. From 1994 until 31 January 2005, he was CEO of Phoenix Pharmahandel AG & Co KG. From 6 May 2004 until 31 January 2005, he was Chairman of the HeidelbergCement Supervisory Board. As of 1 February 2005, Dr. Scheifele has been Chairman of the Managing Board of HeidelbergCement.	Jettaweg 1A 69118 Heidelberg Germany
Helmut S. Erhard - North America - HTC North America - global coordination of the HeidelbergCement Technology Center (HTC)	June 1, 1999 - Deputy Member of the Managing Board July 1, 2000 - Member of the Managing Board	Degree in mining engineering from Technical University of Clausthal	Helmut S. Erhard joined HeidelbergCement in 1971. As director of the Mainz-Weisenau cement plant he was granted full power of representation in 1980. In 1996 he became Managing Director of HeidelbergCement Technology Center GmbH. On 1 June 1999 Helmut S. Erhard was appointed as Deputy Member and on 1 July 2000 as Member of the Managing Board.	3787 Pennbrook Way Allentown, PA 18104 USA

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Name Designation / Responsibility	Appointment Date	Qualification	Experience	Residential Address
Daniel Gauthier - Asia, Africa, Mediterranean Basin, Middle East, Benelux - HC Trading - HTC Asia	July 1, 2000 Deputy Member of the Managing Board July 1, 2001 Member of the Managing Board	Degree in mining engineering from Polytechnic University in Mons (Belgium)	Daniel Gauthier joined CBR (since 1993 part of HeidelbergCement) in 1982. In 1988, he took on responsibility for white cement activities. From 1990 to 1994, he served as Technical Director of the cement business line in Belgium. He managed the Strategy & Development Department of the CBR Group from 1994 until 1998, when he was appointed Senior General Manager at HeidelbergCement with operating responsibility for the Central Europe East region. On 1 July 2000, Daniel Gauthier was appointed as Deputy Member and on 1 July 2001 he was appointed as Member of the Managing Board.	Chemin de Stoisy 49 B-1400 Nivelles Belgium
Andreas Kern - Europe - HTC Europe	July 1, 2000 - Deputy Member of the Managing Board July 1, 2001 - Member of the Managing Board	Degree in business administration from Mannheim University	Andreas Kern joined HeidelbergCement in 1983. After taking on various positions in concrete, building materials, and, especially, cement sales, he was granted full power of representation in 1993. In 1994, he took over management of the sales office for southern Bavaria. In 1998, he was appointed as Managing Director of Südbayerisches Portland-Zementwerk Gebr. Wiesböck in Rohrdorf. On 1 July 2000 he was appointed as Deputy Member and on 1 July 2001 as Member of the Managing Board. He has been in charge of regional responsibility for Central Europe West since July 2000. Since 1 April 2005 he has been responsible for Europe and HTC Europe.	Johannes-Battlehner-Straße 9 76684 Östringen Germany
Dr. Lorenz Näger - Chief Financial Officer - maxit Group	October 1, 2004	Degree in business administration from Mannheim University Doctorate in business administration from Mannheim University Qualification as a tax adviser	Before joining HeidelbergCement in October 2004, he was Member of the Managing Board of Phoenix Pharmahandel AG & Co KG with responsibility for Controlling, International Finance, Accounting and Investments. Dr. Lorenz Näger has been Member of the Managing Board and Chief Financial Officer of HeidelbergCement since 1 October 2004. Since 1 April 2005 he has been additionally responsible for maxit Group.	Lemaitrestraße 8 68309 Mannheim Germany

Supervisory Board

In accordance with the German Stock Corporation Act and the German Co-Determination Act, in conjunction with the company's Articles of Association, eight members of the Supervisory Board are to be elected by the Annual General Meeting and another eight members of the Supervisory Board are to be elected by the employees.

Name	Appointment date	Experience / Qualification	Residential Address
Fritz-Jürgen Heckmann, Chairman of the Supervisory Board	May 8, 2003 - Member February 1, 2005 -Chairman	Fritz-Jürgen Heckmann is a lawyer and partner in the commercial law firm Kees Hehl Heckmann in Stuttgart. After studying law in Konstanz and economics in St. Gallen (Switzerland), he lectured in commercial law at the University of Konstanz. After working in a tax advice office, Fritz-Jürgen Heckmann has been employed as a business lawyer in the Kees Hehl Heckmann firm since 1983, and has been a partner since 1985.	Gerokstraße 13 b 70184 Stuttgart Germany

Name	Appointment date	Experience / Qualification	Residential Address
Heinz Schirmer*, Deputy Chairman of the Supervisory Board	July 28, 1989 - Member June 2, 1999 - Deputy Chairman	Heinz Schirmer is Chairman of the Council of Employees at the Schelklingen cement plant. From 1998 until May 2006, he was Chairman of the General Council of Employees, HeidelbergCement AG. Heinz Schirmer joined HeidelbergCement AG in 1960.	Siedlerweg 6 89601 Schelklingen Germany
Theo Beermann*	May 6, 2004	Theo Beermann is Chairman of the Council of Employees at the Ennigerloh cement plant. He joined HeidelbergCement Group in 1980.	Dolberger Str. 72 59510 Lippetal Germany
Heinz-Josef Eichhorn*	July 12, 2002	Heinz-Josef Eichhorn is Head of the Executive Committee Section Building Materials Industry at the IG Bauen-Agrar-Umwelt trade union.	Wolfsgangstraße 49 60322 Frankfurt/Main Germany
Josef Heumann*	May 6, 2004	Josef Heumann is Chairman of the Council of Employees at the Burglengenfeld cement plant. He joined HeidelbergCement AG in 1989.	Frühlingstr. 7 93133 Burglengenfeld Germany
Gerhard Hirth	April 6, 2005	Gerhard Hirth has been Managing Director of the SCHWENK group since 2000. He holds a degree in industrial engineering from Karlsruhe University. Prior to his current position he was Chairman of the Managing Board at Anneliese Zementwerke AG.	Fuchsweg 48 89275 Elchingen Germany
Rolf Hülstrunk	June 19, 2001	Rolf Hülstrunk was Chairman of the Managing Board of HeidelbergCement AG from 1995 until the end of 2000. He joined HeidelbergCement in 1959 and soon took on various leading positions. In 1982 Rolf Hülstrunk was appointed Senior General Manager and in 1991 he became Member of the Managing Board.	Chattenstraße 13 55130 Mainz-Weisenau Germany
Heinz Kimmel*	May 6, 2004	Heinz Kimmel is Chairman of the Council of Employees at the Sulzheim dry mortar plant, Südharzer Gipswerk GmbH. He joined HeidelbergCement Group in 1988.	Otto-Drescher-Straße 9 97529 Sulzheim Germany
Max Dietrich Kley	May 6, 2004	Max Dietrich Kley is Chairman of the Supervisory Board of Infineon Technologies AG and member of the controlling bodies of several other companies (among others BASF AG and UniCredito Italiano S.p.A.). Until May 2003 he was CFO and Deputy Chairman of BASF AG. Max Dietrich Kley studied law at the Universities of Munich, Heidelberg, Paris and Göttingen.	Werderplatz 17 69120 Heidelberg Germany
Hans Georg Kraut*	May 6, 2004	Hans Georg Kraut has been plant manager of the Schelklingen cement plant since 1995. He holds a degree in chemical engineering from Karlsruhe University. Hans Georg Kraut joined HeidelbergCement AG in 1977.	Paul-Wigand-Straße 5 89601 Schelklingen Germany
Senator E.h. Dr. med. h.c. Adolf Merckle	May 6, 2004	Dr. med. h.c. Adolf Merckle is Chairman of the Supervisory Boards of Hanfwerke Oberachern AG, Pommersche Provinzial-Zuckersiederei AG and F. Reichelt AG.	Postfach 11 61 89135 Blaubeuren Germany

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Name	Appointment date	Experience / Qualification	Residential Address
Ludwig Merckle	June 2, 1999	Ludwig Merckle is Managing Director of VEM Vermögensverwaltung GmbH and Chairman of the Supervisory Boards of Kässbohrer Geländefahrzeug AG and Württembergische Leinenindustrie AG. He holds a degree in business information technology from Mannheim University.	Graf-Arco-Str. 3 89079 Ulm Germany
Tobias Merckle	May 23, 2006	Tobias Merckle has been Managing Director of Verein prisma – Initiative für Jugendhilfe und Kriminalprävention e.V. since 2001. He holds a degree in social pedagogy from Lüneburg University.	Prisma e.V. Seehaus 1 71229 Leonberg Germany
Eduard Schleicher	June 2, 1999	Eduard Schleicher has been partner with unlimited liability at SCHWENK group since 1994. He is a member of the committee and of the board of the German Cement Association (BDZ) and a board member of the German Cement Works Association (VDZ). Eduard Schleicher holds a degree in business administration from Stuttgart University.	Bleichstraße 52 89077 Ulm Germany
Heinz Schmitt*	May 6, 2004	Heinz Schmitt is Chairman of the Council of Employees at the headquarters of HeidelbergCement AG. In May 2006, he was elected as Deputy Chairman of the General Council of Employees, HeidelbergCement AG. Heinz Schmitt joined HeidelbergCement AG in 1986.	Hölderlinstr. 30 69429 Waldbrunn- Waldkatzenbach Germany
Karl-Heinz Strobl*	July 12, 2002	Karl-Heinz Strobl has been Member of the Federal Executive Committee at the IG Bauen-Agrar-Umwelt trade union since 2001. From 1994 until 2001 he was Chairman of the Bavarian section of IG Bauen-Agrar-Umwelt.	Ludwig-Ruppel-Str. 43 60437 Frankfurt/Main Germany

* Employees' representatives

4.2.11 Key financials of HCAG are as follows:

CONSOLIDATED INCOME STATEMENT

Particulars	Quarter ended		Year ended					
	31-Mar-06		31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	Certified		Audited		Audited		Audited	
Turnover	1,744.28	1,023,717.35	7,802.57	4,579,329.51	6,929.41	4,066,868.97	6,371.83	3,739,626.44
Change in stocks and work in progress	11.04	6,480.55	12.06	7,076.25	(2.40)	(1,405.63)	(29.32)	(17,206.15)
Own work capitalised	0.12	71.60	1.20	706.63	1.50	882.70	1.94	1,137.41
Total Operating revenues	1,755.44	1,030,269.50	7,815.83	4,587,112.39	6,928.52	4,066,346.04	6,344.45	3,723,557.71
Other operating income	44.69	26,225.63	194.17	113,960.72	204.01	119,733.47	191.52	112,400.74
Materials cost	(760.58)	(446,385.58)	(3,018.04)	(1,771,287.68)	(2,655.60)	(1,558,570.47)	(2,468.52)	(1,448,776.74)
Employees and personnel cost	(354.87)	(208,272.03)	(1,450.18)	(851,107.71)	(1,365.44)	(801,377.32)	(1,373.06)	(805,848.91)
Depreciation and amortisation of tangible fixed assets	(124.04)	(72,799.66)	(486.09)	(285,285.63)	(471.59)	(276,775.58)	(445.32)	(261,360.66)
Depreciation and amortisation of intangible assets	(2.22)	(1,301.74)	(10.03)	(5,888.95)	(12.59)	(7,387.31)	(17.62)	(10,341.76)
Other operating expenses	(494.59)	(290,277.22)	(2,035.77)	(1,194,791.65)	(1,892.20)	(1,110,531.59)	(1,669.97)	(980,105.98)
Total operating expenses excluding goodwill amortization	(1,691.62)	(992,810.60)	(6,805.93)	(3,994,400.90)	(6,193.40)	(3,634,908.81)	(5,782.98)	(3,394,033.31)
Profit from operating activities before goodwill amortization (EBITA)	63.83	37,458.89	1,009.90	592,711.48	735.11	431,437.23	561.47	329,524.40
Depreciation and amortisation of goodwill (Note A)	-	-	-	-	-	-	-	-
Profit from operating activities (EBIT)	63.83	37,458.89	1,009.90	592,711.48	735.11	431,437.23	561.47	329,524.40
Additional ordinary result	21.90	12,855.46	(116.79)	(68,544.64)	(673.89)	(395,503.69)	(148.65)	(87,243.86)
Results from associated companies	26.01	15,262.33	149.52	87,750.35	97.63	57,298.46	-	-
Results from other participations	1.47	860.40	(10.11)	(5,932.97)	(30.82)	(18,085.91)	89.11	52,299.83
Net other finance costs	(45.12)	(26,477.99)	(261.01)	(153,188.53)	(279.75)	(164,184.69)	(222.17)	(130,392.75)
Net other items	4.26	2,500.19	(238.40)	(139,915.79)	(886.82)	(520,475.83)	(281.71)	(165,336.77)
Profit from ordinary activities	68.09	39,959.09	771.50	452,795.70	(151.71)	(89,038.60)	279.75	164,187.62
Income tax expense	(31.05)	(18,225.59)	(300.42)	(176,313.56)	(181.18)	(106,332.78)	(146.29)	(85,854.67)
Net profit for the period before minority interest and extraordinary expense	37.03	21,733.49	471.09	276,482.13	(332.89)	(195,371.38)	133.47	78,332.96
Minority interest	(7.76)	(4,552.00)	(56.59)	(33,211.50)	(32.91)	(19,314.88)	(16.91)	(9,921.54)
Group share of profit	29.28	17,181.50	414.50	243,270.64	(365.80)	(214,686.26)	116.56	68,411.41

Letter of Offer

CONSOLIDATED BALANCE SHEET								
Particulars	As of							
	31-Mar-06		31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	Certified		Audited		Audited		Audited	
SOURCES OF FUNDS								
Shareholders Equity and minority interests								
Subscribed share capital	296.07	173,760.55	296.07	173,760.55	258.42	151,667.28	255.10	149,720.54
Capital reserves and revenue reserves	4,552.81	2,672,046.54	4,511.96	2,648,071.08	3,651.23	2,142,904.54	4,125.79	2,421,427.32
Currency translation	(191.52)	(112,405.44)	(174.94)	(102,671.11)	(372.50)	(218,619.08)	(342.29)	(200,887.65)
Company shares	(2.94)	(1,723.14)	(2.94)	(1,723.14)	(2.94)	(1,723.14)	(7.47)	(4,381.21)
Capital entitled to shareholders	4,654.42	2,731,678.51	4,630.15	2,717,437.38	3,534.21	2,074,229.61	4,031.15	2,365,879.00
Minority interest	438.58	257,401.43	427.71	251,022.41	429.11	251,844.66	153.90	90,325.08
Sub-total (a)	5,093.00	2,989,079.94	5,057.86	2,968,459.79	3,963.32	2,326,074.27	4,185.05	2,456,204.08
Long term provisions and liabilities								
Provisions:								
Provisions for pensions, deferred taxes and other long term provisions	1,714.46	1,006,214.23	1,722.93	1,011,187.62	1,596.04	936,718.22	1,335.26	783,665.27
Sub-total (b)	1,714.46	1,006,214.23	1,722.93	1,011,187.62	1,596.04	936,718.22	1,335.26	783,665.27
Liabilities:								
Debenture Loans	747.35	438,617.95	1,473.97	865,070.65	1,949.19	1,143,978.44	2,021.15	1,186,214.11
Bank Loans	851.28	499,613.30	878.53	515,609.26	1,025.29	601,745.05	845.58	496,269.73
Other Long term financial liabilities	411.28	241,379.06	391.84	229,972.07	524.51	307,831.98	529.82	310,948.42
Other long term operating liabilities	7.70	4,521.48	8.14	4,779.71	7.14	4,189.29	30.62	17,967.94
Sub-total (c)	2,017.60	1,184,131.79	2,752.48	1,615,431.69	3,506.13	2,057,744.76	3,427.16	2,011,400.20
Total (a)+(b)+(c)	8,825.06	5,179,425.95	9,533.28	5,595,079.10	9,065.49	5,320,537.25	8,947.47	5,251,269.56
APPLICATIONS OF FUNDS								
Fixed Assets:								
Intangible assets	2,525.07	1,481,964.17	2,454.66	1,440,638.19	2,297.70	1,348,518.37	2,505.26	1,470,335.92
Tangible Fixed Assets	5,496.38	3,225,827.77	5,494.72	3,224,851.17	5,058.69	2,968,945.16	4,542.83	2,666,186.34
Financial fixed assets	1,147.87	673,684.90	1,157.48	679,326.19	926.08	543,514.59	1,177.88	691,298.36
Sub-total (a)	9,169.33	5,381,476.84	9,106.86	5,344,815.55	8,282.46	4,860,978.12	8,225.97	4,827,820.62
Deferred taxes (b)	188.51	110,635.35	170.49	100,060.58	168.27	98,758.25	167.78	98,467.73
Other long term receivables (c)	81.82	48,021.92	77.62	45,554.00	48.88	28,690.02	101.47	59,550.40
Current Assets:								
Inventories	891.56	523,257.15	869.64	510,392.30	758.47	445,143.70	666.90	391,405.96
Receivables and other assets	1,419.16	832,903.24	1,345.31	789,564.20	1,072.67	629,551.20	1,043.51	612,434.26
Short term investments and similar rights	55.69	32,685.63	64.74	37,998.25	117.44	68,923.19	238.58	140,022.02
Cash at bank and cash in hand	281.37	165,138.40	299.99	176,061.78	267.71	157,121.35	448.53	263,241.08
Sub-total (d)	2,647.78	1,553,984.43	2,579.68	1,514,016.54	2,216.29	1,300,739.43	2,397.52	1,407,103.31

CONSOLIDATED BALANCE SHEET

Particulars	As of							
	31-Mar-06		31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	Certified		Audited		Audited		Audited	
Short term provisions and liabilities								
Provisions	114.44	67,163.66	116.27	68,239.45	110.01	64,566.63	87.22	51,190.00
Liabilities	3,147.95	1,847,528.92	2,285.11	1,341,128.12	1,540.40	904,061.93	1,858.04	1,090,482.50
Sub-total (e)	3,262.38	1,914,692.58	2,401.38	1,409,367.57	1,650.42	968,628.56	1,945.26	1,141,672.51
Net Current Assets (f)	(614.60)	(360,708.15)	178.31	104,648.97	565.87	332,110.86	452.26	265,430.81
Total (a) + (b) + (c) + (f)	8,825.06	5,179,425.95	9,533.28	5,595,079.10	9,065.49	5,320,537.25	8,947.47	5,251,269.56
OTHER FINANCIAL DATA	31-Mar-06 3 months period		31-Dec-05 12 months period		31-Dec-04 12 months period		31-Dec-03 12 months period	
	(€)	(Rs.)	(€)	(Rs.)	(€)	(Rs.)	(€)	(Rs.)
Dividend (% of face value)	NM		19%		44%		45%	
Earnings per equity share ("EPS")	0.25	14.92	3.74	219.58	(3.64)	(213.42)	1.41	82.90
Return on Equity (%)	0.73%		9.30%		(8.40%)		3.20%	
Book Value per equity share	44.04	2,584.59	43.73	2,566.76	39.26	2,304.28	42.00	2,464.83

Note:

- (1) Dividend (%) = Dividend paid / No. of equity shares outstanding at year end / Par value per share
- (2) Earnings per equity share = Group share of profit / Weighted no. of equity shares
- (3) Return on Equity (%) = Group share of profit / Shareholders Equity and minority interests
- (4) Book Value per equity share = Shareholders Equity and minority interests / No. of equity shares outstanding at year end
- (5) NM = Not meaningful or not applicable.

