# LETTER OF OFFER

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This Letter of Offer is being sent to you as an Equity Shareholder(s) of Bhandari Hosiery Exports Limited [hereinafter referred to as "Target Company" or "BHEX"]. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or the Manager to the Offer or Registrar to the Offer. In case you have recently sold your Equity Shares in BHEX, please hand over this Letter of Offer and the accompanying Form of Acceptance cum Acknowledgement, Form of Withdrawal and Transfer Deed to the member of the Stock Exchange through whom the sale was affected.

**CASH OFFER by**

**Mr. Nitin Bhandari and Ms. Nitika Bhandari ("hereinafter referred to as Acquirers")**
Both residing at Bhandari House, Queen's Enclave, Near Chatley Estate, South City, Ludhiana, India. (Tel No.- 0161-3260742- 44 Fax No.-0161- 2690394)
e-mail: nitin@bhandariexport.com and nitikajewels@yahoo.com

To acquire upto 17,14,811 fully paid up equity shares of the face value of Rs.10/- each representing 23% of the Total Paid up Equity Share Capital

**At Rs. 18/- (Rupees Eighteen only) per fully paid up Equity Share (the "Offer Price") of**

## BHANDARI HOSIERY EXPORTS LIMITED

**(hereinafter referred to as "Target Company" or "BHEX")**

**Registered Office:** Bhandari House, Village Meherban, Rahon Road,
Ludhiana – 141 007 (Tel No.- 0161-3260742- 44 Fax No.-0161- 2690394)
e-mail: bhandari@bhandariexport.com website: www.bhanadriexport.com

**Attention:**

**1.** The Offer is being made by Mr. Nitin Bhandari and Ms. Nitika Bhandari (the "Acquirers"), pursuant to and in compliance with the provisions of Regulations 11(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the **"Regulations"**).

**2.** The Offer is subject to the Acquirers obtaining approval from RBI under Foreign Exchange Management Act, 2000 for acquiring equity shares tendered by NRI/OCB shareholders. As on the date of this letter of offer, there are no other approvals, statutory or otherwise required under the Companies Act, 1956, Monopolies and Restrictive Trade Practices Act, 1969 and/or any other applicable laws and from any bank/financial institutions for the said acquisition required to acquire shares pursuant to this Offer.

**3. Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement/Letter of Offer, can withdraw the same upto three working days (i.e., 16$^{th}$ July 2008) prior to the date of the closure of the Offer (i.e. 21st July 2008) in terms of Reg. 22(5A) of SEBI (SAST) Regulation, 1997.**

**4.** In case of any upward revision/withdrawal of the offer, the Public Announcement for the same would be made in the same newspapers where the original Public Announcement has appeared and in such case the same price would be paid to all shareholders including those who have tendered the shares before such revision. The last date for revision in Offer price/ number of shares, if any, is 10$^{th}$ July 2008. Acquirers will pay the same price for all fully paid-up equity shares tendered during the offer period.

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

**6.** The procedure for acceptance is set out in Clause 23 of this letter of offer.

**7. Equity Shareholders may note that if there is a competitive bid,**

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

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

**8.** A Copy of Public Announcement dated 21st April 2008 and this Letter of Offer (including Form of Acceptance-cum-Acknowledgement and Form of Withdrawal) is also available on SEBI's website **www.sebi.gov.in**

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

| MANAGER TO THE OFFER | REGISTRAR TO THE ISSUE |
|---|---|
| **SOBHAGYA CAPITAL OPTIONS LTD.** | **SKYLINE FINANCIAL SERVICES (P.) LTD.** |
| Regd. off.: B 206, Okhla Industrial Area, Phase- I, New Delhi- 110020 | Corp off.: 246, First Floor, Sant Nagar, East of Kailash, New Delhi – 110 024 |
| Ph: 011- 2681 8199, 2681 9176 Fax No: 011- 2681 9439 | Tel.:011- 2629 2679-80-82-83, Fax No.- 011- 2629 2681 |
| SEBI Regn. No.- MB/INM000008571 | Registration No. INR000003241 |
| Website: www.sobhagyacapital.com | Website: www.skylinerta.com |
| Contact Person: **Kulbhushan Parashar** | Contact Person: **Mr. Virendra Rana** |
| Email: kulbhushan@sobhagyacapital.com | E mail: virenr@skylinerta.com |

FOR PROCEDURE FOR ACCEPTANCE OF THIS OPEN OFFER PLEASE REFER PARAGRAPH 23 "PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF THE OFFER"

FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT AND FORM OF WITHDRAWAL IS ENCLOSED WITH THIS LETTER OF OFFER

| OFFER OPENS ON: **02nd JULY 2008** (WEDNESDAY) | OFFER CLOSES ON: **21st JULY 2008** (MONDAY) |
|---|---|

**Schedule of Major Activities of the Offer**

| Activity | Original Schedule | | Revised Schedule | |
|---|---|---|---|---|
| | **Date** | **Day** | **Date** | **Day** |
| **Date of Public Announcement** | **21.04.2008** | **Monday** | **21.04.2008** | **Monday** |
| Specified Date to determine the person eligible to participate in the Offer | 28.04.2008 | Monday | 28.04.2008 | Monday |
| Last date for a competitive bid, if any | 12.05.2008 | Monday | 12.05.2008 | Monday |
| Date by which Letter of Offer will be posted to shareholders | 28.05.2008 | Wednesday | 27.06.2008 | Friday |
| **Date of opening of the Offer** | **12.06.2008** | **Thursday** | **02.07.2008** | **Wednesday** |
| Last date for Revising the Offer Price/ Number of Shares | 23.06.2008 | Monday | 10.07.2008 | Thursday |
| Last date for withdrawing acceptances tendered by shareholders | 27.06.2008 | Friday | 16.07.2008 | Wednesday |
| **Date of closing of the Offer** | **02.07.2008** | **Wednesday** | **21.07.2008** | **Monday** |
| Date of communicating acceptance/ rejection and payment of consideration for accepted shares/ dispatch of the share certificate in case of rejection. | 17.07.2008 | Thursday | 05.08.2008 | Tuesday |

- Specified date is only for the purpose of determining person eligible to participate in the offer i.e. Equity shareholders of BHEX (other than Acquirers and other persons in the promoter group) whose names appear on the Register of the Members of BHEX at the close of business hours on 28/04/2008 (the "Specified Date") and also to those persons who own the shares at any time prior to the closure of the offer, but are not the registered equity shareholders.
- All owners (registered or unregistered) of the shares of the Target Company (except Acquirers) owning shares anytime before the closure of the Offer, are eligible to participate in the Offer.

## Index of Content

**1. DEFINITIONS**

| Term | Description |
|---|---|
| Acquirers | Mr. Nitin Bhandari & Ms. Nitika Bhandari |
| BSE | Bombay Stock Exchange Limited |
| CDSL | Central Depository Services (India) Limited |
| DP | Depository Participant |
| Escrow Account | Escrow account opened in the name and style of "NBNB-BHEX-OPEN OFFER ESCROW ACCOUNT" with the Escrow Bank, established in accordance with Regulation 28 of the SEBI (SAST) Regulations by the Acquirers. |
| Escrow Bank | Axis Bank, Greater Kailash –II Branch, New Delhi |
| FEMA | Foreign Exchange Management Act, 1999 |
| FOA | Form of Acceptance cum Acknowledgement |
| FOW | Form of Withdrawal cum Acknowledgement |
| LOO/LoO | Letter of Offer |
| Manager to the offer/ Merchant Banker | Sobhagya Capital Options Limited having Regd. Office at B-206, Okhla Industrial Area, Phase-I, New Delhi- 110020 |
| NSDL | National Securities Depository Limited |
| Offer | This "offer" being made by the Acquirers to the Shareholders of BHEX (other than Acquirers and other persons in the promoter group) to purchase upto 17,14,811 equity Shares at the Offer Price of Rs. 18/- per share payable in cash. |
| Offer Price | Price of Rs. 18/- (Rupee Eighteen only) per equity share |
| PA | Public Announcement dated 21$^{st}$ April 2008 and Corrigendum to the PA as published on 23$^{rd}$ June 2008. |
| Persons Eligible to participate in the Offer | Equity shareholders of BHEX (other than Acquirers and other persons in the promoter group) whose names appear on the Register of the Members of BHEX at the close of business hours on 28/04/2008 (the "Specified Date") and also to those persons who own the shares at any time prior to the closure of the offer, but are not the registered equity shareholders. |
| RBI | Reserve Bank of India |
| Registrar | Registrar to the Offer i.e. Skyline Financial Services Private Limited, New Delhi |
| SEBI | Securities and Exchange Board of India |
| Specified Date | 28$^{th}$ of April 2008 |
| Target Company | Bhandari Hosiery Exports Limited or BHEX |
| SEBI (SAST) Regulations 1997 | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof/ The "Regulations" |
| The Act | The Companies Act, 1956 |

**RISK FACTORS**

*The risk factors set forth below pertain to the Offer and are not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for analyzing all the risks with respect to their participation in the Offer.*

**Risks Related to the Proposed Offer**

1 The Offer is made to acquire upto 23% of fully paid-up equity share capital of BHEX from the eligible persons. In case of over subscription in the Offer, acceptance would be determined on proportionate basis in accordance with Regulation 21 (6) of the Regulations and hence there is no certainty that all the shares tendered by the shareholders in the Offer will be accepted.

2 If any other statutory approvals become applicable prior to completion of the Offer, the Offer would be subject to such statutory approvals. In terms of Regulation 27 of the Regulations, the Acquirers may not be able to proceed with the Offer in the event the approvals indicated above are not received. Delay, if any, in the receipt of these approvals may delay completion of the Offer.

3 The Equity Shares tendered in the Offer will be held in trust by the Registrar to the Offer till the completion of the Offer formalities, and the shareholders will not be able to trade such Equity Shares. During such period there may be fluctuations in the market price of the Shares of BHEX. Accordingly, the Acquirers make no assurance with respect to the market price of the Equity Shares both during the Offer period and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by any shareholder of BHEX on whether to participate or not to participate in the Offer.

**Probable risk involved in associating with the Acquirers**

1 Pursuant to this Offer the Acquirers propose to increase their holding in BHEX under Regulation 11(1) of the Regulations. The Acquirers does not warrant any assurance with respect to the future financial performance of the Target Company.

2 The Acquirers makes no assurance with respect to the market price of the Equity Shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by any Shareholder on whether to participate or not to participate in the Offer.

**2. DISCLAIMER CLAUSE**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF 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 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 BHEX 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 LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRERS DULY DISCHARGE ITS RESPONSIBILITY ADEQUATELY. IN THIS**

**BEHALF AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, SOBHAGYA CAPITAL OPTIONS LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 01st May, 2008 TO SEBI IN ACCORDANCE WITH SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENTS THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.**

## 3. DETAILS OF THE OFFER

The offer is made by Acquirers under Regulation 11(1) of SEBI (SAST) Regulations to consolidate their holdings in BHEX.

