PUBLIC ANNOUNCEMENT FOR THE ATTENTION OF THE EQUITY SHAREHOLDERS OF

IL&FS INVESTSMART LIMITED

Regd. Off.: The IL&FS Financial Centre, Plot No. C -22, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051, India

CASH OFFER FOR ACQUISITION OF EQUITY SHARES FROM SHAREHOLDERS OF IL&FS INVESTSMART LIMITED ("Target Company"/ "IIL")

This Public Announcement ("PA") is being issued by SBI Capital Markets Limited ("Manager to the Offer"), on behalf of HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), HSBC Violet Investments (Mauritius) Limited ("Violet"), together referred to as "the Acquirers" alongwith HSBC Investment Bank Holdings BV ("HIBH") (person acting in concert with HSCI) and The Hongkong and Shanghai Banking Corporation Limited, Hong Kong ("HBAP") (person acting in concert with Violet) (collectively being referred to as the Persons Acting in Concert ("PACs") with the Acquirers), in compliance with Regulations 10 and 12 and other applicable provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the "SEBI (SAST) Regulations"). No other person / individual / entity is acting in concert with the Acquirers for the purposes of this Offer.

I. BACKGROUND TO THE OFFER

1. This open offer ("Offer") is being made by the Acquirers to the shareholders of the Target Company, a public limited company incorporated under the Companies Act, 1956 and having its registered office at The IL&FS Financial Centre, Plot No. C -22, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051, India.
2. HSCI is a company incorporated and registered under the laws of India having its registered office and principal place of business located at 52/60 Mahatma Gandhi Road, Hongkong Bank Building, Fort, Mumbai - 400001. HSCI is a wholly-owned subsidiary of HIBH, a company incorporated and registered under the laws of Netherlands having its registered office and principal place of business located at 8 Canada Square, London, E14 5HQ, United Kingdom.
3. Violet is a company incorporated and registered under the laws of Mauritius having its registered office located at Manor House, 1st Floor, Cnr St. George/Chazal Streets, Port Louis, Mauritius. Violet is a wholly owned subsidiary of HBAP, a company incorporated and registered under the laws of Hong Kong Special Administrative Region having its registered office and principal place of business located at HSBC Main Building, 1 Queen's Road Central, Hong Kong.
4. HIBH and HBAP are ultimately held by HSBC Holdings plc **("HHPLC")**, a company incorporated and registered under the UK Companies Act having its registered office and principal place of business located at 8 Canada Square, London E14 5HQ, United Kingdom.
5. HSCI has entered into a share purchase agreement dated May 16, 2008, (the **"IL&FS Share Purchase Agreement")** with the Infrastructure Leasing and Financial Services Limited ("**IL&FS**"), whereby HSCI has agreed to acquire 2,05,01,922 fully paid-up equity shares of the Target Company (the **"IL&FS Sale Shares"**) forming 29.357% of the issued and fully paid-up share capital of the Target Company at a price of Rs.200/- per equity share (the **"IL&FS Sale Price"**) aggregating Rs. 4,10,03,84,400 (Rupees Four hundred ten crores three lakhs eighty four thousand four hundred only) (the **"IL&FS Sale Consideration"**) payable in cash on the closing of the IL&FS Share Purchase Agreement. As per the Stock Exchange filings at the Bombay Stock Exchange Limited ("**BSE**")and the National Stock Exchange of India Limited ("**NSE**"), IL&FS belongs to the promoter group of the Target Company. In addition to the IL&FS Sale Consideration, HSCI has also agreed with IL&FS to pay an aggregate non-compete consideration of Rs.82,00,76,880 (Rupees Eighty two crores seventy six thousand eight hundred and eighty only) ("**Non-Compete Consideration**") to IL&FS, which is equal to Rs.40/- per IL&FS Sale Share, payable in cash on the closing of the IL&FS Share Purchase Agreement. In terms of the IL&FS Share Purchase Agreement, IL&FS and its affiliates shall, for an initial period of 1 year extendable twice after the expiry of the initial period for a further period of 1 year each at the sole discretion of HSCI, not directly or indirectly participate as an investor, manager, consultant or in any other capacity in certain agreed businesses; solicit any client or agent or supplier of the Target Company and/or its subsidiaries; supply any product or service which is similar to that provided by the Target Company and/or its subsidiaries; engage or employ, canvass, solicit, induce or seek to canvass, solicit or induce any restricted employee to become employed whether as employee, consultant or otherwise by any member of IL&FS and its affiliates,

   The IL&FS Share Purchase Agreement provides for the obligation of HSCI to acquire the IL&FS Sale Shares subject to the satisfaction of certain conditions precedent as detailed in the IL&FS Share Purchase Agreement including receipt of necessary regulatory and governmental approvals *inter alia* from the Foreign Investment Promotion Board ("**FIPB**"), Securities and Exchange Board of India ("**SEBI**"), Multi Commodities Exchange of India ("**MCX**"), National Commodities and Derivatives Exchange Limited, ("**NCDEX**"), Monetary Authority of Singapore ("**MAS**") and applicable stock exchanges, execution of the non compete agreement between HSCI and IL&FS, execution of the ETrade Share Purchase Agreement (as defined hereinafter and together with the IL&FS Share Purchase Agreement referred to as the **"Share Purchase Agreements"**) and receipt of necessary consents, waivers, resolutions and permissions required *inter alia* with any of the existing shareholders of the Target Company or any third party in respect of the transactions contemplated by the IL&FS Share Purchase Agreement.