(Source: Annual Report & Company Data)

Note A : As on Jan 1, 2004, Goodwill was no longer amortised in accordance with IFRS 3. To maintain consistency with the disclosures of subsequent results, the goodwill amortised in 2003 (€ 170.3 mn), has been adjusted in "Additional Ordinary Result". However, the exact amount of impairment of goodwill, as a result of the change in applicable IFRS, cannot be quantified as the corresponding figures are not available in the annual report.

One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in

4.2.12 The summarised significant accounting policies of HCAG, as per the audited financial statements for the year ended December 31, 2005, are as follows:

Basis of accounting: Under the EU regulation on the application of international accounting standards of 19 July 2002, capital market-oriented companies are obliged to draw up and publish their group annual accounts in compliance with IAS/IFRS from 2005. The individual accounts of the subsidiaries included in the group annual accounts are also drawn up in accordance with IAS/IFRS for Group purposes. The previous year's figures were prepared according to the same principles. The Group annual accounts are prepared in euros.

Intangible assets: Goodwill, concessions and software are shown under intangible fixed assets; acquired capitalised emissions rights didn't exist on the balance sheet date. In case of goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). These impairments are taken into account in the additional ordinary result to the extent that the recoverable amount of the asset is exceeded by the carrying amount. The recoverable amount is determined individually for each asset; it is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is determined on the basis of the estimated future cash flows. Other intangible assets with a definite useful life are amortised by usage or using the straight-line method.

Tangible fixed assets: Tangible fixed assets are accounted for at purchase price or production cost less ordinary depreciation and impairments. Production costs include all costs that can be attributed to the manufacturing process and appropriate amounts of production-related overheads. Costs for repair and maintenance of tangible fixed assets are in principle entered as expenses. Capitalisation takes place in exceptional cases, if the measures lead to an extension or significant improvement of the asset. The ordinary depreciation is recorded on the basis

of the expected pattern of consumption of the future economic benefit. Low cost assets are fully written off in the year of acquisition. Tangible fixed assets are always depreciated using the straight-line method.

Financial fixed assets: Under financial fixed assets, shares in participations are accounted at the lower of acquisition cost or fair market value at the balance sheet date. If there are signs of impairment in value, an impairment test is carried out. If necessary, impairments are recorded to take into account the reduced value. Shares in associated companies are accounted using the equity method if HeidelbergCement has at least 20% of the voting rights and thereby exerts considerable influence on the business and financial policies of the participation. For initial accounting, the acquired shares are considered at acquisition cost and in subsequent years the proportionate results are entered under additions to associated companies (IAS 28 Investments in Associates).

The shares in non-consolidated companies and the fixed assets securities are shown in the line shares in other participations. They are accounted at market values (IAS 39 - Financial Instruments: Recognition and Measurement).

Loans show the credit granted by HCAG. These loans are valued according to IAS 39 at amortised costs. If a debtor's credit rating deteriorates, impairments are applied.

Stocks: Stocks are valued in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value. The average cost method is used. Adequate provisions were made for stock risks relating to quality and quantity where appropriate. Besides the individual costs, production costs for finished goods and work in progress include proportionate overheads and production-related depreciation. Stocks valued at net realisable value less cost to sell and related depreciation have an insignificant impact.

Receivables and other assets: Receivables and other assets were stated at their nominal value. Adequate provisions were recorded for all identifiable risks. Interest-bearing receivables are shown separately.

Provisions general: HeidelbergCement has formed appropriate provisions in the balance sheet to ensure adequate provision for risks and uncertainties. An amount recorded as a provision represents the best estimate of the probable cash outflow required to fulfil the current obligation on the balance sheet date.

Provisions for Pensions: For numerous employees, the Group provides for pensions either directly or indirectly through contributions to pension funds. Various retirement benefit systems are in place, depending on the legal, economic and tax framework in each country. These are generally based on employees' years of service and remuneration. The provisions for pensions include those from current pensions and from entitlements from pensions to be paid in the future. At HeidelbergCement, company pension schemes are formulated as both defined contribution plans and defined benefit plans.

Provisions for deferred taxes: In the determination of deferred taxes, HeidelbergCement applies the liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recorded for all temporary differences between the IFRS accounts and the tax accounts regardless of the period of time within which these differences are likely to reverse. Significant differences exist between the Group's IFRS accounts and tax accounts with respect to tangible fixed assets and provisions for pensions. Current income tax obligations are shown under short-term liabilities.

Other provisions: Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and, if required, in accordance with IAS 19 (Employee Benefits). Other provisions comprise all recognisable risks from uncertain liabilities and anticipated losses from pending transactions.

Financial instruments: In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), financial instruments are contracts that result in a financial asset in one company and a financial liability or a shareholders' equity instrument in another company. In the balance sheet, all primary financial instruments are not shown at the trading day price, but at the settlement date price.

Loans and receivables and financial liabilities are valued, as hitherto, at the net purchase values, provided that they are not linked with hedging instruments. This concerns loans for financial assets, interest-bearing receivables, trade receivables and payables, other short-term operating receivables and liabilities and short and long-term financial debts. The net purchase values in the case of short-term receivables and financial liabilities essentially correspond to the nominal value or the repayment amount.

"Available-for-sale financial assets" are in principle valued at the fair value. This concerns both fixed assets securities and short-term investments. In subsequent valuations, insofar as a market value can be reasonably established, they are accounted for at their current market value. Unrealised profits and losses are recorded in shareholders' equity without affecting the result, taking deferred taxes into account. The share price at the balance sheet date forms the basis for the current market value. Of course, shares in non-consolidated subsidiaries and participations are also regarded as "available for sale financial assets". However, a valuation was carried out principally at acquisition cost, as no active market exists for these companies and the respective current values were not reliably identifiable. If there are any indications of lower fair values, these are assessed.

4.2.13 Comparison of income and profit for the year ended December 31, 2005 over the previous year ended December 31, 2004

Operating income before depreciation (OIBD) rose by 23.5% to EUR 1,506 million (approximately Rs. 883,871 lakhs) (previous year: 1,219 million -approximately Rs. 715,431 lakhs) and operating income by 37.4% to EUR 1,010 million (approximately Rs. 592,769 lakhs) (previous year: 735 million - approximately Rs. 431,371 lakhs). In 2005, HCAG continued their cost-saving and restructuring measures to ensure better utilisation of capacities and a more streamlined organisation.

In the 2005 financial year, the additional ordinary result of EUR -117 million (approximately Rs. -68,667 lakhs) net was affected by special issues. The majority of the burden was due to the impairment of goodwill and of tangible fixed assets in China and Germany. Other significant amounts result from provisions for restructuring. Significant income resulted from the sale of fixed assets. In 2004 (EUR -674 million - approximately Rs. -395,570 lakhs) this position was affected mainly by impairments of goodwill and provisions for restructuring.

The results from participations of EUR 139 million (approximately Rs. 81,579 lakhs) (previous year: EUR 67 million - approximately Rs.39,322 lakhs) were affected by the good business development of Vicat S.A. and one-time extraordinary income at a German subsidiary.

The financial results improved by EUR 19 million (approximately Rs. 11,151 lakhs) to EUR -261 million (approximately Rs. -153,180 lakhs) (previous year: EUR -280 million - approximately Rs. -164,332 lakhs). Non-recurring expenses for the optimisation of group financing were also stated under financial results. While exchange rate losses were stated in the previous year, gains were recorded in 2005.

As a result of the improvement in earnings before interest and income taxes (EBIT), profit before tax grew to EUR 772 million (approximately Rs. 453,086 lakhs) (previous year: EUR -152 million - approximately Rs. 89,208 lakhs). The rise in income tax expense to EUR 300 million (approximately Rs. 176,070 lakhs) (previous year: EUR 181 million - approximately Rs. 106,228 lakhs) was primarily attributable to the profit increase and the high tax rates in North America.

The total profit for the financial year was EUR 471 million (approximately Rs. 276,429 lakhs) (previous year EUR -333 million - approximately Rs. 195,437 lakhs).

Comment on income and profit for the quarter ended March 31, 2006:

HCAG operates in a market that depends on the weather conditions and temperatures. The first quarter of the calendar year is often used for maintenance and repair in the plants. The difference in profitability of first quarter of 2006 and accounting year 2005 is primarily due to this seasonality.

In the first quarter of 2006, HCAG experienced a satisfying development in sales volumes. In Europe and North America, the adverse seasonal effects were comparatively weaker than in the previous year. Compared to first quarter of 2005, turnover rose by 28.7% to EUR 1,744 million. The operating income improved from EUR -34.7 million in first quarter of 2005 to EUR 63.8 million in the first quarter of 2006.

4.2.14 As per the Annual Report of HCAG, for the financial year ended December 31, 2005, the HCAG's contingent liabilities aggregate EUR 443 million (Rs. 259,996.70 lakhs) (previous year: EUR 377 million) (Rs. 221,261.30 lakhs).

4.3 Persons deemed to be acting in concert

ENCI Holding N.V., Cimenteries CBR S.A. and HeidelbergCement International Holding GmbH are intermediate companies, through which HCAG controls the 100% shareholding of the Acquirer, as disclosed in paragraph 4.1.4. Following additional disclosures about these companies are being made since they could be deemed to be acting in concert with the Acquirer and the PAC.

4.3.1 ENCI Holding N.V.

4.3.1.1 ENCI Holding N.V. ("ENCI") is a public limited liability company incorporated on April 20, 1931. It is registered in the Kingdom of The Netherlands with Commercial Register of the Chamber of Commerce and Industry under file number 16058288. The registered office of ENCI is situated at Sint Teunislaan 1, 5231 BS 's-Hertogenbosch, The Netherlands, Telephone: (+31) 73 6401170, Fax: (+31) 73 6401208.

4.3.1.2 ENCI is a holding company with no operational activities. Its main objects authorize it to undertake a wide range of activities including activities to incorporate, to participate, to manage, to supervise and to finance businesses and companies.

4.3.1.3 The issued capital and fully paid-up capital is EUR 3,448,730, divided into 3,448,730 shares with a nominal value of EUR 1 each which are held by CBR SA, Belgium (74.99 %) and HCAG (25.01 %).

4.3.1.4 The details of Board members of ENCI are as follows:

Name / Designation	Appointment Date	Experience	Qualification
André Ernest Simon Jacquemart President	October 15, 2004	After having worked with Solvay André Jacquemart joined the HeidelbergCement Group (CBR SA) in 1995. André Jacquemart is nowadays General Manager of HeidelbergCement Benelux region.	Graduated as a chemistry engineer at the University of Liege (Belgium)
Willem-Jan Boer	January 1, 1994	Willem-Jan Boer was appointed Director Aggregates & Ready Mixed Concrete HC Benelux in 2004 after having joined the HeidelbergCement Group (Mebin BV) in 1979.	Graduated as a Mechanical Engineer (HTS Apeldoorn Netherlands) and successfully completed a Business Administration course
Theodorus Helene Hubertus Pluijmen	January 1, 2004	Theo Pluijmen joined the HeidelbergCement Group (ENCI BV). After having held various (plant) management positions he was appointed Technical Director Cement Operations in 2004.	Graduated as a chemical engineer and successfully participated in various courses on environmentology, business administration and advanced management.

INTENTIONALLY KEPT BLANK

4.3.1.5 Key financials of ENCI are as follows:

INCOME STATEMENT (Standalone basis)	Year ended					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>certified by management</i>		<i>certified by management</i>		<i>certified by management</i>	
Operating revenues	-	-	-	-	-	-
Other operating income / charges	(0.17)	(100.95)	(0.92)	(539.95)	(0.51)	(299.32)
Fixed General and Administration cost	(3.45)	(2,027.15)	(2.77)	(1,625.13)	(2.88)	(1,687.92)
Depreciation and amortisation	(0.21)	(124.42)	(0.22)	(127.36)	(0.22)	(127.36)
Other operating expenses	-	-	-	-	-	-
Total operating expenses excluding goodwill amortization	(3.84)	(2,252.52)	(3.91)	(2,292.43)	(3.60)	(2,114.60)
Profit from operating activities before goodwill amortization (EBITA)	(3.84)	(2,252.52)	(3.91)	(2,292.43)	(3.60)	(2,114.60)
Depreciation and amortisation of goodwill (Note A)	-	-	-	-	-	-
Profit from operating activities	(3.84)	(2,252.52)	(3.91)	(2,292.43)	(3.60)	(2,114.60)
Additional ordinary result	(0.93)	(548.16)	-	-	37.74	22,148.43
Operating and Additional ordinary result	(4.77)	(2,800.69)	(3.91)	(2,292.43)	34.14	20,033.83
Dividends & partnerships & contracted income & results from participants	2.25	1,317.59	11.74	6,890.79	37.47	21,991.73
Profit from ordinary activities (EBIT)	(2.53)	(2,031.26)	7.84	4,598.36	71.61	64,173.99
Other financial results	(6.80)	(3,988.57)	(9.21)	(5,405.94)	(13.93)	(8,177.28)
Result from ordinary activities	(9.32)	(5,471.67)	(1.38)	(807.57)	57.67	33,848.28
Income tax expense	0.90	529.97	4.55	2,668.63	6.05	3,551.33
Net income for the period	(8.42)	(4,941.70)	3.17	1,861.06	63.72	37,399.62

BALANCE SHEET (Standalone basis)	As of					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>certified by management</i>		<i>certified by management</i>		<i>certified by management</i>	
SOURCES OF FUNDS						
Shareholders Equity and minority interests						
Subscribed share capital	3.45	2,024.22	3.45	2,024.22	3.45	2,024.81
Additional paid-in capital	24.96	14,647.85	24.96	14,647.85	24.96	14,649.02
Reserves	40.20	23,592.79	36.81	21,603.20	(26.82)	(15,740.66)
Translation adjustments	-	-	0.09	53.99	-	-
Net Income	(8.42)	(4,941.70)	3.17	1,861.06	63.72	37,399.62
Capital entitled to shareholders	60.19	35,323.16	68.48	40,190.33	65.31	38,332.79
Sub-total (a)	60.19	35,323.16	68.48	40,190.33	65.31	38,332.79
Long term provisions and liabilities						
Provisions:						
Provisions for pensions, deferred taxes and other long term provisions	2.43	1,425.58	3.34	1,962.59	3.60	2,115.19
Sub-total (b)	2.43	1,425.58	3.34	1,962.59	3.60	2,115.19
Liabilities:						
Other Long term financial liabilities	183.26	107,555.88	174.39	102,347.14	139.31	81,762.21
Sub-total (c)	183.26	107,555.88	174.39	102,347.14	139.31	81,762.21
Total (a) + (b) + (c)	245.88	144,304.62	246.21	144,500.06	208.23	122,210.19
APPLICATIONS OF FUNDS						
Fixed Assets:						
Intangible assets	3.08	1,807.07	3.08	1,807.07	3.03	1,775.96
Tangible Fixed Assets	1.75	1,028.25	1.96	1,152.67	2.18	1,280.03
Financial fixed assets	247.69	145,368.67	249.11	146,200.31	252.84	148,388.86
Sub-total (a)	252.52	148,203.99	254.15	149,160.05	258.04	151,444.85
Current Assets:						
Inventories	-	-	-	-	-	-
Receivables and other assets	121.93	71,557.78	110.46	64,831.32	76.90	45,130.85
Current income tax assets	1.25	733.04	-	-	-	-
Cash at bank and cash in hand	0.15	88.62	-	-	1.01	593.36
Sub-total (b)	123.33	72,379.44	110.46	64,831.32	77.91	45,724.21
Short term provisions and liabilities						
Provisions	0.06	35.21	-	-	-	-
Liabilities	129.91	76,243.59	118.40	69,491.31	127.73	74,961.80
Sub-total (c)	129.97	76,278.81	118.40	69,491.31	127.73	74,961.80
Net Current Assets (d)	(6.64)	(3,899.36)	(7.94)	(4,659.99)	(49.82)	(29,237.60)
Total (a) + (d)	245.88	144,304.62	246.21	144,500.06	208.23	122,207.25

Note A: As on Jan 1, 2004, Goodwill was no longer amortised in accordance with IFRS 3. To maintain consistency with the disclosures of subsequent results, the goodwill amortised in 2003 (€ 0.44 mn), has been adjusted in "Additional Ordinary Result". However, the exact amount of impairment of goodwill, as a result of the change in applicable IFRS, cannot be quantified as the corresponding figures are not available .