3.1 BACKGROUND OF THE OFFER

3.1.i The Acquirers, Mr. Nitin Bhandari and Ms. Nitika Bhandari (Part of Promoter Group of the Target Company) both residing at Bhandari House, Queen's Enclave, Near Chatley Estate, South City, Ludhiana; hold 18,92,061 and 12,25,750 Shares representing 25.38% and 16.44% respectively of the total voting capital of the Target Company as on the date of the letter of offer.

3.1.ii The Acquirers have voluntarily decided to increase their shareholding in BHEX and pursuant to Regulation 11(1) of SEBI (SAST) Regulation and are making offer to non promoter Shareholders of BHEX to acquire upto 17,14,811 fully paid up equity shares of Rs.10 each representing 23% of the Total Equity Share Capital of BHEX at Rs. 18/- (Rupees Eighteen only) per share ("the Calculated Price").

3.1.iii The Acquirers i.e. Mr. Nitin Bhandari & Ms. Nitika Bhandari have agreed that they would distribute between themselves upto 12,00,368 and 5,14,443 fully paid up equity shares of BHEX in the ratio of 70% and 30% respectively of the valid equity shares tendered under the Open Offer, presuming full acceptance of the offer. In case of partial response to the Open Offer the Acquirers have agreed to acquire the valid equity shares tendered under the Open Offer in the ratio of 7:3.

3.1.iv Upon completion of Offer, assuming full acceptance, the Acquirers will directly hold 30,92,429 and 17,40,193 equity shares representing 41.48% and 23.34% of the total Voting Capital of Target Company.

3.2 ACQUIRERS and PAC have not been prohibited by SEBI from dealing in securities, in terms of direction issued u/s 11B of SEBI Act or under any of the regulations made under the SEBI Act.

3.3 No other person / individual / entity are acting in concert with Acquirers for the purposes of this Offer.

3.4 The Offer will not result in any change in management or control of the Target Company.

3.5 Acquirers and PACs have not acquired or sold any shares of BHEX from the date of Public Announcement till the date of Letter of offer.

3.6 The Acquirers have made a Public Announcement, which was published on April 21, 2008 in the following newspapers in accordance with the Regulation 15(1) and pursuant to Regulations 11(1) read with 14(2) of SEBI (SAST) Regulations.

| Publication | Language | Date | Editions |
|---|---|---|---|
| Business Standard | English | 21.04.2008 | All Edition |
| Business Standard | Hindi | 21.04.2008 | All Edition |
| Jagbani | Gurumukhi/Punjabi | 21.04.2008 | Punjab |

The PA is also available on the SEBI's website http://www.sebi.gov.in

The Acquirer has also made a Corrigendum to the Public Announcement which was published on June 23, 2008 in Newspapers in accordance with the Regulation 15 and pursuant to SEBI Observation letter no.- CFD/DCR/TO/128888/2008 dated 17 June 2008. The Corrigendum to PA is also available on the SEBI's website http://www.sebi.gov.in

3.7 Shareholders (other than Acquirers and PACs) whose names appear in the Register of Members of BHEX as at the close of business hours on specified Date i.e. Monday, April 28, 2008 and also persons (registered or unregistered) who acquire any Equity Shares of BHEX at any time prior to the closure of the Offer are eligible to participate in the offer.

3.8 The Manager to the Offer does not hold any Equity Shares of the Target Company and will abstain from dealing with securities of BHEX from the date of its appointment in terms of Regulation 13 till the expiry of the fifteen days from the date of closure of the offer

3.9 This is not a competitive bid.

3.10 The Offer is not as a result of global acquisition resulting in indirect acquisition of the target Company.

3.11 The Acquirers has not entered into any "Non-Compete Agreement" with the Target Company. Further there is no non compete fee given by Acquirer.

3.12 The Offer is not subject to any minimum level of acceptance from the shareholders i.e. it is not a Conditional Offer. The Acquirers will accept the equity shares of BHEX those are tendered in valid form in terms of this offer upto maximum of 17,14,811 equity shares.

## 4 OBJECT OF THE ACQUISITION/OFFER

4.1 The Acquirers belong to the Promoter Group of BHEX and together hold 31,17,811 equity shares of BHEX representing 41.82% of the paid up equity share capital of BHEX. Presently the promoter & promoters group of BHEX, (including Acquirers) together hold 51.51% of the paid up equity share capital of BHEX.

4.2 The Acquirers propose to increase their holdings in order to have a majority stake in BHEX by acquiring shares from Non promoter shareholders. This offer is upto 23% of the paid up Capital / voting rights, i.e. 17,14,811 shares of BHEX is made in terms of Regulations 11(1) of the SEBI (SAST) Regulations.

## 5 BACKGROUND OF THE ACQUIRERS

5.1 The Open Offer is being made by Mr. Nitin Bhandari and Ms. Nitika Bhandari ("ACQUIRERS"), both residing at Bhandari House, Queen's Enclave, Near Chatley Estate, South City, Ludhiana-141 007, Punjab, India. Tel. No.: +91-161-3260742- 44, Fax No.: +91-161- 2690394.

5.2 Mr. Nitin Bhandari S/o Mr. Naresh Bhandari aged about 25 years, is working as President of BHEX. He has done Master of Business Administration in Entrepreneurial Management from European Business School, London, U.K. He is part of Promoters Group of BHEX. He is having 05 years experience in the fields of process of manufacture and merchandising of readymade garments, optimising costing, reducing wastage and improving quality. The Acquirer is not on the Board of any other Listed Company.

5.3 Ms. Nitika Bhandari is D/o Mr. Naresh Bhandari aged about 27 years, is working as Chief Merchandiser of BHEX. She has done her Graduation in Garment Technology from Pearl Fashion, New Delhi and Degree in Fashion Technology from F.I.T., New York She is having 07 years experience in the field of designing, coordinating with the buyers, sampling, handling fabric norms, supervising production activities, implementing cost standards, working out pricing and quotations and allied matters. The Acquirer is not on the Board of any other Listed Company.

5.4 As per the certificate issued by M/s. Vipan Kumar Aggarwal & Co., Chartered Accountants (Membership No. 081198), having their office at: K-206, Kismat Complex, Ludhiana Tel No. 0161-2533139, the networth of Mr. Nitin Bhandari and Ms. Nitika Bhandari as on 31/03/2008 is 6,28,34,981/- (Rupees Six Crore twenty eight lacs thirty four thousand nine hundred eighty one only) and Rs. 3,75,71,595/- (Rupees Three Crore seventy five lacs seventy one thousand five hundred ninety five only) respectively.

5.5 Acquirers do not have any plan to dispose off or otherwise encumber any of the assets of BHEX in the succeeding two years from the date of closure of the offer, except in the ordinary course of business and with the prior approval of shareholders of BHEX.

5.6 The Acquirers have vast experience in the textile and ready made garments and they expect to continue using their experience in taking the company forward.

5.7 Neither Acquirers nor any PAC have been prohibited by SEBI from dealing in securities, in terms of directions issued u/s 11B of SEBI Act.

5.8 Mr. Naresh Bhandari, Ms. Kusum Bhandari, Mr. Suresh Bhandari, Mr. Mahesh Bhandari, Ms. Asha Bhalla, Ms. Kamlesh Nayyar, Bhandari Export Industries Limited, Bhandari Knit Exports, Lifestyle Garments, Miracle Clothing Company and TBD Trading Company are Person Acting in Concert ("PAC") within the meaning of Regulation 2(1)(e) of SEBI (SAST) Regulations, 1997. None of the abovementioned "Persons" is acting for the purpose of this offer with the Acquirers, for the common objective of acquisition of shares or voting rights or gaining control over the target Company.

5.9 Acquirers and PAC have complied with the applicable provisions of the SEBI (SAST) Regulations/ other applicable provisions and other requirements and is in process of complying with the open offer process.

5.10 In terms of Reg. 22(9) of SEBI (SAST) Regulation, 1997, Mr. Naresh Bhandari, being "insider" to the Acquirers and Managing Director of Target Company, have rescue himself and has not participated in any matter(s) concerning or relating to the offer including any preparatory steps leading to the offer.

## 6 DETAILS OF EARLIER ACQUISITIONS

Acquirers have not acquired any share through Open Offer in the target Company.

## 7 STATUS OF LITIGATION

(Based on the undertaking provided by the Acquirers)

| **Mr. Nitin Bhandari** | | | |
|---|---|---|---|
| **S.No** | **Name of Parties and Authority** | **Brief of the Case** | **Stage of Case and Next date of Hearing** |
| | | No case pending | |
| **Ms. Nitika Bhandari** | | | |
| **S. No** | **Name of Parties and Authority** | **Brief of the Case** | **Stage of Case and Next date of Hearing** |
| 1. | Mr. Vivek Rampal S/o Shri Amarjeet Rampal, **Vs.** Ms. Nitika Bhandari and others D/o Shri Naresh Bhandari (Case No. S106 of 2005) | A Civil suit has been filed by Mr. Vivek Rampal (plaintiff) against Ms. Nitika Bhandari and others (defendants) pertaining to recovery of advance amount of Rs. 4.00 Lacs given under an _Agreement to Sale and Purchase dated 20$^{th}$ February 2005. The total claim is of Rs. 4.30 Lacs. The suit is still pending before Additional District Session Judge, Tis Hazari Court, New Delhi. | Suit is still pending. Next date of hearing is 22$^{nd}$ July 2008. |

## 8 <u>Disclosure in terms of regulation 16 (ix) of SEBI (SAST) regulations</u>

8.1 As on the date of the Public Announcement, the Acquirers does not have any plans to sell, dispose of or otherwise encumber any substantial asset of the Target Company in next twenty four (24) months except with the prior approval of the Shareholders of the Target Company.

8.2 The Acquirers does not have any intention to change the Board of Directors of the Target Company except in the ordinary course of business and subject to applicable law.

## 9 FUTURE PLANS AND STRATEGY OF ACQUIRERS

9.1 The Acquirers pursuant to this offer intend to consolidate their holding so as to strengthen their control over and having a majority stake in target Company.

## 10 CONTINUOUS LISTING

10.1 The Acquirers as of the date of the Public Announcement holds collectively holds 31,17,811 Equity Shares of the Target Company comprising 41.82% of the paid up capital of the Target Company. Upon completion of the Offer, assuming full acceptance the Acquirers will directly hold 48,32,622 Equity Shares comprising 64.82% of the total voting capital of the Target Company.

| | **As on the date of Public Announcement** | | **After the Offer** | |
|---|---|---|---|---|
| **Particulars** | **No. of Shares** | **Shareholding (%)** | **No. of Shares** | **Shareholding (%)** |
| Total Promoter and Promoter Group | 38,40,761 | 51.51 | 55,55,572 | 74.51 |
| Acquirers (included in Promoter Group) | 31,17,811 | 41.82 | 48,32,622 | 64.82 |

10.2 The minimum public shareholding required for continuous listing of the equity shares of BHEX is 25% (twenty five) of the total Equity Share Capital. Pursuant to this Offer, there will be no violation of Clause 40A of the listing agreement of BHEX with the stock exchanges on which its equity shares are listed and the equity shares will continue to be listed as, the public shareholding of BHEX is not expected to fall to a level below the limit for continuous listing specified in the listing agreement.

