LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION

This Letter of Offer is sent to you as an Equity Shareholder(s) of Sanghi Industries Limited. If you require any clarifications about the action to be taken, you may consult your Stock Broker or Investment Consultant or the Managers to the Offer / Registrars to the Offer. In case you have recently sold your equity shares in the Company, please hand over this Letter of Offer and the accompanying Form of Acceptance cum Acknowledgement [which includes Form of Withdrawal] and transfer deed to the purchaser of equity shares or the member of the Stock Exchange through whom the said sale was effected.

Cash Offer

BY

Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd. ["Acquirers"]

Registered Office: C/o Maples Finance BVI Ltd., Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands.
Tel No: 00 1 284 494 3384; Fax No: 00 1 284 852 3097

to acquire

4,35,95,800 fully paid up equity shares of face value of Rs.10/- each representing 20.00% of the voting paid up equity share capital, as at the expiration of 15 days after the closure of the open offer, at a price of Rs.18.50 per fully paid up equity share [payable in cash] of

SANGHI INDUSTRIES LIMITED ["SIL"]
Registered Office: Sanghinagar P.O Hayatnagar Mandal,
Ranga Reddy District, Andhra Pradesh 501511, India
Tel No: 91 08415 242 217; Fax No: 91 08415 242 241

1. This Offer is being made pursuant to Regulation 10 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto ["SEBI Takeover Regulations"].
2. Approval is required from Foreign Investment Promotion Board ("FIPB") / Secretariat of Industrial Assistance ("SIA") / any other appropriate authority of the Government of India ("GOI"), if any, by the Acquirers for acquisition / transfer of equity shares that will be tendered in the open offer by resident Shareholders i.e. individuals and institutions, Overseas Corporate Bodies, Foreign Institutional Investors etc. Acquirers received a letter No. FC-II.08/07/2004-05-FIPB-21 dated February 23, 2006 from Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India, in response to their application dated February 14, 2006; stating that the aforesaid transfer falls under the automatic route and further advising the Acquirers to follow the procedure laid down under General Permission route of RBI.
3. Pursuant to the receipt of approval for opening of domestic escrow account from Reserve Bank of India vide its letter dated April 5, 2006; the acquirers are in the process of transferring funds from overseas escrow account to the domestic escrow account. For more details please refer to clause 6.2 of this letter of offer. Acquirers will make an application to RBI/any other authority for their approval (if required) for transfer of equity shares from above categories of eligible shareholders upon closure of the open offer once the basis of acceptance is determined.
4. Shareholders who have accepted the Offer by tendering the requisite documents in terms of the Public Announcement / Letter of Offer can withdraw the same up to three working days prior to the date of the closure of the Offer i.e. up to Wednesday, June 21, 2006.
5. The Acquirers are permitted to revise the offer price and number of equity shares to be acquired upward any time up to seven working days prior to the date of closure of the Offer i.e. up to Thursday-June 15, 2006. If there is an upward revision of the Offer Price in terms of Regulation 26 of the SEBI Takeover Regulations, the same would be informed by way of a Public Announcement in the same newspapers in which the original Public Announcement has appeared as mentioned in Para No. 2.2.7 of the Letter of Offer. Such revised price would be payable by the Acquirers for all the equity shares tendered at anytime during the Offer.
6. **There was no competitive bid.**

   As the Offer price cannot be revised during 7 working days prior to the closing date of the Offer, it would be in the interest of the shareholders to wait till the commencement of that period to know the final offer price and tender their acceptance accordingly.
7. A copy of the Public Announcement and Letter of Offer (including Form of acceptance-cum-acknowledgement which includes form of withdrawal) are also available on SEBI's website at www.sebi.gov.in

MANAGERS TO THE OFFER	REGISTRARS TO THE OFFER
YES BANK Limited 12th Floor, Discovery of India Building Nehru Centre, Dr. Annie Besant Road Worli, Mumbai 400 018. Tel No: 91 22 6669 9000 Fax No: 91 22 2497 4158 Email ID: sanghi@yesbank.in SEBI Registration No: MB / INM000010874 Contact : Mr. Dhanraj Uchil / Ms. S Srividhya	**CIL Securities Limited** 214, Raghava Ratna Towers Chirag Ali Lane, Abids Hyderabad 500 001. Tel. No.: 91 40 2320 2465 / 3155 Fax No.: 91 40 2320 3028 E-mail: advisors@cilsecurities.com SEBI Registration No.: INR000002276 Contact : Mr. B M Maheshwari

OFFER OPENS ON: TUESDAY, JUNE 6, 2006	OFFER CLOSES ON: MONDAY, JUNE 26, 2006

Revised Schedule of the Activities

Activities	Days & Dates
Public Announcement	Friday – January 13, 2006
Specified Date *	Saturday- January 14, 2006
Last date for a Competitive Bid	Friday – February 3, 2006
Date by which Letter of Offer will be posted to Shareholders	Thursday- June 1, 2006
Date of Opening of the Offer	Tuesday- June 6, 2006
Last date for revising the Offer Price/ number of equity shares	Thursday- June 15, 2006
Last date for withdrawing acceptance of the Offer	Wednesday- June 21, 2006
Date of Closure of the Offer	Monday – June 26, 2006
Date for communicating acceptance/rejection under the Offer and payment of consideration for applications accepted.	Tuesday- July 11, 2006

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

Risk Factors (a) relating to the transaction, (b) relating to the Offer and (c) involved in associating with the Acquirers and likely adverse effect of these risk factors on the shareholders:

Acquirers will make an application to RBI/any other authority for their approval (if required) for transfer of equity shares from eligible shareholders upon closure of open offer.

Shareholders who offer their shares in the open offer can get adversely affected with respect to (a) acceptance of tendered shares by the Acquirers and (b) release of purchase consideration by the Acquirers to eligible shareholders, by the above mentioned risk factors in the event of non receipt / delay in receipt of any other approvals (if required) and other issues covered in the agreements.

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Form of Acceptance cum Acknowledgement with Withdrawal Form is enclosed

DEFINITIONS

Acquirers	Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd.
Board/Board of Directors/Directors	Board of Directors of Sanghi Industries Limited
BSE	Bombay Stock Exchange Limited
FII	Foreign Institutional Investors
FIPB/ SIA/ GOI	Foreign Investment Promotion Board/ Secretariat of Industrial Assistance/ any other appropriate authority of the Government of India
GEM	Spinnaker Global Emerging Markets Fund Ltd.
GO	Spinnaker Global Opportunity Fund Ltd.
GOI	Government of India
GS	Spinnaker Global Strategic Fund Ltd.
HSE	The Hyderabad Stock Exchange Limited
Investment and shareholders agreement / IA	Agreement dated January 6, 2006 and subsequent amendment dated April 15, 2006 entered into between Sanghi Industries Limited, Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd., Spinnaker Global Strategic Fund Ltd. and promoters of Sanghi Industries Limited as defined therein
Letter of Offer	This letter of offer, pursuant to which the Acquirers are making an offer to acquire 4,35,95,800 fully paid up equity shares of the Company.
Managers to the Offer/ YES BANK	YES BANK Limited
NRI	Non Resident Indians
NSE	National Stock Exchange of India Ltd
OCB	Overseas Corporate Bodies
Offer / Open Offer	Offer to acquire 4,35,95,800 fully paid up equity shares of the face value of Rs.10/- each representing 20.00% of the voting paid up equity share capital, as at the expiration of 15 days after the closure of the public offer
Offer Price	Rs.18.50 per fully paid up equity share
Persons eligible to participate in the Offer	All owners (registered and unregistered) of shares of SIL except parties to the IA i.e. (a) Acquirers and (b) Promoters as defined therein
Promoters	The promoters of Sanghi Industries i.e. Mr. Ravi Sanghi, Mr. Anand Prakash Sanghi and Mr. Sudhir Sanghi
Public Announcement/PA	The Public Announcement for the Open Offer released on behalf of the Acquirers on January 13, 2006
RBI	Reserve Bank of India
Registrars to the Offer/Registrar	CIL Securities Limited
Regulations/Takeover Regulations/ SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, and subsequent amendments thereto.
SEBI DIP Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 and subsequent amendments thereto.
Shares / Equity Shares	Fully Paid-up equity shares of face value of Rs.10/- each of SIL unless specified otherwise and the word “Shareholders” shall be construed accordingly.
Target Company/ The Company/ SIL	Sanghi Industries Limited

1 DISCLAIMER CLAUSE

"It is to be distinctly understood that the 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 Sanghi Industries Limited to take an informed decision with regard to the Offer. SEBI does not take any responsibility either for financial soundness of the Acquirers, or the Company whose shares are proposed to be acquired or for the correctness of the statements made or opinions expressed in the Draft Letter of Offer. It should also be clearly understood that while the Acquirers are primarily responsible for the correctness, adequacy and disclosure of all relevant information in this Draft Letter of Offer, the Managers to the Offer is expected to exercise due diligence to ensure that the Acquirers duly discharge their responsibility adequately. In this behalf and towards this purpose, the Managers to the Offer, YES BANK Limited has submitted a due diligence certificate dated January 27, 2006 to SEBI in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof. The filing of the Draft Letter of Offer does not however absolve the Acquirers from the requirement of obtaining such statutory clearances as may be required for the purpose of the offer."

The Acquirers and Managers to the Offer accept no responsibility for statements made otherwise than in the Letter of Offer or in the advertisement or any material issued by or at the instance of the Acquirers and the Managers to the Offer and anyone placing reliance on any other source of information would be doing so at his/her/their own risk.

2 DETAILS OF THE OFFER

2.1 Background of the Offer

2.1.1 The Acquirers purchased 2,60,90,000 equity shares (constituting 14.91% of the pre-preferential allotment capital) from F.L. Smidth Ltd. and Fuller International Inc. under negotiated deals for a cash consideration of Rs.10/- per equity share on November 25, 2005. Further, the Directors of SIL in their Board Meeting held on January 6, 2006 allotted 2,89,10,000 Equity Shares of Rs.10/- each for cash at a price of Rs.18.50 per Equity Share including premium of Rs.8.50 per Equity Share for cash to the Acquirers viz., (a) 1,15,64,000 Equity Shares to Spinnaker Global Opportunity Fund Ltd; (b) 86,73,000 Equity Shares to Spinnaker Global Emerging Markets Fund Ltd and (c) 86,73,000 Equity Shares to Spinnaker Global Strategic Fund Ltd, aggregating to Rs.53,48,35,000/-. The above mentioned preferential allotment was made by SIL in accordance with the provisions of Chapter XIII of the SEBI DIP Guidelines and these shares are locked-in for a period of one year from the date of the allotment. Subsequent to this preferential allotment, the shareholding of the acquirers in Sanghi Industries Limited stood at 25.23% of the post-preferential capital thus, exceeding the specified limit of 15% of the paid up equity capital of the Company under Regulation 10 of the Takeover Regulations, pursuant to which the Acquirers are making this Open Offer.

2.1.2 An Investment and Shareholders agreement ("IA") dated January 6, 2006 and a subsequent amendment agreement dated April 15, 2006 was entered into between (a) SIL in its capacity as the Issuer Company, (b) the Acquirers and (c) the promoters of SIL.

2.1.3 In accordance with the terms of the IA, the overall management and control of SIL will remain with the Promoters while the Acquirers will be significant financial investors with certain minority protection rights designed to enable them to preserve the value of their investment in SIL. Such rights include the right of the Acquirers to nominate a Director for appointment on the Board of Directors, certain representations and warranties relating to the Company, so as to protect their rights in the investment made by them.

2.1.4 Some of the critical clauses in the IA subsequently amended vide agreement dated April 15, 2006 are (a) The Promoters have provided various representations and warranties and undertaken to indemnify the Acquirers in relation to the existence and due incorporation of the Company, its corporate records, assets, liabilities, etc. (b) So long as the Acquirers or their related entities hold Equity Shares equal to or more than 10% of total issued, subscribed and paid up Equity Share capital of SIL, they shall be entitled to collectively nominate for appointment one non retiring Director on the Board of Directors (c) The Company is to obtain director's indemnity insurance for the Director nominated on the Board by the Acquirers, if and only to the extent such insurance policies are offered by insurers in India (d) The Promoters are to indemnify the Acquirers, their respective officers, directors, employees and agents and the Director nominated on the Board by the Acquirers in relation to any loss suffered by such persons in relation to any inaccuracy in or breach of the representations, warranties, covenants or agreements made by the Promoters or any other conduct of the Promoters or SIL or its employees or agents as a result of which such persons are made a party to, or otherwise incur any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct (e) In the event monies are being raised in any of the subsidiaries of the Company, the Acquirers will have the option to subscribe to such instruments to the extent of their shareholding in SIL, on mutually agreed terms being no less favourable than the terms on which the instruments are offered to any other investor (f) The Company is to provide written notice of at least 7 (seven) business days of each meeting of its Board to each Director except with the prior consent of all the Directors (g) Any expenditure incurred by the nominee of the Acquirers on the Board in connection with his appointment or directorship and travel and stay costs in attending Board or committee meetings shall be borne by SIL (h) The Company is to convene a meeting of its Board and its shareholders to pass the appropriate resolutions to amend and adopt the Memorandum and Articles of Association to suitably reflect the terms of the IA on or before 60 days from January 6, 2006 and (i) In the event that, at any time after the date of the IA, the Acquirers' shareholding in the Company (including Equity Shares transferred by the Acquirers to their related entities) aggregates to less than 10% of the then existing total issued subscribed and paid up Equity Share capital of the Company, then the provisions of the IA shall thereupon terminate

2.1.5 The Acquirers and SIL have not been prohibited by SEBI from dealing in securities, in terms of the directions issued under Section 11B or any other regulations made under the SEBI Act.

2.2 Details of the proposed Offer

2.2.1 Pursuant to the provisions of Regulation 10 of the Takeover Regulations, acquirers are making the Open Offer to all the remaining equity shareholders of SIL to acquire 4,35,95,800 fully paid up equity shares of the face value of Rs.10/- each representing 20.00% of the voting paid up equity share capital, as at the expiration of 15 days after the closure of the Open Offer, at a price of Rs.18.50 per fully paid up equity share payable in cash. All shares to be acquired pursuant to the open offer shall be acquired by the acquirers proportionately.