One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in

4.3.2 Cimenteries CBR S.A.

4.3.2.1 Cimenteries CBR S.A. ("CBR SA"), incorporated on 18 June 1929, is a joint stock company ("société anonyme/ naamloze vennootschap") under the laws of Belgium. Its registered office is at 1170 Brussels, chaussée de La Hulpe 185. The company number of CBR SA at the Register of Legal Entities (Registre des Personnes Morales/ Rechtspersonenregister) is 0400465290. The statutes of CBR SA permits to carry out the construction and/or exploitation of cement plants, and all industrial, commercial or financial operations connected therewith.

4.3.2.2 The registered capital of the company amounts to 150,280,013 euros, represented by 23,120,002 shares without nominal value which are held by HeidelbergCement International Holding GmbH (56.35%) and HCAG (43.65%).

4.3.2.3 The details of Board members of CBR SA are as follows:

Name /Designation	Appointment Date	Experience	Qualification
Daniel Gauthier Chairman and Chief Executive Officer	June 24, 2004	Please refer paragraph 4.2.10	
Dr. Lorenz Näger Director	December 6, 2004	Please refer paragraph 4.2.10	
Pierre Evrard Director	January 9, 2006	Pierre Evrard is the Business Development Director – T.E.A.M. Area. Prior to that he has held different positions at Cockerill- Sambre.	Civil Engineer in computer & management sciences, Faculté Polytechnique de Mons,1977 Master of applied science in industrial engineering, Ecole Polytechnique de Montreal,Canada, 1978 MBA, EPM, 1988

4.3.2.4 Key financials of CBR SA are as follows:

INCOME STATEMENT (Standalone basis)	Year ended					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	Audited		Audited		Audited	
Operating income	274.66	161,195.61	277.42	162,816.62	294.09	172,603.18
Operating charges	(294.04)	(172,573.84)	(280.73)	(164,760.44)	(267.57)	(157,036.83)
Operating Profit / (Loss)	(19.39)	(11,378.23)	(3.31)	(1,943.81)	26.52	15,566.35
Financial income	161.54	94,810.17	78.77	46,227.77	187.76	110,196.34
Financial charges	(39.71)	(23,308.15)	(55.62)	(32,643.38)	(86.35)	(50,679.99)
Current profit / (loss) before taxes	102.44	60,123.80	19.83	11,640.57	127.93	75,082.70
Extra-ordinary income / (charges)	(27.52)	(16,148.55)	(37.07)	(21,755.21)	13.24	7,771.14
Profit / (Loss) for the period before taxes	74.93	43,975.24	(17.23)	(10,114.63)	141.17	82,853.85
Transfer from / (to) postponed taxes	0.38	223.02	0.36	213.63	0.21	122.66
Income tax expense	(0.01)	(5.28)	0.01	4.70	(0.03)	(18.19)
Profit for the period	75.30	44,192.98	(16.86)	(9,896.31)	141.35	82,958.32

BALANCE SHEET (Standalone basis)	As of					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>Audited</i>		<i>Audited</i>		<i>Audited</i>	
SOURCES OF FUNDS						
Shareholders Equity and minority interests						
Issued capital	150.28	88,199.33	150.28	88,199.33	150.28	88,199.33
Share Premium	181.67	106,622.71	181.67	106,622.71	181.67	106,622.71
Reserves	227.31	133,409.41	227.31	133,409.41	227.31	133,409.41
Accumulated profits	454.39	266,683.84	617.51	362,414.86	634.37	372,312.93
Investment grants	1.77	1,039.40	2.51	1,473.12	2.37	1,389.78
Capital entitled to shareholders	1,015.43	595,954.69	1,179.28	692,119.43	1,196.00	701,934.16
Sub-total (a)	1,015.43	595,954.69	1,179.28	692,119.43	1,196.00	701,934.16
Long term provisions and liabilities						
Provisions:						
Provisions for pensions, deferred taxes and other long term provisions	59.86	35,131.25	47.89	28,103.71	25.77	15,125.00
Deferred taxes	0.91	535.25	1.29	758.27	1.22	715.43
Sub-total (b)	60.77	35,666.50	49.18	28,861.98	26.99	15,840.43
Liabilities:						
Other Long term liabilities	613.27	359,930.51	512.18	300,596.68	779.14	457,279.61
Sub-total (c)	613.27	359,930.51	512.18	300,596.68	779.14	457,279.61
Accrued charges and deferred income (d)	30.68	18,004.92	44.38	26,048.97	72.39	42,485.69
Total (a)+(b)+(c)+(d)	1,720.15	1,009,556.62	1,785.02	1,047,627.06	2,074.53	1,217,539.90
APPLICATIONS OF FUNDS						
Fixed Assets:						
Intangible assets	18.55	10,887.58	20.06	11,772.04	21.29	12,495.69
Tangible Fixed Assets	171.99	100,938.58	216.22	126,898.34	265.70	155,936.40
Financial fixed assets	1,696.21	995,506.82	1,723.80	1,011,695.87	1,808.24	1,061,256.06
Sub-total (a)	1,886.75	1,107,332.99	1,960.07	1,150,366.26	2,095.23	1,229,688.14
Other Long term assets						
Investments	-	-	-	-	-	-
Amounts receivable after more than one year	0.08	48.13	0.19	110.92	0.33	194.85
Sub-total (b)	0.08	48.13	0.19	110.92	0.33	194.85
Deferred charges an accrued income (c)	1.44	845.14	3.85	2,260.15	4.95	2,906.92
Current Assets:						
Inventories	29.47	17,297.70	28.88	16,952.02	32.31	18,960.39
Receivables and other assets	125.23	73,494.55	256.22	150,376.69	505.42	296,628.06
Cash at bank and cash in hand	0.28	166.68	0.21	122.08	0.95	555.21
Sub-total (d)	154.98	90,958.94	285.31	167,450.79	538.67	316,143.66

BALANCE SHEET (Standalone basis)	As of					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>Audited</i>		<i>Audited</i>		<i>Audited</i>	
Short term provisions and liabilities						
Amounts payable within one year	323.10	189,628.56	464.41	272,561.06	564.65	331,394.26
Sub-total (e)	323.10	189,628.56	464.41	272,561.06	564.65	331,394.26
Net Current Assets (f)	(168.12)	(98,669.63)	(179.09)	(105,110.27)	(25.99)	(15,250.60)
Total (a)+(b)+(c)+(f)	1,720.15	1,009,556.62	1,785.02	1,047,627.06	2,074.53	1,217,539.31

One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in

4.3.3 HeidelbergCement International Holding GmbH

4.3.3.1 HeidelbergCement International Holding GmbH ("HCIH") is a holding company within HeidelbergCement Group with no operational activities. HCIH, incorporated on September 27, 1993, is a private limited liability company under German Company law ("GmbH"). Its registered office is at Berliner Strasse 6, 69120 Heidelberg, Germany. It is held 100% by HCAG. Its articles authorize it to participate in domestic and overseas companies, to manage these companies and to finance any participations, whereby it is allowed to conduct all business, which is suitable for these activities.

4.3.3.2 The registered capital is Euro 264 mn, divided in two participation interests of Euro 263,962,200 and Euro 37,800. Both participation interests are held by HCAG.

4.3.3.3 The details of Board members of HCIH are as follows:

Name /Designation	Appointment Date	Experience	Qualification
Dr. Lorenz Näger Member	November 17, 2004	Please refer paragraph 4.2.10	
Friedrich Rinne Member	May 8, 1996	Friedrich Rinne is the Head of Group Tax of HeidelbergCement AG and is with HeidelbergCement since 1991.	Law degree of Heidelberg University
Dr. Albrecht Glitz Member	November 4, 2005	Dr. Albrecht Glitz is the Head of Group Legal and General Legal Counsel of HeidelbergCement AG and is with HeidelbergCement since 1983.	Doctorate in laws from Bielefeld University

4.3.3.4 Key financials of HCIH are as follows:

INCOME STATEMENT (Standalone basis)	Year ended					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>certified by management</i>		<i>certified by management</i>		<i>certified by management</i>	
Other Operating income	1.77	1,040.56	1.68	988.92	1.21	707.52
Other operating expenses	(1.84)	(1,078.32)	(1.75)	(1,026.62)	(1.27)	(743.59)
Results from participations in affiliated companies	240.12	140,928.08	94.61	55,525.50	83.49	48,998.70
Other interest and similar income	-	-	0.01	3.48	-	-
Interest and other expenses	(1.98)	(1,160.72)	(2.14)	(1,254.66)	(2.54)	(1,492.22)
Profit / (loss) on ordinary activities before tax	238.08	138,689.05	92.41	53,247.71	80.88	46,762.90
Taxes on income	1.07	627.81	(0.58)	(343.18)	(0.24)	(139.10)
Net profit for the current year	239.15	140,357.41	91.83	53,893.45	80.65	47,331.32
BALANCE SHEET (Standalone basis)	As of					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	<i>certified by management</i>		<i>certified by management</i>		<i>certified by management</i>	
SOURCES OF FUNDS						
Shareholders Equity and minority interests						
Subscribed share capital	264.00	154,941.60	264.00	154,941.60	264.00	154,941.60
Capital Reserves	399.32	234,360.30	399.32	234,360.30	399.32	234,360.30
Profit and Loss account	36.36	21,339.40	36.36	21,339.40	36.36	21,339.40
Capital entitled to shareholders	699.68	410,641.29	699.68	410,641.29	699.68	410,641.29
Sub-total (a)	699.68	410,641.29	699.68	410,641.29	699.68	410,641.29
Liabilities						
Amounts owned to affiliated companies	161.57	94,823.65	162.41	95,319.91	162.67	95,468.85
Sub-total (b)	161.57	94,823.65	162.41	95,319.91	162.67	95,468.85
Total (a) + (b)	861.25	505,464.95	862.09	505,961.21	862.34	506,110.14
APPLICATIONS OF FUNDS						
Fixed Assets:						
Financial fixed assets	859.73	504,577.75	859.73	504,577.75	859.78	504,605.51
Sub-total (a)	859.73	504,577.75	859.73	504,577.75	859.78	504,605.51

BALANCE SHEET (Standalone basis)	As of					
	31-Dec-05		31-Dec-04		31-Dec-03	
	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)	(€ mn)	(Rs. Lakhs)
	certified by management		certified by management		certified by management	
Current Assets:						
Amounts due from affiliated companies	1.48	871.53	2.11	1,240.99	2.19	1,282.49
Other receivables and other current assets	0.02	14.28	0.24	141.22	0.37	219.23
Bank account balances	0.00	1.38	0.00	1.25	0.00	2.91
Sub-total (b)	1.51	887.19	2.36	1,383.46	2.56	1,504.63
Total (a) + (b)	861.25	505,464.95	862.09	505,961.21	862.34	506,110.14

One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in

4.4 Information on other companies promoted/joint ventures by the PAC in India:

HCAG has a business presence in India through a joint venture in Indorama Cement Ltd. where it owns 50% stake through HeidelbergCement Central Europe East Holding B.V.

Company name Indorama Cement Limited

Date of incorporation September 12, 1996

Main business To carry on the business as manufactures and marketing of cement and allied products.

Brief financials of Indorama Cements Limited for the last three years are as follows:

Rs. in lakhs	June 30, 2003	June 30, 2004	June 30, 2005
Equity capital	5,000	5,000	5,000
Reserves (net of miscellaneous exp. and debit balance in P&L a/c)	(981)	(694)	(158)
Total income (net of excise duty)	10,264	11,590	10,548
Profit after tax	68	515	467
Earnings per share (INR/share)	0.14	1.03	0.93
Net asset value	8.04	8.61	9.68

The company is not a sick company.

Further, after the Public Announcement, on 16 November 2006, Cementum I BV completed acquisition of a stake of 93.3% of the shares of Cochin Cement Ltd, which owns a cement grinding unit and is located in Kottayam District, Kerala

4.5 Disclosures in terms of Regulation 16(ix) of the SEBI Takeover Code

Please refer to paragraph 3.3 of this Letter of Offer.

5 DISCLOSURE IN TERMS OF REGULATION 21

In the event the public shareholding is found to be reduced below the minimum level required, as a result of proposed acquisition under the SSSPA and the Offer, the Acquirer shall take necessary steps to facilitate compliance of the Target Company with the relevant provisions of the Listing Agreement, within the time period mentioned therein.

6 BACKGROUND OF MYSORE CEMENTS LIMITED

NOTE: The disclosures under this part have been taken from publicly available sources and as provided by the Target Company

6.1 MCL is a public limited company incorporated on May 13, 1958 under the Companies Act, 1956 in the State of Karnataka with the Registrar of the Companies, Mysore, Bangalore. Its registration number is 1318/1958. The registered office of MCL is situated at 1st Floor, Industry House, 45, Race Course Road, Bangalore, Karnataka

- 560 001, Telephone: (+91) 80 22389313/314, Fax: (+91) 80 2238 9315. The shareholders of MCL have passed a resolution through postal ballot approving the shifting of the registered office to Ammasandra, P.O. Ammasandra - 572 211, Tumkur District, Karnataka, Phone : (08139) 278656 / 57 / 58, Fax: 08139 - 278375. e-mail ID: myscemam@sancharnet.in. This change of registered office will be effective from December 26, 2006. MCL was originally promoted in 1958 by a Karnataka based industrialist Shri Sarangapany Mudaliar in technical and financial collaboration with Kaisers of USA as a public limited company. Later Mr. G. D. Birla became Chairman of the Board of Directors of MCL in 1966 and MCL became part of G.D. Birla Group. Upon his death in 1983, his grandson Mr. S.K. Birla who was already a director, was appointed the Chairman of the Board of Directors of MCL. Subsequently, MCL became part of S.K. Birla Group.

6.2 MCL's main activities include production of cement, sponge iron and mild steel ingots using major raw materials like gypsum, iron ore, iron slag, limestone, pozzolona etc. The cement is sold under the brand name "Diamond Cement". MCL has two integrated cement manufacturing units located in Damoh – Imlai in Madhya Pradesh and in Ammasandra, Karnataka. Further, MCL has a grinding unit in Jhansi, Uttar Pradesh. The Damoh and Jhansi units cater to the states of Madhya Pradesh, Uttar Pradesh, Uttaranchal, Haryana, Delhi, Bihar and the North-Eastern markets, in addition to exports to Nepal. The Ammasandra unit caters to the markets of Karnataka, Kerala, Tamil Nadu, Goa, Pondicherry and Lakshadweep.

6.3 The networth of MCL was fully eroded at the end of the financial year 2003-04. Accordingly, in 2004-05, the Target Company has filed a reference before and the same has been registered with the BIFR as case no.279/2004 on September 2, 2004. The Target Company was therefore a sick industrial undertaking within the provisions of Sick Industrial Companies (Special Provisions) Act 1985. No proceedings had commenced on the reference. Consequent to the capital infusion from the preferential allotment to CIBV, the net worth of MCL has turned positive. As per the announcements made to the Stock Exchanges, MCL has filed with BIFR for discharge as a sick industrial company and BIFR has held that MCL has ceased to be a sick industrial company and discharged the reference made to it. Further, the MCL has repaid the entire term loans / debentures along with the interest on final settlement with its lenders namely ICICI Bank Ltd., IDBI Ltd., IFCI Ltd. and The Federal Bank Ltd (term loan only). Subsequent to this repayment, MCL has become free of debts (term loans / debentures).

6.4 The equity share capital structure of MCL, as on the date of the Public Announcement, is as follows:

Particulars	No. of shares	% of Voting Shares
Authorised Equity Shares	100,000,000	–
Issued Equity Shares	90,253,014	–
Subscribed and fully paid up Equity Shares	90,234,821	100%
Total Voting Rights	90,234,821	100%

The equity shares have a face value of Rs 10 each. MCL had called an EGM of its shareholders on August 16, 2006 and shareholders approval was obtained, inter alia, of the following:

- increase in the authorised equity share capital to 165,000,000 equity shares of Rs.10/- each
- issuance of 66,500,000 Shares on a preferential allotment basis CIBV
- issuance of 1,274,944 Shares to IFCI Limited

Pursuant to the above allotments on August 23, 2006, the subscribed and paid up equity share capital is 158,009,765 equity shares of Rs. 10 each.