## 11 BACKGROUND OF THE TARGET COMPANY – BHEX

11.1 The Target Company, Bhandari Hosiery Exports Limited ("BHEX") was incorporated on November 25, 1993 with the Registrar of Companies, Jalandhar, as a Public Limited Company (Company Identification Number L17115PB1993PLC013930) and got Certificate of Commencement of Business on December 7, 1993 from the Registrar of Companies, Jalandhar. The Registered Office of BHEX is situated at Bhandari House, Village Meherban, Rahon Road, Ludhiana-141007, Punjab, India. At the outset, Company took over the running business of a firm named "Bhandari Hosiery Exports".

11.2 The Company is engaged primarily in the manufacture and export of knitted hosiery garments such as T-Shirts, Pullovers, Sweat Shirts, Bermudas, Polo shirts, Track Suits, Payjamas, Lowers, ladies knitted tops with embroidery, prints etc At present, the Company is a Government of India Recognized Export House with its Registered Office and Unit at Bhandari House, Village Meharban , Rahon Road, Ludhiana.. The Licensed capacity of the company is 20,40,000 pieces per annum. The Company is also a W.R.A.P, B.S.C.I and C-TPAT Certified Company.

11.3 <u>PROMOTERS OF THE COMPANY</u>
The Company has been promoted by Mr. Naresh Bhandari and Ms. Kusum Bhandari. Present promoter and promoter group of BHEX consists of Mr. Naresh Bhandari and Ms. Kusum Bhandari, Mr. Nitin Bhandari, Ms. Nitika Bhandari, Mr. Suresh Bhandari, Mr. Mahesh Bhandari, Ms. Asha Bhalla and Ms. Kamlesh Nayyar.

11.4 <u>CAPITAL STRUCTURE</u>
11.4.i The details of Capital Structure of Company is as follows:

| **Particulars** | **Number of Shares** | **Face Value** | **Nominal Amount** |
|---|---:|---:|---:|
| Authorised Capital | 2,50,00,000 | Rs. 10/- | Rs. 25,00,00,000/- |
| Issued, subscribed and paid-up equity share capital | 74,55,700 | Rs. 10/- | Rs.7,45,57,000/- |

11.4.ii The Company has came out with Public issue of 22,18,600 Equity shares of Rs. 10/- each at par in the year 1994.

11.4.iii On 12th October 2006, the Target Company made an allotment on Preferential basis in accordance with Section 81(1A) of the Companies Act, 1956 and the applicable provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as "SEBI (DIP) Guidelines"), the following securities:

| Particulars of Securities | Allottees | Category | Number of Securities |
|---|---|---|---|
| Warrants convertible into equity shares | Mr. Nitin Bhandari | Promoter Group | 402750 |
| | Ms. Nitika Bhandari | Promoter Group | 402750 |
| | Mr. Ramesh Sharma | Public Shareholders | 347250 |
| | Ms. Anita Dutt | Public Shareholders | 347250 |
| **Total** | | | **15,00,000** |
| Equity shares | Mr. Nitin Bhandari | Promoter Group | 300000 |
| | Ms. Nitika Bhandari | Promoter Group | 300000 |
| | Mr. Ramesh Sharma | Public Shareholders | 400000 |
| | Ms. Anita Dutt | Public Shareholders | 400000 |
| **Total** | | | **14,00,000** |

11.4.iv Each Warrants carrying a right to apply for and be allotted one equity share of the face value of Rs.10/- each, convertible at a price of Rs.18/- per share, as fixed by the Board of Directors of the Target Company, which was more than the minimum issue price of Rs. 16.02/- determined in accordance with the provisions of Clause 13.1.1 of the SEBI (DIP) Guidelines, with reference to the relevant date being 30th August 2006, as approved by the shareholders at the Annual General Meeting held on 29th September 2006. ("Equity Warrants"). Upon exercise of its rights and payment of the balance amount on these warrants, the Target Company has allotted 15,00,000 equity shares of the face value of Rs.10/- each on March 14, 2008.

The voting rights of the Acquirers before and after allotment are given below:-

| Category | Share Capital before allotment | Voting rights (%) | Share Capital after allotment | Voting rights (%) |
|---|---|---|---|---|
| Promoters | 29,13,211 | 48.91 | 38,40,761 | 51.51 |
| Public | 30,42,489 | 51.09 | 36,14,939 | 48.49 |
| **Total** | **59,55,700** | **100.00** | **74,55,700** | **100.0** |

| | **Before Allotment** | | **No. of shares allotted** | **After Allotment** | |
|---|---|---|---|---|---|
| **Particulars** | **No. of Shares** | **Shareholding (%)** | | **No. of Shares** | **Shareholding (%)** |
| **Allottees of Warrants to the Promoter Group:** | | | | | |
| Nitin Bhandari | 14,89,311 | 25.01 | 4,02,750 | 18,92,061 | 25.38 |
| Nitika Bhandari | 8,23,000 | 13.82 | 4,02,750 | 12,25,750 | 16.44 |
| Total | 23,12,311 | 38.83 | 8,05,500 | 31,17,811 | 41.82 |
| **Total Promoters Holding** | **29,13,211** | **48.91** | | **38,40,761** | **51.51** |
| **Allottees of Warrants who are non-promoters** | | | | | |
| Ramesh Sharma | 4,00,000 | 6.72 | 3,47,250 | 7,47,250 | 10.02 |
| Anita Datt | 5,48,100 | 9.2 | 3,47,250 | 8,95,350 | 12.01 |
| **Total Shares** | **59,55,700** | | **15,00,000** | **74,55,700** | |

The Share capital structure as on date of Public Announcement was as under:

(Face Value Rs.10/- each)

| **Paid up equity shares of BHEX** | **No of Shares / Voting right** | **% of Shares /% of Voting Right** |
|---|---|---|
| Fully paid up equity shares | 74,55,700 | 100 |
| Partly paid up equity shares | Nil | Nil |
| Total paid up equity shares | 74,55,700 | 100 |
| Total voting rights in BHEX | 74,55,700 | 100 |

11.5 There is no change in Capital structure of Target Company during the period from the date of Public Announcement till the date of Letter of Offer.

BUILD UP OF THE SHARE CAPITAL:

| **Date of allotment** | **No of shares issued** | **Cumulative paid-up capital (Rs.)** | **Mode of allotment** | **Identity of Allottees (promoters/ex-promoters** | **Status of Compliance** |
|---|---|---|---|---|---|
| 25.11.1993 | 700 | 7,000 | Subscription to Memorandum | Subscribers to Memorandum of Association | Complied |
| 27.10.1994 | 1285000 | 1,28,57,000 | Allotment for consideration other than Cash | Allotment to erstwhile Partners of Firm Bhandari Hosiery Exports in lieu of Partners' Capital on takeover | Complied |
| 17.12.1994 | 3270000 | 4,55,57,000 | Public Issue | Promoter as well as Public | Complied |
| 12.10.2006 | 1400000 | 5,95,57,000 | Preferential Allotment | Promoters and Public Shareholder | Complied |
| 14.03.2008 | 1500000 | 7,45,57,000 | Conversion of warrant into Shares | Promoters and Public Shareholder | Complied |

11.5.i The Company is listed on Bombay Stock Exchange only. The shares are frequently traded in terms of Explanation (i) to Regulation 20(5).

11.5.ii The trading of shares of "BHEX" has not been suspended by "BSE" at any point of time till date.

11.6 As on date the Company has no preference shares or outstanding Convertible instruments. There are no partly paid-up shares in the Target Company.

11.7 The closing price of BHEX on BSE as on 17th April, 2008 was Rs. 18/-.

11.8 Out of 74,55,700 equity shares of BHEX, 59,55,700 have been listed on BSE and 15,00,000 equity shares were allotted pursuant to conversion of warrant on 14th March, 2008. Listing application of newly issued shares has been submitted to BSE on 27th March 2008 and Stock Exchange has granted In-principle approval on 08th May 2008. Confirmation from Depositories about crediting Shares to respective beneficiary account has been received thereafter. Application for trading was forwarded to BSE on 27 May 2008 the final permission on which is yet to be received.

The company has complied with all the listing requirements till date and no punitive actions have been taken against the Company.

11.9 As on the date of this Letter of Offer, the details of shares under Lock-in are as under:

| **Name** | **Category** | **Number of Shares (% to Total Share capital)** |
|---|---|---|
| Nitin Bhandari | Promoter group | 7,02,750 (9.43%) |
| Nitika Bhandari | Promoter group | 7,02,750 (9.43%) |
| **Total** | | **14,05,500 (18.86%)** |

12 CHAPTER II COMPLIANCE

12.1 Promoters, Acquirers and other major shareholders have complied with Chapter-II of SEBI (SAST) Regulations within in the time limits specified in the regulations. The Target Company has complied with Chapter-II of SEBI (SAST) Regulations within the time limit specified in the Regulations. SEBI may take action against the Target Company for the non-compliance, if any.

13 COMPOSITION OF THE BOARD OF DIRECTORS OF BHEX AS ON THE DATE OF PUBLIC ANNOUNCEMENT IS AS FOLLOWS:

| **Name of the Director** | **Designation** | **Age** | **Qualification and Experience** | **Residential Address** | **Date of Appointment** | **Other Directorships** |
|---|---|---|---|---|---|---|
| Mr. Naresh Bhandari | Chairman & Managing Director | 60 | Graduation; 35 years of Experience | Bhandari House, Queen's Enclave, Chatley Estate, South City, Ludhiana | 25.11.1999 | 1.Bhandari Export Industries Ltd. |
| Mr. R. C. Singal | Independent Director | 54 | B. Com, M.A. (Eco.), C.S., C.W.A.<br>34 years of experience | B- 23/750, Janakpuri, Street No.- 5, Ludhiana | 04.06.1994 | 1. RCS Financial Technology Ltd.<br>2. RCS Securities Pvt. Ltd.<br>3. RCS Consultants Pvt. Ltd.<br>4. RCS Investments (Pvt. Unltd. Liability Company)<br>5. SPS Investments (Pvt. Unltd. Liability Company)<br>6. RCS Share Brokers Ltd.<br>7. Titan Confime Ltd.<br>8. Nishant Global Ltd.<br>9. Supreme Texmart Ltd.<br>10. Raj Agro Mills Ltd.<br>11. Shreyans Industries Ltd.<br>12. Malwa Industries Ltd.<br>13. LSE Commodities Trading Services Ltd. |
| Mr. Ashish Thapar | Independent Director | 56 | Graduation, 08 years of experience | 568/1, Cematry Road, Ludhiana | 29.03.2003 | Nil |
| Mr. Vikas Nayyar | Independent Director | 35 | Graduation, 06 years of experience | 127, 18-A, Chandigarh | 29.10.2004 | Nil |
| Mr. Manmohan Sikka | Independent Director | 66 | B. Tech (Textile),<br>28 years of experience | F- 237, 2nd Floor, New Rajender Nagar, New Delhi | 27.01.2007 | 1. Bhandari Export Industries Ltd. |
| Mr. Parveen Malhotra | Whole time Director | 47 | F.C.A,<br>20 years of experience | 5210, B- XXXIV, Street No.- 3, Anand Nagar, Haibowal Kalan, Ludhiana | 27.01.2007 | Nil |