   Some of the salient features of IL&FS Share Purchase Agreement

   1. HSCI will acquire 2,05,01,922 equity shares, forming 29.357% of the issued and fully paid up share capital of the Target Company at a price of Rs. 200/- per equity share by way of direct purchase from IL&FS.
   2. The conditions precedent to the IL&FS Share Purchase Agreement are :
      - Completion of the ETrade Share Purchase Agreement (as defined hereinafter in this PA) between ETrade (as defined hereinafter in this PA) and Violet
      - Receipt of all necessary governmental and regulatory approvals
      - Completion of the obligations by HSCI under the SEBI (SAST) Regulations
      - Resignation of the nominated Directors
6. Violet has, simultaneously with the execution of the IL&FS Share Purchase Agreement executed a share purchase agreement dated May 16, 2008 (the **"ETrade Share Purchase Agreement"**) with E*Trade Mauritius Limited (**"ETrade"**), whereby Violet has agreed to acquire 3,06,25,692 fully paid-up equity shares of the Target Company (the **"ETrade Sale Shares"**) forming 43.854% of the issued and fully paid-up share capital of the Target Company at a price of Rs.200/- per equity share (the **"ETrade Sale Price"**) aggregating Rs. 6,12,51,38,400 (Rupees Six hundred twelve crores fifty one lakhs thirty eight thousand four hundred only) (the **"ETrade Sale Consideration"**) payable in cash on the closing of the ETrade Share Purchase Agreement. As per the Stock Exchange filings at BSE and NSE, ETrade belongs to the promoter group of the Target Company.

   The terms of the ETrade Share Purchase Agreement inter alia provide that the obligation of Violet to acquire the ETrade Sale Shares is subject to the satisfaction of certain conditions precedent as detailed in the ETrade Share Purchase Agreement including receipt of necessary regulatory and governmental approvals inter alia from the FIPB, SEBI, MCX, NCDEX, MAS and applicable stock exchanges and receipt of necessary consents, waivers, resolutions and permissions required inter alia with any of the existing shareholders of the Target Company in respect of the transactions contemplated by the ETrade Share Purchase Agreement.

   In accordance with the terms of the Escrow Agreement dated May 16, 2008 (the "Escrow Agreement"), it has been agreed between ETrade and Violet that the ETrade Sale Shares and the ETrade Sale Consideration would be held in escrow accounts, to be released in accordance with and subject to the terms and conditions of the Escrow Agreement. Additionally, Violet has executed a letter agreement with ETrade and the Target Company in terms of which the Target Company and ETrade have agreed to execute a transitional agreement. Under the transitional agreement ETrade would agree that certain of its employees (currently seconded with the Target Company) would continue to be so seconded with the Target Company to ensure transition of services.

   In terms of the Share Purchase Agreements, in addition to the conditions precedent mentioned above, completion (i.e. acquisition of the IL&FS Sale Shares and the ETrade Sale Shares) shall occur only after the Acquirers have completed their obligations under the SEBI (SAST) Regulations and the requisite certificate by the Manager to the Offer in terms of Regulation 23(6) of SEBI (SAST) Regulations has been released by the Manager to the Offer.

   Some of the salient features of ETrade Share Purchase Agreement

   1. Violet will acquire 30,625,692 equity shares, forming 43.854% of the issued and fully paid up share capital of the Target Company at a price of Rs. 200 per equity share by way of direct purchase from ETrade.
   2. E*TRADE Financial Corporation and HBAP are ETrade's Guarantor and Violet's Guarantor respectively.
   3. The conditions precedent to the ETrade Share Purchase Agreement are :
      - Receipt of all necessary governmental and regulatory approvals
      - Completion of the obligations by Violet under the SEBI (SAST) Regulations
      - Resignation of the nominated Directors

   The Share Purchase Agreements provide that IL&FS and ETrade shall ensure that, from the date of execution of the respective Share Purchase Agreements until completion, they will carry on business of the Target Company in all material respect in the ordinary and usual course with due care and diligence and in the manner and scope carried on as at the date of execution of the Share Purchase Agreements.

II. THE OFFER

7. This Offer is made to all shareholders of the Target Company in terms of Regulations 10 and 12 of the SEBI (SAST) Regulations (except to the parties to the Share Purchase Agreements), to acquire up to 1,44,22,255 fully paid-up equity shares of face value Rs. 10/- each of the Target Company forming 20% of the Emerging Voting Capital (as detailed in Paragraph 26 hereunder) of the Target Company at a price of Rs. 200/- (Rupees Two hundred only) for each fully paid-up equity share (**"Offer Price"**) to be paid in cash in accordance with the SEBI (SAST) Regulations, and subject to the terms and conditions mentioned hereinafter and as will be set out in the Letter of Offer in relation to the Offer (**"Letter of Offer"**) aggregating Rs. 2,88,44,51,000 (Rupees Two hundred eighty eight crores forty four lakhs fifty one thousand only) (**"Offer Size"**).
8. The Offer is not conditional upon any minimum level of acceptance i.e. HSCI will acquire all the fully paid-up equity shares of the Target Company that are tendered by the public shareholders in terms of the Offer up to 1,44,22,255 equity shares representing in the aggregate 20% of Emerging Voting Capital of the Target Company, subject to the conditions specified in this PA, Letter of Offer and Form of Acceptance-cum-Acknowledgement.
9. The Acquirers on the date of this PA, do not hold any equity shares in the Target Company. Further, the Acquirers have not acquired any equity shares in the Target Company during the 12 month period prior to the date of this PA
10. None of the directors of the Acquirers have acquired any equity shares in the Target Company during the 12 month period prior to the date of this PA
11. This is not a competitive bid. This Offer is not pursuant to any global acquisition resulting in an indirect acquisition of equity shares of the Target Company.
12. There are no partly paid-up equity shares of the Target Company as on March 31, 2008.
13. The Acquirers may purchase additional equity shares of the Target Company from the open market or through negotiation or otherwise, after the date of this PA in accordance with Regulation 20(7) of SEBI (SAST) Regulations and the details of such acquisition will be disclosed by the Acquirers within 24 hours of such acquisition to the Stock Exchanges where the equity shares of the Target Company are listed and to the Manager to the Offer in terms of Regulation 22(17) of the SEBI (SAST) Regulations.
14. The equity shares of the Target Company will be acquired by HSCI under the Offer, free from all liens, charges and encumbrances and together with all rights attached thereto.
15. The Manager to the Offer does not hold any equity shares in the Target Company, as at the date of this PA. The Manager to the Offer shall not deal in the equity shares of the Target Company until the expiry of fifteen days from the date of closure of the Offer.
16. This PA is being released, as per Regulation 15(1) of the SEBI Takeover Regulations, in Financial Express, English national daily – all editions; Jansatta, Hindi national daily – all editions; and Navshakti, Marathi regional language daily – Mumbai edition, since the registered office of the Target Company is situated in Mumbai and the equity shares of Target Company are most frequently traded on NSE.
17. **Offer Price**