The Board of Directors of MCL forfeited 18,193 equity shares and the amount aggregating Rs. 0.9 lakh received against these shares is reflected in the balance sheet. The Board of Directors of MCL can re-issue the forfeited shares under the extant regulations. Further, the offer for 54,048 fully convertible debentures of Rs. 45 each (convertible into one equity share of Rs. 10 at a premium of Rs. 35) made in August 1993, has been kept in abeyance in accordance with the provisions of Section 206A of the Companies Act 1956, against which Rs. 0.13 lakh has been received and is included in sundry creditors. The loan agreements of the Target Company have clauses which provide for conversion of the debt, subject to certain conditions. Other than what is stated herein above, as on the date of this PA, to the best of the knowledge of the Acquirer and the PAC, there are no partly paid-up equity shares or outstanding convertible instruments. MCL has confirmed that there is no proposal to issue forfeited shares and convertible debentures which have been kept in abeyance till the expiry of 15 days after the closure of the Offer.

As per the announcements made to the Stock Exchanges, the Share Transfer and Shareholders / Investors Grievance Committee of the Target Company at its meeting held on December 12, 2006 has decided the following:

- 13,49,336 9% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating to amount of Rs.13,49,33,600 were allotted to Cementum I B.V.
- 13,49,336 0.01% Cumulative Redeemable Preference Shares of Rs 100/- each aggregating to amount of Rs. 13,49,33,600 held by Industrial Development Bank of India Ltd. were decided to be redeemed on December 13, 2006.

6.5 Details of the changes in share capital of the Target Company since incorporation and status of compliance with applicable SEBI regulations / other statutory requirements, are as follows:

Allotment during the year ended on	No of equity shares issued (Face Value Rs.10)	% of shares issued over cumulative equity share capital	Cumulative paid up Equity Share Capital		Mode of Allotment	Identity of Allottees (Promoters/ Ex Promoters/ Others) Remarks	Status of Compliances
			No of equity shares	INR			
30/06/1959	3,800	100%	3,800	3,800	Subscribed by signatories to the memorandum and articles of association Called and paid up Re 1/share		Done
30/06/1960	1,146,200	30163%	1,150,000	5,750,000	Equity shares at par by public issue through prospectus Called & Paid-up Rs 5/- per share		Done
30/06/1961	–	–	1,150,000	11,465,185		Calls in arrears - Rs.34,815. Balance calls received	
30/06/1962	–	–	1,150,000	11,494,950		Calls in arrears - Rs.5,050. Balance calls received	
30/06/1963	560,463	49%	1,710,463	13,609,903	Rights issue	Existing shareholders Called up Rs.7.50 per share. Calls in arrears - Rs.20,93,570	Done
30/06/1963	(250)	–	1,710,213	13,607,402	Forfeiture of 250 equity shares issued through the public issue in 1960		
30/06/1964	89,537	5%	1,799,750	17,993,513	Balance 89,537 share of 6,50,000 rights issue in FY 1963 issued	Existing shareholders Calls in arrears - Rs.3,987. Balance calls received	Done
30/06/1965	–	–	1,799,750	17,994,128		Calls in arrears - Rs.3,372. Balance Calls received	
30/06/1965	(487)	–	1,799,263	17,992,630	Equity shares forfeited		
30/06/1971	251	–	1,799,514	17,995,140	Forfeited shares re-allotted	Original allottees	Done
30/06/1980	1,350,000	75%	3,149,514	28,397,535	Rights issue	Existing shareholders Calls in arrears - Rs. 30,97,605	Done
30/06/1981	–	–	3,149,514	31,422,670		Calls in arrears - Rs.72,470. Balance calls received	
30/06/1982	–	–	3,149,514	31,494,420		Calls in arrears - Rs.720. Balance calls received	
30/06/1983	50	–	3,149,564	31,495,130	Forfeited shares re-allotted	Existing shareholders Calls in arrears - Rs.510. Balance Calls received	Done

Letter of Offer

Allotment during the year ended on	No of equity shares issued (Face Value Rs.10)	% of shares issued over cumulative equity share capital	Cumulative paid up Equity Share Capital		Mode of Allotment	Identity of Allottees (Promoters/ Ex Promoters/ Others) Remarks	Status of Compliances
			No of equity shares	INR			
30/06/1984	(90)	–	3,149,474	31,494,740	Shares forfeited	Balance calls received	
30/06/1985	1,259,789	40%	4,409,263	44,092,630	Bonus shares issued	Existing shareholders	Done
30/06/1985	406,118	9%	4,815,381	48,153,810	Shares on conversion of term loan at a premium of Rs 2 per share	Financial Institutions	Done
30/06/1986	162,446	3%	4,977,827	49,778,270	Bonus shares issued to financial institutions	Financial Institutions	Done
31/12/1988	7,837,960	157%	12,815,787	128,157,870	Conversion of Rs 75 against Partly Convertible Debentures of Rs 125 into 5 equity shares on 31.3.1988	Existing shareholders/ employees/ NRIs / public	Done
31/12/1988	6,409,693	50%	19,225,480	192,254,800	Rights issue	Existing shareholders	Done
31/03/1994	25,195,169	131%	44,420,649	440,374,242	Conversion of Fully Convertible Debentures of Rs 45 each into 1 equity share of at a premium of Rs 35 per share on 1.2.1994	Existing shareholders/ employees/ others Allotment money in arrears - Rs.38,32,248	Done
31/03/1995	(20,911)	0%	44,399,738	443,997,380	Shares forfeited	Allotment money in arrears received	
31/03/1996	2,775,000	6%	47,174,738	471,747,380	Equity shares issued against warrants issued on a preferential basis	Promoters	Done
31/03/1996	3,244	0%	47,177,982	471,779,820	Equity shares forfeiture annulled	Original allottees	Done
30/06/1999	5,000,000	11%	52,177,982	521,779,820	Preferential allotment	Nesher Israel Cement Enterprises (Deemed person acting in concert)	Done
30/06/1999	3,000,000	6%	55,177,982	551,779,820	Preferential allotment	RP&C International Ltd (a/c Indiaman Fund(Mauritius) Ltd (FII))	Done
31/03/2002	9,129,161	17%	64,307,143	643,071,430	Equity shares allotted at par on preferential basis against interest for the period 1.1.01 to 31.03.02	ICICI (42,84,266) and IFCI (48,44,895) (Financial Institutions)	Done
31/03/2002	4,394,069	7%	68,701,212	687,012,120	Equity shares allotted at par on preferential basis against interest for the period 1.1.01 to 31.03.02	ICICI (18,01,650) and IFCI (25,92,419) (Financial Institutions)	Done
31/03/2005	4,648,081	7%	73,349,293	733,492,930	Preferential allotment against interest dues from the period 1.1.01 to 31.3.02	IDBI (Financial Institution)	Done
31/03/2005	120,269	0%	73,469,562	734,695,620	Against conversion option under agreement dated 09.07.93	IDBI (Financial Institution)	Done
31/03/2005	120,269	0%	73,469,562	734,695,620	Against conversion option under agreement dated 09.07.93	IDBI (Financial Institution)	Done
31/03/2005	3,371,544	5%	76,841,106	768,411,060	Preferential offer against interest dues	IDBI (Financial Institution)	Done

Allotment during the year ended on	No of equity shares issued (Face Value Rs.10)	% of shares issued over cumulative equity share capital	Cumulative paid up Equity Share Capital		Mode of Allotment	Identity of Allottees (Promoters/ Ex Promoters/ Others) Remarks	Status of Compliances
			No of equity shares	INR			
31/03/2005	7,393,715	10%	84,234,821	842,348,210	Preferential offer for redemption of preference shares	ICICI Bank (Financial Institution)	Done
31/03/2006	1,000,000	1%	85,234,821	852,348,210	Preferential offer against option exercised on warrants allotted	Promoters	Done
31/03/2006	2,000,000	2%	87,234,821	872,348,210	Preferential offer against option exercised on warrants allotted	Promoters (900,000) Maya Trade (1,100,000) (Public)	Done
31/03/2006	3,000,000	3%	90,234,821	902,348,210	Preferential offer against option exercised on warrants allotted	Maya Trade Links Ltd (3,000,000) (Public)	Done
23/08/2006	1,274,944	1%	158,009,765	1,580,097,650	Preferential allotment against interest dues	IFCI Ltd. (Financial Institution)	Done
	66,500,000	42%			Preferential Issue	Acquirer	Done

The "in-principle" approval for listing of 67,774,944 Shares issued on preferential allotment basis has been received from BSE on August 8, 2006 and from NSE on August 21, 2006. Trading approval has been received from NSE vide its letter dated December 6, 2006 and has been received from BSE vide its notice dated December 8, 2006 .

- 6.6 MCL has confirmed that it is regularly complying with the required filings for shareholding pattern every quarter under clause 35 of the Listing Agreement, corporate governance report under clause 49 of the Listing Agreement, unaudited results every quarter under clause 41 of the Listing Agreement and audited results at the year end followed by limited review report by the auditor as well as certificate from the Practicing Company Secretary under clause 47 of the Listing Agreement every half year. MCL is also uploading the required documents including the Annual Report in the EDIFAR website of SEBI. No penal action has been initiated against MCL by any stock exchanges in respect of the compliance related to the listing agreement. The Shares were never suspended for trading by any of the stock exchanges. MCL has issued debentures that are not listed on the stock exchanges. However, these debentures were issued before the requirement to list debt securities became mandatory.
- 6.7 As per the information provided by MCL, the Promoter Group and MCL have complied with the applicable provisions of Chapter II of SEBI Takeover Code except the following:
- In 3 instances there have been delays of 1 day, 6 days and 17 days, respectively in reporting by the Promoter Group under Regulation 7(1) of the SEBI Takeover Code. Further, in another 3 instances of reporting under Regulation 7(1) of the SEBI Takeover Code, the date of the transaction has not been mentioned therefore the Target Company is not able to ascertain the delay, if any.
 - Further, there are three instances where the due date for compliance was a holiday and the date of compliance by the Promoter Group was on the next day. Action, if any, for the said violations against the Sellers may be initiated separately.
- SEBI in its observation letter has advised to disclose that action, if any, for the said violations against the sellers may be initiated separately
- Further, we are informed by MCL that as regards the declaration under Regulation 8(1) of the SEBI Takeover Code, the Promoter Group have stated nil as there were no persons in the Promoter Group holding more than 15% Shares or voting rights.
- Based on the documents provided by MCL, SEBI in its observation letter has observed that , it appears that the promoters of MCL have triggered the provisions of the SEBI Takeover Code and have neither sought any exemption nor made the offer in terms of the SEBI Takeover Code. SEBI has stated that action, if any, for the said violations against the Sellers may be initiated separately.
- 6.8 The Promoter Group, the Sellers and MCL have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act.
- 6.9 Approval of lenders - The agreements with lenders entered into by MCL generally require the Promoters/MCL to take the lenders' consent for change in control, preferential allotment, and sale of shares. None of the lenders has objected to the acquisition of shares. In fact, at the Board meeting to approve the allotment to the Acquirer, the lender nominees present voted in favour of the allotment. In any event, as mentioned at paragraph 6.3, MCL has now become free of debts relating to term loans / debentures.

- 6.10 Voting rights on preference shares MCL has informed that it had issued Redeemable Cumulative Preference Shares to ICICI Bank Ltd. ("ICICI") in 1995 and the same were redeemed on March 23, 2005. Further, MCL has informed that the dividend on the said Preference Shares was in arrears from April 1, 1997 until redemption of the preference shares and accordingly ICICI may be deemed to have acquired voting rights in terms of the preference shares held by it during this period. However, we are also informed that ICICI never exercised such voting rights acquired by it through the preference shares.

We are also informed that Redeemable Cumulative Preference Shares were issued to IDBI Bank Ltd. ("IDBI") on January 5, 2005. The period of two years for dividend remaining unpaid (for the preference shares to acquire voting rights) as referred to under Section 87 of the Companies Act, 1956 has not yet expired. Therefore, IDBI has not acquired any voting rights in respect of the Preference Shares held by it.

- 6.11 The Board of Directors of MCL as on the date of the Public Announcement was as under:

Sr No	Name and Residential Address	Date of Appointment	Designation	Qualifications	Experience
1	S. K. Birla Birla Building Kolkata – 700 001	31.3.1978	Chairman	Studied Science in Xavier College, Kolkata	Extensive experience of 54 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance
2	Sidharth Birla Xpro India Ltd. ECE House, 28 A, Kasturba Gandhi Marg New Delhi - 110 001	21.4.1989	Vice Chairman	BSc, MBA, Owner President Management Programme of Harvard Business School, Boston, USA (3 session programme 2002, 03 & 04)	Over 26 years of experience in the fields of Finance, Marketing, General Management, Board level Corporate Governance
3	Dr. V. K. Gangwal Gangawal Bhavan Lashkar Gwalior - 474001	30.12.1982		M.Com, LLB, PhD	Over 35 years of experience in the field of Administration and Management of Business and expertise in Metallurgical Business
4	Amitabh Ghosh Flat No. 32, Meharaz 91, Cuffee Parade Mumbai - 400 005 Nominee of IDBI Ltd.	08.9.1995		Chartered Accountant	Retired Dy. Governor of Reserve Bank of India
5	H. K. Kejriwal Parijat Apartment Fairfield Layout Bangalore - 560 001	9.4.1979		Matriculate	Industrialist with substantial experience in Textile Industry and Share Broking Business
6	A. S. Shankare Gowda Chandragiri Estate, Post Box No. 10 Chickmagalur - 577101 Karnataka	26.6.1995		B.Com	Coffee Planter and vast experience in coffee trade
7	Padam Kumar Khaitan 3, Queen's Park Kolkata - 700 019	28.1.2003		Attorney at Law	Leading advocate with 28 years of experience partner of Khaitan & Co Advocates & Notaries, Kolkata
8	N. K. Balam Flat No. 301, 'The Nest' 247, Defence Colony, Indiranagar, 80 Feet Road Bangalore -560025 Nominee of ICICI Bank Ltd.	24.10.2005		B.A.	22 years experience in Banking and Corporate Finance
9	S.K.Mandal D-303, IFCI Colony Paschim Vihar New Delhi - 110 063 Nominee of IFCI Ltd.	18.07.2006		B.E (Mech.), PGBDM (IIMA)	Wide experience in Operation and Production Management, Project Management, Corporate Planning and Institutional Financing
10	N. L. Hamirwasia 44/1, Fair Field Layout Bangalore - 560 001	2.3.1994	Managing Director	B.Sc, MBIM-London	48 years of Commercial and Industrial experience in Cement Industry
11	N. Lodha C-6 gem Welington Airport Road, Bangalore-560017	1.7.1996	Executive Director	B.Com.(Hon), F.C.A.	Over 26 years of Financial and Commercial experience in various industries

Note: IFCI Ltd. has withdrawn the nominee director Shri N.U.Nampoothiri and in his place appointed Shri S.K.Mandal on 18.7.2006. Refer to paragraph 3.1.12, for changes in directors subsequent to the Public Announcement including the appointment of directors representing the Acquirer and the PAC. Further, the shareholders in the AGM held on September 11, 2006 have decided that the vacancy caused by the resignation of Dr. V K Gangawal and Mr. Padam Kumar Khaitan, directors, retiring by rotation, be not filled up. As per the announcements made to the Stock Exchanges, the Board of Directors in their meeting held on October 19, 2006 have noted the withdrawal by the institutions of nominee directors consequent to the repayment of their dues: - Mr. A. Ghosh, (nominee of Industrial Development Bank of India Ltd.) - Mr. N.K. Balaram, (nominee of ICICI Bank Ltd.) and - Mr. S.K. Mandal, (nominee of IFCI Ltd.). Further, Mr. A. Ghosh, Mr. P.G. Mankad, Mr. Shardul Shroff were appointed as additional directors who shall be regarded as Independent Directors.