13.1 There are no changes in Board of Directors after Public Announcement.
13.2 There have been no merger/demerger, spin-offs involving BHEX over the last three years.
13.3 There has been no change of name of the Target Company since incorporation.
13.4 The Brief audited financials of BHEX are as under:

(Amount Rs.in Lacs)

| **Profit & Loss statement** | **Nine months ended 31.12.07 (Unaudited)** | **Year ended 31.03.07 (Audited)** | **Year ended 31.03.06 (Audited)** | **Year ended 31.03.05 (Audited)** |
|---|---|---|---|---|
| Income from Operations | 4985.58 | 6537.49 | 3782.73 | 2273.00 |
| Other Income | 28.35 | 15.60 | 100.25 | 3.57 |
| Total Income | 5013.92 | 6553.09 | 3882.97 | 2276.56 |
| Total expenditure | 4831.66 | 6284.07 | 3630.48 | 2223.73 |
| EBIDT | 347.55 | 449.34 | 362.16 | 147.90 |
| Depreciation | 48.67 | 52.08 | 42.05 | 38.67 |
| Interest | 116.61 | 128.25 | 67.62 | 56.40 |
| **Profit Before Tax** | **182.26** | **269.01** | **252.49** | **52.83** |
| Tax | 32.00 | 100.87 | 68.72 | 23.70 |
| **Profit after Tax** | **150.26** | **168.14** | **183.77** | **29.13** |

(Amount Rs.in Lacs)

| **Balance Sheet Statement** | **Nine months ended 31.12.07 (Unaudited)** | **Year ended 31.03.07 (Audited)** | **Year ended 31.03.06 (Audited)** | **Year ended 31.03.05 (Audited)** |
|---|---|---|---|---|
| **Sources of Funds** | | | | |
| Share Capital | 595.57 | 595.57 | 455.57 | 455.57 |
| Reserves & Surplus (excluding Revaluation Reserves) | 1010.05 | 844.79 | 602.56 | 418.78 |
| Net worth | 1605.62 | 1440.36 | 1058.13 | 874.35 |
| Secured Loans | 1095.38 | 794.65 | 312.44 | 296.50 |
| Unsecured Loans | Nil | Nil | Nil | Nil |
| Deferred Current Liabilities | 148.09 | 137.69 | 124.60 | 117.98 |
| **Total** | **2849.08** | **2372.71** | **1495.18** | **1288.83** |
| **Uses Of Funds** | **0.00** | **0.00** | **0.00** | **0.00** |
| Net Fixed Assets | 956.25 | 897.91 | 659.28 | 640.14 |
| Investments | | | | |
| Net Current Assets | 1892.83 | 1474.79 | 835.90 | 645.33 |
| Total Miscellaneous Expenditure not written off | Nil | Nil | Nil | 3.36 |
| **Total** | **2849.08** | **2372.71** | **1495.18** | **1288.83** |

(Amount Rs.in Lacs)

| **Other Financial Data** | **Nine months ended 31.12.07 (Unaudited)** | **Year ended 31.03.07 (Audited)** | **Year ended 31.03.06 (Audited)** | **Year ended 31.03.05 (Audited)** |
|---|---|---|---|---|
| Dividend | Nil | 59,55,700 | Nil | Nil |
| Earning Per Share (annualized) | 3.36 | 3.23 | 4.03 | 0.64 |
| Return on Net Worth (annualized) | 12.84 | 11.67 | 17.37 | 3.33 |
| Book Value Per Share | 26.96 | 24.18 | 23.23 | 19.19 |

Provisional Financial Statement are duly Certified by Statutory Auditor.

***Formula:*** Return on Net Worth=(Profit after Tax/ Net Worth)*100;
Book value of shares=Net Worth /Number of equity shares issued; EPS=Profit after Tax/ Number of equity shares issued

13.5 Reasons for the Rise/Fall in Profit during the relevant years:

**A. For the year ended 31.03.2006 vs. For the year ended 31.03.2005**

Total Income in absolute terms, increased by 70.56%, as a result of discontinuation of Quota in Textile and Clothing Industry in the year 2006 which resulted into a substantial increase in our turnover and Profits. Moreover the Profits of Year includes Non Business Income of Sale of Land to the tune of Rs. 90.00 Lacs.

**B. For the year ended 31.03.2007 vs. For the year ended 31.03.2006**

In the 12 months ended on 31.03.07, there is an increase of 68.76% in Total income however a decrease of 8.50% recorded in Profits for the year which was a cyclic deviation in normal course of business.

For the rest of period, the rise in the Total income and profits is in normal routine of Business and nothing extra-ordinary happened.

14 PRE AND POST OFFER SHAREHOLDING PATTERN OF BHEX:

| **Sr. No** | **Category** | **Shareholding/voting rights as on the date of Public Announcement** | | **Shareholding/voting rights after Offer** | |
|---|---|---|---|---|---|
| | | **(A )** | | **(B)** | |
| | | No. | % | No. | % |
| **(1)** | **Promoter Group** | | | | |
| | Promoters other than Acquirer (PACs) # | 7,22,950 | 9.696 | 7,22,950 | 9.696 |
| **(2)** | **Acquirer** | | | | |
| | Nitin Bhandari | 18,92,061 | 25.377 | 30,92,429 | 41.477 |
| | Nikita Bhandari | 12,25,750 | 16.440 | 17,40,193 | 23.340 |
| | **Total (1) + (2)** | **38,40,761** | **51.514** | **55,55,572** | **74.514** |
| **(3)** | **Public** | | | | |
| | Institutional | 1,213 | 0.016 | 1,213 | 0.016 |
| | Non- Institutional | 36,13,726 | 48.470 | 18,98,915 | 25.469 |
| | **Total (3)** | 36,14,939 | 48.486 | 19,00,128 | 25.486 |
| | **GRAND TOTAL(1+2+3)** | **74,55,700** | **100.00** | **74,55,700** | **100.00** |

# Acquirers belongs to Promoter Group.

14.1 **The details of changes in the shareholding of the Promoter Group of the Company since 1997 as and when it happened are mentioned hereunder:**

| Year (as at 31st March) | Total Promoters Holding | % Holding | Name of purchase | Name of Seller | Change during the year | % Chan ges | Acquirers | | Public Holding | Total Number of Equity Shares |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Mr. Nitin Bhandari | Ms. Nitika Bhandari | | |
| **31.03.1997** | **2,666,300** | **58.53** | | | | | **559,200** | **523,000** | **1,889,400** | **4,555,700** |
| 30.07.1997 | | | Kusum Bhandari | Public | 3,800 | 0.08 | | | -3,800 | |
| **31.03.1998** | **2,670,100** | **58.61** | | | | | **559,200** | **523,000** | **1,885,600** | **4,555,700** |
| 15.04.1998 | | | Nitin Bhadari | Public | 50,000 | 1.10 | 50,000 | | -50,000 | |
| 29.04.1998 | | | Public | Veena Bhandari | -7,500 | -0.16 | | | 7,500 | |
| 15.05.1998 | | | Public | Mahesh Bhandri | -3,800 | -0.08 | | | 3,800 | |
| 30.05.1998 | | | Nitin Bhandari | Public | 25,000 | 0.55 | 25,000 | | -25,000 | |
| 15.07.1998 | | | Public | Mahesh Bhandari | -1,100 | -0.02 | | | 1,100 | |
| 30.07.1998 | | | Public | Mahesh Bhandari | 1,600 | 0.04 | | | -1600 | |
| 29.08.1998 | | | Public | Mahesh Bhandari | -5,900 | -0.13 | | | 5,900 | |
| **31.03.1999** | **2,728,400** | **59.89** | | | | | **634,200** | **523,000** | **1,827,300** | **4,555,700** |
| 28.04.1999 | | | Nitin Bhandari and Mahesh Bhandari | Public | 1,500 | 0.03 | 1,000 | | -1,500 | |
| 15.07.1999 | | | Nitin Bhandari | Public | 150,000 | 3.29 | 150,000 | | -150,000 | |
| 15.12.1999 | | | Mahesh Bhandari | Public | 900 | 0.02 | | | -900 | |
| 15.12.1999 | | | Nitin Bhandari | Public | 0 | 0.00 | 3700 | | 0 | |
| 15.01.2000 | | | Nitin Bhandari | Public | 30,200 | 0.66 | 30,200 | | -30,200 | |
| 15.01.2000 | | | Public | Mahesh Bhandari | -1,000 | -0.02 | | | 1,000 | |
| **31.03.2000** | **2,910,000** | **63.88** | | | | | **819,100** | **523,000** | **1,645,700** | **4,555,700** |
| 15.05.2000 | | | Nitin Bhandari and Mahesh Bhandari | Public | 4,900 | 0.11 | 3,500 | | -4,900 | |
| 15.06.2000 | | | Public | Sarla Bhandari and Mahesh Bhandari | -3300 | -0.07 | | | 3300 | |
| 15.07.2000 | | | Nitin Bhandari | Public | 0 | 0.00 | 25,000 | | 0 | |
| 31.07.2000 | | | Nitin Bhandari, Chaturbh uj Bhandari and Veena Bhandari | Public | 101500 | 2.23 | 33,100 | | -101500 | |
| 30.08.2000 | | | Nitin Bhandari | Public | 1300 | 0.03 | 1,300 | | -1,300 | |
| 31.08.2000 | | | Nitin Bhandari | Public | 900 | 0.02 | 900 | | -900 | |
| **31.03.2001** | **3015300** | **66.19** | | | | | **882,900** | **523,000** | **1,540,400** | **4,555,700** |
| 15.12.2001 | | | Nitin Bhandari | Public | 13,000 | 0.29 | 13,000 | | -13,000 | |
| 31.12.2001 | | | Public | Nitin Bhandari | -13,400 | -0.29 | -13,400 | | 13,400 | |
| 25.01.2002 | | | Public | Chaturbh uj | -28,800 | -0.63 | | | 28,800 | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Bhandari | | | | | | |
| **31.03.2002** | **2,986,100** | **65.55** | | | | | **882,500** | **523,000** | **1,569,600** | **4,555,700** |
| 29.06.2002 | | | Madhusudan Bhandari and Public | Naresh Bhandari, Kusum Bhandari, Veena Bhandari | -87,100 | -1.91 | | | 87,100 | |
| 16.07.2002 | | | Nitin Bhandari | Mahesh Bhandari and Public | 54,000 | 1.19 | 54,700 | | -54,000 | |
| 02.09.2002 | | | Public | Naresh Bhandari and Kusum Bhandari | -2,400 | -0.05 | | | 2,400 | |
| 01.10.2002 | | | Public | Mr. Naresh Bhandari, 2,77,700 Shares | -277,700 | -6.10 | | | 277,700 | |
| **31.03.2003** | **2,672,900** | **58.67** | | | | | **937,200** | **523,000** | **1,882,800** | **4,555,700** |
| 01.04.2003 | | | Public | Mahesh Bhandari | -22,700 | -0.50 | | | 22,700 | |
| **31.03.2004** | **2,650,200** | **58.17** | | | | | **937,200** | **523,000** | **1,905,500** | **4,555,700** |
| **31.03.2005** | **2,650,200** | **58.17** | | | | | **937,200** | **523,000** | **1,905,500** | **4,555,700** |
| 30.04.2005 | | | Naresh Bhandari | Public | 200 | 0.00 | | | -200 | |
| 29.09.2005 | 362100 | | Public | Mr. Madhu Sudan Bhandari, 362100 Shares | -119,119 | -2.61 | 242,981 | | 119,119 | |
| | | | Mr. Nitin Bhandari, 2,42,981 | Public | | | | | | |
| **31.03.2006** | **2,531,281** | **55.56** | | | | | **1,180,181** | **523,000** | **2,024,419** | **4,555,700** |
| 12.10.2006 | | | Allotment to Mr. Nitin Bhandari and Ms. Nitika Bhandari. 6,00,000 | Mr. Naresh Bhandari, 2,27,200 | 600000 | 13.17 | 300,000 | 300,000 | 1,027,200 | |
| 16.03.2007 | | | | | 2000 | 0.04 | 2,000 | | -2,000 | |
| **31.03.2007** | **2,906,081** | **48.79** | | | | | **1,482,181** | **823,000** | **3,049,619** | **5,955,700** |
| 01.04.2007 | | | Naresh Bhandari | Public | 3,050 | 0.05 | | | -3,050 | |
| 02.04.2007 | | | Naresh Bhandari | Public | 6,000 | 0.10 | | | -6,000 | |
| 09.04.2007 | | | Naresh Bhandari | Public | 2,000 | 0.03 | | | -2,000 | |
| 09.04.2007 | | | Nitin Bhandari | Public | 930 | 0.02 | 930 | | -930 | |
| 16.04.2007 | | | Nitin Bhandari | Public | 100 | 0.00 | 100 | | -100 | |
| 22.04.2007 | | | Public | Kusum Bhandari | 111,000 | 1.86 | | | -111,000 | |
| 04.05.2007 | | | Nitin Bhandari | Public | 1,000 | 0.02 | 1,000 | | -1,000 | |
| 13.07.2007 | | | Nitin Bhandari | Public | 5,100 | 0.09 | 5,100 | | -5,100 | |
| 14.03.2008 | | | Allotment to Mr. Nitin Bhandari and Ms. Nitika Bhandari. 8,05,500 | | 805,500 | 13.52 | 402,750 | 402,750 | 694,500 | |
| **31.03.2008** | **3,840,761** | **51.51** | | | | | **1,892,061** | **1,225,750** | **3,614,939** | **7,455,700** |