2.2.2 This Offer is not subject to any minimum level of acceptance and the Acquirers will be obliged to acquire up to a maximum of 4,35,95,800 equity shares of SIL that are tendered in the valid form in terms of this offer subject to the terms and conditions mentioned in the Public Announcement and the Letter of Offer. Equity Shares of SIL that would be tendered in the valid form in terms of this open offer will be transferred in favor of the acquirers proportionately.

2.2.3 Prior to preferential allotment, the paid up equity share capital of SIL was Rs. 1,75,00,00,000/- comprising of 17,50,00,000 equity shares of Rs.10/- each. SIL allotted 2,89,10,000 equity shares of Rs.10/- each to acquirers on January 6, 2006 by way of preferential allotment. Further, the Board of Directors, on January 12, 2006 allotted 1,40,69,000 equity shares of Rs.10/- each at a price of Rs. 18.50 per equity share to promoter group & associates.

2.2.4 Sanghi Industries Limited issued 2,59,11,465 Optionally Convertible Cumulative Participating Preference shares of Rs.100/- each to Banks consortium, aggregating Rs. 259.11 Crores. As certified by the Company 92,36,730 Optionally Convertible Cumulative Participating Preference shares are outstanding as on date. The balance have been redeemed/ waived under the Corporate Debt Restructuring Scheme.

As per the terms of the CDR package, the OCCPPS shall be repaid in 7 years, from the quarter ended June 2011 to quarter ending March 2018. However the OCCPPS shall be convertible into equity shares in the event of default by the Company.

Though occurrence or non-occurrence of such eventuality cannot be ascertained, Sanghi Industries Limited does not contemplate occurrence of any such event in the near future. Therefore, for the purpose of calculating 20% of the equity capital, OCCPPS have been ignored

2.2.5 In view of the above, while determining 20% of the paid up equity share capital for the purpose of minimum open offer as above, paid up equity share capital of Rs.2,17,97,90,000/- comprising of 21,79,79,000 equity shares of Rs.10/- each is considered in terms of Regulation 21(5) of Takeover Regulations which provides that for the purpose of determining minimum 20% of the voting capital of the Company, voting rights as at the expiration of 15 days after the closure of the proposed open offer shall be reckoned.

2.2.6 There are no partly paid up Equity Shares in the books of SIL.

2.2.7 The Original Public Announcement of the Offer [PA] was published in the newspapers in terms of Regulation 15(1) of SEBI Takeover Regulations on Friday– January 13, 2006 and the details of the same are as follows:

Language	**Name of Newspaper**	**Editions**
English	Financial Express	All editions
Hindi	Janasatta	All editions
Telugu	Vaartha	Andhra Pradesh edition

2.2.8 In case of any upward revision in the Offer price by the Acquirers at any time up to 7 working days prior to the date of closure of the Offer i.e. Thursday- June 15, 2006 the same would be announced in the above mentioned newspapers and the same price would be payable by the Acquirers for all the equity shares tendered at anytime during the offer and accepted under the Offer.

2.2.9 The Acquirers purchased 2,60,90,000 Equity Shares [GO - 1,04,36,000 equity shares, GEM - 90,64,400 equity shares and GS - 65,89,600 equity shares] from F.L. Smidth Ltd. and Fuller International Inc. on November 25, 2005 under negotiated deals, for a consideration of Rs.10/- per equity share.

2.2.10 On the date of Public Announcement, the acquirers were holding above mentioned 2,60,90,000 equity shares. Further, the acquirers have acquired 2,89,10,000 equity shares of SIL on January 6, 2006 through preferential allotment at a price of Rs.18.50 per share. Other than this, i.e. 5,50,00,000 equity shares, the Acquirers have not acquired any equity shares of SIL during the 12 months period prior to the date of the PA.

2.2.11 During the 26 weeks period prior to the date of the PA, acquirers have acquired (a) 2,60,90,000 equity shares on November 25, 2005 at a price of Rs.10/- per share under negotiated deals and (b) 2,89,10,000 equity shares on January 6, 2006 at a price of Rs.18.50 per share by way of preferential allotment. Except these the acquirers have not acquired any equity shares in SIL during the 26 weeks period prior to PA by way of preferential allotment, rights issue or otherwise.

2.2.12 Other than above i.e., 5,50,00,000 [2,60,90,000 + 2,89,10,000] equity shares of Rs.10/- each, the acquirers do not hold any equity shares in the paid up equity share capital of SIL as on the date of the PA and further the Acquirers have not acquired any equity shares of SIL from the date of PA till the date of this Letter of Offer.

2.2.13 Public Announcement and Letter of Offer are available on SEBI's website i.e. www.sebi.gov.in

2.2.14 The equity shares will be acquired by acquirers free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights offer declared hereafter.

2.2.15 There was no competitive bid.

2.3 Reasons for the acquisition, rationale for the offer and future plans

2.3.1 In view of the requirement of the SEBI Takeover Regulations and Regulation 10 thereof, pursuant to the acquisition of Equity Shares by the Acquirers by way of preferential allotment and by way of purchases from F.L Smidth and Fuller International Inc., this mandatory Open Offer is being made. As such, substantial acquisition of Equity Shares and voting rights without change in control and management is the reason and rationale for the acquisition of the abovementioned equity stake in the paid-up Equity Share capital of SIL by the Acquirers in accordance with Regulation 10 of the Takeover Regulations.

2.3.2 The Acquirers in light of the sound fundamentals of the Company, believe that the Company is poised for strong growth in the future and have agreed to subscribe to Equity Shares to facilitate the financial restructuring process currently being undertaken by it. Consequently, the Acquirers have purchased Equity Shares and have agreed to subscribe to Equity shares of the Company. Pursuant to the investment by the Acquirers, management and control of the Company will continue to vest with the present promoters of the Company, namely Mr. Ravi Sanghi, Mr. Anand Prakash Sanghi and Mr. Sudhir Sanghi. The Acquirers are merely financial investors and such acquisition will not result in a change in control of the Company.

2.3.3 Since the investment by acquirers in the paid-up Equity Share capital of SIL is in the nature of a financial investment in the ordinary course of business, and since management control of SIL will continue to vest with the Promoters, the Acquirers cannot act so as to dispose of or otherwise encumber assets of the Company and as such the Acquirers do not have any plans to dispose of or otherwise encumber any assets of SIL in the next two years. Management control will continue to vest with the promoters of the Company who will make decisions regarding the future course of the Company.

2.3.4 As on the date of this Letter of Offer there are no representatives of the Acquirers on the Board of Directors.

3. BACKGROUND OF ACQUIRERS

This Open Offer is being made by Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd., collectively referred to as "Acquirers" and having their registered office at C/o Maples Finance BVI Ltd., Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands. Tel: 00 1 284 494 3384; Fax: 001 284 852 3097.

3.1 Spinnaker Global Opportunity Fund Ltd ("GO")

3.1.1 GO is an Open-end Investment Fund incorporated on January 23, 2001; with current assets under management of approximately USD 1.59 billion. It is a global emerging markets fund.

3.1.2 Spinnaker Capital Ltd., London is the investment manager to the GO, and is regulated by the FSA in the UK. Spinnaker Capital Ltd., Sao Paulo, is investment advisor to the GO, and is regulated by the CVM in Brazil. It was launched in February 2001.

3.1.3 The main object of GO is to invest in securities issued by corporate and sovereign issuers in Asia, Eastern Europe and Latin America. The fund is widely held by many institutional investors around the world.

3.1.4 Prior to preferential allotment on January 6, 2006; GO was holding 1,04,36,000 equity shares. GO complied with Chapter II of the SEBI Takeover Regulations and made adequate disclosure on share holding exceeding 5%. The current holding (post-preferential allotment) of GO is 2,20,00,000 equity shares in the paid-up capital of SIL

3.1.5 The details of Board of Directors of GO is as under:

Name	Designation	Date of Appointment	Qualification	Address	Experi-ence
Pedro Homem	Director	January 23, 2001	Law Graduate	Av Liberdade 195, 1250-142 Lisboa, Portugal	21
Marcos Lederman	Director	January 23, 2001	-	Al Santos 1940-20 andar, 01418-200 Sao Paulo-SP, Brazil	21
Tamotsu Ogawa	Director	January 23, 2001	Degree in Economics	Yamada Building 2F, 2-8-4 Uchikanda, Chiyoda-ku, Tokyo 101-0047, Japan	20
Dr. Simon Ogus (PhD)	Director	July 1, 2001	BA (Economics & Econometrics), M. Sc. (Management & Finance), Ph. D. (Economics)	Suite 1703, Century Square, 1-13 D'Aguilar Street, Central, Hong Kong	17
Affonso Pastore	Director	September 1, 2002	Bachelor in Economics, Doctorate in Economics	Rua Alves Guimarães, 462 - Floor 10º - room number 102 CEP 05410-000 - Pinheiros - São Paulo – Brazil	28

Brief Profile of the Board of Directors of GO:

(a) **Pedro Homem:** Pedro Homem is a member of the Board of Directors of Banco Espirito Santo in Portugal, where he is principally responsible for Private Banking activities. He is also a member of the Board of Directors of ESAF—Espirito Santo Activos Financeiros. He worked at Citibank Switzerland from 1991 to 1999, where he was responsible for the Western Hemisphere Division of the Private Bank in Europe. He was Chairman of Citibank Portugal S.A. from 1985 to 1991. Prior to joining Citibank, he was the Chief of Cabinet for the Secretary of State for Planning and assistant to the Minister of Finance in Portugal. He holds a Law degree from the University of Lisbon.

(b) **Marcos Lederman:** Marcos Lederman is the managing director of Spinnaker Asset Management – SAM Limited. He was responsible for setting up the operations of Credit Agricole Indosuez in São Paulo in 1991 and was a managing director of CAI in Brazil from 1991-1999. From 1985-1991, he worked for Citibank in São Paulo. His academic background is in computer technology.

(c) **Tamotsu Ogawa:** Tamotsu Ogawa is the President of Spinnaker Capital Japan. He was a managing director at Indosuez W.I. Carr Securities (Japan) Limited, the then investment banking vehicle of Credit Agricole Indosuez in Japan, and was the head of the emerging markets division in Japan from 1994 to 1999. Prior to joining CAI, he worked for JP Morgan in Tokyo as a vice-president of the Emerging Markets team. He holds a degree in Economics from Tokyo University of Foreign Studies.

(d) **Dr. Simon Ogus (PhD):** Dr. Simon Ogus is the founder and CEO of DSGAsia, which provides independent Asian economic and political analysis. Until May 1999, he was Managing Director and Chief Economist for Asia at Warburg Dillon Read, Hong Kong. He holds a PhD in Economics from the University of London's School of Oriental and African Studies; an MSc in Management and Finance from the University of London's Imperial College; and a BA in Economics and Econometrics from the University of Manchester.

(e) Affonso Pastore: Affonso Pastore is LatinSource's Advisor for Brazil and is President and Founder of A.C. Pastore & Associados, an economic consulting firm in Sao Paulo. He served as President of the Central Bank of Brazil from 1983-1985. Prior to his appointment at the Central Bank, he served as Secretary of Finance for the state of Sao Paulo from 1979-1983. He attended the University of Sao Paulo, where he received his Bachelor in Economics in 1961 and his Doctorate in Economics in 1969; he served there as Director of Economics and Titular Professor from 1978 to the present.

None of the aforementioned directors, are on the Board of the Target Company, nor are they an "insider" within the meaning of SEBI (Insider Trading) Regulations, 1992 in respect of the Target Company.

None of the directors of GO have acquired any equity shares of the Target Company during the 12 (twelve) months preceding the date of the Public Announcement

3.1.6 Brief audited financial details of GO for the last three years are as under:

(Rs. in Lacs)

Particulars	**Year Ended**		
	31-Dec-05	**31-Dec-04**	**31-Dec-03**
Profit and Loss Statement			
Investment Income	54,096.81	9,310.61	8,983.56
Other Income	79,306.10	55,374.69	37,762.25
Total Income	1,33,402.91	64,685.30	46,745.81
Total Expenditure	43,581.19	22,377.15	4,321.98
Realised Net Profit/ Loss	89,821.72	42,308.15	42,423.83
Balance Sheet			
Sources of funds			
Paid up share capital	44.62	10.77	11.62
Reserves and Surplus (excluding revaluation reserves)	7,63,348.79	3,26,660.15	2,87,036.17
Net Worth	7,63,393.41	3,26,670.92	2,87,047.79
Total	**7,63,393.41**	**3,26,670.92**	**2,87,047.79**
Uses of funds			
Trading securities (including derivatives)	7,95,197.95	3,41,254.85	2,73,183.68
Net Current Assets	(41,820.90)	(18,188.63)	12,973.07
Other Assets	10,016.36	3,604.70	891.04
Total	**7,63,393.41**	**3,26,670.92**	**2,87,047.79**
Other Financial Data	**31-Dec-05**	**31-Dec-04**	**31-Dec-03**
Net Asset Value per share (Rs.)	16,799.39	13,478.42	11,264.30

Notes:

(a) Conversion Rates applied: 1US$=Rs.45.07 [December 30, 2005]; 1US$=Rs.43.58 [December 31, 2004]; 1US$=Rs.45.61 [December 31, 2003]. Source: www.rbi.org.in

(b) Net Asset Value as disclosed in audited accounts

(c) Source: Annual Reports for the years ended December 31, 2005, 2004 and 2003.

As per the Report of M/s. Pricewaterhouse Coopers dated December 23, 2005, the total net asset value of GO as on October 31, 2005 was Rs. 7,03,705.47 lacs.

3.1.7 Income for GO mainly comprises interest income, dividend and bank interests. Consequently, the market conditions influence the rise or fall in the income.

3.1.8 The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical convention as modified for the revaluation of investments in securities. Some of the significant Accounting Policies followed by GO , as per annual report for December 31, 2004; are as follows:

(a) Estimates and assumptions

The Directors of GO, when preparing the financial statements, are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

(b) Recognition of Income

Interest Income and dividend income arising from investments are accounted for on an accrual basis. Bank Interest is accounted for on an accrual basis.