6.12 The details of the changes in shareholding of the Promoter Group as and when it took place, is as follows: -

Period		No. of Shares	Method	Total holding
1.4.1960	31.3.1961	1,50,000	Public Issue	150,000
1.4.1963	31.3.1964	84,600	Rights Issue	234,600
1.4.1965	31.3.1966	1,70,003	Acquired from other shareholders	404,603
1.4.1966	31.3.1967	65,709	Acquired from other shareholders	470,312
1.4.1967	31.3.1968	1,23,500	Acquired from other shareholders	593,812
1.4.1969	31.3.1970	4,100	Acquired /(sold) from/to other shareholders	597,912
1.4.1972	31.3.1973	(600)	Sold to other shareholders	597,312
1.4.1977	31.3.1978	(22,900)	Sold to other shareholders	574,412
1.4.1978	31.3.1979	500	Acquired from other shareholders	574,912
1.4.1980	31.3.1981	2,20,325	Rights Issue	795,237
1.4.1984	31.3.1985	7,050	Acquired from other shareholders	802,287
		3,20,872	Bonus Issue	1,123,159
1.4.1985	31.3.1986	7,669	Acquired from other shareholders	1,130,828
1.4.1986	31.3.1987	91	Acquired from other shareholders	1,130,919
1.4.1987	31.3.1988	8,17,660	On conversion of Partly Convertible Debentures	1,948,579
		61,181	Acquired /(sold) from/to other shareholders	2,009,760
1.4.1988	31.3.1989	7,67,912	Rights Issue	2,777,672
		(1,70,940)	Acquired /(sold) from/to other shareholders	2,606,732
1.4.1989	31.3.1990	16,08,813	Acquired /(sold) from/to other shareholders	4,215,545
1.4.1990	31.3.1991	45,933	Acquired from other shareholders	4,261,478
1.4.1991	31.3.1992	3,60,500	Acquired from other shareholders	4,621,978
1.4.1992	31.3.1993	(3,36,800)	Acquired /(sold) from/to other shareholders	4,285,178
1.4.1993	31.3.1994	1,19,300	Acquired /(sold) from/to other shareholders	4,404,478
1.4.1993	31.3.1994	81,69,633	Against Fully Convertible Debentures	12,574,111
1.4.1994	31.3.1995	71,850	Acquired /(sold) from/to other shareholders	12,645,961
1.4.1995	31.3.1996	56,700	Acquired /(sold) from/to other shareholders	12,702,661
		27,75,000	Against warrants issued preferentially	15,477,661
1.4.1996	31.3.1997	7,48,900	Acquired /(sold) from/to other shareholders	16,226,561
1.4.1997	31.3.1998	6,55,900	Acquired /(sold) from/to other shareholders	16,882,461
1.4.1998	31.3.1999	3,68,400	Acquired from other shareholders	17,250,861
		50,00,000	Acquired by deemed person acting in concert	22,250,861
1.4.2000	31.3.2001	65,000	Acquired /(sold) from/to other shareholders	22,315,861
1.4.2001	31.3.2002	2,624	Acquired from other shareholders	22,318,485
1.4.2002	31.3.2003	8,554	Acquired /(sold) from/to other shareholders	22,327,039
1.4.2003	31.3.2004	(36,63,713)	Acquired /(sold) from/to other shareholders	18,663,326
1.4.2004	31.3.2005	10,53,333	Acquired /(sold) from/to other shareholders (Net of sale of 30,00,000 shares by deemed person acting in concert to the Promoter Group)	19,716,659
1.4.2005	31.3.2006	1,93,300	Acquired /(sold) from/to other shareholders (Net of sale of 20,00,000 shares by deemed person acting in concert to the Promoter Group)	19,909,959
		19,00,000	Against warrants issued preferentially	21,809,959

Notes:-

The above table shows the changes in the shareholding of persons constituting the Promoter Group. Transactions of persons who earlier formed part of the Promoter Group but have since completely disposed off their shareholdings are not covered above. The above table also does not include inter se transfers within the Promoter Group. Further, the sale and purchase transactions shown above are the net figure of all the purchases and sales during the period disclosed. Figures in brackets indicate net disposal of Shares during the period.

MCL has confirmed that applicable legal provisions, in particular the provisions of the SEBI Takeover Code, as in force at the relevant times and SEBI (Prohibition of Insider Trading) Regulations, 1992 were complied with by the Promoters, persons acting in concert with them and MCL, at the time of each change in the Promoters' shareholding, including changes in the shareholding of the persons acting in concert with them except for certain instances of non-compliances as disclosed in paragraph 6.7.

6.13 MCL did not have any merger / acquisition /de-merger/spin-off in the last 3 years. MCL does not have any subsidiaries

6.14 MCL has complied with the applicable requirements of the listing agreement. The details of the corporate governance for MCL, as per the Annual Report for the year ended March 31, 2005, are as follows:

Composition of the Board of Directors

The Board of Directors consists of 11 directors comprising of 2 executive directors and 9 non-executive directors. The non-executive directors include 2 promoter directors and 3 independent non-executive directors which are nominees of IDBI Ltd., IFCI Ltd. and ICICI Bank Ltd.

Audit Committee - The committee consists of 4 independent directors including one independent director who is a nominee of ICICI Bank Ltd.

Share Transfer and Shareholders/ Investors Grievance Committee - The committee consists of 4 directors including the Managing Director and Executive Director. The Company Secretary & Executive Vice President (Legal) of MCL is also a member of this committee and is appointed as the compliance officer.

Remuneration & Nomination Committee - The committee consists of 3 non-executive directors.

Committee of Directors - The committee consists of 5 directors including the chairman and vice chairman of the Board of Directors. This committee attends to certain matters specified or delegated appropriately by the Board of Directors from time to time.

Compliance Certificate of Auditors:

The statutory auditors of MCL, vide their letter dated May 26, 2006 have certified that MCL have complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreements in all material respect and that no investor grievance(s) is/are pending for a period exceeding one month against MCL as per the records maintained by the Share Transfer and Shareholders/ Investors Grievance Committee.

6.15 A) Following are the material legal cases against MCL, as on June 30, 2006 to the best of the knowledge of MCL: Unless specifically stated, the amounts of the claims against MCL do not include the interest that may be awarded by a Court on these claims.

- The Madhya Pradesh Government has on January 28, 2005 demanded Rs. 2,273 lakhs as shortfall in royalty paid towards limestone quarrying in the period 1993 - July 2004 from MCL. It has also raised a demand of Rs. 4,000 lakhs as interest on unpaid royalty. The Madhya Pradesh High Court has granted a stay on the payment of the royalty on the grounds that MCL has made a reference to BIFR under SICA. Recently MCL deposited 40% of the principal amount following a demand from the Madhya Pradesh Government as a condition precedent for the renewal of its mining lease for its plant in Narsingarh.
- Since 1995-96, the trade tax authorities in Uttar Pradesh have included the outward freight from MCL's plant in Jhansi, Uttar Pradesh in its taxable turnover. The total tax demanded against the freight for the period 1995-96 to 2003-04 is approximately Rs. 4743 lakhs. MCL has succeeded in its claim before the Trade Tax Tribunal in cases filed for the assessment years 1995-96 to 2003-04. Except for two years (2002-03 and 2003-04), the trade tax authorities have filed revision petitions in the U. P. High Court against the decisions of the Trade Tax Tribunal. These revision petitions are currently pending.
- MCL has filed an appeal in the Supreme Court against an order of the Madhya Pradesh High Court dismissing the company's petition which sought to quash a notification of the Madhya Pradesh Government inviting bids from third parties for grant of mining lease on land at Narsingarh on which the plant of the company is constructed and which had earlier been surrendered by the company to the Madhya Pradesh Government.
- A public interest litigation has been filed in the Madhya Pradesh High Court in March 2006 by the residents of Motha Village, alleging that the flood in River Sonar during the monsoon of 2005 was caused because of the company creating stock piles of rejected materials of the mines at Narsingarh. Damages have not been quantified in the petition.
- One of the suppliers of the company, namely M/s P.K. Engineering, to whom the company owes a sum Rs. 13.86 lakhs has filed a winding up petition in the High Court of Karnataka under Sections 433(e) and 434 of the Companies Act, 1956. The matter is listed for hearing for admission on the August 4, 2006. The company intends to contest the petition at the admissions stage itself. The company states that even though it is willing to pay the amount of Rs.13.86 lacs, the same amount is also claimed by another party and therefore the rightful person to whom the amount should be paid is not clear.

- Tata Finance Limited (since merged with Tata Motors Ltd.) has filed a claim against the company seeking approximately Rs 520 lakhs plus interest at the rate of 30% per annum on Rs. 174 lakhs from April 1, 2005. The claim has been raised in arbitration initiated against the company in regard to 2 Electrostatic Precipitators for a coal and kiln mill which were sold and taken back on lease by the company.
- A writ petition has been filed in the Madhya Pradesh High Court by persons claiming to be the original owners of certain portions of the lands on which the company's ropeway from Narsingarh to Imlai is constructed. These petitions are challenging the acquisition by the Madhya Pradesh Government and the subsequent lease to the company of such lands.
- The residents of certain villages have filed a case seeking to restrain the company from carrying out mining activities within a certain radius of a temple situated in Yerakatte village, Tumkur District, Karnataka.
- In addition to the above, there are several claims, in various Courts in Madhya Pradesh and Uttar Pradesh, that have been filed by third parties having contractual relationship with the company and involving inter alia payment of outstanding dues, compensation claims for death or injury caused in accidents with delivery vehicles of the Company, claims before the Debt Recovery Tribunal, claims for payments due against the supply of bags for cement packaging, and claims for freight charges for the transport of clinker by rail.
- A number of consumer complaints, alleging principally that the cement manufactured by the company was defective, has been filed in various fora. In a few of these cases it has been alleged that buildings constructed using the company's cement have collapsed owing to the poor quality of the cement.
- Wages amounting to approximately Rs. 1,060 lakhs have been claimed by some workers of the company on the ground that they are governed by certain wage terms negotiated by the Cement Manufacturers Association with the relevant authorities under the applicable labour laws. The company denies that these terms apply to it on the ground that it had not authorised the Cement Manufacturers Association to negotiate these terms of its behalf.
- The majority of the remaining labour disputes have been filed by erstwhile workmen of the company before the labour tribunals and courts of Madhya Pradesh, Uttar Pradesh and Karnataka claiming wrongful dismissal.
- There is also a claim pending in the Labour Court, Jabalpur, Madhya Pradesh for the company to enlist as regular employees 200 workmen that were engaged as contract labour through a third party contractor.
- The Madhya Pradesh State Electricity Board has filed a case against the company claiming electricity dues of approximately Rs.100 lakhs plus interest.
- Certain other claims, challenging the applicability of certain rebates and discounts on electricity dues, have also been made against the company.
- The U. P. Government has demanded Rs. 95.6 lakhs towards entry tax from the company under the Uttar Pradesh Tax On Entry of Goods Act, 2000 ("Entry Tax Act"). The Entry Tax Act was quashed by the U. P. High Court consequent to which the U. P. Government has filed an appeal in the Supreme Court. The Supreme Court has issued interim orders staying the U. P. High Court order and directing the company (and other companies affected by this Act) to pay the tax which is to be deposited by the U. P. Government in an interest bearing account pending final decision in the appeal.
- The company is also involved in disputes regarding levy of electricity tax in Karnataka; claim for differential in stamp duty regarding second charge created on certain assets in Gujarat; stamp duty payable on its mining leases in Madhya Pradesh; trade tax rebate on fly ash in Uttar Pradesh; levy of special entry tax in Karnataka; levy of service tax on freight by the excise authorities in Uttar Pradesh; and a number of excise and trade tax related cases.
- A writ petition was filed in 2003 in the Madhya Pradesh High Court by persons claiming to be the owners of 46 hectares of land, being part of land on which the company carries out mining at Narsingarh and claiming that full compensation for the interference with their rights over this land has not been paid. Their compensation claim has not been quantified in the writ petition.
- Most of the other cases that the company has filed, relate to claims for unpaid monies for cement sold.

B) In addition to the above material legal cases, as on June 30, 2006, MCL also has received the following notices from the concerned authorities concerning environmental matters at its plants:

- MCL had the consent of Madhya Pradesh State Pollution Control Board ("MPSCB") for clinker production of 10 lakh tonnes per annum at Narsingarh valid upto September 30, 2006. In view of the increasing production of clinker, MCL had applied on June 6, 2005 for the consent of MPSCB for clinker production of 15 lakh tonnes per annum and deposited the requisite fees on August 20, 2005. Subsequently, on April 7, 2006, MPSCB directed to restrict the clinker production to 10 lakh tonnes per annum and to take corrective measures to upgrade and improve the pollution control equipment at Narsingarh and Imlai to which MCL replied vide its letter dated April 20, 2006. MCL has since received the MPSCB approval vide their letter dated June 22, 2006 for clinker production of 15 lakh tonnes per annum with effect from October 1, 2006.
- The Karnataka State Pollution Control Board ("KSPCB") has issued notices to MCL to bring down cement dust emissions from the company's plant at Amassandra and has identified specific measures to be undertaken by the company for the same. MCL has replied to these notices seeking time to take the corrective measures. The district authorities in Tumkur are also assessing the damage/loss to crops in the adjoining areas caused by such emissions.

6.16 Key audited financials of MCL are as follows:

INCOME STATEMENT	Year ended		
(Rs. Lakhs)	31-Mar-06	31-Mar-05	31-Mar-04
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Income from operations	42,420.83	39,612.18	33,289.60
Other Income	998.70	704.10	1,383.34
Total Income	43,419.53	40,316.28	34,672.94
Total Expenses	(40,963.58)	(36,643.32)	(32,603.95)
PBIDT	2,455.95	3,672.96	2,068.99
Depreciation	(1,934.15)	(2,028.95)	(2,031.29)
Prior period adjustment	3.63	(2.54)	(38.18)
Extra-ordinary items	(5,283.56)	–	–
Interest	(4,157.07)	(4,055.82)	(3,556.26)
PBT	(8,915.20)	(2,414.35)	(3,556.74)
Provision for deferred tax	(15.40)	(64.33)	(52.86)
Fringe benefit tax	(60.25)	–	–
Profit after tax	(8,990.85)	(2,478.68)	(3,609.60)
BALANCE SHEET	As of		
(Rs. Lakhs)	31-Mar-06	31-Mar-05	31-Mar-04
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
SOURCES OF FUNDS			
Share Capital	10,373.72	9,622.08	8,871.02
Equity Shares*	9,024.38	8,424.38	6,871.02
Preference Shares	1,349.34	1,197.70	2,000.00
Share Capital Suspense	–	–	476.84
Reserves and Surplus (excluding revaluation reserve)			
a) Capital Reserve	0.05	0.05	0.05
b) Capital Redemption Reserve	250.00	250.00	250.00
c) Capital Subsidy Reserve	64.25	64.25	64.25
d) Debenture Redemption Reserve	350.00	350.00	350.00
e) Investment Allowance reserve (utilised)	–	200.00	200.00
f) Share Premium	14,049.55	13,008.55	11,585.07
	14,713.85	13,872.85	12,449.37
Less: Profit and Loss Account	(34,938.29)	(26,147.44)	(23,668.76)
Networth	(9,850.72)	(2,652.51)	(1,871.53)
Loans			
Secured Loans	30,428.83	30,576.78	31,136.72
Unsecured loans	200.00	–	11.47
Total	20,778.11	27,924.27	29,276.66

BALANCE SHEET	As of		
	31-Mar-06	31-Mar-05	31-Mar-04
(Rs. Lakhs)			
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
APPLICATIONS OF FUNDS			
Net block of fixed assets (adjusted for revaluation reserve)	16,733.10	19,041.78	19,549.90
Capital work in progress	99.88	83.38	1,399.96
Investments	931.29	5,985.61	5,987.31
Deferred tax asset	3,614.89	3,630.29	3,694.62
Net current assets	(601.05)	(816.79)	(1,355.13)
Total	20,778.11	27,924.27	29,276.66

OTHER FINANCIAL DATA	31-Mar-06	31-Mar-05	31-Mar-04
Dividend per Equity Share (% of face value)	–	–	–
Earnings per Share (“EPS”) (Rs.)	(10.56)	(3.36)	(5.84)
Return on Net Worth (%)	NM	NM	NM
Book Value per Equity Share (Rs)	(12.41)	(4.57)	(6.33)

Note:

* including amount collected on shares forfeited – Rs.0.90 lakhs

(1) Dividend (%) = Dividend paid per equity share / No. of equity shares outstanding at year-end/ Par value per equity share

(2) Earnings per share = Profit after tax as adjusted for preference dividend and distribution tax thereon / Weighted No. of equity shares

(3) Return on Networth (%) = Profit after tax as reduced by extraordinary items / Networth at year-end

(4) Book Value per equity share = Networth as reduced by Preference share capital and share capital suspense / No. of equity shares outstanding at year end

(5) NM = Not meaningful or not applicable.

(Source: Annual Report & Company Data)

6.17 MCL has the following contingent liabilities for the year ended March 31, 2006:

a) Disputed Statutory claims / levies

(Rs. Lakhs)	Year ended	
	31-Mar-06	31-Mar-05
Excise Duty	424.53	295.48
Sales Tax	3,546.91	2,920.25
Entry Tax	133.20	129.92
Service Tax	0.38	–
Differential Royalty on Limestone	7,136.41	2,578.00

b) Claims against the MCL not acknowledged as debts

(Rs. Lakhs)	Year ended	
	31-Mar-06	31-Mar-05
Claims by various Suppliers of goods and Services	726.53	702.55
Electricity charges	685.54	649.69
Claims by customers and others	656.78	601.79

- c) Show cause notices for levy of taxes contested, hence not provided for

(Rs. Lakhs)	Year ended	
	31-Mar-06	31-Mar-05
Excise Duty	607.56	388.55
Service Tax	153.74	—
Sales Tax	986.46	54.61

- d) Arrears of Cumulative Preference dividend for the period 4.1.2005 to 31.3.2006 including Corporate Dividend Tax is Rs. 0.17 lakh (2005: Rs. 0.03 lakh).
- e) The Ministry of Textiles has deleted cement from the list of commodities to be packed in jute bags under the Jute Packaging Materials (Compulsory use in Packing Commodities) Act, 1987 from 1.7.1997. Liability upto 30.6.1997 is presently not quantifiable.