14.2 There are no other purchase or sales other than one disclosed in the above table by the whole promoter group.

14.3 On 12.10.2006 Acquirers were allotted 600000 Shares and person from Public were allotted 800000 Shares by way of Preferential Allotment. Due compliances were made for the Allotment.

14.4 On 14.03.2008 Warrants were converted into Equity shares and 805500 Shares were allotted to Mr. Nitin and Ms. Nitika and 694500 Shares were allotted to Public Shareholders. Due compliances were made for the Allotment pursuant to conversion.

14.5 The due compliance has been made for the above transactions within time the details of which are as follows:-

| **Compliance** | **Status** |
|---|---|
| A. Intimated the Stock Exchange Nine (9) days prior to the Board meeting | Complied with |
| B. Received the balance Amount due on warrants conversion | Complied with |
| C. Intimating the result of Board meeting where warrants were converted into Equity shares | Complied with |
| D. Disclosures under Regulation 7 of SEBI (SAST) Regulation | Complied with |
| E. Filing Form No. 2 with the Registrar of Companies within 30 days from the date of Allotment of Equity Shares pursuant to conversion of Warrants. | Complied with |
| F. Filing Application with BSE for Listing of such newly allotted equity shares within 30 days of Allotment. | Complied with |

15 Details of Company Secretary and Compliance Officer of Target Company:

**Mr. Gurinder Makkar**
Bhandari Hosiery Exports Limited,
Bhandari House,
Village- Meherban,
Rahon Road, Ludhiana (Punjab)
Phone: 0161- 3260742- 44 Fax No.-0161- 2690394

16 As of specified date the BHEX had 4871 shareholders in public category.

17 STATUS OF CORPORATE GOVERNANCE, PENDING LITIGATIONS AND CONTINGENT LIABILITY OF TARGET COMPANY

17.1 (A) Status of Corporate Governance

Bhandari Hosiery Exports Limited has been complying with the provisions of Corporate Governance and has appointed 04 Independent Directors out of total strength of 06 Directors on its Board. Company has duly constituted the Audit Committee, Shareholders' Grievance Committee and Remuneration Committee as required under Clause 49 of the Listing Agreement with the requisite number of independent directors in each committee. The details are as follows:-

| **Name of Directors** | **Category** | **Member of Audit Committee** | **Member of Shareholder's Grievance Committee** | **Member of Remuneration Committee** |
|---|---|---|---|---|
| Mr. Ashish Thapar | Independent Director | Chairman | Member | Chairman |
| Mr. Vikas Nayyar | Independent Director | Member | Chairman | Member |
| Mr. R. C. Singal | Independent Director | Member | Member | Member |

(B) As per the Certificate on Corporate Governance received from the Statutory Auditors, the provisions of Clause 49 of the Listing Agreement with regard to Corporate Governance have been complied with and Compliance Certificates on quarterly basis have been filed with the Stock Exchanges within the stipulated time.

17.2 Status of Pending Litigation

i. Cases filed by Target Company

| S. No | Name of Parties and Authority | Nature of Proceedings | Stage of Case and Next date of Hearing |
|---|---|---|---|
| 1. | BHEX Vs. Ambika Traders | Civil suit for recovery for Rs. 16,48,922.00 | Summons Issued; 26.08.2008 |
| 2. | BHEX Vs. Avtar Singh | Suit for recovery u/s 138 of Negotiable Instrument Act for Rs. 10,000 | Bailable Warrant Issued; 05.07.2008 |
| 3. | BHEX Vs. Ramya Fashions | Civil suit for recovery of Rs. 16,61,260.00 | Summons Issued; 07.05.2008 |
| 4. | BHEX Vs. Sharda Logistics | Suit for recovery u/s 138 of Negotiable Instrument Act for Rs. 25,000 | Summons Issued; 04.06.2008 |
| 5. | BHEX Vs. Sharda Logistics | Suit for recovery u/s 138 of Negotiable Instrument Act for Rs. 15,000 | Summons Issued; 04.06.2008 |
| 6. | BHEX Vs. Sharda Logistics | Suit for recovery u/s 138 of Negotiable Instrument Act for Rs. 10,000 | Summons Issued; 04.06.2008 |

ii. Cases filed against Target Company

| S. No | Name of Parties and Authority | Nature of Proceedings | Stage of Case and Next date of Hearing |
|---|---|---|---|
| 1. | Subhash Bansal Vs. BHEX and Others | Suit for possession of Land by way of Specific Performance | Proceeding stayed; 02.05.2008 |

17.3 Contingent Liabilities

(Amount Rs. in Lacs)

| Particulars | Nine month ended 31.12.2007 | F.Y. 06-07 | F.Y. 05-06 | F.Y. 04-05 |
|---|---|---|---|---|
| Letter of Credit Outstanding | 153.90 | 141.33 | 83.62 | 75.86 |
| Bank Guarantee Outstanding | Nil | Nil | 110.00 | 110.00 |
| Bill discounting with Bank against irrevocable L.C. | Nil | 11.20 | Nil | Nil |

17.4 No penal actions have been initiated by any stock exchange against BHEX as on date of this letter of offer.

## 18 OFFER PRICE AND FINANCIAL ARRANGEMENTS

JUSTIFICATION OF OFFER PRICE

The shares of "BHEX" are at present listed on Bombay Stock Exchange Limited only. Based on the trading volumes of the Target Company for the six month periods ended on 31$^{st}$ March

2008, the shares are frequently traded within the meaning of explanation (i) to Regulation 20(5) of SEBI (SAST) Regulations as per the data available with BSE **(Source: www.bseindia.com).** Trading turnover of BHEX shares at BSE for the 6 months' period were as under: -

| **Period** | **Total No. of shares traded during Period (annualized)** | **Total No. of Listed shares** | **Annualized trading turnover (% to total Listed shares)** |
|---|---|---|---|
| 01.10.2007 to 31.03.2008 | 21,99,556 | 59,55,700 | 36.93% |

19 MINIMUM OFFER PRICE AS PER REGULATION NO. 20(4) AND OFFER PRICE JUSTIFICATION

Annualized trading turnover on BSE is 36.93% which is more than 5% of the total number of listed shares and therefore the shares are deemed to be "frequently traded" in terms of Explanation (i) to Regulation 20(5) of SEBI (SAST) Regulations. As per the parameters set out in Regulation 20(4) of SEBI (SAST) Regulations, applicable for companies whose shares are frequently traded, the minimum offer price works out to Rs. 18/- as illustrated below and the open offer price of Rs. 18/- is justified in term of the parameters as specified in Regulation 20(4) of SEBI (SAST) Regulations.