a. The equity shares of the Target Company are presently listed on BSE and NSE.

b. The annualized trading turnover of the equity shares of the Target Company during the six months preceding the date of this PA(November 2007-April 2008) on each of the stock exchanges on which the equity shares of the Target Company are listed is detailed below;

Name of Stock Exchange	Total no. of equity shares traded during the 6 calendar months prior to the month in which the PA was made	Total no. of listed equity shares	Annualised trading turnover (in terms of % of total listed equity shares)
BSE	93,78,057	6,98,36,273	26.86%
NSE	1,32,19,052	6,98,36,273	37.86%

c. Based on the information available, the equity shares of the Target Company are frequently traded on the stock exchanges i.e. BSE and NSE (Source: www.bseindia.com and www.nseindia.com) within the meaning of explanation (i) of Regulation 20 (5) of the SEBI (SAST) Regulations and is most frequently traded on NSE.

d. The Offer Price of Rs. 200/- (Rupees Two Hundred only) per equity share is justified in terms of Regulation 20(4) of the SEBI (SAST) Regulations as it is equal to the highest of the following:

i.	**Negotiated Price** IL&FS ETrade	 Rs. 200.00 Rs. 200.00
ii.	Highest Price paid by Acquirers for any acquisition (including by way of allotment in a public or rights or preferential issue) during the 26 week prior to the date of the PA.	Not Applicable
iii.	The average of the weekly high and low of the closing prices of equity shares of the Target Company on NSE during the 26 week period preceding the date of the PA.	Rs. 186.12
iv.	The average of the daily high and low of the equity shares of the Target Company on NSE during the 2 week period preceding the date of the PA.	Rs. 180.24

e. In the opinion of the Manager to the Offer, the Offer Price of Rs 200/- per equity share offered by HSCI to the shareholders of the Target Company under the proposed Offer is justified in terms of Regulation 20 (4) of the SEBI (SAST) Regulations.

f. If the Acquirers / PACs acquire equity shares of the Target Company after the date of the PA and up to seven working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid applications received under the Offer.

III. INFORMATION ON THE ACQUIRERS AND THE PACs

18. **HSBC Securities and Capital Markets (India) Private Limited (HSCI)**

a. HSCI is an unlisted company originally incorporated as James Capel (B&K) Private Limited on September 29, 1994 under the laws of India. The name was changed to James Capel Batlivala & Karani Private Limited w.e.f. January 13, 1995, which was further changed to HSBC Batlivala & Karani Securities (Holdings) Private Limited w.e.f. April 29, 1997. This was further changed to HSBC Securities India Holdings Private Limited w.e.f. May 20, 1998 and was further changed to HSBC Securities India Holdings Limited w.e.f. April 1, 1998. A fresh certificate of incorporation was issued on May 13, 1999 changing the name of the company to HSBC Securities India Holdings Private Limited. This was further changed to HSBC Securities and Capital Markets (India) Private Limited w.e.f. February 9, 2000. This was changed to HSBC Securities and Capital Markets (India) Limited w.e.f. April 1, 2000, which was subsequently changed to HSBC Securities and Capital Markets (India) Private Limited w.e.f December 14, 2000.

b. The registered office of HSCI is located at 52/60 Mahatma Gandhi Road, Hong Kong Bank Building, Fort, Mumbai – 400001.

c. HSCI is a directly and wholly-owned subsidiary of HIBH.

d. The principal business of HSCI is that of institutional equity trading operations (including securities broking) and investment banking (mergers and acquisitions and equity capital markets).

e. The issued and paid up share capital of HSCI is Rs. 78,10,71,600 consisting of 78,10,716 equity shares each of a value of Rs. 100/- per equity share.

f. Based on the latest audited financial statements prepared in accordance with the Indian generally accepted accounting principles (**"Indian GAAP"**), the financial information of HSCI is as follows:

	Nine months ending December 31, 2007 (Certified)	Year Ending March 31, 2007 (Audited)	Year Ending March 31, 2006 (Audited)	Year Ending March 31, 2005 (Audited)
Particulars	**INR (in lacs)**	**INR (in lacs)**	**INR (in lacs)**	**INR (in lacs)**
Gross Income	11,714.57	13,138.81	10,080.04	6,709.90
(Loss)/Profit after Income Tax	3,474.78	4,418.37	3,877.13	1,564.33^
Share Capital#	7,810.72	7,810.72	7,810.72	7,810.72
Capital & Reserves#	18,615.01	15,597.12	12,103.27	9,150.66
Book Value per share# (in unit currency)	238.33	199.69	154.96	117.15
Earnings per share# (in unit currency) (Not Annualised)	44.49	56.57	49.64	20.03
Return on Net worth (%)# (Not Annualised)	18.67%	28.33%	32.03%	17.10%

Note: #Excluding preference shares; ^ This is profit after deducting prior year taxation of Rs. 280.35 lakhs.

g) None of the directors of HSCI are on the board of the Target Company.

h) None of the directors of HSCI have acquired any equity shares of the Target Company during the 12 months prior to the date of this PA.