(Source: Annual Report for FY2006)

6.18 Comparison of Results

Results for financial year 2006 compared to financial year 2005:

During the year, net income from operations rose by 7.09% to Rs.42,420.83 lakhs as compared to Rs.39,612.18 lakhs in 2004-05.

Results for financial year 2005 compared to financial year 2004:

During the year, net income from operations rose by 18.99% to Rs.39,612.18 lakhs as compared to Rs.33,289.60 lakhs in 2003-04.

- 6.19 The shareholding and voting pattern of MCL prior to and following the proposed acquisition under the SSSPA, the Preferential Issue and the Offer, is as under:

Shareholders category	Shareholding and Voting rights as on the date of publication of the Public Announcement (July 22, 2006)	Shares/ Voting rights agreed to be acquired which triggered off the SEBI Takeover Code	Shares / Voting rights to be acquired in the Offer (Assuming full acceptances)	Shareholding / Voting rights after the acquisition under the SSSPA and the Offer
	(A)	(B)	(C)	(D)=(A)+(B)+(C)
1) Promoter Group				
a) Parties to the SSSPA	13,472,232 14.93% (8.53%)	(13,400,000) (8.48%)	— —	72,232 0.05%
b) Parties to the SHA other than Sutlej Cotton Mills Supply Agency Ltd. (covered in (a) above)	6,774,143 7.51% (4.29%)	—	—	6,774,143 4.29%
c) Promoters other than (a) and (b) above	1,563,584 1.73% (0.99%)	— —	Note 2	Note 2
Total 1 (a + b + c)	21,809,959 24.17% (13.80%)	(13,400,000) (8.48%)		6,846,375 4.33% Note 2

Shareholders category	Shareholding and Voting rights as on the date of publication of the Public Announcement (July 22, 2006)	Shares/ Voting rights agreed to be acquired which triggered off the SEBI Takeover Code	Shares / Voting rights to be acquired in the Offer (Assuming full acceptances)	Shareholding / Voting rights after the acquisition under the SSSPA and the Offer
	(A)	(B)	(C)	(D)=(A)+(B)+(C)
2) Acquirer				
a) Cementrum I B.V	—	a) Sale Shares under the SSSPA: 13,400,000 8.48%	35,000,000 22.15%	114,900,000 72.72%
PAC				
b) HeidelbergCement AG	—	b) Preferential Issue under the SSSPA: 66,500,000 42.09%	—	—
Total 2 (a+b)	—	79,900,000 50.57%	35,000,000 22.15%	114,900,000 72.72%
3) Parties to the agreement other than 1 (a) and (2)	—	—	—	—
4) Public*				Note 2
a) Mutual Funds and UTI	6,832,121 7.57% (4.32%)			
- Franklin India Smaller Companies Fund - 1,359,817 Shares				
- SBI Mutual Fund A/c MMPS 93 - 1,850,000 Shares				
- SBI Mutual Fund A/c Magnum Tax Gain 1993 - 1,850,000 Shares				
- Tata Trustee Co. Pvt Ltd.A/c Tata Mutual - 1,365,000 Shares				
Banks	186,481 0.21% (0.12%)			
Financial Institutions	100,000			
- IFCI	0.11% (0.06%)			
Insurance Companies (Central/State Government Institutions/ Non Governmental Institutions)	5,268,408 5.84% (3.33%)			
- Life Insurance Corporation of India - 4,404,264 Shares				

Shareholders category	Shareholding and Voting rights as on the date of publication of the Public Announcement (July 22, 2006)	Shares/ Voting rights agreed to be acquired which triggered off the SEBI Takeover Code	Shares / Voting rights to be acquired in the Offer (Assuming full acceptances)	Shareholding / Voting rights after the acquisition under the SSSPA and the Offer
	(A)	(B)	(C)	(D)=(A)+(B)+(C)
FII's	9,326,378 10.34% (5.90%)			
- BNP Paribas South Asia Investments Co - 2,644,573 Shares				
- Premier Investment Fund Ltd. - 925,191 Shares				
- Simplicity AB a/c Simplicity Indien - 932,021 Shares				
- The Indiaman Fund (Mauritius) Ltd. - 2,150,000 Shares				
- UBS Securities Asia Ltd A/c Swiss Finance Corp. - 1,520,000 Shares				
b) Private Corporate Bodies	16,040,732 17.78% (10.15%)	—		
c) Indian Public (Including NRI's/OCB's)	30,568,656 33.88% (19.35%)			
d) Directors (other than promoter directors) and their relatives	102,086 0.11% (0.06%)			
Total 4 (a)+(b)+(c)+(d)	68,424,862 75.83% (43.30%)	—	Note 2	Note 2
Grand Total (1+2+3+4)	90,234,821 100.00%	79,900,000 50.57%		158,009,765 Note 3 100.00%

* Total number of Public shareholders as on July 22, 2006 were 55,691

Note 1: In column (A), the percentage figures appearing below the number of Shares are calculated with reference to both- the voting rights of MCL as on the date of the PA and with reference to the Fully Expanded Voting Equity Capital (as percentage figures in brackets). The percentage figures in all other columns have been calculated with reference to the Fully Expanded Voting Equity Capital

Note 2: The Offer is being made to all shareholders other than parties to SSSPA and SHA. The combined post Offer shareholding of Public and Promoters other than (a) and (b) in the Promoter Group would be 36,263,390 Shares, assuming full acceptance under the Offer and completion of proposed allotment of 1274,944 Shares (0.81% of the Fully Expanded Voting Equity Capital) to IFCI Ltd. The residual shareholding of Promoters other than (a) and (b) in the Promoter Group, after the Offer, would depend on the number of Shares, if any, tendered by them in the Offer. Therefore, their residual shareholding, if any, is not considered while arriving at the total Promoter Group shareholding in column (D). The shareholding and the percentage after the Offer under the Public category is subject to the response from Promoters other than (a) and (b) in the Promoter Group.

Note 3: 158,009,765 Shares is the Fully Expanded Voting Equity Capital, including the allotment to IFCI Ltd. The Shares on Preferential Issue were allotted to the Acquirer on August 23, 2006, i.e. within 15 days of the EGM resolution as provided in the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

- 6.20 The compliance officer of MCL is Mr G. K. Sureka, Company Secretary. His contact details are as follows: C/o Mysore Cements Limited, 1st Floor, "Industry House", 45, Race Course Road, Bangalore 560 001, Telephone: 080-22389313/314, Fax: 080-22389315, email: mycembg@vsnl.com.

7 OFFER PRICE AND FINANCIAL ARRANGEMENTS

7.1 Justification of Offer Price

- 7.1.1 The equity shares of MCL are listed on NSE, BSE and BgSE (the "Stock Exchanges"). The annualised trading turnover during the preceding six months ended June 30, 2006 in each of the stock exchanges on which the Shares are listed is as below:

Name of Stock Exchange	Total number of Shares traded the preceding during six calendar months ended June 30, 2006	Total number of listed Shares *	Annualised trading turnover (in terms of % of total listed Shares)	Trading Status in terms of the SEBI Takeover Code
NSE	194,730,784	90,234,821	431.61%	Frequently Traded
BSE	137,232,251	90,234,821	304.17%	Frequently Traded
BgSE	Nil	90,234,821	–	Infrequently Traded

(Source: NSE, BSE websites, trading details from BgSE)

* Out of the presently outstanding 158,009,765 Shares, 67,774,944 Shares were issued on preferential basis on August 23, 2006. MCL has received 'in-principle' listing approval from BSE on August 8, 2006 and from NSE on August 21, 2006 in respect of these 67,774,944 Shares. Trading approval has been received from NSE vide its letter dated December 6, 2006 and has been received from BSE vide its notice dated December 8, 2006.

- 7.1.2 Based on the information available, the Shares are frequently traded on BSE and NSE and infrequently traded on BgSE within the meaning of explanation (i) to Regulation 20 (5) of SEBI Takeover Code. The Shares are most frequently traded on the NSE.

- 7.1.3 The Offer Price of Rs. 58 per equity share of MCL (Please refer to paragraph 7.1.4) is justified in terms of Regulations 20(4) of the SEBI Takeover Code as it is highest of the following 5 parameters (a through e):

- | | |
|--|-----------------|
| a. Proposed Sale Price payable for Sale Shares: | Rs.58 per Share |
| b. Subscription Price for Preferential Issue: | Rs.54 per Share |
| c. Highest price paid by the Acquirer for acquisition of equity shares of MCL during the 26 weeks period preceding the date of the PA: | Not applicable |

- d. The average of the weekly high and low of the closing prices of the equity shares of MCL during the 26 weeks preceding the PA, on NSE: Rs. 40.40 Please see the following table.

Week #	Week Ended	High (Rs.)	Low (Rs.)	Avg (Rs.)	Volume (Shares)
1	Friday, January 27, 2006	28.30	27.70	28.00	3,322,007
2	Friday, February 03, 2006	27.30	26.25	26.78	5,783,122
3	Friday, February 10, 2006	28.30	27.25	27.78	4,616,811
4	Friday, February 17, 2006	27.35	25.95	26.65	4,540,616
5	Friday, February 24, 2006	29.65	26.95	28.30	10,316,965
6	Friday, March 03, 2006	31.50	29.55	30.53	11,863,849
7	Friday, March 10, 2006	40.40	30.55	35.48	27,010,897
8	Friday, March 17, 2006	41.55	38.20	39.88	17,763,124
9	Friday, March 24, 2006	45.40	41.10	43.25	9,397,534
10	Friday, March 31, 2006	49.65	45.35	47.50	11,679,809
11	Friday, April 07, 2006	49.75	47.40	48.58	9,471,348
12	Thursday, April 13, 2006	50.20	46.85	48.53	5,502,228
13	Friday, April 21, 2006	52.80	49.20	51.00	9,755,893
14	Saturday, April 29, 2006	54.25	49.35	51.80	6,635,413
15	Friday, May 05, 2006	56.15	50.55	53.35	5,832,186
16	Friday, May 12, 2006	51.80	45.65	48.73	5,447,723
17	Friday, May 19, 2006	48.20	43.55	45.88	4,618,891
18	Friday, May 26, 2006	41.50	39.65	40.58	3,325,577
19	Friday, June 02, 2006	40.80	35.10	37.95	2,417,038
20	Friday, June 09, 2006	38.70	35.00	36.85	4,676,982
21	Friday, June 16, 2006	36.65	30.25	33.45	2,996,974
22	Sunday, June 25, 2006	44.05	40.35	42.20	4,753,976
23	Friday, June 30, 2006	43.00	39.75	41.38	5,095,181
24	Friday, July 07, 2006	43.00	41.80	42.40	2,132,825
25	Friday, July 14, 2006	46.85	44.05	45.45	2,069,797
26	Friday, July 21, 2006	49.60	46.75	48.18	3,816,348
26 weeks average				40.40	

(Source: www.nseindia.com)

This average for the 26 weeks preceding the date of the board meeting (July 18, 2006) where the Preferential Issue was proposed - Rs. 39.93 (on NSE)

- e. The average of the daily high and low of the equity shares of MCL during the 2 weeks preceding the date of PA, on NSE was Rs.46.78. Please see the following table:

Day #	Date	High (Rs.)	Low (Rs.)	Avg (Rs.)	Volume (Shares)
1	Monday, July 10, 2006	44.45	41.00	42.73	238,176
2	Tuesday, July 11, 2006	45.70	42.00	43.85	713,870
3	Wednesday, July 12, 2006	47.10	44.00	45.55	582,452
4	Thursday, July 13, 2006	48.30	46.00	47.15	291,982
5	Friday, July 14, 2006	46.90	45.50	46.20	243,317
6	Monday, July 17, 2006	48.45	46.10	47.28	803,660
7	Tuesday, July 18, 2006	50.50	46.00	48.25	1,024,699
8	Wednesday, July 19, 2006	49.10	45.40	47.25	1,027,604
9	Thursday, July 20, 2006	49.70	49.20	49.45	487,458
10	Friday, July 21, 2006	52.00	48.25	50.13	472,927
2 weeks average				46.78	

(Source: www.nseindia.com)

This average for 2 weeks preceding the date of the board meeting (July 18, 2006) where the Preferential Issue was proposed - Rs.44.22 (on NSE).

- f. Further, based on the available information, the Target Company's equity shares are deemed to be infrequently traded on BgSE as per explanation to Regulation 20(5) of the SEBI Takeover Code. Therefore, the parameters of Regulation 20(5) of the SEBI Takeover Code have also been considered. The Offer Price of Rs.58 per equity share (Please refer to paragraph 7.1.4) is also justified in terms of Regulation 20(5) of the SEBI Takeover Code based on the following financial parameters of MCL.

Period Ended	March 31, 2006	March 31, 2005
Return on Net Worth	Negative	Negative
Earnings per Share (Rs.)	(10.56)	(3.36)
Book Value per Share (Rs.)	(12.41)	(4.57)
Offer Price Earnings Ratio (x)	—	—
Industry P/E ratio **	26.70	

**Source: Capital Markets Vol. XXI/10 dated July 17 – 30, 2006, Industry: Cement – North India

7.1.4 Appeal before the Hon'ble Securities Appellate Tribunal:

Non-Compete Consideration of Rs.14.50 per Share is 25% of the Offer Price.

- (a) SEBI vide its observation letter no. CFD/DCR/TO/AT/81181/06 dated November 30, 2006, SEBI has stated the following: -

"In the facts of the instant case, the payment of non compete fee to the selling promoters does not appear to be justified and thus you are advised to revise the offer price after including the payment of non compete fee (per share) in the negotiated price (per share), as the negotiated price is highest among all the parameters under Regulation 20. Accordingly, suitably carry out the consequential changes in the letter of offer."

- (b) This direction from SEBI would result in the Offer Price increasing by Rs. 14.50 per Share (total non-compete fees paid to the Sellers divided by the number of Shares sold by the Sellers) i.e. an increase from Rs. 58 per Share to Rs. 72.50 per Share. The Acquirer, not being in agreement with SEBI's view, and being aggrieved by this direction, has preferred an appeal before the Hon'ble Securities Appellate Tribunal ("SAT").
- (c) Vide its interim order dated December 13, 2006, the Hon'ble SAT has permitted the Acquirer to proceed with the Offer at the Offer Price of Rs. 58 per Share provided that the differential amount arising out of the non-compete fees i.e. the difference of Rs. 14.50 per Share shall be paid to all the shareholders whose Shares are acquired in response to the Offer in the event of the Acquirer's challenge to the SEBI direction be unsuccessful. The Acquirer would also be liable to pay interest at the rate of 6% per annum from the date on which such enhanced amount became due and until the date of actual payment.

(d) The Acquirer has also been directed to furnish a bank guarantee in favour of SEBI for an amount equal to the aggregate differential price for the entire size of the Offer (assuming full acceptances) before this Letter of Offer is issued. The Acquirer has duly delivered a bank guarantee from Standard Chartered Bank, Mumbai Branch for the requisite amount of Rs. 507,500,000.

7.1.5 In the opinion of the Manager to the Offer and the Acquirer and the PAC, the Offer Price (Please refer to paragraph 7.1.4) is justified.

7.1.6 If the Acquirer and the PAC acquire Shares after the date of the Public Announcement up to seven working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid acceptances received under the Offer.

7.2 Financial Arrangements

7.2.1 The total financial resources required for this Offer, assuming full acceptance at the Offer Price will be Rs. 2,030,000,000 (Rupees Two Thousand and Thirty million only) ("Maximum Consideration"). The Acquirer has made firm arrangement for the Maximum Consideration. For acquisition of Shares to be accepted under the Offer, in addition to own capital, the Acquirer also has debt funding support from HCAG. HCAG has provided this funding support through internal accruals and / or usage of credit lines.

7.2.2 In accordance with Regulation 28 of the SEBI Takeover Code, CIBV has created an escrow account by making a cash deposit of EUR 36,500,000 equivalent to Rs. 2,142,185,000 (Rupees Two Thousand One Hundred Forty Two million One Hundred and Eighty Five Thousand) (One Euro = Rs. 58.69 as on July 17, 2006; Source: Reference rate at www.rbi.org.in) in a bank account with Standard Chartered Bank at their branch office at New London Bridge House, 25 London Bridge Road, 20th Floor, London SE1 9TB, UK - ("Overseas Escrow Account"). On receipt of requisite RBI approval, an amount equivalent to the Maximum Consideration has been transferred from the Overseas Escrow Account and deposited in an Indian Escrow Account opened with the Mumbai branch of Standard Chartered Bank. The Manager to the Offer has been authorised to realise the value of the Escrow Account in terms of the SEBI Takeover Code.

7.2.3 Ernst & Young Accountants, the statutory auditors of CIBV have confirmed vide their letter dated July 19, 2006 that the Acquirer has made the firm arrangements for meeting their obligations under the SEBI Takeover Code. Mr. Arno J.M. van der Sanden, having membership Dutch Certified Auditors NIVRA, number 09011 has certified on behalf of Ernst & Young Accountants. Their contact details are: Ernst & Young Accountants, P.O. Box 90170, 5200 NT 's-Hertogenbosch, The Netherlands, Telephone: (+31) 73 6836836, Fax no.: (+31) 73 6836888. Based on this certificate from the auditors, the Manager to the Offer confirms that adequate funds are available with the Acquirer through verifiable means to fulfill their obligations under the Offer in full.