PARAMETERS AS PER REGULATION 20(4) READ WITH EXPLANATION NO. (II) TO REGULATION 20(11)

| | | |
|---|---|---|
| A. | The Negotiated Price | Nil |
| B. | Highest Price paid by acquires for acquisition, if any, including by way of allotment in a public or rights issue or Preferential Issue during the 26 weeks prior to the date of the Public Announcement | Rs. 18 Per share |
| C. | The average of the weekly High and Low of the closing prices of the shares of BHEX on Stock Exchange during 26 weeks period preceding the date of Public Announcement | Rs. 17.91 Per share |
| D. | The average of the daily high and Low of the prices of the shares of BHEX on Stock Exchange during 2 weeks period preceding the date of Public Announcement | Rs. 16.67 per share |
| | **Other Parameters** | |
| E. | Book value per equity share | 24.18 |
| F. | Earning per equity shares | 3.23 |
| G. | Return on Networth | 11.67 |
| H. | Price Earning ratio | 5.5 |

CALCULATION OF PRICE UNDER THE POINT (C)

Computation of Average Price based on Weekly High & Low of the Closing Prices quoted on Bombay Stock Exchange Limited during the twenty-six weeks preceding the date of PA, as required under SEBI (SAST) Regulations.

| **Week no.** | **Starting date** | **Ending date** | **Weekly High –low of Closing prices** | | | **Volume** |
|---|---|---|---|---|---|---|
| | | | **High** | **Low** | **Average** | |
| 1 | 22/10/2007 | 28/10/2007 | 15.6 | 14.45 | 15.03 | 60,367.00 |
| 2 | 29/10/2007 | 4/11/2007 | 15.07 | 14.4 | 14.73 | 146,930.00 |
| 3 | 5/11/2007 | 11/11/2007 | 15.14 | 14.5 | 14.82 | 70,720.00 |
| 4 | 12/11/2007 | 18/11/2007 | 15 | 14.3 | 14.65 | 120,938.00 |
| 5 | 19/11/2007 | 25/11/2007 | 15.78 | 15.16 | 15.47 | 148,535.00 |
| 6 | 26/11/2007 | 2/11/2007 | 16 | 15 | 15.5 | 237,153.00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 7 | 3/12/2007 | 9/12/2007 | 17.3 | 15.8 | 16.55 | 479,338.00 |
| 8 | 10/12/2007 | 16/12/2007 | 20.05 | 17.4 | 18.73 | 1,037,226.00 |
| 9 | 17/12/2007 | 23/12/2007 | 19.1 | 18.9 | 19 | 492,844.00 |
| 10 | 24/12/2007 | 30/12/2007 | 30.25 | 19.25 | 24.75 | 8,491,180.00 |
| 11 | 31/12/2007 | 6/1/2008 | 30.9 | 27.3 | 29.1 | 5,864,457.00 |
| 12 | 7/1/2008 | 13/01/2008 | 28.1 | 20.8 | 24.45 | 1,675,412.00 |
| 13 | 14/01/2008 | 20/01/2008 | 24.9 | 22.85 | 23.87 | 882,166.00 |
| 14 | 21/01/2008 | 27/01/2008 | 21.8 | 17.5 | 19.65 | 468,247.00 |
| 15 | 28/01/2008 | 3/2/2008 | 18.2 | 17 | 17.6 | 153,270.00 |
| 16 | 4/2/2008 | 10/2/2008 | 18.5 | 17 | 17.75 | 143,201.00 |
| 17 | 11/2/2008 | 17/02/2008 | 17.45 | 15.65 | 16.55 | 730,824.00 |
| 18 | 18/02/2008 | 24/02/2008 | 18.1 | 15.6 | 16.85 | 1,434,504.00 |
| 19 | 25/02/2008 | 2/2/2008 | 17.05 | 15.7 | 16.38 | 247,041.00 |
| 20 | 3/3/2008 | 9/3/2008 | 17 | 16.25 | 16.62 | 163,092.00 |
| 21 | 10/3/2008 | 16/03/2008 | 16.6 | 14.8 | 15.7 | 385,848.00 |
| 22 | 17/03/2008 | 23/03/2008 | 14.95 | 13.9 | 14.43 | 152,236.00 |
| 23 | 24/03/2008 | 30/03/2008 | 19.3 | 13.5 | 16.4 | 335,844.00 |
| 24 | 31/03/2008 | 6/4/2008 | 18.35 | 16.55 | 17.45 | 1,141,418.00 |
| 25 | 7/4/2008 | 13/04/2008 | 16.65 | 15.9 | 16.27 | 53,469.00 |
| 26 | 14/04/2008 | 20/04/2008 | 18 | 16.9 | 17.45 | 55,360.00 |
| Sum of Averages of 26 weeks | | | | | 465.75 | 25,171,620.00 |
| **Average Price of 26 weeks** | | | | | **17.91** | **968,139.23** |

CALCULATION OF PRICE UNDER THE POINT (D)
Computation of Average Price based on Weekly High & Low of the Prices quoted on Bombay Stock Exchange Limited during the two week period preceding the date of Public Announcement is as follows:

| **Week no.** | **Date** | **Weekly High –low of prices** | | | |
|---|---|---|---|---|---|
| | | **High** | **Low** | **Average** | **Volume** |
| 1. | 07/04/2008 | 17.30 | 15.80 | 16.55 | 9,155.00 |
| | 08/04/2008 | 16.90 | 15.60 | 16.25 | 16,752.00 |
| | 09/04/2008 | 16.00 | 16.00 | 16.00 | 8,000.00 |
| | 10/04/2008 | 15.90 | 15.90 | 15.90 | 1,590.00 |
| | 11/04/2008 | 16.65 | 16.40 | 16.53 | 17,972.00 |
| 2. | 15/04/2008 | 17.45 | 16.20 | 16.83 | 34,394.00 |
| | 16/04/2008 | 17.65 | 17.20 | 17.43 | 3,916.00 |
| | 17/04/2008 | 18.00 | 17.80 | 17.90 | 17,050.00 |
| **Sum of Averages of 02 weeks** | | | | **133.38** | |
| Average Price of 02 weeks | | | | 16.67 | |

19.2 Since this Public Announcement is made pursuant to voluntary offer for acquisition of equity shares by Acquirers, there is no negotiated price paid by the Acquirers for directly acquiring shares of the Target Company.

19.3 There is no non-compete agreement with the Target Company.

19.4 If the Acquirers acquires equity shares after the date of Public Announcement upto 7 working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid acceptances received under the Offer.

20 FINANCIAL ARRANGEMENTS

20.1 The Acquirers has adequate resources to meet the financial requirements of the Offer in terms of Regulation 16(xiv) of SEBI (SAST) Regulations. The Acquirers has made firm arrangement for the resources required to complete the Offer in accordance with the SEBI (SAST) Regulations. The acquisition will be financed through internal resources.

20.2 The total funding requirement for the Offer (assuming full acceptance) i.e. for the acquisition of up to 17,14,811 Shares at Rs. 18/- per share is Rs.3,08,66,598/- (Rupees Three Crore Eight lac sixty six thousand five hundred ninety eight Only) (the **"Maximum Consideration"**).

20.3 The Acquirers and AXIS Bank Limited, a banking company incorporated under the Companies Act, 1956 and having its branch office in India, at S-266, Greater Kailash, Part- II, New Delhi – 110 048, (hereinafter referred to as the "Escrow Bank" or "AXIS Bank") have entered into an Open Offer Escrow Agreement (the "Escrow Agreement") on 16th April, 2008 in accordance with Regulation 28 of the SEBI (SAST) Regulations whereby the Acquirers has, inter-alia, made a cash deposit ("Security Deposit") of Rs. 78,00,000/- (Rupees Seventy Eight Lac Only) (being more than 25% of the Consideration) in an escrow account with Axis Bank ("Escrow Account"). Sobhagya Capital Options Limited have been duly authorized to realize the value of the Escrow Account in terms of the SEBI (SAST) Regulations. AXIS Bank has given a Certificate to the effect that the amount is being deposited in the aforementioned Account.

20.4 Manager to the Offer is 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 obligations of the Acquirers under the Offer and is satisfied that the Acquirers have their own adequate resources to meet the financial requirements of the Offer and ability to implement the Offer in accordance with the Takeover Regulations.

20.5 In case of a revision in the Offer price, the Acquirers would raise the amount in the escrow account to ensure compliance with Regulation 28 of SEBI (SAST) Regulations.

20.6 The Acquirers has adequate resources to meet the financial requirements of the Offer. This is certified by the Networth Certificate as provided by M/s. Vipan Kumar Aggarwal & Co, Chartered Accountants (Membership No. 081198), Address: K-206, Kismat Complex, Ludhiana -141007

## 21 STATUTORY APPROVALS & CONDITIONS OF THE OFFER

21.1 The shares that are tendered in the Offer may be those held by Non-Resident Indians or persons resident outside India who are not Non-Resident Indians, including Overseas Corporate Bodies, if any, holding shares in the Company who may be persons not covered by specific provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

21.2 The Offer is therefore subject to the receipt of the approval of the RBI under the Foreign Exchange Management Act, 1999 and the rules and regulations made there under for the acquisition of equity shares by the Acquirers from the aforesaid category of shareholders under the Offer and other related matters.

21.3 The Acquirers will make the requisite application to RBI to obtain permission under FEMA for transfer of shares in their name in due course after successful completion of this offer. However no previous approval has been obtained by the Acquirer.

21.4 There are no other statutory approvals required to acquire the shares tendered pursuant to this Offer. However, the Offer would be subject to all statutory approvals that may become applicable prior to completion of the Offer.

21.5 The Acquirers shall complete all procedures relating to the Offer within a period of 15 days from the date of closing of the offer.

21.6 In case of delay in receipt of statutory approvals, as explained above, SEBI has power to grant extension of time to the Acquirers for payment of purchase consideration to eligible shareholders of the Company, subject to the Acquirers agreeing to pay interest as directed by SEBI, for the delayed period in terms of Regulation 22(12) of the Takeover Regulations. If the delay occurs due to willful default of the Acquirers in obtaining requisite approvals, Regulation 22(13) of the Takeover Regulations will become applicable.

21.7 To the best of the Acquirers' knowledge, (a) no approval from banks/ financial institutions of the Company is required for the Acquirers to make this Offer and (b) other than the approvals mentioned aforesaid, no other statutory or regulatory approval is required for the Acquirers to proceed with the offer. If any other approvals are required or become applicable subsequently, the Offer would be subject to such approvals. The Acquirers will have a right not to proceed with the Offer in the event the approvals are refused, in terms of Regulation 27(1)(b) of the Takeover Regulations.

21.8 The Acquirers reserves the right to withdraw the offer, in terms of circumstances provided in Regulation 27 of the SEBI (SAST) Regulations i.e. in the event the requisite statutory approvals are being refused, acquirers, being natural persons have died or in such circumstances as in the opinion of the Board merit withdrawal. In the event of withdrawal, a Public Announcement will be made in the same newspapers in which this original Public Announcement is being made.

21.9 In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12) of SEBI (SAST) Regulation, SEBI may, if satisfied that the non-receipt of the approvals was not due to willful default or negligence, grant an extension for the purpose of completion of the Offer provided the Acquirers agrees to pay interest to the shareholders for delay beyond 15 days from the date of closing of the Offer.

21.10 If the Acquirers fail to obtain the requisite approvals in time due to willful default or neglect or inaction or non-action on his part, the amount lying in the escrow account shall be forfeited in the manner provided in Regulation 28(12) (e) of SEBI (SAST) Regulations.

## 22 OTHER TERMS OF THE OFFER

22.1 The Letter of Offer ["LOO"] and Acceptance cum acknowledgement Form will be mailed to the shareholders of BHEX [except the Acquirers and PAC] whose names appear on the Register of Members of BHEX and beneficial owners of the equity shares, whose names appear as beneficiaries on the records of the respective depositories i.e., National Securities Depository Limited ["NSDL"] and Central Depository Services (India) Limited ["CDSL"], at the close of business hours on Monday – April 28, 2008 ("Specified Date"). All owners (registered or unregistered) of shares of BHEX [except the Acquirers and PAC] who own/hold equity shares at any time before the date of closure of the Offer are eligible to participate in the Offer.