(c) Foreign currency transaction

The US Dollar is the Fund's measurement and presentation currency. Transactions in foreign currencies are translated into the presentation currency at the rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies ate translate into presentation currency at the rates prevailing at the year end date.

The Fund does not isolate that portion of the results of operations arising from changes in exchange rates from that portion arising from changes in market prices of securities held. Such fluctuations are included with realized and unrealized gain or loss on investments in securities.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains and losses realized between trade and settlement dates on securities transactions, the difference between the amounts of dividend and interest recorded on the Fund's books and the US Dollar equivalent of the amounts received or paid.

Net realized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at the reporting date, resulting from changes in the exchange rate.

(d) Accounting for Investments

Investment transactions are initially recognised at cost (which includes transaction costs) and are accounted for on a trade date basis. Realized gains and losses from security transactions are calculated on an average cost basis.

(e) Valuation of trading securities

The Fund has adopted International Accounting Standard ("IAS 39") and accordingly has classified its investment securities into the category of trading. Trading securities are securities which were either acquired for generating profit from short-term fluctuations in price or dealer's margin or included in a portfolio in which a pattern of short-term profit taking exists. The appropriate classification of the investments is determined at the time of the purchase and is re-evaluated on a regular basis. Gains and losses arising from changes in the fair value of securities classified as trading securities are recognized in the Statement of Operation as they arise.

Securities that are regularly traded on an exchange are valued at the fair value on the day securities are being valued, such price is determined by looking at: (a) to the primary exchange on which such securities are traded, if there are reported traded in such exchange on such date; (b) if there are no reported traded on such exchange on such date, to the secondary exchange for such securities (on the basis of typical trading volume); (c) if there are no reported trades on either such exchange on such date, to the last reported trade price within last week on the primary exchange (or, if more recent, the secondary exchange) prior to such date, or at the last bid price of a security if a security is thinly traded.

Securities which are regularly traded over-the-counter are valued at fair value, based on the average of bid and asked prices which are solicited from various third party dealers/brokers, deemed to be reputable, at the close of the trading on the day the assets are being valued or, in the absence of any sales, at the last reported bid price fro such securities within last week.

All other assets are valued at fair market value or, failing such determination, at cost, less impairment.

(f) Valuation of Derivative Contracts

Unrealized gains on derivative contracts are reported as an asset and unrealized losses on derivative contracts as a liability in the Statement of Net Assets. Realized gains and losses on derivative contracts are recorded in the Statement of operations.

3.1.9 GO is not in control of the management of the Company and cannot act so as to dispose of or otherwise encumber assets of the Company. Management control will continue to vest with the promoters of the Company who will make decisions regarding the future course of the Company.

3.1.10 In accordance with the terms of the Investment and shareholders agreement ("IA") dated January 6, 2006 and subsequent amendment agreement dated April 15, 2006, the overall management and control of SIL will remain with the Promoters while the acquirers will be significant financial investors with certain minority protection rights designed to enable them to preserve the value of their investment in SIL. Such rights include the right of the acquirers to nominate a director for appointment on the Board of Directors, certain representations and warranties relating to the Company, so as to protect their rights in the investment made.

3.1.11 There are no outstanding litigations in India against GO.

3.2 Spinnaker Global Emerging Markets Fund Ltd ("GEM")

3.2.1 Spinnaker Global Emerging Markets Fund Ltd is an open-end investment fund incorporated November 23, 2000, with current assets under management of approximately USD 1.05 billion. It is a global emerging markets fund.

3.2.2 Spinnaker Capital Ltd., Sao Paulo is investment advisor to the GEM Fund, and is regulated by the CVM in Brazil. Spinnaker Capital Ltd., London, is co-manager to the GEM Fund, and is regulated by the FSA in the UK.

3.2.3 The main object of GEM is to invest in securities issued by corporate and sovereign issuers in Asia, Eastern Europe and Latin America. The fund is widely held by many institutional investors around the world.

3.2.4 Prior to preferential allotment on January 6, 2006; GEM was holding 90,64,400 equity shares in the paid up equity capital. Since GEM holding never exceeded 5% (prior to the preferential allotment on January 6, 2006), GEM was not covered under Chapter II of the SEBI Takeover Regulations. The current holding (post-preferential allotment) of GEM is 1,77,37,400 equity shares in the paid-up equity share capital of SIL.

3.2.5 The details of Board of Directors of GEM is as under:

Name	Designation	Date of Appointment	Qualification	Address	Experi-ence
Francis D' Souza	Director	December 29, 2003	BE (Electrical), MBA	1 Burges Grove, London SW13 8BG, England	30
Marcos Lederman	Director	January 23, 2001	-	Al Santos 1940-2o andar, 01418-200 Sao Paulo-SP, Brazil	21
Tamotsu Ogawa	Director	January 23, 2001	Degree in Economics	Yamada Building 2F, 2-8-4 Uchikanda, Chiyoda-ku, Tokyo 101-0047, Japan	20
Affonso Pastore	Director	September 1, 2002	Bachelor in Economics, Doctorate in Economics	Rua Alves Guimarães, 462 - Floor 10º - room number 102 CEP 05410-000 - Pinheiros - São Paulo – Brazil	28
Claude Pomper	Director	December 4, 2000	Doctorate in Business Administration	Al Santos 1940-2o andar, 01418-200 Sao Paulo-SP, Brazil	23

Brief Profile of the Board of Directors of GEM:

(a) **Francis D' Souza:** Francis D'Souza had a career at Citibank from 1976 through 2003. His final position was as Partner of Citigroup emerging market investments, with responsibility for private equity and distressed security investments. He held senior global risk management positions in the group from 1993 to 2001, and was a member of Citicorp's Global Market Risk Policy Committee. He served as Treasurer for Europe for Citigroup Consumer Bank from 1989 to 1993. He holds a degree in Electrical Engineering from the Indian Institute of Technology (IIT) in Bombay, and a Masters in Business Administration from the Harvard University-affiliated Iran Centre for Management Studies.

(b) **Marcos Lederman:** Marcos Lederman is the managing director of Spinnaker Asset Management – SAM Limited. He was responsible for setting up the operations of Credit Agricole Indosuez in São Paulo in 1991 and was a managing director of CAI in Brazil from 1991-1999. From 1985-1991, he worked for Citibank in São Paulo. His academic background is in computer technology.

(c) **Tamotsu Ogawa:** Tamotsu Ogawa is the President of Spinnaker Capital Japan. He was a managing director at Indosuez W.I. Carr Securities (Japan) Limited, the then investment banking vehicle of Credit Agricole Indosuez in Japan, and was the head of the emerging markets division in Japan from 1994 to 1999. Prior to joining CAI, he worked for JP Morgan in Tokyo as a vice-president of the Emerging Markets team. He holds a degree in Economics from Tokyo University of Foreign Studies.

(d) **Affonso Pastore:** Affonso Pastore is LatinSource's Advisor for Brazil and is President and Founder of A.C. Pastore & Associados, an economic consulting firm in Sao Paulo. He served as President of the Central Bank of Brazil from 1983-1985. Prior to his appointment at the Central Bank, he served as Secretary of Finance for the state of Sao Paulo from 1979-1983. He attended the University of Sao Paulo, where he received his Bachelor in Economics in 1961 and his Doctorate in Economics in 1969; he served there as Director of Economics and Titular Professor from 1978 to the present.

(e) **Claude Pomper:** Claude Pomper was a founder of the emerging markets division of Credit Agricole Indosuez, where he was a managing director from 1991-1999. From 1983-1990, he was the division executive at Citicorp/Citibank in charge of all corporate finance and investment banking activities in Latin America. He earned a Doctorate in Business Administration at Harvard University, after graduating from Ecole Nationale Supérieure des Telecommunications, Paris.

None of the aforementioned directors, are on the board of the Target Company, nor are they an "insider" within the meaning of SEBI (Insider Trading) Regulations, 1992 in respect of the Target Company.

None of the directors of GEM have acquired any equity shares of the Target Company during the 12 (twelve) months preceding the date of the Public Announcement.

3.2.6 Brief audited financial details of GEM for the last three years are as under:

(Rs. in Lacs)

Particulars	**Year Ended**		
	31-Dec-05	**31-Dec-04**	**31-Dec-03**
Profit and Loss Statement			
Investment Income	36,925.98	13,407.61	9,530.30
Other Income	94,536.24	78,799.72	27,067.92
Total Income	1,31,462.22	92,207.33	36,598.22
Total Expenditure	41,484.84	24,555.80	3,409.91
Realised Net Profit/ Loss	89,977.38	67,651.53	33,188.31
Balance Sheet			
Sources of funds			
Paid up share capital	6.89	7.75	5.92
Reserves and Surplus (excluding revaluation reserves)	4,81,358.21	3,65,038.60	2,56,314.52
Net Worth	4,81,365.10	3,65,046.34	2,56,320.43
Total	**4,81,365.10**	**3,65,046.34**	**2,56,320.43**
Uses of funds			
Trading securities (including derivatives)	5,02,699.73	3,23,860.17	2,33,857.73
Net Current Assets	(27,527.50)	37,896.30	20,933.68
Other Assets	6,192.87	3,289.87	1,529.03
Total	**4,81,365.10**	**3,65,046.34**	**2,56,320.43**

Other Financial Data	**31-Dec-05**	**31-Dec-04**	**31-Dec-03**
Net Asset Value per share (Rs.)	31,366.92	23,998.20	19,763.27

Notes:

(d) Conversion Rates applied: 1US$=Rs.45.07[December 30, 2005]; 1US$=Rs.43.58 [December 31, 2004]; 1US$=Rs.45.61 [December 31, 2003]. Source: www.rbi.org.in

(e) Net Asset Value as disclosed in audited accounts

(f) Source: Annual Reports for the years ended December 31, 2005, 2004 and 2003.

As per the Report of M/s. Pricewaterhouse Coopers dated December 23, 2005, the total net asset value of the fund as on October 31, 2005 was Rs. 4,67,269.53 lacs.

3.2.7 Income for GEM mainly comprises Interest Income, Dividend and Bank Interests. Consequently, the market conditions influence the rise or fall in the income.

3.2.8 The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical convention as modified as modified for the revaluation of investments in securities. Some of the significant Accounting Policies followed by GEM, as per annual report for December 31, 2004; are as follows:

(a) Estimates and assumptions

The Directors, when preparing the financial statements, are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

(b) Recognition of Income

Interest Income and dividend income arising from investments are accounted for on an accrual basis. Bank Interest is accounted for on an accrual basis.

(c) Foreign currency transaction

The US Dollar is the Fund's measurement and presentation currency. Transactions in foreign currencies are translated into the presentation currency at the rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies ate translate into presentation currency at the rates prevailing at the year end date.

The Fund does not isolate that portion of the results of operations arising from changes in exchange rates from that portion arising from changes in market prices of securities held. Such fluctuations are included with realized and unrealized gain or loss on investments in securities.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains and losses realized between trade and settlement dates on securities transactions, the difference between the amounts of dividend and interest recorded on the Fund's books and the US Dollar equivalent of the amounts received or paid.

Net realized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at the reporting date, resulting from changes in the exchange rate.

(d) Accounting for Investments

Investment transactions are initially recognised at cost (which includes transaction costs) and are accounted for on a trade date basis. Realized gains and losses from security transactions are calculated on an average cost basis.

(e) Valuation of trading securities

The Fund has adopted International Accounting Standard ("IAS 39") and accordingly has classified its investment securities into the category of trading. Trading securities are securities which were either acquired for generating profit from short-term fluctuations in price or dealer's margin or included in a portfolio in which a pattern of short-term profit taking exists. The appropriate classification of the investments is determined at the time of the purchase and is re-evaluated on a regular basis. Gains and losses arising from changes in the fair value of securities classified as trading securities are recognized in the Statement of Operation as they arise.

Securities that are regularly traded on an exchange are valued at the fair value on the day securities are being valued, such price is determined by looking at: (a) to the primary exchange on which such securities are traded, if there are reported traded in such exchange on such date; (b) if there are no reported traded on such exchange on such date, to the secondary exchange for such securities (on the basis of typical trading volume); (c) if there are no reported trades on either such exchange on such date, to the last reported trade price within last week on the primary exchange (or, if more recent, the secondary exchange) prior to such date, or at the last bid price of a security if a security is thinly traded.

Securities which are regularly traded over-the-counter are valued at fair value, based on the average of bid and asked prices which are solicited from various third party dealers/brokers, deemed to be reputable, at the close of the trading on the day the assets are being valued or, in the absence of any sales, at the last reported bid price fro such securities within last week.

All other assets are valued at fair market value or, failing such determination, at cost, less impairment.

Investments which are made through participation arrangements are valued at an amount equal to the Fund's percentage interest in the underlying security multiplied by the market value of underlying security; provided that, in the event that the seller of a participation purchased by the Fund is, or is an affiliate of an entity that is, Investment Grade, the Fund records its investment as a direct investment in the underlying security (to the extent of the Fund's participation interest therein) valued at 100% of the market value of such underlying security.

If extraordinary circumstances render a valuation pursuant to the above guidelines impracticable or inadequate, the Board may follow other rules in order to achieve what it considers to be fair valuation of the relevant assets of the Fund.

(f) Valuation of Derivative Contracts

Unrealised gains on derivative contracts are reported as an asset and unrealized losses on derivative contracts as a liability in the Statement of Net Assets. Realized gains and losses on derivative contracts are recorded in the Statement of operations.

3.2.9 GEM is not in control of the management of the Company and cannot act so as to dispose of or otherwise encumber assets of the Company. Management control will continue to vest with the promoters of the Company who will make decisions regarding the future course of the Company.

3.2.10 In accordance with the terms of the Investment and shareholders agreement ("IA") dated January 6, 2006 and subsequent amendment agreement dated April 15, 2006; the overall management and control of SIL will remain with the Promoters while the acquirers will be significant financial investors with certain minority protection rights designed to enable them to preserve the value of their investment in SIL. Such rights include the right of the acquirers to nominate a director for appointment on the Board of Directors, certain representations and warranties relating to the Company, so as to protect their rights in the investment made.