19. **HSBC Violet Investments (Mauritius) Limited (Violet)**

a) Violet is an unlisted company incorporated on May 8, 2007 under the laws of Mauritius.

b) The registered office of Violet is located at Manor House, 1st Floor, Cnr St George/Chazal Streets, Port Louis, Mauritius

c) Violet is a directly and wholly-owned subsidiary of HBAP.

d) The paid up share capital of Violet is USD 5,000 (equivalent to Rs. 2.13 Lakhs) consisting of 500 equity shares each of a value of USD 10 (equivalent to Rs. 426.4 per equity share).

e) Since Violet was incorporated in May 2007, there is only one set of audited financials available on the date of the PA. Based on the latest audited financial statements prepared in accordance with the International Financial Reporting Standards (**"IFRSs"**) and in compliance with the requirements of the Mauritius Companies Act, the financial information of Violet is as follows:

	Nine months period ending December 31, 2007	
Particulars	**in USD**	**INR[1] (in lacs)**
Gross Income	0	0
(Loss)/Profit after Income Tax	(11,808.00)	(5.03)
Share Capital	5,000.00	2.13
Capital & Reserves	(6,808.00)	(2.90)
Book Value per share(in unit currency)	-	-
Earnings per share (in unit currency)	-	-
Return on Net worth (%)	-	-

Notes: (1) Based on the exchange rate listed in Paragraph 69 hereunder

f) None of the directors of Violet are on the board of the Target Company.

g) None of the directors of Violet have acquired any equity shares of the Target Company during the 12 months prior to the date of this PA.

Persons Acting in Concert

20. **HSBC Investment Bank Holdings BV ("HIBH")**

a) HIBH is a company incorporated on July 20, 1987 under the laws of Netherlands and is a person acting in concert with HSCI.

b) The registered office of HIBH is located at 8 Canada Square, London, E14 5HQ, United Kingdom.

c) HIBH is a directly and wholly owned subsidiary of HHPLC.

d) The paid up share capital of HIBH is USD 320,000 (equivalent to Rs. 136.45 Lakhs) consisting of 4,866 equity shares each of a value of Euro 50 (equivalent to Rs. 3,300 per equity share).

e) Based on the latest audited financial statements prepared in accordance with the IFRSs as adopted by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code, the financial information of HIBH is as follows:

	Year Ending December 31, 2006		Year Ending December 31, 2005		Year Ending December 31, 2004	
Particulars	**in USD (' 000)**	**INR[1] (in lacs)**	**in USD (' 000)**	**INR[1](in lacs)**	**in USD (' 000)**	**INR [1] (in lacs)**
Gross Income	43,538.00	18,564.60	24,374.00	10,393.07	93,414.00	39,831.73
(Loss)/Profit after Income Tax	30,400.00	12,962.56	18,539.00	7,905.03	87,486.00	37,304.03
Share Capital	320.00	136.45	287.00	122.38	332.00	141.56
Capital & Reserves	1,142,474.00	487,150.91	1,142,074.00	486,980.35	1,276,158.00	544,153.77
Book Value per share (in unit currency)	234,787.09	10,011,321.52	234,704.89	10,007,816.51	262,260.17	11,182,773.65
Earnings per share (in unit currency)	6,247.43	266,390.41	3,809.91	162,454.56	17,979.04	766,626.27
Return on Net worth (%)		2.66%		1.62%		6.86%

Notes: (1) Based on the exchange rate listed in Paragraph 69 hereunder

f) None of the directors of HIBH are on the board of the Target Company.

21. **The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HBAP)**

a) HBAP is an unlisted company incorporated on August 14, 1866 under the laws of Hong Kong Special Administrative Region and is a person acting in concert with Violet.

b) HBAP is the founding member of the HSBC Group – one of the world's largest banking and financial services organizations and its flagship in the Asia-Pacific region.

c) The registered office of HBAP is located at HSBC Main Building, 1 Queen's Road Central, Hong Kong.

d) HBAP is ultimately held by HHPLC, the holding company of the HSBC Group.

e) The paid up share capital of HBAP is HKD 22,494 million (equivalent to Rs. 1,225,923.00 lakhs) consisting of 8,998 equity shares each of a value of HKD 2.50 (equivalent to Rs. 13.625 per equity share).

f) The principal business of HBAP is to provide a comprehensive range of financial services, principally in the Asia-Pacific region.

g) Based on the latest audited financial statements prepared in accordance with the all Hong Kong Financial Reporting Standards, the provisions of the Hong Kong Companies Ordinance and accounting principles generally accepted in Hong Kong, the financial information of HBAP is as follows:

Year Ending	31-Dec-07		31-Dec-06		31-Dec-05	
(HKD in millions, INR in lacs, except per-share data)	HKD	INR(1)	HKD	INR(1)	HKD	INR(1)
Net Operating Income	121,204	6,605,618.00	87,516	4,769,622.00	75,158	4,096,111.00
(Loss)/Profit after Income Tax	65,305	3,559,122.50	42,605	2,321,972.50	37,198	2,027,291.00
Share Capital	22,494	1,225,923.00	22,494	1,225,923.00	22,494	1,225,923.00
Capital & Reserves	245,934	13,403,403.00	165,445	9,016,752.50	114,425	6,236,162.50
Book Value per share	27.3	148.79	18.4	100.28	12.7	69.22
Earnings per share	7.3	39.79	4.7	25.62	4.1	22.35
Return on Net worth (%)		26.55%		25.75%		32.51%

Notes: (1) Based on the exchange rate listed in Paragraph 69 hereunder

h) None of the directors of HBAP are on the board of the Target Company.