7.2.4 Please refer to paragraph 7.1.4 for details regarding SEBI's direction for increase in the Offer Price, the appeal to Hon'ble Securities Appellate Tribunal and the direction to proceed with the Offer and furnishing of a bank guarantee in favour of SEBI.

8 TERMS AND CONDITIONS OF THE OFFER

8.1.1 The Offer is not conditional upon any minimum level of acceptance.

8.1.2 The Offer is subject to the receipt of the approval from RBI under the FEMA for the acquisition of Shares by the Acquirer under the Offer and the approval from RBI for the opening and operation of the escrow account and special account to be opened under the applicable provisions of the SEBI Takeover Code and other related matters. These approvals have been received vide letter dated August 9, 2006 of the RBI.

8.1.3 To the best of knowledge and belief of the Acquirer and the PAC, other than the above, no statutory approvals are required to acquire the Shares tendered pursuant to this Offer. If any other statutory approvals are required or become applicable, the Offer would be subject to the receipt of such other statutory approvals. In terms of Regulation 27 of the SEBI Takeover Code, the Acquirer and the PAC will not proceed with the Offer in the event that such statutory approvals that are required are refused.

8.1.4 It may be noted that in case of non-receipt of statutory approvals within a reasonable time, SEBI, if satisfied that the non receipt of the statutory approvals was not due to wilful default or negligence on part of the Acquirer and the PAC, has a power to grant an extension of time to the Acquirer and the PAC for payment of consideration to shareholders and the Acquirer and the PAC shall pay interest for the delay, to the shareholders who have accepted the Offer, at such rates as may be specified by SEBI under Regulation 22(12) of the SEBI Takeover Code. Further, if the delay occurs due to wilful default of the Acquirer and the PAC in obtaining the requisite statutory approvals, Regulation 22(13) of the SEBI Takeover Code shall be applicable. The Acquirer and the PAC shall complete all procedures relating to the Offer within a period of 15 days from the Offer Closing Date.

8.1.5 Other terms

8.1.5.1 The Offer is being made to the shareholders of MCL and the Letter of Offer, together with the Form of Acceptance-cum-Acknowledgement (the "Form of Acceptance"), will be mailed to the shareholders of MCL (other than parties to SSSPA & SHA), whose names appear on the Register of Members of MCL, and to the beneficial owners of

the Shares, whose names appear on the beneficial records of the respective depositories, at the close of business hours on Friday, August 4, 2006 (the "Specified Date").

- 8.1.5.2 All eligible owners of Shares, registered or unregistered including beneficial owners (other than parties to SSSPA & SHA), can participate in the Offer, at any time before the Offer Closing Date, as per the procedure set out in paragraph 9 below. Eligible Persons for the Offer can participate in the Offer by offering their shareholding in whole or in part. The acceptance must be unconditional and should be absolute and unqualified.
- 8.1.5.3 Accidental omission to dispatch this Letter of Offer or the non-receipt or delayed receipt of this Letter of Offer will not invalidate the Offer in any way.
- 8.1.5.4 Shares which are locked-in as per the provisions of SEBI (Disclosure and Investor Protection) Guidelines, 2000, can be tendered in the Offer. In such an event, the residual lock-in period shall continue in the hands of the Acquirer.
- 8.1.5.5 Any Shares that are the subject matter of litigation or are held in abeyance due to pending court cases, attachment / restriction from Court/ Forum/ ITO / relevant statutory authorities, etc., 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 of the Court / forum / ITO / relevant statutory authorities etc permitting transfer of these Shares are not received together with the Shares tendered under the Offer. The Letter of Offer in some of these cases, wherever possible, would be forwarded to the relevant statutory authorities for further action at their end.
- 8.1.5.6 The acceptance of the Offer made by the Acquirer and the PAC is entirely at the discretion of the shareholders of the Target Company. The Acquirer and the PAC will not be responsible in any manner for any loss of Share certificate(s) and Offer acceptance documents during transit and the shareholders of the Target Company are advised to adequately safeguard their interest in this regard.
- 8.1.5.7 Incomplete acceptances, including non-submissions of necessary enclosures, if any, are liable to be rejected. Further, in case of any lacunae and/or defect or modifications in the documents/forms submitted, the acceptance is liable to be rejected.
- 8.1.5.8 CIBV will acquire the Shares, free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights declared hereafter. Shares that are subject to any charge, lien or encumbrance are liable to be rejected.
- 8.1.5.9 The instructions and provisions contained in the Form of Acceptance and Form of Withdrawal constitute an integral part of the terms of this Offer.

9 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

9.1 Shareholders of MCL who wish to tender their Shares under this Offer should enclose the following documents duly completed so that the same are received by the Registrar to the Offer at any of their collection centres (as mentioned below on or before 5 PM on the Offer Closing Date):

9.1.1 For Shares held in physical form:

Registered Shareholders should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the Share certificates.
- Original Share certificate(s).
- Valid share transfer deed / form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with MCL and duly witnessed at the appropriate place. Attestation, where required, (thumb impressions, signature difference, etc.) should be done by a Magistrate/ Notary Public/ Bank Manager under their Official Seal.

In case of non receipt of the aforesaid documents, but receipt of the original Share certificate(s) and transfer deed(s) duly signed, the Offer shall be deemed to be accepted.

Unregistered owners should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein.
- Original Share certificate(s).
- Original broker contract note.
- Valid share transfer deed(s) as received from market. The details of buyer should be left blank failing which, the same will be invalid under the Offer. Unregistered shareholders should not sign the transfer deed. The transfer deed should be valid for transfer. No indemnity is required from unregistered shareholders.

The details of the buyer should be left blank failing which the same will be invalid under the Offer. The details of the buyer will be filled upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for acceptance.

9.1.2 For Shares held in demat form:

Beneficial owners should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by all the beneficial owners whose names appear in the beneficiary account, as per the records of the respective depository.
- Photocopy of the delivery instruction in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by DP in favour of the special depository account (please see below) before the close of business hours on Offer Closing Date.

The Registrar to the Offer has opened a special depository account details of which are as follows:

DP Name	Standard Chartered Bank
DP ID	IN301524
Client ID	30010677
Account name	ISRL – MYSORE CEMENTS LTD OPEN OFFER ESCROW ACCOUNT
Depository	National Securities Depository Limited

For each delivery instruction, the beneficial owner should submit a separate Form of Acceptance. **Beneficial owners having their beneficiary accounts with CDSL have to use inter-depository delivery instruction slip for the purposes of crediting their Shares in favour of the special depository account with NSDL.** In case of non receipt of the aforesaid documents, but receipt of the Shares in the special depository account, the Offer shall be deemed to be accepted. The Forms of Acceptance of such demat shares not credited in favor of the special depository account, before the Offer Closing Date will be rejected.

9.1.3 Shareholders should also provide all relevant documents, which are necessary to ensure transferability of the Shares in respect of which the Form of Acceptance is being sent failing which the tender would be considered invalid and would be liable to be rejected. Such documents may include (but not be limited to):

- Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired.
- Duly attested power of attorney if any person apart from the shareholder has signed acceptance form or transfer deed(s).
- No objection certificate from any lender, if the Shares in respect of which the acceptance is sent, were under any charge, lien or encumbrance.
- In case of companies, the necessary certified corporate authorizations (including board and/or general meeting resolutions).

9.2 The Share certificate(s), share transfer form, Form of Acceptance and other documents, if any should be sent only to the Registrar to the Offer, at the collection centres mentioned below. **They should not be sent to the Manager to the Offer or the Acquirer or the PAC or the Target Company.** The above-mentioned documents can be sent to the collection centres (as mentioned in paragraph 9.4 below) by hand delivery on all days except Sundays and public holidays.

9.3 The minimum marketable lot for the purposes of acceptance, for both physical and demat shares, would be one Share.

9.4 All owners of Shares, registered or unregistered who wish to avail of and accept the Offer can ‘hand deliver’ the Form of Acceptance along with all the relevant documents at any of the below mentioned collection centres of the Registrar to the Offer in accordance with the procedure as set out in this Letter of Offer. All centres mentioned herein below would be open during the Offer period on all working days (except Sundays and Bank Holidays) during business hours as shown below. Shareholders are advised to ensure that the Form of Acceptance and other documents are complete in all respects; otherwise the same are liable to be rejected.

No.	Collection Centre	Address of Collection Centre	Contact Person	Email Address	Phone No.	Fax	Mode of delivery
1.	Mumbai	Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai -400078.	Vishwas Attavar	vishwasa@intimespectrum.com	022-25960320-28	022-25960329	Hand Delivery & Registered Post
2.	Mumbai	Intime Spectrum Registry Limited, 203, Davar House, Next to Central Camera, D N Road, Fort, Mumbai - 400 001	Vivek Limaye	vivek.limaye@intimespectrum.com	022-22694127	022-25960329	Hand Delivery
3.	Ahmedabad	Intime Spectrum Registry Limited, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad -380 009	Hitesh Patel	ahmedabad@intimespectrum.com	079-26465179	079-26465179 (Telefax)	Hand Delivery
4.	Bangalore	Intime Spectrum Registry Ltd.,No:658-57, 1st Floor, Laxmi Venkateshwar Archade, 11th Main,4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011	Chandra Shekhar	bangalore@intimespectrum.com	080-32720640	080-26910054	Hand Delivery
5.	Kolkata	Intime Spectrum Registry Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata -700020	S.P. Guha	kolkata@intimespectrum.com	033-22890539/40	033-22890539 /40 (Telefax)	Hand Delivery
6.	New Delhi	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	Bharat Bhushan	delhi@intimespectrum.com	011-41410592 /93/94	011-41410591	Hand Delivery
7.	Pune	Intime Spectrum Registry Limited, Bhagirathi,1202/3/11, Shivajinagar,off Ghole Road, Opp Hotel Surya, Pune - 411004.	P. N Albal	pune@intimespectrum.com	020-65203395	020-25533304 (Telefax)	Hand Delivery
8.	Chennai	C/o Hitech Share Services Pvt Ltd., No 81, Ground Floor, MNO Complex, Greams Road, Chennai 600 006	Lakshmi Subramani-am	sri3secadmin@rediffmail.com	044-28292272 /73	044-42142061	Hand Delivery

Working Hours: Monday to Friday 10 AM to 5 PM; Saturday 10 AM to 1 PM

Holidays: Sundays and Bank Holidays

Shareholders who cannot hand deliver their documents at the collection centres referred to above may send the same by registered post, at their own risk, to the Registrar to the Offer at their office at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078, and not to any other collection centre so that the same are received on or before 5 PM on the Offer Closing Date.

- 9.5 In case of non-receipt of the Letter of Offer / Form of Acceptance / Form of Withdrawal eligible shareholders and unregistered owners (including beneficial owners) may download the same from SEBI's website <http://www.sebi.gov.in> or obtain a copy of the same by writing to the Registrar to the Offer at the collection centres set out in paragraph above clearly marking the envelope "Mysore Cements Limited - Open Offer" by providing suitable documentary evidence of the acquisition of the Shares or make the acceptance on plain paper. Shareholders holding Shares in physical form should state on plain paper their name, address, folio number, number of Shares held, distinctive numbers, number of Shares offered, bank particulars along with original Share Certificate(s), duly signed & witnessed transfer form(s). Beneficial owners should state on plain paper their name, address, DP name, DP ID, beneficiary account number, number of Shares held, number of Shares offered, bank particulars, photocopy of the delivery instructions in "Off-market" mode or a counterfoil of the delivery instructions in "Off-market" mode duly acknowledged by the DP in favour of the special depository account mentioned above, as may be relevant, to the collection centres on or before the close of business on the Offer Closing Date. The acceptance should be signed by all the shareholders as per the registration details available with MCL / Depositories and should be sent to the Registrar to the Offer in an envelope clearly marked "Mysore Cements Limited - Open Offer".
- 9.6 In case any person has tendered his Shares in physical form for dematerialisation and such dematerialisation has not yet been effected the concerned shareholder may apply in the Offer as per instructions mentioned above together with a photocopy of the completed dematerialisation request form acknowledged by shareholder's DP. Such shareholders should ensure that the process of getting the Shares dematerialised is completed well in time so that the credit of the Shares to the special depository account is completed on or before 5 PM on the Offer Closing Date failing which such an acceptance would be rejected. A copy of delivery instructions acknowledged by the DP in favour of the special depository account should be forwarded to the collection centre where the Form of Acceptance and other documents were tendered, before the Offer Closing Date.
- 9.7 In case any person has lodged shares of MCL for transfer and such transfer has not yet been effected, the concerned person may apply as per instruction contained in paragraph 9.5 above together with the acknowledgement of the lodgement of Shares for transfer. Such persons should also instruct MCL and its registrar & transfer agents – Alpha Systems Private Limited (R&T Agents of the Target Company) to send the transferred Share certificate(s) directly to the collection centre located at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai -400078. The person should ensure that the certificate(s) reach the designated collection centre at Mumbai on or before 5 PM on the Offer Closing Date. No indemnity is required from unregistered equity shareholders.
- 9.8 While tendering Shares under the Offer, NRIs/ OCBs/ foreign and other non resident shareholders will be also required to submit the RBI approvals, if any (specific or general) that they would have obtained for acquiring Shares. In case the RBI approvals are not submitted, the Acquirer and the PAC reserve the right to reject the Shares tendered.
- 9.9 While tendering Shares under the Offer, where the Offer consideration (no. of Shares tendered multiplied by the Offer Price (Please refer to paragraph 7.1.4) payable exceeds Rs.1 lakh, shareholders are requested to give their Permanent Account No. / General Index Register No. and attach a photo copy of the PAN / GIR no./ duly filled Form 60 (as applicable). The Acquirer and the PAC also reserve the right to reject such tenders from shareholders, where the details of PAN / GIR No. and a photo copy of the PAN / GIR no./ duly filled Form 60 (as applicable) is not submitted.
- 9.10 As per the extant provisions of the Income Tax Act, 1961 ("Income Tax Act"), no deduction of tax at source shall be made before remitting the consideration for Shares tendered under the Offer by FIIs as defined in the Income Tax Act. However, while tendering their Shares under the Offer, NRIs, OCBs and other non resident Shareholders will be required to submit a No Objection Certificate ("NOC") / Tax Clearance Certificate ("TCC") indicating the amount of tax to be deducted by the Acquirer and the PAC before remitting the consideration, from Income Tax authorities under the Income Tax Act. In case the aforesaid NOC / TCC is not submitted, the Acquirer and the PAC will arrange to deduct tax at the maximum marginal rate as may be applicable to the category of shareholders, on the entire consideration amount payable to such shareholders. Further, FIIs will also have to enclose their SEBI registration letter. The Acquirer and the PAC also reserve the right to reject such tenders from non-resident shareholders, where the aforesaid NOC / TCC is not submitted.
- 9.11 If the aggregate of the valid responses to the Offer exceeds 35,000,000 Shares, then the Acquirer and the PAC shall accept the valid acceptances received on a proportionate basis from each shareholder as per Regulation 21(6) of the SEBI Takeover Code. The Shares are compulsorily traded in dematerialised form and the minimum marketable lot for the purposes of acceptance, for both physical and demat will be one Share.
- 9.12 Payment of consideration will be made by crossed account payee cheque/demand draft / pay order and sent by Registered Post / speed post, to those shareholders/unregistered owners and at their risk, whose Shares/ Share certificates and other documents are found in order and accepted by Acquirer in part or in full. In case of joint holders cheques/demand drafts will be drawn in the name of the first holder/ unregistered owner. The payment would be made at par to all the shareholders. **It is advised that shareholders provide bank details in the Form of Acceptance, so that same can be incorporated in the cheque/demand draft/pay order.**

- 9.13 In terms of Regulation 22 (5A) of the SEBI Takeover Code, equity shareholders desirous of withdrawing the acceptance tendered by them in the Offer, may do so up to 3 (three) working days prior to the Offer Closing Date. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at the collection centre where the original tender was submitted on or before Wednesday, January 10, 2007.
- a) The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with the Letter of Offer, duly signed by all the registered holders as per their specimen signature recorded with MCL for shareholders in case of physical holdings/ with the Depository in case of electronic holdings, so as to reach the Registrar to the Offer at the collection centre where the original tender was submitted, on or before Wednesday, January 10, 2007. The signature of the beneficial holders on the Form of Withdrawal should be attested by the Depository Participant.
 - b) The withdrawal option can be exercised by submitting the Form of Withdrawal attached to this Letter of Offer, duly completed together with Acknowledgement slip in original / copy of the submitted Form of Acceptance in case delivered by Registered A.D.
 - c) In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making an acceptance on plain paper along with the following details:
 - i. In case of physical shares: Name, address, distinctive numbers, folio number and number of Shares tendered, number of Shares withdrawn.
 - ii. In case of dematerialised shares: Name, address, number of Shares tendered, number of Shares withdrawn, DP name, DP ID, Beneficiary Account no., and a photocopy of delivery instructions in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP in favour of the special depository account.
 - d) Shareholders who have tendered Shares in physical form and wish to partially withdraw their tenders, should also enclose valid share transfer form(s) for the remaining Shares (i.e. Shares not withdrawn) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with MCL and duly witnessed at the appropriate place.
 - e) The withdrawal of Shares will be available only for the Share certificates/ Shares that have been received by the Registrar to the Offer/ special depository account.
 - f) The intimation of returned Shares to the shareholders will be at the address as per the records of MCL or the Depositories as the case may be.
 - g) In case of partial withdrawal of Shares tendered in physical form, if the original Share certificates are required to be split, the same will be returned on receipt of Share certificates from MCL.
 - h) Partial withdrawal of tendered Shares can be done only by the registered shareholders / beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance will stand revised to that effect.
 - i) Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
- 9.14 Unaccepted Share certificates, transfer forms and other documents, if any, will be returned by registered post/ speed post at the shareholders/unregistered owners' sole risk to the sole/first shareholder. Shares held in dematerialized form, to the extent not accepted, will be credited back to the beneficial owners' depository account with the respective DP as per the details furnished by the beneficial owner in the Form of Acceptance or otherwise. It will be the responsibility of the equity shareholders to ensure that the unaccepted Shares are accepted by their respective Depository Participants when transferred by the Registrar to the Offer. Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit, if any, in their DP account. Shareholders should ensure that their depository account is maintained till the Offer formalities are completed.
- 9.15 The Registrar to the Offer will hold in trust the Shares/Share certificates, Shares lying in credit of the special depository account, Form of Acceptance, and the transfer form(s), if any, on behalf of the shareholders of MCL who have accepted the Offer, until the Acquirer and the PAC complete the Offer obligations in accordance with the SEBI Takeover Code.