3.2.11 There are no outstanding litigations in India against GEM.

3.3 Spinnaker Global Strategic Fund Ltd ("GS")

3.3.1 Spinnaker Global Strategic Fund Ltd is an open-end investment fund incorporated on December 29, 2003; with current assets under management of approximately USD 370 million. It is a global emerging markets fund.

3.3.2 Spinnaker Capital Ltd., London is investment manager to the GS Fund, and is regulated by the FSA in the UK. Spinnaker Capital Ltd., Sao Paulo, is investment advisor to the GS Fund, and is regulated by the CVM in Brazil.

3.3.3 The main object of GS is to invest in securities issued by corporate and sovereign issuers in Asia, Eastern Europe and Latin America. The fund is widely held by many institutional investors around the world.

3.3.4 Prior to preferential allotment on January 6, 2006; GS was holding 65,89,600 equity shares in the paid capital of SIL. Since GS holding never exceeded 5% (prior to the preferential allotment on January 6, 2006), GS was not covered under Chapter II of the SEBI Takeover Regulations. The current holding (post-preferential allotment) of GS is 1,52,62,600 equity shares in the paid up equity share capital of SIL.

3.3.5 The details of Board of Directors of GS is as under:

Name	Designation	Date of Appointment	Qualification	Address	Experience
Francis D' Souza	Director	December 29, 2003	BE (Electrical), MBA	1 Burges Grove, London SW13 8 BG, England	30
Marcos Lederman	Director	January 23, 2001	-	Al Santos 1940-2o andar, 01418-200 Sao Paulo-SP, Brazil	21
Tamotsu Ogawa	Director	January 23, 2001	Degree in Economics	Yamada Building 2F, 2-8-4 Uchikanda, Chiyoda-ku, Tokyo 101-0047, Japan	20
Dr. Simon Ogus (PhD)	Director	July 1, 2001	BA (Economics & Econometrics), M Sc (Management & Finance), PhD (Economics)	Suite 1703, Century Square, 1-13 D'Aguilar Street, Central, Hong Kong	17

Brief Profile of the Board of Directors of GS:

(a) **Francis D' Souza:** Francis D'Souza had a career at Citibank from 1976 through 2003. His final position was as Partner of Citigroup emerging market investments, with responsibility for private equity and distressed security investments. He held senior global risk management positions in the group from 1993 to 2001, and was a member of Citicorp's Global Market Risk Policy Committee. He served as Treasurer for Europe for Citigroup Consumer Bank from 1989 to 1993. He holds a degree in Electrical Engineering from the Indian Institute of Technology (IIT) in Bombay, and a Masters in Business Administration from the Harvard University-affiliated Iran Centre for Management Studies.

(b) **Marcos Lederman:** Marcos Lederman is the managing director of Spinnaker Asset Management – SAM Limited. He was responsible for setting up the operations of Credit Agricole Indosuez in São Paulo in 1991 and was a managing director of CAI in Brazil from 1991-1999. From 1985-1991, he worked for Citibank in São Paulo. His academic background is in computer technology.

(c) **Tamotsu Ogawa:** Tamotsu Ogawa is the President of Spinnaker Capital Japan. He was a managing director at Indosuez W.I. Carr Securities (Japan) Limited, the then investment banking vehicle of Credit Agricole Indosuez in Japan, and was the head of the emerging markets division in Japan from 1994 to 1999. Prior to joining CAI, he worked for JP Morgan in Tokyo as a vice-president of the Emerging Markets team. He holds a degree in Economics from Tokyo University of Foreign Studies.

(d) **Dr. Simon Ogus (PhD):** Dr. Simon Ogus is the founder and CEO of DSGAsia, which provides independent Asian economic and political analysis. Until May 1999, he was Managing Director and Chief Economist for Asia at Warburg Dillon Read, Hong Kong. He holds a PhD in Economics from the University of London's School of Oriental and African Studies; an MSc in Management and Finance from the University of London's Imperial College; and a BA in Economics and Econometrics from the University of Manchester.

None of the aforementioned directors, are on the board of the Target Company, nor are they an "insider" within the meaning of SEBI (Insider Trading) Regulations, 1992 in respect of the Target Company.

None of the directors of GS have acquired any equity shares of the Target Company during the 12 (twelve) months preceding the date of the Public Announcement.

3.3.6 Brief audited financial details of GS are as under:

(Rs. in Lacs)

Particulars	**Year ended December 31, 2005**	**From December 29, 2003 to December 31, 2004 ***
Profit and Loss Statement		
Investment Income	5,147.38	2,200.53
Other Income	16,515.45	5,768.22
Total Income	21,662.83	7,968.75
Total Expenditure	9,812.19	3,361.86
Realised Net Profit/ Loss	11,850.64	4,606.89
Balance Sheet		
Sources of funds		
Paid up share capital	13.35	3.30
Reserves and Surplus		
(excluding revaluation reserves)	1,74,039.33	62,921.98
Net Worth	1,74,052.68	62,925.28
Total	1,74,052.68	62,925.28
Uses of funds		
Trading securities (including derivatives)	1,94,927.75	61,565.68
Net Current Assets	(22,013.54)	1,075.12
Other Assets	1,138.47	284.49
Total	**1,74,052.68**	**62,925.28**

**From the date of incorporation i.e. December 29, 2003*

Other Financial Data	**31st Dec 05**	**31st Dec 04**
Net Asset Value per share (Rs.)	7,137.74	5,511.56

Notes:

(g) Conversion Rates applied: 1US$=Rs.45.07[December 30, 2005]; 1US$=Rs.43.58 [December 31, 2004]; Source: www.rbi.org.in

(h) Net Asset Value as disclosed in audited accounts

(i) Source: Annual Reports for the period from December 29, 2003 (Date of incorporation) to December 31, 2004 and year ended December 31, 2005

As per the Report of M/s. Pricewaterhouse Coopers dated December 23, 2005, the total net asset value of the fund as on October 31, 2005 was Rs. 1,65,277.65 lacs.

3.3.7 Income for GS mainly comprises Interest Income, Dividend and Bank Interests. Consequently, the market conditions influence the rise or fall in the income.

3.3.8 The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical convention as modified as modified for the revaluation of investments in securities. Some of the significant Accounting Policies followed by GS, as per annual report for December 31, 2004; are as follows:

(a) Estimates and assumptions

The Directors, when preparing the financial statements, are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

(b) Recognition of Income

Interest Income and dividend income arising from investments are accounted for on an accrual basis. Bank Interest is accounted for on an accrual basis.

(c) Foreign currency transaction

The US Dollar is the Fund's measurement and presentation currency. Transactions in foreign currencies are translated into the presentation currency at the rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies ate translate into presentation currency at the rates prevailing at the year end date.

The Fund does not isolate that portion of the results of operations arising from changes in exchange rates from that portion arising from changes in market prices of securities held. Such fluctuations are included with realized and unrealized gain or loss on investments in securities.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains and losses realized between trade and settlement dates on securities transactions, the difference between the amounts of dividend and interest recorded on the Fund's books and the US Dollar equivalent of the amounts received or paid.

Net realized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at the reporting date, resulting from changes in the exchange rate.

(d) Accounting for Investments

Investment transactions are initially recognised at cost (which includes transaction costs) and are accounted for on a trade date basis. Realized gains and losses from security transactions are calculated on an average cost basis.

(e) Valuation of trading securities

The Fund has adopted International Accounting Standard ("IAS 39") and accordingly has classified its investment securities into the category of trading. Trading securities are securities which were either acquired for generating profit from short-term fluctuations in price or dealer's margin or included in a portfolio in which a pattern of short-term profit taking exists. The appropriate classification of the investments is determined at the time of the purchase and is re-evaluated on a regular basis. Gains and losses arising from changes in the fair value of securities classified as trading securities are recognized in the Statement of Operation as they arise.

Securities that are regularly traded on an exchange are valued at the fair value on the day securities are being valued, such price is determined by looking at: (a) to the primary exchange on which such securities are traded, if there are reported traded in such exchange on such date; (b) if there are no reported traded on such exchange on such date, to the secondary exchange for such securities (on the basis of typical trading volume); (c) if there are no reported trades on either such exchange on such date, to the last reported trade price within last week on the primary exchange (or, if more recent, the secondary exchange) prior to such date, or at the last bid price of a security if a security is thinly traded.

Securities which are regularly traded over-the-counter are valued at fair value, based on the average of bid and asked prices which are solicited from various third party dealers/brokers, deemed to be reputable, at the close of the trading on the day the assets are being valued or, in the absence of any sales, at the last reported bid price fro such securities within last week.

All other assets are valued at fair market value or, failing such determination, at cost, less impairment.

Investments which are made through participation arrangements are valued at an amount equal to the Fund's percentage interest in the underlying security multiplied by the market value of underlying security; provided that, in the event that the seller of a participation purchased by the Fund is, or is an affiliate of an entity that is, Investment Grade, the Fund records its investment as a direct investment in the underlying security (to the extent of the Fund's participation interest therein) valued at 100% of the market value of such underlying security.

If extraordinary circumstances render a valuation pursuant to the above guidelines impracticable or inadequate, the Board may follow other rules in order to achieve what it considers to be fair valuation of the relevant assets of the Fund.

(f) Valuation of Derivative Contracts

Unrealised gains on derivative contracts are reported as an asset and unrealized losses on derivative contracts as a liability in the Statement of Net Assets. Realized gains and losses on derivative contracts are recorded in the Statement of operations.

3.3.9 GS is not in control of the management of the Company and cannot act so as to dispose of or otherwise encumber assets of the Company. Management control will continue to vest with the promoters of the Company who will make decisions regarding the future course of the Company.

3.3.10 In accordance with the terms of the Investment and shareholders agreement ("IA") dated January 6, 2006 and subsequent amendment agreement dated April 15, 2006; the overall management and control of SIL will remain with the Promoters while the acquirers will be significant financial investors with certain minority protection rights designed to enable them to preserve the value of their investment in SIL. Such rights include the right of the acquirers to nominate a director for appointment on the Board of Directors, certain representations and warranties relating to the Company, so as to protect their rights in the investment made.

3.3.11 There are no outstanding litigations in India against GS.

4. DISCLOSURE IN TERMS OF REGULATION 21(3) OF SEBI TAKEOVER REGULATIONS

Pursuant to the Open Offer, acquirers would, at the close of a fully subscribed open offer, hold 45.23% of the shares of SIL. The Promoters holding after the Open Offer would be 48.89%. The minimum public shareholding required for continuous listing in relation to SIL is twenty five (25) percent of the total issued equity share capital of SIL. Since the promoter holding does not exceed 75% pursuant to this Open Offer, there will be no violation of Clause 40A of the Listing Agreement of SIL with the Stock Exchange(s) and SIL's shares will continue to be listed.

5. BACKGROUND OF THE TARGET COMPANY – SANGHI INDUSTRIES LIMITED ("SIL")

5.1 Sanghi Industries Limited, having its registered office at Sanghinagar P.O., Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh – 501 511, was incorporated as Sanghi Leathers Private Limited on June 14, 1985 to manufacture PVC foam leather cloth. The name of the Company was changed to Sanghi Industries Private Limited on September 18, 1992 and further changed to its present name "Sanghi Industries Limited" vide fresh certificate of incorporation dated October 28, 1992.

5.2 The Company started its activities in 1985 with the manufacture of PVC Foam Leather Cloth by installing a PVC Coating Plant using Release Paper technology. In the year 1987, the Company diversified into manufacture of BOPP self-adhesive tapes and PVC Electrical Insulation Tapes by installing imported plants.

5.3 Encouraged by the demand for PVC products, the Company installed a calendering plant in 1988 for manufacture of several PVC based products such as hard leather for luggage industry, film, tarpaulin sheets, shoe uppers etc. The Company installed a new plant in 1990 for manufacturing double sided tapes and stock labels.

5.4 Pursuant to the scheme of amalgamation approved by the High Courts and the members of both the Companies, SIL amalgamated with M/s. Goldy Projects Limited (GPL) in 1993. GPL was a listed company. The new amalgamated company was listed on The Stock Exchange, Ahmedabad; Calcutta Stock Exchange Association Limited; Madras Stock Exchange Limited; Cochin Stock Exchange Limited; Delhi Stock Exchange Association

Limited; The National Stock Exchange of India Limited ("NSE"); The Hyderabad Stock Exchange Limited and Bombay Stock Exchange Limited ("BSE").

5.5 SIL shifted focus to manufacture of cement and allied product, while the Polymer division was leased out to M/s. Sanghi Polymers Private Limited w.e.f April 1, 2003. It set up a 2.61 MTPA single stream cement plant in Abdasa, Gujarat and the commercial production commenced from October 2003. SIL is presently engaged in the manufacture of cement and clinker.

5.6 The Registered office of SIL is situated at Sanghinagar, P.O. Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh 501 511, India. The Administrative office is situated at President House, First Floor, Opp. C.N. Vidhyalaya, Ambawadi Circle, Ahmedabad 380 006 and its plant is located at Sanghipuram, Village Motiber, Abdasa Taluk, Kutch District, Gujarat 370 655.