IV. INFORMATION ABOUT THE TARGET COMPANY

22. The Target Company is a public limited company incorporated on September 1, 1997 under the Companies Act, 1956 with its registered office located at The IL&FS Financial Centre, Plot No. C -22, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051, India. The Target Company was incorporated as Investsmart India Limited on September 1, 1997 and the name was changed to IL&FS Investsmart Limited on March 25, 2003. The registered office was located at Mahindra Towers, 4th floor, B Wing, Dr. G.M. Bhonsale Marg, Worli, Mumbai 400 018 till June 14, 2000.
23. The Target Company is a holding company and offers a broad platform of services including broking (equity, debt, commodities, futures, insurance), wealth management, investment banking, IPO distribution and financing, distribution of financial products and margin financing through its various subsidiaries. The Target Company operates through a franchisee business model in addition to its own branches.
24. The equity shares of the Target Company are listed on the NSE and the BSE and the Global Depository Receipt of the Target Company are listed on the Luxembourg Stock Exchange.
25. As on March 31, 2008 the Target Company has 6,98,36,273 outstanding fully paid-up equity shares and 22,75,000 outstanding Employees Stock Options (ESOPs) which are vested but not exercised. These vested options when exercised would result in the increase in the equity share capital of the Target Company to 7,21,11,273 equity shares. There are no partly paid-up equity shares.
26. Voting rights as at the expiration of 15 days after the closure of the Open Offer i.e. Emerging Voting Capital of the Target Company is calculated as below based on the information available in the public domain:

Particulars	No. of equity shares
Total fully paid-up equity shares outstanding as of March 31, 2008 (A)	6,98,36,273
Add: ESOPs which have been vested and may be eligible to be exercised within 15 days after the closure of the Open Offer (B)	22,75,000
Emerging Voting Capital (A+B) (Assuming all the vested ESOPs as aforesaid are exercised)	7,21,11,273

27. IL&FS and ETrade hold 51,127,614 equity shares comprising 73.211% of the total fully paid up share capital of the Target Company.
28. Based on the latest audited consolidated financial statements prepared in accordance with Indian GAAP, the financial information of the Target Company is as follows:

Particulars	Year ending March 31, 2008 INR (in lacs)	Year Ending March 31, 2007 INR (in lacs)	Year Ending March 31, 2006 INR (in lacs)
Gross Income	39,485.37	24,069.40	22,435.48
(Loss)/Profit after Income Tax	5,496.39	4,000.61	6,859.02
Share Capital	6,983.63	6,983.63	6,692.07
Capital & Reserves	72,294.78	69,339.36	65,936.13
Book Value per share (in unit currency)	103.52	99.29	98.53
Earnings per share (in unit currency)	7.87	5.78	10.25
Return on Net worth (%)	7.60%	5.78%	10.40%
Price to Earning Multiple*			25.18

*Based on closing price of the Target Company on NSE on May 16, 2008 and Earnings per share for year ending on March 31, 2008.

(Information for this section has been taken from the publicly available data)

V. REASONS FOR THE OFFER AND FUTURE PLANS

29. This acquisition will allow HSCI to enter into the retail brokerage market. The Target Company offers a branch based and internet based retail brokerage platform. This will allow HSCI to offer this product to customers in India. The Target Company also has an IPO distribution / financing business which will provide strength to HSCI's existing businesses inter alia capital markets and investment banking business.
30. The Acquirers do not have any plans at present to dispose off or otherwise encumber any assets of the Target Company in the next two years, except in the ordinary course of business of the Target Company or to the extent required for the purpose of restructuring and/ or rationalization of assets, investments or liabilities of the Target Company for commercial reasons, operational efficiencies or on account of regulatory approvals / directions. The Acquirers undertake that they shall not sell, dispose off or otherwise encumber any substantial asset/s of the Target Company except with the prior approval of the shareholders of the Target Company and to the extent required by applicable laws.
31. Pursuant to the substantial acquisition, the Acquirers will be in control of the management of the Target Company. The Acquirers propose to reconstitute the board of directors of the Target Company upon completion of Offer formalities The Board of Directors will make decisions on these matters in accordance with the requirements of the business of the Target Company. Such approvals and decisions will be governed by the provisions of the relevant regulations or any other applicable laws or legislation at the relevant time.