10 DOCUMENTS FOR INSPECTION

The following material documents are available for inspection by shareholders of MCL at the office of the Manager to the Offer at Ambit RSM House, 449, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, from 10.30 a.m. to 1.00 p.m. on any day, except Saturdays, Sundays and public holidays, from the date of opening of the Offer until the Offer Closing Date:

1. A copy of SSSPA dated July 18, 2006 between the Acquirer, MCL and the Sellers;
2. A copy of SHA dated July 18, 2006 between the Acquirer, MCL and the Indian JV Partners;
3. Copy of the Articles of Association of CIBV and HCAG;
4. A copy of the Sale Share Escrow Agreement dated July 21, 2006;
5. Copy of the Certificate of Incorporation and the Memorandum and Articles of Association of the Target Company;
6. Copy of published Public Announcement dated July 21, 2006 together with a copy each of the Revised Public Announcement, the Corrigendum to the Public Announcement, the Second Corrigendum to the Public Announcement and the Third Corrigendum to the Public Announcement;
7. The audited financial statements for the period ended July 19, 2006 of the Acquirer and for the year ended December 31, 2005, December 31, 2004 and December 31, 2003 of HCAG and the certified results for the three months ended March 31, 2006 for HCAG; The financial statements for ENCI Holding N.V., Cimenteries CBR S.A. and HeidelbergCement International Holding GmbH for the year ended December 31, 2005, December 31, 2004 and December 31, 2003;
8. The annual reports of the Target Company for the financial period ended March 31, 2005, March 31, 2004 and copy of the financial statements for the year ended March 31, 2006;
9. Copy of the certificate dated July 19, 2006 issued by Ernst & Young Accountants confirming the firm arrangements made by the Acquirer for meeting its obligations under the SEBI Takeover Code;
10. Copy of the agreement between the escrow bankers, the Acquirer and the Manager to the Offer, authorising the Manager to the Offer to realize the value of the 100% cash deposit, in terms of the SEBI Takeover Code;
11. SEBI observation letter no. CFD/DCR/TO/AT/81181/06 dated November 30, 2006;
12. A copy of the agreement entered into by the Registrar to the Offer with depository participant for opening a special depository account for the purposes of the Offer;
13. Interim order dated December 13, 2006 of the Hon'ble Securities Appellate Tribunal.

11 DECLARATION BY THE ACQUIRER AND THE PAC

The Acquirer and the PAC represented by their respective Board of Directors accept responsibility for the information contained in this Letter of Offer (other than information in relation to the Target Company, which has been compiled from publicly available sources or received from the Target Company) and for their obligations under the SEBI Takeover Code. The Acquirer and the PAC are severally and jointly responsible for fulfilment of their obligations in terms of the SEBI Takeover Code.

For Cementum I B.V. and HeidelbergCement AG

Sd/-

Authorised Signatory

Name: Mr. Stefan Dreher

Place: Heidelberg

Date: December 18, 2006

Encl:

1. Form of Acceptance-cum-Acknowledgement
2. Form of Withdrawal
3. Transfer deed for shareholders holding Shares in physical form

So as to avoid fraudulent encashment in transit, shareholder(s) should provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly.

Name of the Bank _____	Branch _____	City _____
Account Number _____ Savings/Current/Others (please specify) _____		

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE HOLDER	SIGNATURE(S)
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Note: In case of joint holdings, all holders must sign. In case of body corporate, the company seal should be affixed.

Place: _____

Date: _____

INSTRUCTIONS

1. In the case of dematerialised Shares, the shareholders are advised to ensure that their Shares are credited in favour of the special depository account, before the Offer Closing Date. The Form of Acceptance-cum-Acknowledgement of such demat Shares not credited in favour of the special depository account, before the Offer Closing Date will be rejected.

2. Shareholders should enclose the following :

I. For equity shares held in physical form:-

● Registered shareholders should enclose

- ◆ **Form of Acceptance-cum-Acknowledgement** duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the Share certificates.
- ◆ **Original Share Certificate(s).**
- ◆ **Valid transfer deed(s) / form(s)** duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with Mysore Cements Limited and duly witnessed at the appropriate place. Attestation, where required, (thumb impressions, signature difference, etc.) should be done by a Magistrate/Notary Public/ Bank Manager under their Official Seal. The details of the buyer should be left blank failing which the same will be invalid under the Offer. The details of the buyer will be filled upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance. Shareholders holding physical Shares can also contact the Registrar to the Offer at any of their collection centres at the address given in the Letter of Offer to obtain a blank share transfer deed.

In case of non receipt of the aforesaid documents, but receipt of the original Share certificate(s) and transfer deed(s) duly signed, the Offer shall be deemed to be accepted.

● Unregistered owners should enclose

- ◆ **Form of Acceptance-cum-Acknowledgement** duly completed and signed in accordance with the instructions contained therein.
- ◆ **Original Share Certificate(s).**
- ◆ **Original broker contract note.**
- ◆ **Valid Share transfer deed(s)** as received from market. The details of buyer should be left blank failing which, the same will be invalid under the Offer. Unregistered shareholders should not sign the transfer deed. The transfer deed should be valid for transfer. No indemnity is required from unregistered shareholders.

----- TEAR ALONG THIS LINE -----

All queries in this regard to be addressed to the Registrar to the Offer at the following address quoting your Reference Folio No./DPID/Client ID:

Intime Spectrum Registry Limited
(Unit: Mysore Cements Limited - Open Offer)
 Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078
 Tel: +91-22-25960320-28 Fax: +91-22-25960329
 Contact Person: Vishwas Attavar
 Email: vishwasa@intimespectrum.com

All other requirements for valid transfer will be preconditions for valid acceptance.

II. For equity shares held in demat form:-

Beneficial owners should enclose

- **Form of Acceptance-cum-Acknowledgement** duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (DP).
 - **Photocopy of the delivery instruction** in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by the DP in favour of special depository account as per the instruction in the Letter of Offer.
3. The Share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the **Registrar to the Offer** and not to the Manager to the Offer or the Acquirer or MCL.
 4. Shareholders having their beneficiary account with CDSL have to use “INTER DEPOSITORY DELIVERY INSTRUCTION SLIP” for the purpose of crediting their Shares in favour of the special depository account with NSDL.
 5. Shareholders tendering Shares in the Offer, where the Offer consideration (no. of Shares tendered multiplied by the Offer Price) payable to them exceeds Rs.1 lakh are required to give their Permanent Account No. / General Index Register No. at the box provided and attach a photo copy of the PAN / GIR no./ duly filled Form 60 (as applicable). The Acquirer and the PAC also reserve the right to reject such tenders from shareholders, where the details of PAN / GIR No. and a photo copy of the PAN / GIR no./ duly filled Form 60 (as applicable) is not submitted.
 6. While tendering Shares under the Offer, NRIs/ OCBs/ foreign and other non resident shareholders will be also required to submit the RBI approvals, if any (specific or general) that they would have obtained for acquiring Shares. In case the RBI approvals are not submitted, the Acquirer and the PAC reserve the right to reject the Shares tendered.
 7. Non resident shareholders should enclose No Objection Certificate/Tax Clearance Certificate from the Income Tax Authorities under Income Tax Act, 1961, indicating the tax to be deducted by the Acquirer and the PAC before remittance of consideration otherwise tax will be deducted at the maximum marginal rate as may be applicable to the category of the shareholder on the entire consideration amount payable. The Acquirer and the PAC also reserve the right to reject such tenders from non-resident shareholders, where the aforesaid No-Objection Certificate/ Tax Clearance Certificate is not submitted.
 8. Shareholders are advised to indicate the bank account details at the appropriate place in the Form of Acceptance-cum-Acknowledgement and the consideration cheque would be made to the bank account of the sole/ first shareholder. The payment would be made at par to all the shareholders.

9. Rejection of Shares

If the Shares are rejected for any of the following reasons, the Shares will be returned to the holder(s) along with all the documents received from them at the time of submission. Please note that the following list is not exhaustive.

- a. The signature(s) of the holder(s) do not match with the specimen signature(s) as per the records of MCL;
 - b. The transfer deed is not complete or that the signatures do not match the specimen recorded with MCL;
 - c. The number of Shares mentioned in the Form of Acceptance-cum-Acknowledgement does not tally with the actual physical share certificate(s) submitted or in case of dematerialized Shares, the Shares in the Form of Acceptance-cum-Acknowledgement do not tally with the instruction to the depository participant and the credit received in the special depository account;
 - d. The relevant documents, as applicable, mentioned above at 2 and in addition at 5, 6 and 7 are not submitted with the Form of Acceptance-cum-Acknowledgement. The Acquirer and the PAC also reserve the right to reject such tenders from shareholders, where the relevant documents are not submitted.
10. All documents / remittances sent by or to shareholders will be at their own risk. Shareholders of MCL are advised to adequately safeguard their interests in this regard. Shares held in demat form to the extent not accepted 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.
 11. Neither the Acquirer, the Manager to the Offer, the Registrar to the Offer or MCL will be liable for any delay/loss in transit resulting in delayed receipt/ non-receipt by the Registrar to the Offer of your Form of Acceptance-cum-Acknowledgement or for the failure to deposit your Shares to the special depository account or submission of original physical Share certificates due to inaccurate/incomplete particulars/instructions on your part, or for any other reason.
 12. Applicants who cannot hand deliver their documents at the collection centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078 so as to reach the Registrar to the Offer on or before 5 PM on the Offer Closing Date.
 13. The Form of Acceptance-cum-Acknowledgement and other related documents should be submitted at any of the collection centers of Intime Spectrum Registry Limited which are as follows : **(a) Mumbai: Intime Spectrum Registry Limited**, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai -400078, Tel No.: 022-25960320-28, Fax No.: 022-25960329; **Intime Spectrum Registry Limited**, 203, Davar House, Next to Central Camera, D N Road, Fort, Mumbai - 400 001, Tel No.: 022-22694127, Fax No. 022-25960329 **(b) Ahmedabad: Intime Spectrum Registry Limited**, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009, Tel No./Fax No.: 079-2646 5179 **(c) Bangalore: Intime Spectrum Registry Ltd.**, No:658-57,1st Floor, Laxmi Venkateshwar Archade,11th Main,4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011, Tel No.: 080-32720640, Fax No.: 080-26910054 **(d) Kolkata: Intime Spectrum Registry Limited**, 59C, Chowringhee Road, 3rd Floor, Kolkata -700020, Tel No.: /Fax No. 033-22890539/40 **(e) New Delhi: Intime Spectrum Registry Limited**, 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028, Tel No.: 011-41410592/93/94, Fax No.: 011-41410591 **(f) Pune: Intime Spectrum Registry Limited**, Bhagirathi,1202/3/11, Shivajinagar,off Ghole Road, Opp Hotel Surya, Pune – 411004, Tel No.: 020- 65203395, Fax No. 020 -25533304 (Telefax) **(g) Chennai: C/o Hitech Share Services Pvt Ltd.**, No 81, Ground Floor, MNO Complex, Greams Road, Chennai 600 006, Tel No.: 044 - 28292272/73, Fax No.: 044-42142061.

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I/We note that the Shares will be credited back only to that depository account, from which the Shares have been tendered and necessary standing instructions have been issued in this regard.

I/We confirm that the particulars given above are true and correct.

In case of dematerialised Shares, I/we confirm that the signatures of the beneficiary holders have been verified by the DP as per the records maintained at their end and the same have also been duly attested by them under their seal.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE HOLDER(S)	SIGNATURE(S)	Verified and Attested by us. Please affix the stamp of DP (in case of demat Shares) /Bank (in case of physical Shares)
First / Sole Holder			
Joint Holder 1			
Joint Holder 2			
Joint Holder 3			

Note: In case of joint holders all must sign. In case of body corporate, stamp of the company should be affixed and necessary Board resolution should be attached.

Place:

Date :

INSTRUCTIONS

- Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at the collection center where the original Form of Acceptance was tendered on or before the last date of withdrawal.**
- Shareholders should enclose the following:-
 - For Equity Shares held in demat form:-**
 - Beneficial owners should enclose
 - Duly signed and completed Form of Withdrawal.**
 - Acknowledgement slip in original/ Copy** of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - Photocopy of the delivery instruction** in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.
 - For Equity Shares held in physical form:-**
 - Registered Shareholders should enclose:**
 - Duly signed and completed Form of Withdrawal.**
 - Acknowledgement slip in original/ Copy** of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - In case of partial withdrawal, valid share transfer deed(s) for the remaining equity shares (i.e. shares not withdrawn) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with **Mysore Cements Limited** and duly witnessed at the appropriate place. Further the transfer deed should be valid for transfer.
 - Shareholders holding physical Shares can also contact the Registrar to the Offer at any of their collection centres at the address given in the Letter of Offer to obtain a blank share transfer deed.
 - Unregistered owners should enclose:**
 - Duly signed and completed Form of Withdrawal.**
 - Acknowledgement slip in original/ Copy** of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
- The withdrawal of equity shares will be available only for the equity share certificates/the equity shares that have been received by the Registrar to the Offer/ special depository escrow account.
- The intimation of returned equity shares to the shareholders will be at the address as per the records of the Target Company/ Depository as the case may be.
- The Form of Withdrawal should be sent only to the Registrar to the Offer.
- In case of partial withdrawal of equity shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company. The facility of partial withdrawal is available only to registered shareholders.
- Shareholders holding equity shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
- The Form of Withdrawal and other related documents should be submitted at the collection center where the original Form of Acceptance was tendered.
- Collection centres of Intime Spectrum Registry Limited are as follows: **(a) Mumbai: Intime Spectrum Registry Limited**, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai -400078, Tel No.: 022-25960320-28, Fax No.: 022-25960329; **Intime Spectrum Registry Limited**, 203, Davar House, Next to Central Camera, D N Road, Fort, Mumbai - 400 001, Tel No.: 022-22694127, Fax No.: 022-25960329 **(b) Ahmedabad: Intime Spectrum Registry Limited**, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009, Tel No.:/Fax No.: 079-2646 5179 **(c) Bangalore: Intime Spectrum Registry Ltd.**, No:658-57, 1st Floor, Laxmi Venkateshwar Archade, 11th Main, 4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011, Tel No.:080-32720640, Fax No.: 080-26910054 **(d) Kolkata: Intime Spectrum Registry Limited**, 59C, Chowringhee Road, 3rd Floor, Kolkata -700020, Tel No.:/ Fax No.:033-22890539/40, **(e) New Delhi: Intime Spectrum Registry Ltd.**, 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028, Tel No.: 011-41410592/93/94, Fax No.: 011-41410591 **(f) Pune: Intime Spectrum Registry Limited**, Bhagirathi, 1202/3/11, Shivajinagar, off Ghole Road, Opp Hotel Surya, Pune - 411004, Tel No.: 020- 65203395, Fax No.: 020 -25533304 (Telefax) **(g) Chennai: C/o Hitech Share Services Pvt Ltd.**, No 81, Ground Floor, MNO Complex, Greams Road, Chennai 600 006, Tel No.: 044 - 28292272/73, Fax No.:044-42142061

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All queries in this regard to be addressed to the Registrar to the Offer at the following address quoting your Reference Folio No./DPID/Client ID:

Intime Spectrum Registry Limited
(Unit: Mysore Cements Limited - Open Offer)
Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound,
L B S Marg, Bhandup (W), Mumbai - 400078
Tel: +91-22-25960320-28 Fax: +91-22-25960329
Contact Person: Vishwas Attavar
Email: vishwasa@intimespectrum.com