5.7 As on the date of Letter of Offer, the Capital Structure of SIL is:

Equity Shares	No of equity shares / voting rights	% of equity shares / voting rights
Fully paid-up equity shares	21,79,79,000	100.00
Partly paid-up equity shares	NIL	NA
Total paid up equity shares	21,79,79,000	100.00
Total voting rights	**21,79,79,000**	**100.00**

5.8 Details of share capital history of SIL as on the date of Public Announcement is as under:

Date of Issue/ Allotment	Shares		Cumulative No. of Shares	Conside-ration	Nature of allotment
	Number	Issue Price			
15.06.1985	10	100.00	10	Cash	Subscription to Memorandum
28.09.1987	24,990	100.00	25,000	Cash	Private Placement
29.04.1988	70,000	100.00	95,000	Cash	Private Placement
20.02.1991	66,500	100.00	1,61,500	Cash	Bonus Issue
1,61,500 Equity Shares of Rs. 100/- each were split into 16,15,000 Equity Shares of Rs.10/- each vide EGM held on March 28, 1992					
28.03.1992	3,85,000	10.00	20,00,000	Cash	Private Placement
03.07.1992	60,00,000	10.00	80,00,000	Cash	Private Placement
10.11.1993	1,40,00,000	50.00	2,20,00,000	Cash	Private Placement
31.12.1993	49,800	10.00	2,20,49,800	Cash	Pursuant to scheme of amalgamation
02.09.1998	3,85,87,150	10.00	6,06,36.950	Cash	Bonus Issue
07.02.2000	3,11,07,000	10.35	9,17,43,950	Cash	Preferential allotment
17.08.2000	6,70,06,800	10.00	15,87,50,750	Cash	Preferential allotment
08.03.2001	1,62,49,250	10.00	17,50,00,000	Cash	Preferential allotment
06.01.2006	2,89,10,000	18.50	20,39,10,000	Cash	Preferential allotment to Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd.
12.01.2006	1,40,69,000	18.50	21,79,79,000	Cash	Preferential allotment to associate of Promoters and others

Note:

- As per the Annual Report 2004-05, the Company has no partly paid-up Equity Shares and no calls in arrears.
- The Board of Directors have on January 6, 2006; allotted 2,89,10,000 equity shares of Rs.10/- each for cash at a premium of Rs.8.50 per share to the Acquirers. Simultaneously the Company also entered into an IA, whereby the acquirers will be significant financial investors with minority protection rights designed to enable them to preserve the value of their investment in SIL.

Details of Preferential allotment made to acquirers and Promoter Group & associates on January 6, 2006 & January 12, 2006 respectively:

- The Board of Directors at their meeting held on October 31, 2005 authorized preferential allotment, not exceeding 5,00,00,000 equity shares, under fresh Foreign Direct Investment scheme to be received in accordance with the guidelines of RBI and towards the share application money received earlier from group company and others.

- The Shareholders at the EGM held on November 30, 2005 authorised allotment of 3,00,00,000 and 1,40,69,000 equity shares to the acquirers and associate of promoters respectively.
- SIL received in-principle approval from BSE, HSE & NSE for listing of 4,40,69,000 shares vide its letter dated January 3, 2006; December 6, 2005 and January 16, 2006 respectively.
- The Board of Directors approved allotment of 2,89,10,000 to the acquirers at their meeting held on January 6, 2006 & allotment of 1,40,69,000 equity shares to the associate of promoters & M/s. Aequitas Financial Services Ltd. at their meeting held on January 12, 2006.

5.9 Pursuant to the special resolution passed by shareholders at the annual general meeting held on September 30, 2004; SIL made application to stock exchanges at Ahmedabad, Calcutta, Chennai, Cochin and Delhi for getting the shares delisted vide letter dated October 13, 2004. These shares have not yet been delisted from the Stock Exchanges as on date.

5.10 Trading on these shares was also suspended on BSE w.e.f February 3, 2003 due to non-compliance of listing agreement. Consequent to non-compliance of clause 31(a), 35, 38, 40A, 41 and 47(c) of the Listing Agreement, the trading on the shares of the Company were also suspended on NSE with effect from October 4, 2000 (as communicated by NSE vide show cause notice no. NSE/TW/LIST/340 and NSE/TW/LIST/4780).

Sanghi Industries Limited took adequate measures for compliance of the Listing Agreement. Trading resumed on BSE on December 26, 2005 but trading on NSE continues to be suspended and the Company is awaiting approval from NSE for resuming trading.

5.11 17,50,00,000 equity shares are presently listed only on BSE and HSE [where they are infrequently traded]. Company has received in-principle approval from BSE, HSE & NSE for listing of 4,40,69,000 shares vide their letter dated January 3, 2006; December 6, 2005 and January 16, 2006 respectively.

Pursuant to shareholders approval for voluntary delisting vide resolution dated September 30, 2004; company has filed application with stock exchanges at Ahmedabad, Calcutta, Madras, Cochin and Delhi vide letter dated October 13, 2004 for delisting. And due to non-compliance of listing agreement, the trading on shares is suspended on NSE.

5.12 As on the date of PA, issued, subscribed, called up and paid up equity share capital of SIL was Rs.2,03,91,00,000/- comprising of 20,39,10,000 equity shares of face value of Rs.10/- each. Further the Company has issued 1,40,69,000 equity shares of Rs.10/- each on a preferential basis to Associates of Promoters and M/s. Aequitas Financial Services Ltd. [Source: www.bseindia.com]

5.13 Compliance with SEBI Takeover Regulations: As on the date of Public Announcement, the following shareholders were holding more than 5% in the paid up equity capital of SIL:

Sr. No.	Name & Address	Telephone No. / Fax No.	No of shares	%age
1.	**Sanghi Polyesters Limited** Sanghi Nagar, P. O., Hayatnagar Mandal, R R District, Andhra Pradesh – 501 511	Tel: 8415-242 216 Fax: 8415-242 239/48	5,41,28,000	30.93
2.	SZF Private Limited	-	92,84,000	5.31
3.	**Spinnaker Global Opportunity Fund Ltd.** C/o Maples Finance BVI Ltd., Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands	Tel: 00 1 284 494 3384 Fax: 00 1 284 852 3097	1,04,36,000	5.96
4.	**Spinnaker Global Emerging Market Fund Ltd.** C/o Maples Finance BVI Ltd., Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands	Tel: 00 1 284 494 3384 Fax: 00 1 284 852 3097	90,64,400	5.18
5.	**Spinnaker Global Strategic Fund Ltd.** C/o Maples Finance BVI Ltd., Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands.	Tel: 00 1 284 494 3384 Fax: 00 1 284 852 3097	65,89,600	3.77
6.	FL. Smidth Ltd.	-	2,01,00,400	11.49

5.14 Non-compliance of listing agreement and penal action taken by Stock Exchanges: The trading on shares of the Target Company was suspended on Bombay Stock Exchange Limited and National Stock Exchange of India Limited due to non-compliance of listing agreement which inter alia included non payment of listing fees for 4-5 years.

As per NSE show cause notice no. NSE/TW/LIST/340 and NSE/TW/LIST/4780, the trading on these shares were suspended due to non-compliance of clause 31(a), 35, 38, 40A, 41 and 47(c) of the Listing Agreement.

Sanghi Industries Limited took adequate measures for compliance of the Listing Agreement. As per the Corporate Governance certificate dated June 28, 2005 (annexed to the Director's Report 2004-05), Sanghi Industries Limited has complied with clause 49 of the Listing Agreement.

Trading resumed on BSE on December 26, 2005 but trading on NSE continues to be suspended and the Company is awaiting approval from NSE for resumption.

5.15 The Company's management is vested with the Board of Directors. The composition of the Board of Directors as on the date of PA i.e. January 13, 2006 was as follows:

Name	Designation	Date of Appointment	Qualification	Address	Experience
Mr. Ram Sharan Sanghi	Non Executive Chairman	15-09-1992	Post Graduate	Sanghinagar P.O. Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh – 501 511	60 years
Mr. Ravi Sanghi	Managing Director	14-06-1985	Graduate	Sanghinagar P.O. Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh – 501 511	30 years
Mr. Pradeep Kapoor	Whole Time Director & CEO	27-10-2004	B Tech (Mech)	109, B Wing,Krishna Commercial Centre, 6, Udyog Nagar, Near Kamat Club,S V Road, Goregaon (West),Mumbai	40 years
Mr. Anand Prakash Sanghi	Non Executive Director	10-10-1994	Graduate	4-3-352, Bank Street, Hyderabad – 500 095	35 years
Mr. Sudhir Sanghi	Non Executive Director	14-06-1985	Graduate	4-3-352, Bank Street, Hyderabad – 500 095	30 years
Mr. S C Kuchhal	Non Executive Director	14-08-2001	M Com. & LLB	309, Kailash Colony ,East of Kailash, New Delhi	40 years
Mr. Sadashiv Sawrikar Director	Non Executive	01-11-1988	LLB, FCA	C-204, Nandanam Apartments, Fateh Sultan Lane,Abids,Hyderabad	20 years
Mr. T M Jagan Mohan	Director	01-11-1988	B.Tech & MBA	C-13, Shanti Sikhara Apartments,Somajiguda, Hyderabad	30 years
Mr. B L Patwardhan	Director (SBI Nominee)	30-07-2004	-	Patwardhan 3, Unmesh, N P Thakkar Road, Vile Parle (East), Mumbai	-
Mr. P N K Rao	Director (IDBI Nominee)	04-08-2005	-	B – 14, Maker Kundan Gardens,Juhu Tara Road, Santacruz (West) Mumbai	-

Profile of the Board of Directors:

(a) **Mr. Ram Sharan Sanghi:** Mr. Ram Sharan Sanghi is the Non Executive Chairman of the Company. He has done his post graduation with specialization in Banking and Currency. He is an industrialist with rich experience in textile industry and is instrumental in setting up the Sanghi Group of Industries in 1979 with the setting up of M/s. Sanghi Textile Processors Private Limited (presently known as Sanghi Textiles Private Limited), an independent textile processing unit of South India at that time. He has varied experience in business and is the architect behind the diversifications of Sanghi Group of Industries. He is also a founder member of Hyderabad Stock Exchange Limited.

(b) **Mr. Ravi Sanghi:** Mr. Ravi Sanghi is the Chief Promoter and Chief Architect of the Cement Project of the Company and is instrumental and the guiding force behind the implementation of the Cement Project despite many hurdles and the successful commissioning of the Cement Project. He has varied and rich experience in textile sector and is presently in-charge of production and finance activities of various units of the Group.

(c) **Mr. Pradeep Kapoor:** Mr. Pradeep Kapoor is a Graduate in Mechanical Engineering. He has rich and varied experience in the Cement Sector and has been providing leadership to all functions with main focus on functions like Marketing, Finance and Execution.

(d) **Mr. Anand Prakash Sanghi:** Mr. Anand Prakash Sanghi has varied and good experience in textile sector and is the Managing Director of M/s. Sanghi Polyesters Limited. He is taking care of production, marketing and finance activities of various units of the Group.

(e) **Mr. Sudhir Sanghi:** Mr. Sudhir Sanghi is a Commerce Graduate and holds Post Graduate Diploma in Marketing Management and International Business. He has more than 30 years of experience. He is the Managing Director of M/s. Sanghi Spinners India Limited, a 100% Export Oriented Unit manufacturing cotton and blends. He has good experience in marketing and administration and is in-charge of the said activities of various units in the Group

(f) **Mr. S C Kuchhal:** Mr. Suresh Chandra Kuchhal is an eminent academician who was earlier associated with IIM, Ahmedabad, Delhi University and Allahabad University and a Consultant to World Bank and various other Organizations both in Public Sector and Private Sector.

(g) **Mr. Sadashiv Sawrikar:** Mr. Sadashiv Sawrikar is a Graduate in Commerce and Law. He is also a Fellow member of the Institute of Chartered Accountants of India and has more than eighteen years experience in Project Funding, Corporate Finance and Advisory Services.

(h) **Mr. T M Jagan Mohan:** Mr. T M Jagan Mohan is an Engineering Graduate and holds Post Graduate Diploma from IIM, Ahmedabad and has more than 25 years experience and was earlier associated with M/s. IDPL and other reputed business associates and handled various assignments successfully.

(i) **Mr. B L Patwardhan:** Mr. B L Patwardhan is a Nominee Director of SBI on the Board of the Company. He is a retired Chief General Manager of State Bank of India and has a rich experience in the fields of banking and finance.

(j) **Mr. P N K Rao:** Mr. P N K Rao is a Nominee Director of IDBI on the Board of the Company. He is the Chief General Manager of IDBI Bank Ltd and has a rich experience in banking and project finance.

The Acquirers do not have any representatives on the Board of Directors as on the date of this letter of offer.

5.16 Brief audited financial details of Sanghi Industries Limited ("SIL")

Profit & Loss Statement

Rs. in Lacs

Particulars	18 months ended 31st March 2003	For 12 months ended	
		31st March 2004	31st March 2005
Income from Operations	5,068.93	17,158.81	38,039.73
Other Income	198.11	657.13	2,508.92
Total Income	5,267.04	17,815.94	40,548.65
Total Expenditure	4,724.10	14,337.64	30,385.30
Profit before Depreciation, Interest and tax	542.94	3,478.30	10,163.35
Depreciation	176.77	1,841.58	4,601.28
Interest	305.64	2,351.60	5,048.76
Profit before tax	60.53	(714.88)	513.31
Provision for tax	4.75	-	5.90
Profit after tax	55.78	(714.88)	507.41

Balance Sheet Statement

Rs. in Lacs

Particulars	As on		
	31st March 2003	31st March 2004	31st March 2005
Sources of Funds			
Paid up share capital			
Equity shares paid-up	17,500.00	17,500.00	17,500.00
Preference shares paid-up (OCCPPS)	25,911.47	25,911.47	25,911.47
Share application money (not yet allotted)	1,409.06	1,409.06	1,409.06
Reserves & Surplus (excluding revaluation reserve)	970.29	(544.64)	(37.23)
Total Miscellaneous expenditure not written off	9,391.90	1,062.31	1,318.49
Net Worth (including OCCPPS)	36,398.91	43,213.58	43,464.81
Secured Loan	97,426.84	93,721.95	95,901.25
Unsecured Loan	-	-	-
Total	**1,33,825.76**	**1,36,935.53**	**1,39,366.06**
Uses of Funds			
Net Fixed Assets	1,36,234.38	1,40,654.19	1,38,825.71
Investments	702.53	-	-
Net Current Assets	(3,111.14)	(3,718.66)	540.35
Total	**1,33,825.76**	**1,36,935.53**	**1,39,366.06**

Other Financial data

Particulars	18 months ended	12 months ended	
	31st March 2003	31st March 2004	31st March 2005
Dividend (%)	NIL	NIL	NIL
Earning per share (Rs.)	0.03	(0.41)	0.29
Diluted Earning per share (Rs.)	0.01	(0.16)	0.11
Return on Networth (%)	0.15%	(1.65)%	1.17%
Book Value per share (Rs.)	8.12	9.64	9.70

Note:

(a) Net worth includes Optionally Convertible Cumulative Participating Preference shares.