VI. STATUTORY APPROVALS FOR THE OFFER

32. The Offer is subject to the Acquirers or the Target Company obtaining the approvals from the FIPB, SEBI, MCX, NCDEX, MAS and applicable stock exchanges for the acquisition of (i) the ETrade Sale Shares by Violet, (ii) the IL&FS Sale Shares by HSCI, and (iii) equity shares by HSCI from the shareholders of the Target Company under the Offer, in terms of the applicable rules and regulations prescribed by the said authorities. The Acquirers will make necessary applications to the respective authorities for their approval. The Offer shall proceed upon obtaining such approval.
33. As of the date of this PA, to the best of the knowledge of the Acquirers, there are no other statutory approvals required to implement the Offer other than those specified above in Paragraph 32. If any other statutory approvals become applicable prior to completion of the Offer, the Offer will also be subject to obtaining such other statutory approvals.
34. In case of delay in receipt of any statutory approval(s), SEBI has the power to grant an extension of time to HSCI for payment of consideration to shareholders, subject to HSCI agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of the willful default or neglect or inaction or non-action by the Acquirers in obtaining the requisite approvals, Regulation 28(12) of the SEBI (SAST) Regulation will also become applicable.
35. HSCI does not require any approvals from financial institutions or banks for the Offer.
36. 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 SEBI (SAST) Regulations.

VII. DISCLOSURE UNDER REGULATION 21(2) OF THE SEBI (SAST) REGULATIONS:

37. As per Clause 40A of the listing agreement with the BSE and NSE ("Listing Agreement"), the Target Company is required to maintain at least 10% public shareholding on a continuous basis. In the event that the acquisition made in pursuance to the Offer results in the public shareholding of the Target Company falling below such minimum level, the Acquirers undertakes to comply with the requirements of Clause 40A of the Listing Agreement or such other directions as may be provided by the relevant stock exchanges

VIII. FINANCIAL ARRANGEMENTS

38. The total funding requirement for the acquisition of up to 1,44,22,255 equity shares held by the shareholders of the Target Company at Rs. 200/- per equity share is Rs. 2,88,44,51,000 (Rupees Two hundred eighty eight crores forty four lakhs fifty one thousand only) (the "Maximum Consideration").
39. On behalf of HSCI, State Bank of India through its branch in Mumbai located at Mumbai Main Branch at Mumbai Samachar Marg, Mumbai - 400023 has issued a bank guarantee for Rs 45,00,00,000 (Rupees Forty Five crores only) in favour of the Manager to the Offer. The bank guarantee is valid upto November 16, 2008. The said amount is in excess of the minimum prescribed amount of 25% of the value of the total consideration payable under the Offer (assuming full acceptance) up to Rs. 100 crores and 10% thereafter as per Regulation 28(2) of the SEBI (SAST) Regulations. The said bank guarantee entitles the Manager to the Offer to realise the value thereof in terms of the SEBI (SAST) Regulations.
40. HSCI, the Manager to the Offer and the State Bank of India, a banking corporation constituted under the of State Bank of India Act, 1955 and having one of its branch offices at Mumbai Main Branch, Mumbai Samachar Marg, Fort, Mumbai – 400 023, India ("SBI, India") have entered into an Open Offer Escrow Agreement, (the "Escrow Agreement") dated May 17, 2008 in accordance with Regulation 28 of the SEBI (SAST) Regulations. Pursuant to the Escrow Agreement, HSCI has transferred an amount of Rs. 2,89,00,000 (Rupees Two crore eighty nine lakhs only) which is in excess of 1% of the value of the total consideration payable under the Offer (assuming full acceptances) into an escrow account with the SBI, India. The Manager to the Offer has been duly authorised to operate the aforesaid escrow account in accordance with the terms of the SEBI (SAST) Regulations.
41. BSR & Associates, Chartered Accountants located at KPMG House, Kamala Mills Compound, 448, Senapati Bapat Marg, Lower Parel, Mumbai - 400013 (Tel: +91 22 3989 6000; Fax: +91 22 3983 6000) have in their letter dated May 17, 2008 certified that HSCI has made firm arrangements to meet its financial obligations under the open offer to be made by HSCI to the shareholders of the Target Company.
42. Based on the above, the Manager to the Offer is satisfied about the ability of HSCI to implement the Offer in accordance with the SEBI (SAST) Regulations as firm financial arrangements are in place to fulfill the obligations under the SEBI (SAST) Regulations.

IX. OTHER TERMS OF THE OFFER

43. The Letter of Offer together with a Form of Acceptance-cum-Acknowledgement will be mailed on or before Wednesday, July 02, 2008 to all shareholders of the Target Company (except the promoters i.e. IL&FS and ETrade) whose names appear in the Register of Members of the Target Company and the beneficial owners of the equity shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on Friday May 30, 2008 (the "Specified Date").
44. The Offer shall open on Friday, July 11, 2008 (the "Offer Opening Date") and will remain open until Wednesday, July 30, 2008 (the "Offer Closing Date").
45. Shareholders holding equity shares in physical form: Shareholders holding equity shares in physical form who wish to accept this Offer and tender their equity shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and duly signed transfer deed(s) to the Registrar to the Offer, Karvy Computershares Private Limited, either by hand delivery on weekdays or by registered post so as to reach the Registrar to the Offer on or before the offer closing date, i.e. not later than Wednesday, July 30, 2008 in accordance with the procedure which will be specified in the Letter of Offer and the Form of Acceptance-cum- Acknowledgement.
46. For shareholders holding equity shares in dematerialised form, Karvy Computershares Private Limited has opened a special depository account with National Securities Depository Limited (NSDL). Beneficial owners are requested to fill in the following details in the delivery instructions for the purpose of crediting their equity shares in the special depository account:

DP Name	KARVY STOCK BROKING LTD
DP ID	IN302470
Client ID	40232039
Account Name	KCPL ESCROW A/c - IIL OPEN OFFER
Depository	National Securities Depository Limited

Shareholders having their beneficiary account in Central Depository Service (India) Limited (CDSL) have to use the inter-depository delivery instruction slip for the purpose of crediting their equity shares in favour of the Special Depository Account with NSDL.