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

22.3 While tendering equity shares under the Offer, non resident shareholders (Non Resident Indians/Overseas Corporate Bodies/Foreign shareholder) will be required to submit the previous RBI approval (specific or general) that they would have been required to submit to acquire the shares of BHEX. In case the previous RBI approvals are not submitted, Acquirers reserves the right to reject such shares validly tendered. While tendering the shares under the Offer, NRI/OCBs/foreign shareholders will be required to submit a Tax Clearance Certificate ("TCC") from Income Tax authorities, indicating the amount of tax to be deducted by the Acquirers under the Income-tax Act, 1961 (the "Income Tax Act") before remitting the consideration.

22.4 As per the provisions of Section 196D (2) of the Income Tax Act, no deduction of tax at source shall be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act payable to a Foreign Institutional Investor ("FII") as defined in Section 115AD of the Income Tax Act.

22.5 As per Section 10(36) of the Income Tax Act, any income arising from the transfer of a long-term capital asset, being an equity share for which the transactions of purchase and sale of such share are entered into on a Recognised Stock Exchange is exempt from tax. However, gains on transfer of shares tendered under the Offer would not be eligible for the exemption under section 10(36), as the transfer would not be effected through a recognised stock exchange. As such, gains on transfer of the shares offered pursuant to this letter of offer would be liable to tax as per the normal provisions of the Income Tax Act. However, the Acquirers by this Letter of Offer, is not providing any tax advice to the shareholders and the shareholders are requested to seek their own advice on such matters.

22.6 The securities transaction tax will not be applicable to the shares accepted in the Offer.

## 23 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF OFFER

23.1 M/s. Skyline Financial Services Pvt. Limited ["Skyline"], having their Corporate office at 246, First Floor, Sant Nagar, East of Kailash, New Delhi- 110065 has been appointed as the Registrar to the Offer ("Registrar"). The Registrar has opened a special depository account with NSDL in the name and style of "Skyline– BHEX Open Offer Escrow Account" ("Special

Depository Account") through KK Securities Ltd, New Delhi ["DP"]. Beneficial owners holding equity shares in dematerialized form will be required to send to Registrar on or before the closure of the offer, along with their Form of Acceptance-cum-Acknowledgment, a photocopy of the delivery instruction slip in "off-market" mode, duly acknowledged by the DP, for transferring the shares in favor of "Skyline – BHEX- Open Offer Escrow Account" as per the instructions given below:

| | |
|---|---|
| Depository | NSDL |
| Depository Participant | KK Securities Limited |
| Client ID | 10072081 |
| DP ID | IN300468 |
| ISIN | INE474E01011 |
| Market | Off- market |
| Execution date | On or before the date of Closure of Offer |

23.2 Shareholders of BHEX having their depository account with CDSL have to use inter-depository delivery instruction slip for the purpose of crediting their equity shares in favour of the special depository account with NSDL. Beneficiary owners (holders of shares in dematerialized form) who wish to tender their equity shares will be required to send their Acceptance Form to Registrar to the Offer i.e. Skyline, along with a photocopy of the delivery instruction slip in "off-market" mode or counterfoil of the delivery instruction slip in "off-market" mode, duly acknowledged by the depository participant in favour of the special depository account, to the Registrar in accordance with the instructions to be specified in the LOO and Acceptance Form.

23.3 The equity shareholders of BHEX who wish to avail of the Offer will be required to deliver the Acceptance Form with relevant documents to the Registrar on all days (excluding holidays and Sundays) at the collection centre mentioned below, in accordance with the instructions to be specified in the LOO and Acceptance Form. The collection centre mentioned below would remain open on Monday to Friday from 10.00 am to 1.00 pm and from 2.00 pm to 4.00 pm and on Saturdays from 10.00 am to 1.00 pm.

23.4 Shareholders of BHEX holding equity shares in physical form and who wish to tender their equity shares will be required to send the Acceptance Form, original share certificate/s and transfer deed/s, duly signed, to the Registrar on or before the closure of the Offer in accordance with the instructions to be specified in the LOO and Acceptance Form.

| **Name & Address** | **Mode of delivery** | **Phone/Fax/e-mail** |
|---|---|---|
| SKYLINE FINANCIAL SERVICES PRIVATE LIMITED,<br>246, First Floor, Sant Nagar,<br>East of Kailash, New Delhi<br>Contact person: Mr. Virendra Rana | Hand delivery/ Registered post/ courier | Phone: 011- 2629 2679-82- 83<br>Fax: 011- 26292681<br>Email:<br>virenr@skylinerta.com |

23.5 All owners (registered or unregistered) of shares of BHEX [except the Acquirers and PAC] who own/hold equity shares at any time before the date of closure of the Offer are eligible to participate in the Offer. Unregistered owners can send their written applications to the Registrar, on a plain paper stating (a) the name, address, number of equity shares held, number of equity shares offered, distinctive numbers and folio number together with the original share certificate/s and valid transfer deeds in the case of equity shares held in physical form or (b) DP name, DP ID and client ID (collectively called "Shareholding Details") together with photocopy or counterfoil of the delivery instruction slip in "off-market" mode in the case of equity shares held in dematerialized form and (c) the original contract note issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners of equity shares.

23.6 In case of non-receipt of the LOO and Acceptance Form, the eligible persons / shareholders of BHEX may send their consent to the Registrar, on a plain paper giving their shareholding details as above and submitting the documents as mentioned above so as to reach the Registrar on or before the date of closure of the Offer. Beneficial owners may send their written application on plain paper to the Registrar, giving their Shareholding Details as above along with beneficiary account number and either a photocopy or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the DP, in favour of the special depository account, so as to reach the Registrar, on or before the date of closure of the Offer. Such shareholders of BHEX may also obtain a copy of LOO and Acceptance Form by writing to the Registrar to the Offer subscribing the envelope "BHEX Open Offer".

23.7 The equity shares are traded in dematerialized mode hence, the minimum marketable lot is one equity share. Equity shares, if any, that are the subject matter of litigation wherein the shareholder/s is/are/may be precluded from transferring the equity shares during the pendency of the said litigation are liable to be rejected in case directions/orders from competent authority regarding these equity shares are not received together with the equity shares tendered under the Offer. The LOO and Acceptance Form, in such cases, would be forwarded to the concerned competent authority for further action at their end. In case the equity shares are in the name of tainted persons or the transfer of the equity shares was kept in abeyance due to the inclusion of the tainted persons as declared by the Special Custodian under the Special Act, such shares will not be accepted until the equity shares are cleared by the Special Court appointed for this purpose.

23.8 Shareholders of BHEX who have lodged equity shares for transfer may either download the LOO and Acceptance Form from the SEBI's site (www.sebi.gov.in) or request for the Acceptance Form from the Registrar to the Offer. The Acceptance Form, duly completed and signed in accordance with the instructions contained therein or an application in writing on a plain paper stating the name, address, number of equity shares held, number of equity shares offered, distinctive numbers and folio number shall be sent to the Registrar to the Offer along with the acknowledgement, if any, received from BHEX for having lodged the equity shares for transfer. Shareholders of BHEX who are attaching the acknowledgement are requested to direct BHEX in writing to retain the share certificates for onward submission to the Registrar to the Offer.

23.9 Equity shares tendered by the equity shareholders of BHEX in the public offer shall be free from lien, charge or encumbrances.

23.10 The Registrar to the Offer will hold, in trust, the share certificates, equity shares lying to the credit of the special depository account, the Acceptance Form, if any and the transfer form/s on behalf of the shareholders of BHEX who have accepted the Offer, till the cheques/ drafts for the consideration and/or the unaccepted equity shares/share certificates are dispatched/returned.

23.11 In accordance with Regulation 22(5A) of the Takeover Regulations, shareholders of BHEX who have tendered the requisite documents in terms of the PA and the LOO and Acceptance Form shall have the option to withdraw acceptances tendered upto three working days prior to the date of closure of the Offer. The withdrawal option can be exercised by submitting the documents as per the instructions given below so as to reach the Registrar to the Offer at the collection centre mentioned above as per the mode of delivery indicated therein on or before closing hours of 16th July 2008.

23.12 The withdrawal option can be exercised on submitting (a) the Form of Withdrawal which will be sent to shareholders of BHEX along with the LOO and Acceptance Form and (b) the copy of the acknowledgement received from the Registrar to the Offer while tendering the acceptances together with (a) name, address, distinctive numbers, folio number, and number of equity shares tendered in respect of equity shares held in the physical form and (b) name, address, number of equity shares tendered, DP name, DP ID, beneficiary account number i.e., client ID and photocopy of the delivery instruction in "off market" mode duly acknowledged by DP, in respect of dematerialized equity shares. In case of non-receipt of the form of withdrawal, the above withdrawal application can be made on a plain paper.

23.13 The consideration for equity shares accepted by the Acquirers will be paid by crossed account payee cheques/demand drafts. Such payments and documents i.e., share certificates etc. in case of unaccepted equity shares, will be returned by registered post/speed post at the shareholders'/unregistered owners' sole risk. Equity shares held in dematerialized form to the extent not accepted will be credited back to the account of the beneficial owner specified in the Acceptance Form. The payment of consideration for the accepted equity shares will be made by the Acquirers by cheque/demand draft to the shareholders of the accepted equity shares within 15 days from the date of closure of the Offer i.e. 21st July 2008.

23.14 The Offer is not conditional on any minimum level of acceptance. In the event that the Shares tendered validly in the Offer by the Shareholders of BHEX are more than the Shares to be acquired under the Offer, the acquisition of validly tendered Shares from each Shareholder will be as per the provisions of Regulation 21(6) of the Takeover Regulations i.e. on a proportionate basis, to be decided in a fair and equitable manner, in consultation with the Manager to the Offer, irrespective of whether the Shares are held in physical or dematerialized form.

## 24 GENERAL CONDITIONS

24.1 Acquirers can revise the price upwards upto seven working days prior to closure of the offer and revision if any in the offer price would appear in the same news papers where the Public Announcement has appeared. The same price would be paid to all shareholders who tender their shares in the offer.

24.2 If there is any upward revision in the Offer Price till the last date of revision in terms of Regulation 26 i.e. 10th July 2008 or withdrawal of the Offer, the same would be informed by way of a Public Announcement in the same newspapers in which this original Public Announcement is being made. In case of an upward revision in the offer price, the revised Offer Price would be payable to all the shareholders who have tendered their shares any time during the offer and have been accepted under the Offer.

24.3 The intimation of returned shares to the shareholders will be sent at the address as per the records of Target Company/ Depository as the case may be.

24.4 **"If there is competitive bid :**

**i. The public Offers under all the subsisting bids shall close on the same date.**

**ii. As the Offer Price can not be revised during 7 working days prior to the closing date of the Offers/ bids, it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final Offer price of each bid and tender their acceptance accordingly."**

24.5 Neither Acquirers nor the Target Company have been prohibited by SEBI from dealing in securities, in terms of directions issued u/s 11B of SEBI Act. If the aggregate of the valid responses to the offer exceeds offer size, then the acquirers shall accept the valid applications received on a proportionate basis in accordance with Regulation 21 (6) of the Regulations.