(b) Book value and RONW have been calculated considering share application money and OCCPPS as equity shares; in the ratio of application money of Rs.10/- representing 1 share of Rs.10/- each and I OCCPPS of Rs.100/- each representing 10 equity shares of Rs.10/- each.

(c) For calculating Diluted EPS; OCCPPS and share application money have been considered. [EPS = Profit after tax / Diluted equity shares].

Published Un-audited Financial Results for nine months ended December 31, 2005:

Rs. in Lacs

Profit & Loss Statement	Nine months ended 31st December, 05
Income from Operations	41,016
Other Income	491
Total Income	41,507
Total Expenditure	30,736
Operating Profit	10,771
Profit before tax	4,245
Profit after tax	4,245

Balance sheet statement	As on December 31, 2005
Equity Shares	17,500

Source: Published Un-audited financials for nine months ended December 31, 2005

5.17 Pre and Post Offer Shareholding Pattern as on January 13, 2006 :

		Shareholding & voting rights to the preferential allotment		Preferential allotment on 12.01.06	Shares agreed to be acquired which triggered off the Regulation	Shares/Voting rights to be acquired in open offer (Assuming full acceptances)		Shareholding/ voting rights after the acquisition and offer i.e.	
Category		**Shares**	**%**	**Shares**	**Shares**	**Shares**	**%**	**Shares**	**%**
(1)	Promoter								
a)	Parties to agreement	68,77,500	3.93					68,77,500	3.16
b)	Parties other than above	8,94,48,500	51.11	1,02,50,000				9,96,98,500	45.74
	Total 1 (a+b)	**9,63,26,000**	**55.04**	**1,02,50,000**				**10,65,76,000**	**48.89**
(2)	Acquirer Company								
a)	Spinnaker Global Opportunity Fund Ltd.	1,04,36,000	5.96		1,15,64,000	1,74,38,320		3,94,38,320	18.09
b)	Spinnaker Global Emerging Markets Ltd.	90,64,400	5.18		86,73,000	1,30,78,740		3,08,16,140	14.14
c)	Spinnaker Global Strategic Fund Ltd.	65,89,600	3.77		86,73,000	1,30,78,740		2,83,41,340	13.00
	Total 2 (a+b+c)	**2,60,90,000**	**14.91**		**2,89,10,000**	**4,35,95,800**	**20.00**	**9,85,95,800**	**45.23**
(3)	Public (other than parties to agreement, acquirer & PAC)	5,25,84,000	30.05	38,19,000		(4,35,95,800)	(20.00)	1,28,07,200	5.88
	GRAND TOTAL	**17,50,00,000**	**100.00**	**1,40,69,000**	**2,89,10,000**	**-**	**-**	**21,79,79,000**	**100.00**

Source for shareholding pattern as on January 13, 2006

Note:

(a) Acquirer Company has not purchased any shares after the date of Public Announcement.

(b) Post offer shareholding pattern has been prepared assuming that Acquirer Company would acquire 4,35,95,800 equity shares (representing 20% of post-preferential allotment equity shares) in the open offer from public in the ratio of shares acquired in preferential allotment i.e. 4:3:3. The actual acquisition and ratio in which shares will be acquired may differ.

5.18 Shareholding of the promoters: As on January 13, 2006 the promoter & promoter group held 10,65,76,000 equity shares in the company.

5.19 There are approximately 15,413 shareholders in public category and all owners (registered or unregistered) of shares of SIL except parties to the IA i.e. (a) Acquirers and (b) Promoters as defined therein, are eligible to participate anytime before closure of the Open Offer.

5.20 Corporate Governance: Joint Auditors, M/s. Ramanlal G Shah & Co. and M/s. Ankit & Co. have vide their certificate dated June 28, 2005, forming part of the Annual Report for the year 2004-05, certified that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

5.21 Compliance Officer: The Company has appointed Mr. V. Sesha Sayee, Company Secretary as the Compliance Officer and his address is 4-3-352, Bank Street, Hyderabad – 500 095; Tel: 040-2475 6660-64; Fax: 040-2475 6755/ 6358.

5.22 **Pending Litigation matters / Disputed Liability** : Details of pending litigation and penalties paid by SIL as per the Annual Report 2004-05 are:

	Litigation	**Amount (Rs. in Lakhs)**
1	Arrears of Non-Agricultural tax:Arrears of Non-Agricultural tax payable on account of the arbitrary steep hike in the rates and a favorable ruling passed in a related matter by the Hon'ble High Court of Gujarat. Company made a payment of Rs.50 Lakhs under protest and is in the process of remitting the balance amount as mutually agreed with the authorities.	50.00
2.	Electricity duty tax Company is contesting the levying of Electricity duty tax	Amount not specified
3.	Other Contingent Liabilities	1,538.49

[Source: Annual Report 2004-05]

6. OFFER PRICE AND FINANCIAL ARRANGEMENTS

6.1 Justification of the Offer Price

6.1.1 Equity Shares of SIL are presently listed and traded on BSE and HSE. Pursuant to the special resolution passed by shareholders at the Annual General Meeting held on September 30, 2004, SIL made application to the stock exchanges at Ahmedabad, Calcutta, Chennai, Cochin and Delhi for getting the shares delisted, vide their letter dated October 13, 2004. These shares have not been delisted from the Stock Exchanges as on date. The trading in shares of SIL has been suspended on NSE with effect from October 4, 2000 due to non-compliance of listing agreement.

6.1.2 Of the total issued capital of 21,79,79,000 equity shares; only 17,50,00,000 equity shares are listed on BSE and HSE. SIL filed an application with BSE and HSE for listing of the balance shares vide their letter dated January 3, 2006 and December 6, 2005 respectively.

6.1.3 The trading in equity shares of SIL was suspended on BSE and trading resumed on December 26, 2005 [Source: www.bseindia.com]. During the six months prior to the month in which the Board Resolution was passed authorizing the preferential allotment i.e. April 2005 to September 2005 the shares were traded only on HSE. Details of trading/ listing on the Stock Exchanges during this period is as follows:

Stock Exchanges	Total shares traded	Total no of listed shares prior to Board meeting authorizing preferential allotment	Annualized trading turnover as a % of total number of listed shares
The Hyderabad Stock Exchange Limited (HSE)	1,225	17,50,00,000	0.0014%
Bombay Stock Exchange Limited (BSE)	Suspended from trading w.e.f February 3, 2003. The trading on shares has resumed w.e.f December 26, 2005, therefore no trading during April 05 to Sept 05.		
The National Stock Exchange of India Limited (NSE)	Suspended from trading w.e.f October 4, 2000, therefore no trading during April 05 to Sept 05.		
The Stock Exchange Ahmedabad (ASE)	Application made for delisting on October 13, 2004. No trading during April 05 to Sept 05		
Calcutta Stock Exchange Association Limited (CSE)	Application made for delisting on October 13, 2004. No trading during April 05 to Sept 05		
Madras Stock Exchange Limited (MSE)	Application made for delisting on October 13, 2004. No trading during April 05 to Sept 05		
Cochin Stock Exchange Limited (CoSE)	Application made for delisting on October 13, 2004. No trading during April 05 to Sept 05		
Delhi Stock Exchange Association Limited (DSE)	Application made for delisting on October 13, 2004. No trading during April 05 to Sept 05		

The Equity Shares are deemed to be infrequently traded on HSE as the annualized trading turnover based on the trading during 6 calendar months i.e., April 2005 to September 2005 is less than 5% of the total number of listed Equity Shares in terms of Explanation (i) to Regulation 20(5) of the SEBI Takeover Regulations.

6.1.4 Average of the weekly high and low of the closing prices and volume data for the 26 weeks period ended October 29, 2005 i.e. date preceding the date of Board Resolution which authorised the preferential allotment:

Wk No	Week Ending	Weekly High	Weekly low	Weekly Average	Volume Traded
1	29-Oct-05				
2	22-Oct-05				
3	15-Oct-05				
4	8-Oct-05				
5	1-Oct-05				
6	24-Sep-05				
7	17-Sep-05				
8	10-Sep-05				
9	3-Sep-05				

Wk No	Week Ending	Weekly High	Weekly low	Weekly Average	Volume Traded
10	27-Aug-05	25.90	25.90	25.90	50
11	20-Aug-05	21.60	18.00	19.80	900
12	13-Aug-05				
13	6-Aug-05				
14	30-Jul-05				
15	23-Jul-05	15.00	15.00	15.00	75
16	16-Jul-05	13.20	13.20	13.20	200
17	9-Jul-05				
18	2-Jul-05				
19	25-Jun-05				
20	18-Jun-05				
21	11-Jun-05				
22	4-Jun-05				
23	28-May-05				
24	21-May-05				
25	14-May-05				
26	7-May-05				

26 weeks average	18.48
Total volume traded during the last six months	1,225
Annualised trading volume	2,450
Shares listed on HSE	17,50,00,000
Percentage	**0.0014%**

Source: www.hseindia.com

6.1.5 The equity shares of SIL were not traded on HSE during the 2 weeks period ended October 29, 2005 i.e. the date preceding the date of Board Resolution which authorised the preferential allotment. [Source: www.hseindia.com]

6.1.6 The Offer Price of Rs.18.50 per equity share of face value Rs.10/- is as per the parameters as set out in Regulation 20(5) of SEBI Takeover Regulations and the same is justified as per Regulation 20(11) as follows:

Parameters as per Regulation 20(5)	Price per Equity Share of Rs.10/- each of SIL
The negotiated price as per Investment Agreement dated January 6, 2006 for acquisition of shares or voting rights i.e. Issue Price of the preferential allotment of 2,89,10,000 Equity Shares	Rs.18.50
The price paid by the Acquirers and Persons acting in concert for acquisitions, if any, including by way of allotment in a public or rights or preferential issue, during the 26 week period prior to the date of Public Announcement i.e. January 13, 2006 i.e. Purchase Price of 2,60,90,000 Equity Shares acquired from F.L. Smidth Ltd. and Fuller International Inc.	Rs.10.00
Other parameters based on the audited financial results for the year ended on March 31, 2005	1. Book Value per share Rs.9.70 2. Return on Net Worth 1.17% 3. Diluted Earning Per Share Rs.0.11 4. Offer P/E [Price Earning Ratio] 168.18 5. P/E multiple for the Industry category i.e. "Cement – South India" [Source: Capital Market :Dec 19, 05 -Jan 01, 06] Rs.22.30

	6. Fair Value of the share as per erstwhile CCI Guidelines but keeping in view Supreme Court decision in the case of Hindustan Lever Employees Union v/s Hindustan Lever Ltd, (1995) 83 Comp Case 30	Rs.7.82

6.1.7 Share Price arrived at as per the Guidelines of the erstwhile Controller of Capital Issues ["CCI"] keeping in view the Judgment of the Supreme Court in Hindustan Lever Employees Union v/s Hindustan Lever Ltd, (1995) 83 Comp Case 30.

Net Asset Value ["NAV"] - Latest audited Balance Sheet available as on the valuation date is for the year ended March 31, 2005 and formed the basis for estimating the NAV of the Company. NAV of the Company, per share, is Rs.2.21 as on March 31, 2005.

Market Based Value - The average of weekly high and low of the closing prices of the shares of the Company on HSE for the 26 weeks period ended on October 30, 2005 is Rs.18.48 per share. Equity Shares of the Company were not traded on HSE during the 2 weeks period ended on October 30, 2005. Average of monthly high and low of the prices of the equity shares of the Company for 12 months period i.e. November 2004 to October 2005 is Rs.15.68 per share. Average market price, therefore, for the purpose of determination of Fair value of the equity share of the Company, being higher of the above, is Rs.18.48 per equity share.

Profit Earning Capacity Value ["PECV"] - Last 3 years' audited financial results for the year ended on March 31, 2003, March 31, 2004 and March 31, 2005 were considered for assessing the profits. Value of the Equity Share of the Company based on profit earning capacity would be Re. -0.03. As the average net profits turned out to be negative, the same has not been capitalised. CCI Guidelines provide that if the average market price is more than 75% and above of the Fair Value, the average of the net profits are to be capitalised at the rate of 8%. Average market price is Rs.18.48 per share and Fair Value is Rs.7.82 per share. Therefore, average market price is more than 75% of the Fair Value. However, in the instant case, as the average net profits turned out to be negative, the same has been not capitalised as explained above. Therefore, in view of the above, as average net profits are not capitalised at all at 15%, the question of capitalising at 8% does not arise. Value per equity share, re-determined, based on profit earning capacity would be Re. -0.03.

Considering the decision of the Supreme Court in HLL Employees Union vs Hindustan Lever Ltd (1995), 83 Comp Case 30, wherein the Hon'ble Court opined that Fair Value for a listed company could be assessed based on the weightages viz.

(a) Net Asset Value: 1

(b) Market Based Value: 2

(c) Earning Based Value: 2

Considering the above, the estimated Fair Value of Equity Share of the Company is Rs.7.82 as on March 31, 2005.

Justification for offer price

6.1.8 As the annualized trading turnover on HSE based on the trading during the 6 calendar months preceding the Board Meeting authorizing preferential allotment i.e. April 2005 to September 2005 is 0.0014% of the total number of listed shares, the shares of SIL are deemed to be "infrequently traded" on HSE in terms of Explanation (i) to Regulation 20(5) of SEBI Takeover Regulations. As per the parameters set out in Regulation 20(5) of SEBI Takeover Regulations, applicable for companies whose shares are infrequently traded, the minimum offer price works out to Rs.18.50 and the open offer price of Rs.18.50 is the highest of the parameters as specified in Regulation 20(5) of SEBI Takeover Regulations.

6.1.9 None of the parties to IA viz (a) SIL, (b) Acquirers and (c) the Promoters of SIL as defined therein have entered into any non-compete agreements amongst or between themselves.

6.1.10 Therefore the Offer Price of Rs.18.50 per Equity Share of Face Value Rs.10/- each of SIL is as per the parameters as set out in Regulation 20(5) of SEBI Takeover Regulations and the Offer price is justified as per Regulation 20(11) of SEBI Takeover Regulations.