47. Shareholders holding equity shares in dematerialised form who wish to accept this Offer and tender their equity shares will be required to send their Form of Acceptance-cum-Acknowledgement to the Registrar to the Offer either by hand delivery on weekdays or by registered post so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e. not later than Wednesday, July 30, 2008 in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance-cum-Acknowledgement, along with a photocopy of the delivery instructions in "Off–market" mode or counterfoil of the delivery instructions in "Off-market" mode, in favour of the special depository account duly acknowledged by their respective depository participant (the "DP").
48. The shareholders who wish to avail of and accept the Offer can submit the Form of Acceptance-cum-Acknowledgement and the relevant documents at the following centers either by hand delivery (between 10.00 a.m. and 3 p.m. on all working days and between 10.30 a.m. and 1.00 p.m. on Saturdays) or by registered post, as specified below, on or before the Offer closing date Wednesday, July 30, 2008

Sr. No.	Collection Centre	Address of Collection Centre	Contact Person	Phone No.	Fax	Mode of delivery
1	Mumbai (Fort)	16-22 Bake House Maharashtra Chamber. of Commerce. Lane, Opp. MSC Bank, Fort, Mumbai - 400 023	Ms. Varija Kotian	022-66382666	022-66331135	Hand Delivery
2	New Delhi	2E / 23, Jhandewalan Extn. New Delhi - 110 055.	Mr. S N Jha	011-43681700	011-43681710	Hand Delivery
3.	Ahmedabad	201-203, "Shail", Opp: Madhusudhan House Behind Girish Cold Drinks Off C G Road, Ahmedabad - 380 006	Mr. Biswanath Mukherjee	079-26420422/ 26400528	079-26565551	Hand Delivery
4	Chennai	No. 33/1, Venkatraman Street, T.Nagar, Chennai - 600017	Mr. Gunashekhar	044 - 28151793 / 1794 / 4781	044-28153181	Hand Delivery
5	Hyderabad	Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081	Ms. Rinki Sareen	040-23420818	040-23420814	Hand Delivery/ Regd Post
6	Kolkata	49, Jatin Das Road, Nr.Deshpriya Park, Kolkata - 700 029	Mr. Sujit Kundu/ Mr. Debnath	033-24644891	033-24644866	Hand Delivery
7	Bangalore	No.59, Skanda, Putana Road, Basavanagudi, Bangalore - 560 004	Ms. Sudha	080-26621192	080-26621169	Hand Delivery

49. Persons who own equity shares but whose names do not appear on the Register of Members of the Target Company as on the Specified Date are also eligible to participate in this Offer. Such unregistered owners can send their acceptance in writing to the Registrar to the Offer on plain paper stating the name, address, number of equity shares held, number of equity shares tendered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deeds and the original contract note/ s issued by the broker through whom they acquired these equity shares so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e. not later than Wednesday, July 30, 2008. No indemnity is required from such unregistered owners.
50. In the event of non-receipt of the Letter of Offer, shareholders may obtain a copy of the same by writing to the Registrar to the Offer at their registered office address clearly marking the envelope "IIL-Open Offer". Alternatively, the shareholders may send their acceptances on plain paper to the Registrar to the Offer stating their name, address, folio number, distinctive number, number of equity shares held, number of equity shares tendered, duly signed by all the holders along with the documents mentioned above to the Registrar to the Offer on or before the Offer Closing Date i.e. not later than Wednesday, July 30, 2008.
51. In the event of non-receipt of the Letter of Offer by beneficial owners, such beneficial owners can make an application to the Registrar to the Offer on plain paper stating their name, address, number of equity shares held, number of equity shares tendered, bank particulars, DP name, DP ID, beneficiary account number duly signed by all the holders and send the same along with a photocopy of the delivery instructions in "Offmarket" mode or counterfoil of the delivery instructions in "Off-market" mode in favour of the special depository account, to the Registrar to the Offer on or before the Offer Closing Date. All beneficial holders maintaining an account with CDSL are requested to obtain, complete and submit an additional inter-depository slip together with the instructions to their respective DPs.
52. Shareholders can download the Letter of Offer, Form of Acceptance cum Acknowledgement and Form of Withdrawal placed on the SEBI website http://www.sebi.gov.in from the Offer Opening Date and send in their acceptance by filling the same.
53. Compliance with tax and other regulatory requirements:
    i. While tendering equity shares under the Offer, non-resident Indians (**"NRIs"**), Overseas Corporate Bodies (**"OCBs"**) and other non-resident shareholders will be required to submit RBI's approval (specific or general) which they would have obtained for acquiring the equity shares of the Target Company, failing which HSCI reserves the right to reject the equity shares.
    ii. As per the provisions of section 196D(2) of the Income-tax Act, 1961 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 payable to a Foreign Institutional Investor as defined in section 115AD of the Income-tax Act, 1961.
    iii. While tendering their equity shares under the Offer, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate or Tax Clearance Certificate or Certificate for Deduction of Tax at Lower Rate from the Income-tax authorities under the Income-tax Act, 1961 indicating the amount of tax to be deducted by HSCI before remitting the consideration, failing which HSCI will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs on the entire consideration amount payable to such shareholder.
54. Payment to those shareholders whose share certificates and/or other documents are found valid and in order and are approved by the Manager to the Offer and HSCI, will be by way of a crossed account payee cheque/ demand draft/ pay order. The decision regarding the acquisition (in part or full), or rejection of, the equity shares tendered pursuant to this Offer and (i) any corresponding payment for the acquired equity shares and/or (ii) share certificates for any rejected equity shares or equity shares withdrawn, will be dispatched to the shareholders by registered post or by ordinary post as the case may be*, at the shareholder's sole risk. Equity shares held in dematerialised form to the extent not acquired or equity shares withdrawn will be credited back to the respective beneficiary account with their respective DPs as per the details furnished by the beneficial owners in the Form of Acceptance-cum-Acknowledgement.