24.6 Pursuant to Regulation 13 of SEBI (SAST) Regulations, Acquirers has appointed Sobhagya Capital Options Limited, as Manager to the Offer and Skyline Financial Services Private Limited, as Registrar to the offer. Both of the intermediaries are registered and hold valid and effective license granted by SEBI.

24.7 The Acquirers accept full responsibility for the information contained in this Public Announcement and also for the obligation of the Acquirers as laid down in the SEBI (SAST) Regulations.

***This Letter of Offer will also be available on SEBI's website (www.sebi.gov.in). Eligible persons to the Offer may also download a copy of the Form of Acceptance cum Acknowledgment, which will be available on SEBI's website at (www.sebi.gov.in) from the date of opening of the Offer, i.e., Wednesday, the July 02, 2008.***

## 25 DOCUMENTS FOR INSPECTION

The following documents are regarded as material documents and are available for inspection at the office of the **Manager to the Offer** at B-206, Okhla Industrial Area Phase-I, New Delhi- 110 020 between 10.30 A.M. to 5.00 P.M. on any working day, except Saturdays, Sundays and Holidays until the closure of the Offer.

1. Copy of Public Announcement as published in the newspapers on Monday, April 21, 2008.
2. Certificate of Incorporation and Memorandum and Articles of Association of BHEX.
3. Annual Reports of BHEX for the financial years ended 2005, 2006, 2007 and provisional Balance sheet for nine months ended on 31st December 2007 as Certified by Statutory Auditor.
4. Copy of the Escrow Agreement dated 16th April, 2008 and confirmation from Axis Bank of Rs.78,00,000/- (Rupees Seventy eight Lac Only) (representing an amount, being more than 25% of the maximum purchase consideration payable in terms of the Offer).
5. Copy of MOU dated 07th April, 2008 between Sobhagya Capital Options Limited, the Manager to the Offer and Acquirers.

6. Copy of confirmation dated 16th April, 2008 regarding opening of Special Depository Account in the name and Style of "NBNB- Skyline- BHEX Open offer Escrow Account".
7. Certificate from M/s. Vipan Kumar Aggarwal & Co, Chartered Accountants, certifying the Net worth of Acquirers as on 31st March 2008 and adequacy of financial resources with acquirers to fulfil the open offer obligations.
8. Letter No. CFD/DCR/TO/HB/128888/2008 dated 17th June 2008 received from Securities and Exchange Board of India in terms of provisions of Regulation 18(2) of the Regulations.
9. Appointment Letter of Skyline Financial Services Private Limited as Registrar to Open Offer dated 07th April, 2008.
10. Corrigendum to Public Announcement dated June 23, 2008.
11. Copies of Undertakings from Acquirers and Target Company with regard to the Open Offer.

**26. DECLARATION BY THE ACQUIRERS**

The Acquirers accepts responsibility for the information contained in this Letter of Offer and for ensuring compliance with the Regulations. The Acquirers is responsible for their respective obligations in terms of the Regulations. All information contained in this document is as on the date of the Public Announcement, true unless stated otherwise.

**Mr. Nitin Bhandari**

**Ms. Nitika Bhandari**

Place: Ludhiana
Date: June 24th, 2008

**27. Enclosures:**

1. Form of Acceptance cum Acknowledgment
2. Form of Withdrawal cum Acknowledgment
3. Transfer deed for shareholders holding shares in physical form

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this form with enclosures to the Registrars to the Offer at their address given overleaf)

**FORM OF ACCEPTANCE - CUM – ACKNOWLEDGEMENT**

From:
Tel No.
Fax No.:
E-mail:

**OFFER**
**OPENS ON : Wednesday, July 02, 2008**
**CLOSES ON : Monday, July 21, 2008**

To,
**Skyline Financial Services Pvt. Ltd.**
246, First Floor, Sant Nagar,
East of Kailash,
New Delhi – 110 024

**Sub: Open offer to acquire upto 17,14,811 equity shares at Rs. 18/- each representing 23% of the paid up capital of Bhandari Hosiery Exports Limited (BHEX) by Mr. Nitin Bhandari and Ms. Nitika Bhandari ('Acquirers') in terms of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.**

Dear Sir,

I/We refer to the Letter of Offer dated 24/06/2008 for acquiring the equity shares held by me/us in Bhandari Hosiery Exports Limited.

I/We, the undersigned, have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.

**For Shares held in Physical Form:**
I/We accept the Offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares as detailed below:

| **Sl. No.** | **Certificate No.** | **Distinctive No(s)** | | **No. of Shares** |
|---|---|---|---|---|
| | | **From** | **To** | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| (In case the space provided is inadequate, please attach a separate sheet with the details) **TOTAL NUMBER OF EQUITY SHARES** | | | | |

I/We note and understand that the original share certificate(s) and valid share transfer deed will be held in trust for me/us by the Registrar to the offer until the time the Acquirers pay the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirers will pay the purchase consideration only after verification of the documents and signatures.

**For shares held in Demat Form:**
I/We hold shares in demat form and accept the Offer and enclose photocopy of the Delivery Instruction Slip duly acknowledgement by DP in respect of my / our equity shares as detailed below:

| **DP Name** | **DP ID** | **Client ID** | **No. of Shares** | **Name of Beneficiary** |
|---|---|---|---|---|
| | | | | |

I/We have done an off market transaction for crediting the shares to the Escrow Account named **"Skyline-BHEX-Open Offer Escrow A/C"** with the following particulars:

| | |
|---|---|
| Depository | National Securities Depository Limited |
| Depository Participant | KK Securities Limited |
| Beneficiary /Client ID | 10072081 |
| DP ID | IN300468 |

Shareholders whose shares are held in a beneficiary account with "CDSL" should use an "Inter Depository Delivery Instruction" to transfer their shares to the Special Depository Account with NSDL.

I/We note and understand that the shares would lie in the Special Depository Account until the time the Acquirers make payment of purchase consideration as mentioned in the Letter of Offer.

I/We authorise the Acquirers to accept the shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We authorise the Acquirers or the Manager to the Offer to send by registered post the draft/cheque, in settlement of the amount to the sole/first holder at the address mentioned below:

**Address of First/Sole Shareholder**_ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
_ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
_ _ _ _ _ _ _ _ _ _ _ _ _

Note: In case of joint holdings, all holders must sign. A corporation must affix its common seal. So as to avoid fraudulent encashment in transit, the shareholder(s) may provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly.

Name of the Bank _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ Branch_ _ _ _ _ _ _ _ _ _ _ _
_ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
Account Number _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
Savings/Current/Others (please specify) _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Yours faithfully,

| | **FULL NAME(S)** | **SIGNATURE(S)** |
|---|---|---|
| **First/Sole Shareholder** | | |
| **Second Shareholder** | | |
| **Third Shareholder** | | |

Signed and Delivered:
Place:

**............................................ TEAR HERE........................................................**

**(Acknowledgement Slip)**

Folio No.:

**Skyline Financial Services Pvt. Ltd**
**Unit: Bhandari Hosiery Exports Limited**

246, First Floor, Sant Nagar,
East of Kailash,
New Delhi – 110 024

Received from Mr./Ms..............................................................................
Address.........................................................................................................
Form of acceptance cum acknowledgement.........................Number of Share Certificates.........................for.........................shares/# Copy of Delivery Instruction Slip to (DP) for .........................shares

# Delete whichever is not applicable

| Signature of official and date of receipt | Stamp of collection centre |
|---|---|
| | |

**PLEASE USE THIS FORM ONLY IF YOU HAVE TENDERED THE SHARES AND WISH TO WITHDRAW YOUR APPLICATION**

## FORM OF WITHDRAWAL

From:
Tel No. Fax No.: E-mail:

To,
**Skyline Financial Services Pvt. Ltd.**
246, First Floor, Sant Nagar,
East of Kailash,
New Delhi – 110 024

**Sub: Open offer to acquire upto 17,14,811 equity shares at Rs. 18/- each representing 23% of the paid up capital of Bhandari Hosiery Exports Limited (BHEX) by Mr. Nitin Bhandari and Ms. Nitika Bhandari ('Acquirers') in terms of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.**

Dear Sir,

I/We refer to the Letter of Offer dated 24/06/2008 for acquiring the equity shares held by me/us in Bhandari Hosiery Exports Limited.

I/We, the undersigned, have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.

I/We wish to withdraw our acceptance tendered in response to the said offer. We had deposited/sent our 'Form of Acceptance' to you on __________ along with original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares as detailed below:
**(Please enclose the Xerox copy of Acknowledgement received for 'Form of Acceptance')**

| **Sl. No.** | **Certificate No.** | **Distinctive No(s)** | | **No. of Shares** |
|---|---|---|---|---|
| | | **From** | **To** | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| (In case the space provided is inadequate, please attach a separate sheet with the details)<br>**TOTAL NUMBER OF EQUITY SHARES** | | | | |

I/We note and understand the terms of withdrawal of acceptance and request you to return the original share certificate(s) and valid share transfer deed and **authorize you not to remit** the consideration as mentioned in the Letter of Offer.

I/We authorise the Acquirers to reject the shares so offered which it may decide in consultation with Manager to the Offer and in terms of the Letter of Offer and,

I/We authorise the Acquirers or the Registrar to the Offer to send by registered post the original share certificate(s), transfer deed(s) and other documents tendered by me/us to the sole/first holder at the address mentioned below or credit the shares in demat form to my/our DP Account as mentioned below

| | **FULL NAME(S)** | **SIGNATURE(S)** |
|---|---|---|
| **First/Sole Shareholder** | | |
| **Second Shareholder** | | |
| **Third Shareholder** | | |

Address of First/Sole Shareholder……………………………………………………………………………………

…………………………………………………………………………………………………………………………………….

**For Shares In Demat Form**

| **DP Name** | **DP ID** | **Client ID** | **No. of Shares** | **Name of Beneficiary** |
|---|---|---|---|---|
| | | | | |

Yours faithfully,

Signed

Place:
Date:

Note: In case of joint holdings, all holders must sign. A corporation must affix its common seal.

**You have an 'OPTION TO WITHDRAW' the acceptance tendered in response to the offer any time upto three working days prior to the date of closure of offer i.e. on or before Wednesday, 16/07/2008. In case you wish to withdraw your acceptance please use this form.**

# (Acknowledgement Slip)

Folio No.:

**Skyline Financial Services Pvt. Ltd**
**Unit: Bhandari Hosiery Exports Limited**

246, First Floor, Sant Nagar,

East of Kailash,

New Delhi – 110 024

Received from Mr./Ms……………………………………………………………………

Address………………………………………………………………………………………….

Form of acceptance cum acknowledgement…………………….Number of Share Certificates…………………….for…………………….shares/# Copy of Delivery Instruction Slip to (DP) for …………………….shares

| Signature of official and date of receipt | Stamp of collection centre |
|---|---|
| | |

**BOOK POST**
**(PRINTED MATTER)**

**If undelivered please return to :**
**Skyline Financial Services Pvt. Ltd.**
246, First Floor, Sant Nagar,
East of Kailash,
New Delhi – 110 024