6.1.11 Based on the above, (a) the Managers to the Offer and (b) the Acquirers are of the opinion that the Offer Price of Rs.18.50 per equity share is justified.

6.1.12 It will be ensured that the Offer Price is higher than the highest price paid by the Acquirers for any acquisition of Equity Shares of SIL, if any, from the date of Public announcement i.e. January 13, 2006 up to 7 working days prior to the closure of the Offer i.e. June 15, 2006.

6.2 Financial Arrangements

6.2.1 The total funds required for the acquisition of 4,35,95,800 equity shares of SIL pursuant to the Open Offer, assuming full acceptance at a price of Rs.18.50 per equity share amounts to Rs.80,65,22,300 [Rupees Eighty Crores Sixty Five Lakhs Twenty Two Thousand and Three Hundred Only]. The Acquirers have adequate financial resources to finance the above mentioned acquisition.

6.2.2 Acquirers have opened 3 offshore cash escrow accounts with HSBC Custody Services (Guernsey) Ltd., PO Box 208, Arnold House, St. Julians Aveneue, St. Peter Port, Guernsey, GY1 3NF (hereinafter referred to as “HSBC”) under the name and style of “Spinnaker Global Strategic Fund Ltd – Sanghi Industries – Offshore Escrow Account”, “Spinnaker Global Opportunity Fund Ltd – Sanghi Industries – Offshore Escrow Account” and “Spinnaker Global Emerging Markets Fund Ltd – Sanghi Industries – Offshore Escrow Account” bearing Nos. 59743066, 59743082 and 59743058 and deposited US$ 1,370,393.57, US$ 1,827,191.45 and US$ 1,370,393.57 respectively aggregating to US$ 4,567,978.59 equivalent to Rs.20,16,76,254.75 (Rupees Twenty Crores Sixteen Lakhs Seventy Six Thousand Two Hundred Fifty Four and Paise Seventy Five only) at an exchange rate of Rs.44.15 per US$ [Exchange Rate as on January 12, 2006, being the date of transfer into offshore escrow account] being more than 25% of the total purchase consideration payable under the Offer assuming full acceptance at the aforesaid offer price.

6.2.3 PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, P. O. Box 1283, George’s Quay, Dublin 2, Irland; Tel No: 00 353 0 1 678 9999, Fax No: 00 353 0 1 704 8600 have certified vide their letter dated January 03, 2006 that Acquirers have adequate financial resources to finance the above mentioned acquisition of 4,35,95,800 Equity Shares to the extent of their obligations of the Offer.

6.2.4 Acquirers have confirmed that the funds lying in the above mentioned offshore cash escrow account will be utilized exclusively for the purpose of the Offer. Further, HSBC has marked a lien on the funds lying in the aforesaid cash escrow account in favor of the Managers to the Offer.

On February 23, 2006 acquirers obtained a letter from Foreign Investment Promotion Board (“FIPB”) for acquisition / transfer of equity shares that are tendered in the open offer by resident shareholders i.e. individuals and institutions, Overseas Corporate Bodies, FIIs etc. Acquirers received approval from RBI vide letter no.FE.CO.FID/21489/10.21.047/2005-06 dated April 5, 2006. The acquirers are in the process of transferring funds to a domestic escrow account.

6.2.5 As aforesaid, (a) Offshore cash escrow deposit constitutes more than 25% the total purchase consideration payable under the Offer and (b) M/s. PricewaterhouseCoopers, Chartered Accountants have certified that the acquirers have adequate financial resources to finance the acquisition. The Managers to the Offer are satisfied that firm arrangements for financial resources required to implement the offer i.e. funds and money for payment through verifiable means are in place to fulfill the Offer obligations and are satisfied that acquirers have the ability to implement the Offer in accordance with the Regulations.

6.2.6 In the event of any short fall in the cash escrow amount arising on account of exchange rate fluctuations, the Acquirers have undertaken to provide additional funds to ensure that the escrow account has adequate funds to the extent of at least 25% of the total purchase consideration payable under the Offer at all times, to discharge their offer obligations irrespective of fluctuations in the exchange rate.

7. TERMS AND CONDITIONS OF THE OFFER

7.1 The Offer is being made by the Acquirers to (i) all the remaining Equity Shareholders of SIL whose names appeared in the Register of Members of the Company on Saturday – January 14, 2006 i.e. the Specified Date [except parties to the IA i.e. (a) Acquirers and (b) Promoters as defined therein] and (ii) beneficial owners of the equity shares of SIL whose names appeared as beneficiaries on the records of the respective Depositories, at the close of business hours on Saturday – January 14, 2006 i.e. Specified Date and (iii) to those persons who acquire equity shares of SIL any time prior to the date of the closure of the Offer i.e. Monday – June 26, 2006 but who are not the registered shareholders of SIL, pursuant to SEBI Takeover Regulations.

7.2 The Offer is not subject to any minimum level of acceptance and the Acquirers will be obliged to acquire up to a maximum of 4,35,95,800 equity shares of SIL that are tendered in the valid form in terms of this offer subject to the terms and conditions mentioned in the PA and this Letter of Offer. Equity Shares of SIL that would be tendered in the valid form in terms of this open offer will be transferred in favour of acquirers proportionately.

7.3 The Offer will open on Tuesday- June 6, 2006 and close on Monday- June 26,, 2006.

7.4 Shareholders who have accepted the offer by tendering the requisite documents in terms of the Public Announcement / Letter of Offer can withdraw the same up to three working days prior to the date of the closure of the offer i.e. on or up to Wednesday- June 21, 2006.

7.5 The instructions, authorizations and provisions contained in the Acceptance Form constitute an integral part of the terms of this Offer.

7.6 Each shareholder of SIL to whom this Offer is being made to is free to offer his equity shares in SIL in whole or in part while accepting the Offer. However, (i) parties to the IA i.e. (a) Acquirers and (b) Promoters as defined therein are not eligible to tender their shares under the Offer.

7.7 The shares will be acquired by the Acquirers free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights offer declared thereafter.

7.8 The Offer is subject to receipt of the following statutory and regulatory approvals, and clearances:

Acquirers received a letter No. FC-II.08/07/2004-05-FIPB-21 dated February 23, 2006 from Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India, in response to their application dated February 14, 2006; stating that the aforesaid transfer falls under the automatic route and further advising the Acquirers to follow the procedure laid down under General Permission route of RBI.

The Acquirers received approval for opening of domestic escrow account from Reserve Bank of India vide its letter dated April 5, 2006. The acquirers are in the process of transferring funds from overseas escrow account to the domestic escrow account. For more details please refer to clause 6.2 of this Letter of Offer.

Acquirers will make an application to RBI/any other authority for their approval (if required) for transfer of equity shares from eligible shareholders upon closure of the open offer once the basis of acceptance is determined.

No approvals from banks / financial institutions are required for the open offer.

7.9 As on date no other statutory or other approvals other than those indicated above are required for the Offer. If any other statutory approvals become applicable, the offer would be subject to such approvals. Acquirers will have a right, in terms of Regulation 27 (1)(b) of SEBI Takeover Regulations, not to proceed with the offer in the event that statutory approvals indicated above are not received or refused.

7.10 In case of delay in receipt of statutory approvals as explained above beyond Tuesday- July 11, 2006, SEBI has power to grant extension of time to Acquirers for payment of purchase consideration to eligible shareholders, subject to Acquirers agreeing to pay interest at the rate of 10% per annum or as directed by SEBI, for the delayed period in terms of Regulation 22(12) of the Regulations. If the delay occurs due to willful default of the Acquirers in obtaining requisite approvals, Regulation 22(13) of the Regulations will become applicable.

7.11 Where the Acquirers fail to obtain the requisite approvals in time on account of willful default or neglect or inaction or non-action on their part, the amount lying in the escrow account shall be liable to be forfeited and dealt with in the manner provided in Regulation 28 of SEBI Takeover Regulations, apart from the Acquirers being liable for penalty as provided in the Regulations.

7.12 There was no competitive bid.

7.13 As the Offer price cannot be revised during 7 working days prior to the date of the closure of the Offer, it would be in the interest of the shareholders to wait till the commencement of that period to know the final offer price and tender their acceptance accordingly.

7.14 The Acquirers / Managers to the Offer will within a period of 45 days of the closure of the Offer inform the Stock Exchanges and SEBI as to the level of acceptance received thereof.

7.15 The acceptance of the Offer of the Acquirers is entirely at the discretion of the Equity Shareholders of SIL. The Acquirers will not be responsible for any loss of Equity Share certificate(s) and Offer acceptance documents during transit and the Equity Shareholders of SIL are advised to adequately safeguard their interests in this regard.

7.16 The Acquirers will proceed with the Offer even if they are unable to obtain acceptance to the extent of 4,35,95,800 fully paid-up equity shares of face value of Rs.10/- each of SIL.

7.17 In the case of shares acquired from non resident shareholders, the acquirers will not be responsible for any fall in the value of the Rupee due to any fluctuation in the foreign exchange market on account of delay in the approval.

7.18 Accidental omission to dispatch this Letter of Offer to any person to whom this Offer has been made to or non-receipt of this Offer by any such person shall not invalidate the Offer in any way.

7.19 The acceptance must be unconditional and should be sent with the attached form duly filled in, signed by the applicant Shareholder(s) which should be received by the Registrars to the Offer at the address mentioned in Para No. 8.13 on or before Monday- June 26, 2006. If any change or modification is made, the acceptance is liable to be rejected.

7.20 Expenses relating to the Offer will be borne by the Acquirers.

7.21 The Acquirers reserve the right of upward revision of (a) Offer Price and (b) number of shares to be acquired at any time up to 7 working days prior to the closure of the Offer as per Regulation 26 of SEBI Takeover Regulations. The same price would be paid by the Acquirers for all the shares tendered any time during the Offer and accepted under the Offer. The information about such revision(s), if any, would appear in the same newspapers in which Public Announcement has appeared.

7.22 Details of locked in equity shares of SIL is as under:

Shareholder		No. of equity shares	Lock-in up to
(a)	Sanghi Filaments Private Limited	22,87,500	12-07-2006
(b)	Sanghi Threads Private Limited	17,54,000	
(c)	Sanghi Synthetics Private Limited	16,75,000	
(d)	Sanghi Poly Zips Private Limited	14,82,500	
(e)	Alpha Zippers Private Limited	16,75,000	
(f)	Balaji Zippers Private Limited	27,75,000	
(g)	Fancy Zippers Private Limited	14,68,750	
(h)	SKK Zippers Private Limited	35,75,000	
(i)	Maruti Fasteners Private Limited	14,68,750	
(j)	Spinnaker Global Opportunity Fund Ltd.	1,04,36,000	06-07-2006
(k)	Spinnaker Global Emerging Markets Fund Ltd.	90,64,400	
(l)	Spinnaker Global Strategic Fund Ltd.	65,89,600	
(m)	Sanghi Filaments Private Limited	7,50,000	11-01-2009
(n)	Sanghi Threads Private Limited	6,00,000	
(o)	Sanghi Synthetics Private Limited	6,00,000	
(p)	Sanghi Poly Zips Private Limited	6,00,000	
(q)	Sanghi Polymers Private Limited	47,00,000	
(r)	Alpha Zippers Private Limited	6,00,000	
(s)	Balaji Zippers Private Limited	6,00,000	
(t)	Fancy Zippers Private Limited	6,00,000	
(u)	SKK Zippers Private Limited	6,00,000	
(v)	Maruti Fasteners Private Limited	6,00,000	
(w)	Spinnaker Global Opportunity Fund Ltd.	1,15,64,000	05-01-2007
(x)	Spinnaker Global Emerging Markets Fund Ltd.	86,73,000	
(y)	Spinnaker Global Strategic Fund Ltd.	86,73,000	
(z)	Aequitas Financial Services Limited	38,19,000	11-01-2007

8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF THE OFFER

8.1 Equity Shareholders of SIL who wish to avail this Offer should forward the under mentioned documents by hand delivery or by registered post or by courier to CIL Securities Limited, Registrars to the Offer [details of collection centres are given in Para No. 8.13] so as to reach them on or before Monday- June 26, 2006 on their working days during business hours indicated in Para No. 8.13. In the case of dematerialized shares, the Registrar is not bound to accept those offers which have not yet been credited to the Escrow Depository Participant account as on the date of Closure of the Offer, i.e. Monday - June 26, 2006. No documents for tendering the shares should be sent either to the Acquirers or Managers to the Offer or SIL.

8.2 Registered Shareholders of SIL holding physical shares should submit:

- The enclosed Acceptance Form duly completed and signed in accordance with the instructions contained therein by the Equity Shareholders of SIL in the same order in which they hold Shares in SIL. The order cannot be changed or altered nor can any new name be added for the purpose of accepting the Offer.
- Original Equity Share Certificate(s).

- Valid Share Transfer Deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures lodged with SIL. In case the present signature of the shareholder(s) differ from the specimen signatures lodged with SIL, transfer deeds should be duly attested at the appropriate place by a notary or bank manager or member of stock exchange under their seal of office and membership number. In each case, the name and address of the attesting authority, attesting authority's seal and registration number (if the authority is a notary public/member of stock exchange) or the name and address of the bank (if the authority is a Bank manager) should appear. Further, all attestations should be unconditional, i.e. the authority attesting should not deny the responsibility of identifying the person and the signature by qualifying the attestation. If the said guidelines are not followed, Acquirers reserve the right to reject the transfer deed along with the application.

8.3 Not withstanding that the signature(s) of the transferor(s) has/ have been attested as aforesaid, if the signature(s) of the transferor(s) differ(s) from the specimen signature(s) recorded with SIL or are not in the same order, such equity shares are liable to be rejected under this Offer even if the Offer has been accepted by a bonafide owner of such equity shares.

8.4 Unregistered Owners of equity shares / Registered shareholders who have not received the Letter of Offer and are holding physical shares should enclose the Acceptance Form which is available on SEBI web site (www.sebi.gov.in), duly completed and signed in accordance with the instructions contained therein or an application in writing on a plain paper with Original Equity share certificates, original broker contract note, valid share transfer deed(s) as received from the market stating the name, address, number of shares held, number of shares offered, distinctive numbers and folio number. All other requirements for valid transfer (including matching of signatures) will be precondition for acceptance. No indemnity is required from the unregistered owners.