    * Dispatches involving payment of a value in excess of Rs.1,500 will be made by registered post at the shareholder's sole risk. All other dispatches will be made by ordinary post at the shareholder's sole risk.
55. All cheques/demand drafts will be drawn in the name of the first holder, in case of joint holder(s). In case of unregistered owners of equity shares, payment will be made in the name of the person stated in the contract note.
56. The Registrar to the Offer will hold in trust the equity shares/share certificates, equity shares lying in credit of the special depository account and the transfer form(s), until HSCI completes its obligations under the Offer in accordance with the SEBI (SAST) Regulations.
57. In case the number of equity shares tendered in the Offer are more than the equity shares agreed to be acquired under the Offer, HSCI shall accept the offers received from the shareholders on a proportionate basis as per Regulation 21(6) of the SEBI (SAST) Regulations in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner.
58. In accordance with Regulation 22(5A) of the SEBI (SAST) Regulations, shareholders who have accepted the offer by tendering the requisite documents in terms of this PA and Letter of Offer can withdraw the same 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 below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before Friday, July 25, 2008.
59. The withdrawal option can be exercised on submitting the form of withdrawal (which will be sent to shareholders along with the Letter of Offer) together with:

i. In respect of physical equity shares: names, address, distinctive numbers, folio number, number of equity shares tendered.

ii. In respect of dematerialised equity shares: name, address, number of equity shares tendered, DP name, DP ID, beneficiary account number, photocopy of the delivery instructions in "Off Market" mode duly acknowledged by the DP.

60. In case of non-receipt of the form of withdrawal the above application can be made on plain paper.
61. The Acquirers reserve the right to withdraw the Offer pursuant to Regulation 27 of the SEBI (SAST) Regulations. Any such withdrawal will be notified in the form of a Public Announcement in the same newspapers in which this PA appears.
62. **Time schedule for major activities for the Offer**

Activity	Date	Day
Public Announcement Date	May 20, 2008	Tuesday
Specified Date	May 30, 2008	Friday
Last date for a competitive bid	June 10, 2008	Tuesday
Date by which individual Letters of Offer will be dispatched to the shareholders	July 02, 2008	Wednesday
Offer Opening Date	July 11, 2008	Friday
Last date for revising the offer price/number of equity shares	July 21, 2008	Monday
Last date for withdrawal of acceptances by the shareholder	July 25, 2008	Friday
Offer Closing Date	July 30, 2008	Wednesday
Date by which approval/ rejection would be intimated and the corresponding payment for the acquired equity shares and/or the share certificates for the rejected/withdrawn equity shares will be dispatched and/or credited to the beneficiary account in case of dematerialised equity shares	August 13, 2008	Wednesday

* Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer will be sent. However, all owners (registered or unregistered) of the equity shares of the Target Company are eligible to participate in the Offer anytime before the closure of the Offer.

X. General

63. Pursuant to Regulation 13 of the SEBI (SAST) Regulations, HSCI has appointed SBI Capital Markets Limited as the Manager to the Offer.
64. If there is a competitive bid, the public offers under all the subsisting bids will close on the same date. As the offer price cannot be revised during seven 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.
65. If there is any upward revision in the Offer Price before the last date for revision (i.e. July 21, 2008) or withdrawal of the Offer, the same would be informed by way of a public announcement in the same newspapers where this PA appears. If Offer Price is revised upward, such revised price will be payable to all shareholders who have accepted this Offer and tendered their equity shares at any time during the tenure of the Offer to the extent their equity shares are acquired by HSCI.
66. Acquirers, PACs, IL&FS and ETrade have not been prohibited by SEBI from dealing in securities under directions issued pursuant to Section 11B of Securities Exchange Board of India Act, 1992.
67. For further details, shareholders are requested to please refer to the Letter of Offer to be sent to the shareholders of the Target Company and the Form of Acceptance cum Acknowledgement.
68. The Acquirers and the directors of the Acquirers accept full responsibility for the information contained in this PA. The Acquirers and the directors of the Acquirers are responsible for fulfillment of obligations under the SEBI (SAST) Regulations.
69. Certain financial details contained in this PA are denominated in USD, UKD and Euros. Except where otherwise indicated, the Rupee equivalent quoted in each case is calculated in accordance with the RBI Reference rate as on May 16, 2008 namely 1 USD = Rs. 42.64, 1 Euro = Rs. 66.00, 1HKD = Rs. 5.45 (Source: RBI)

This PA will also be available on the SEBI's website (www.sebi.gov.in).

Manager to the Offer

SBI Capital Markets Limited

SBI Capital Markets Ltd.
202 Maker Tower 'E',
Cuffe Parade, Mumbai – 400 005
Tel: (91) - 22 2218 4704
Fax: (91) - 22 2218 6367
E-mail: iil.openoffer@sbicaps.com
Contact Person: Ms. Kavita Tanwani/ Mr. Gitesh Vargantwar

Registrar to the Offer

KARVY
Karvy Computershare Private Limited

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Tel: (91) - 40-23420815-23
Fax : (91) - 40-23420814
E-mail: murali@karvy.com
Contact Person: Mr. M Murali Krishna

Issued by SBI Capital Markets Limited, Manager to the Offer for and on behalf of the Acquirers.

Mumbai
May 19, 2008