8.5 In the case of shareholders who have sent their physical share certificates for transfer to SIL can enclose the acknowledgement if any, received from SIL. Shareholders who are attaching the acknowledgement are requested to direct SIL in writing to retain the share certificates for onward submission to the Registrars to the Offer.

8.6 If required such shareholders, may download the Acceptance Form from the SEBI's site (www.sebi.gov.in) or may request for the Acceptance Form from the Registrars to the Offer.

PLEASE DO NOT FILL IN ANY OTHER DETAILS IN THE TRANSFER DEED EXCEPT NAME, SIGNATURE AND WITNESS.

8.7 Procedure for Equity shares held in Dematerialized form - Registered Beneficiary Owners:

Beneficiary owners (holders of shares in Dematerialized Form) who wish to tender their shares will be required to send their Form of Acceptance cum Acknowledgement along with a photocopy of the delivery instructions in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the Depository Participant ("DP") in favor of the escrow demat / depository account.

8.8 Unregistered Beneficiary Owners/ Registered Demat Shareholders who have not received Letter of Offer:

These shareholders can apply on a plain piece of paper giving details like the Name, address, number of shares held, number of shares offered, Depository Details i.e. DP name, DP ID and Client ID along with a photocopy of the delivery instructions in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the Depository Participant (DP) in favor of the escrow demat / depository account. Alternatively, they may download the Acceptance Form from the SEBI's site (www.sebi.gov.in) or may request for the Acceptance Form from the Registrars to the Offer. All other requirements for valid transfer (including matching of signatures) will be precondition for acceptance.

8.9 CIL Securities Limited, Registrars to the Offer, has opened a special depository account under the name and style of "Sanghi Industries Limited– Spinnaker– Open Offer – Escrow Demat Account". The DP ID is 13500 [registered with CDSL] and Client ID is 1201350000042253. ISIN Number is INE 999 B 01013.

8.10 Shareholders having their depository account with a Depository Participant who is registered with NSDL have to use inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account opened by CIL Securities Limited which is registered with CDSL.

8.11 For each delivery instruction, the beneficial owner should submit a separate Acceptance Form.

8.12 The Equity Shareholders should also provide all relevant documents, which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but are not limited to):

- Duly attested death certificate and succession certificate / No Objection Certificates / letters from legal heirs (in the case of single Shareholder) where the original Shareholder has expired.
- Duly attested Power of Attorney, if any person other than the Shareholder has signed the Form of Acceptance cum acknowledgement or transfer deed(s).

- In case of companies, the necessary corporate authorizations (including Board Resolution and Shareholder's Resolutions) and specimen signatures of authorized signatories.
- Any other relevant documents, as deemed necessary.

8.13 The equity shareholders who wish to avail of the Offer can deliver all the relevant documents referred to above to the Registrars to the Offer at the addresses given below (on all days except holidays and Sundays) in accordance with the instructions specified in the Letter of Offer.

Collection centres mentioned below would remain open from Monday to Friday between 10.00 am and 1.00 pm & 2.00 pm and 4.00 pm and on Saturdays between 10.00 am and 1.00 pm.

Address of Collecting Centres	Contact Persons	Mode of Delivery	Phone/Fax/Email
215, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001	Mr. D Chandra Shekar	Hand Delivery/ Reg. Post/ Courier	Phone: 040 2320 3155 / 5566 1277 Fax: 040 5566 1267 Mob: 98855 24718 Email: cilsec@rediffmail.com
20, Great Western Building, 130/132, II Floor, Shahid Bhagat Singh Marg, Opp: Lions Gate, Mumbai - 400 023.	Mr. Gulab Maheshwari	Hand Delivery/ Reg. Post/ Courier	Phone: 022 2288 5177 / 2288 5178 Fax: 022 2288 5178 Mob: 93225 98681 Email: gulab_maheshwari@yahoo.com
P-14, Sahadev Marg'C' Scheme, Jaipur - 302 006	Mr. Mohit Sumani	Hand Delivery/ Reg. Post/ Courier	Phone: 0141 5112495 /5112497 Fax: 0141 2382801/ 3960806 Email: vfinsec@yahoo.com
Lakhotia Complex, D.No.39-17-4, Sivanandam Street, Opp.Kalanjali, M.G.Road, Labbipet, Vijayawada – 520 010	Mr. Giri	Hand Delivery/ Reg. Post/ Courier	Phone: 0866 5516042/ 5516043 Mob: 9849592557

8.14 The documents sent by Registered Post/ Speed Post/ Courier or through other means will be at the applicant's own risk and cost.

8.15 All owners (registered or unregistered) of shares of SIL [except parties to the IA i.e. (a) Acquirers and (b) Promoters as defined therein], anytime before the date of closure of the Offer are eligible to participate in the Offer.

8.16 As the aggregate equity stake of acquirers in equity share capital of SIL post preferential allotment is 25.23% which is more than the stipulated limit of 15%, in compliance with Regulation 10 of SEBI Takeover Regulations, acquirers are making this offer to the remaining equity shareholders of SIL to acquire up to 4,35,95,800 equity shares representing 20% of the post preferential allotment paid up equity share capital of SIL.

In the event that the shares tendered in the Offer by the shareholders is more than the shares to be acquired under the Offer, the acquisition of shares from each shareholder will be as per the provisions of Regulation 21(6) of the Regulations, on a proportionate basis, to be decided in a fair and equitable manner, in consultation with the Managers to the Offer, irrespective of whether the shares are held in physical or dematerialized form.

The shares of SIL are traded in compulsorily dematerialized mode and the minimum marketable lot is one share.

8.17 Equity shares, if any, that are the subject matter of litigation wherein the shareholder(s) is/ are / may be precluded from transferring the shares during the pendency of the said litigation are liable to be rejected in case directions / orders from competent authority regarding these shares are not received together with the shares tendered under the Offer. The Letter of offer in such cases, would be forwarded to the concerned competent authority for further action at their end. In case the shares of SIL are in the name of tainted persons or the transfer of shares were kept in abeyance due to the inclusion of the tainted persons as declared by the Special Custodian under the Special Act, offers will not be accepted until the shares are cleared by the Special Court appointed for this purpose.

8.18 Shareholders who have sent their shares for dematerialization need to ensure that the process of getting shares dematerialized is completed well in time so that the credit in the Escrow demat / depository account should be received on or before the date of closure of the Offer, else the application would be rejected.

8.19 The Registrars to the Offer will hold in trust the share certificates, shares lying in credit of the escrow demat/ depository account, Form of Acceptance cum Acknowledgement, if any and the transfer form(s) on behalf of the shareholders of SIL who have accepted the Offer, till the cheques/ demand drafts for the consideration and/ or the unaccepted shares / share certificates are returned/ dispatched.

8.20 In the case of dematerialized shares, the equity shares would reside in the Escrow Demat/ Depository Account as mentioned above. The Registrars to the Offer will debit the Escrow Demat/ Depository account to the extent of payment of consideration made by the Acquirers and give instructions for the credit to the beneficiary account of the Acquirers. The Equity shares held in dematerialized form to the extent not accepted as a result of non-payment/ part payment of consideration by the Acquirers will be released to the Beneficial Owner's depository account with the respective beneficial owner's depository participant as per details furnished by the Beneficial owner in the Acceptance Form, at the sole risk of the beneficial owner.

8.21 In accordance with Regulation 22(5A) of the Regulations, shareholders who have tendered the requisite documents in terms of the PA and this Letter of Offer shall have the option to withdraw acceptances tendered up to three working days prior to the offer closing date. The withdrawal option can be exercised by submitting the documents as per the instructions given below so as to reach the Registrars to the Offer at the collection centers mentioned above as per the mode of delivery indicated therein on or before Wednesday- June 21, 2006.

8.22 The withdrawal option can be exercised by submitting (a) the form of withdrawal which will be sent to shareholders along with the Letter of Offer and (b) the copy of the acknowledgement received from the Registrars to the offer while tendering the acceptances together with (c) In respect of physical shares – name, address, distinctive numbers, folio number, and number of shares tendered and in respect of dematerialized shares – name, address, number of shares tendered, DP Name, DP ID, beneficiary account number and photocopy of the delivery instruction in off market mode duly acknowledged by the DP. In case of non-receipt of form of withdrawal, the above application can be made on a plain paper.

8.23 The consideration for the equity shares accepted by the Acquirers will be paid by crossed account payee cheques/ demand drafts. Such considerations in excess of Rs.1,500/- or unaccepted equity 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. Consideration up to Rs.1,500/- will be dispatched Under Certificate of Posting. It is mandatory that shareholders provide bank account details in the Acceptance Form so that the same can be incorporated in the cheque/ demand draft.

8.24 While tendering shares under the open offer, non resident shareholders (NRIs/OCBs/FIIs etc) will be required to submit the previous RBI/ GOI approvals, if any, which they would have obtained for acquiring the shares of SIL and No Objection Certificate/ Tax Clearance Certificate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the rate at which the tax is required to be deducted by the Acquirers before remitting the consideration. In case previous approvals as explained above are not submitted, Acquirers reserve the right to reject the shares tendered in the open offer. In case the aforesaid No Objection Certificate/ Tax Clearance Certificate is not submitted, Acquirers will deduct the tax at the current prevailing rates as applicable on the offer price and interest thereon if applicable.

8.25 In the case of resident shareholders, the Acquirers will deduct the tax on the interest component exceeding Rs.5,000/- at the current prevailing rates as applicable. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, he will be required to submit No Objection Certificate from the Income Tax authorities or a self declaration in Form 15H as may be applicable indicating the rate at which tax is to be deducted by the Acquirers. Shareholders eligible to receive interest component exceeding Rs. 5,000/- would be required to give their Permanent Account Number ("PAN") for Income Tax purposes.

8.26 Eligible shareholders/ beneficial owners are entitled to receive interest at the rate of 10% per annum for the delay in payment of purchase consideration i.e. beyond Wednesday – April 12, 2006, the date by which acceptance/ rejection would be intimated and the corresponding payment for the acquired shares and/ or the share certificates/ shares for the rejected shares should have been dispatched / returned, as per the original schedule in terms of Public Announcement made on Friday - January 13, 2006.

9. DOCUMENTS FOR INSPECTION

Copies/ certified copies of the following documents will be available for inspection at the office of YES BANK Limited, 12th Floor, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018 during normal business hours on any working day i.e. Monday to Friday between 10:00 am and 3:00 pm during the Offer period i.e. from Tuesday- June 6, 2006 to Monday- June 26, 2006.

1. Certificate of Incorporation of the Acquirers.
2. Memorandum and Articles of Association of the Acquirers.
3. Audited Annual Reports of the Acquirers for the years ended December 31, 2005, 2004 and 2003
4. Audited Annual Reports of Sanghi Industries Limited for the years ended March 31, 2005, 2004 and 2003 and published un-audited financial results for the period ended December 31, 2005

5. Statement of Net Asset Value of GO, GEM and GS as on October 31, 2005 by M/s. PricewaterhouseCoopers vide their certificate dated December 23, 2005.
6. Letters dated January 12, 2006 issued by HSBC confirming (a) deposit in off shore escrow cash account and (b) lien in favor of Managers to the Offer
7. Confirmation from the Acquirers that off shore escrow funds will be exclusively utilized for the open offer
8. Newspaper Clipping of the Public Announcement published on January 13, 2006.
9. Board Resolutions passed by acquirers for the acquisition and open offer
10. Letter dated May 22, 2006 received from SEBI in terms of Regulation 18(2)
11. Investment and shareholders agreement dated January 6, 2006 and subsequent amendment agreement dated April 15, 2006, entered into between SIL, acquirers and the Promoters of SIL.
12. Escrow Depository agreement entered into with Registrars to the Offer
13. Letters from HSE certifying price and volume data of equity shares of Sanghi Industries Limited
14. Certified true copy of resolution passed by shareholders at the Annual General Meeting held on September 30, 2004 for delisting of shares.
15. Delisting application filed vide letter dated October 13, 2004 with stock exchanges at Ahmedabad, Calcutta, Chennai, Cochin and Delhi
16. Share Valuation Report dated January 9, 2006 issued by Dinesh Bangar & Co, Chartered Accountants
17. Certificate from PricewaterhouseCoopers, Chartered Accountants dated January 3, 2006 certifying that Acquirers have adequate financial resources to finance the acquisition.
18. In-principle approval from BSE, HSE & NSE for listing of 4,40,69,000 shares vide their letter dated January 3, 2006; December 6, 2005 and January 16, 2006 respectively.

10. DECLARATION BY THE ACQUIRERS

10.1 A copy of the Draft Letter of Offer was delivered to (a) the Board of Directors of SIL, (b) The Stock Exchange, Ahmedabad (c) Calcutta Stock Exchange Association Limited (d) Madras Stock Exchange Limited (e) Cochin Stock Exchange Limited (f) Delhi Stock Exchange Association Limited (g) The National Stock Exchange of India Limited (h) The Hyderabad Stock Exchange Limited (i) Bombay Stock Exchange Limited; for their information and perusal on January 27, 2006.

10.2 (a) Acquirers and (b) Directors of acquirers accept full responsibility for the information contained in this Letter of Offer and also for the obligations of Acquirers as laid down in Regulation 22(6) of SEBI Takeover Regulations.

10.3 (a) Acquirers and (b) Directors of acquirers are severally and jointly responsible for ensuring compliance with SEBI Takeover Regulations.

10.4 The Managers to the Offer have ensured that Mr. Tarun Gandhi, Director- South Asian Investments, is duly and legally authorized to sign the Letter of Offer.

For and on behalf of **Spinnaker Global Opportunity Fund Ltd. [GO], Spinnaker Global Emerging Markets Fund Ltd. [GEM] and Spinnaker Global Strategic Fund Ltd. [GS]**

Sd/-

Mr. Tarun Gandhi

Authorized Signatory

Place: British Virgin Islands

Date: May 29, 2006

Encl: 1. Form of Acceptance cum Acknowledgement with Form of Withdrawal

2. Transfer Deed (as applicable)