

DRAFT LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Draft Letter of Offer ("DLOF") is sent to you as a shareholder(s) of Kaycee Industries Limited. If you require any clarifications about the action to be taken, you may consult your Stockbroker or Investment Consultant or Manager / Registrar to the Offer. In case you have recently sold your equity shares in the Company, please hand over this DLOF and the accompanying Form of Acceptance-cum-Acknowledgement ("FOA") to the Member of the Stock Exchange through whom the said sale was effected.

OPEN OFFER ("OFFER")

This Offer is being made pursuant to **Regulation 3(1) and 4** of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and subsequent amendments thereto ("**the SEBI (SAST) Regulations**") for the acquisition of **16,503** fully paid-up equity shares of ₹100/- each ("**the Equity Shares**"), representing **26%** of the Equity Share & Voting Capital ("**the Offer Size**") at ₹ **3,475/-** (Rupees Three Thousand Four Hundred and Seventy-Five only) per fully paid-up equity share ("**the Offer Price**") payable in **Cash**

BY

Salzer Electronics Limited ("Acquirer")

CIN: L03210TZ1985PLC001535

Registered Office: Samichettipalayamjothipuram, Post Coimbatore - 641047, Tamilnadu, India.

Tel. No.: +91-422-4233600; Fax. No.: +91- 422-2692170;

Email: baskarasubramanian@salzergroup.com; Website: www.salzergroup.net

TO THE ELIGIBLE EQUITY SHAREHOLDERS OF

Kaycee Industries Limited ("Target Company")

CIN: L70102MH1942PLC006482

Registered Office: Old Kamani Chambers, 32-Ramjibhai Kamani Marg, Ballard Estate, Mumbai - 400001, Maharashtra, India.

Tel. No.: +91-22-22613521; Fax. No.: +91-22- 22616106;

Email: complianceofficer@cms-kaycee.co.in; Web: www.kayceeindustries.com

Corporate Office: 70 Lake Road, Bhandup (West) Mumbai 400 078, Maharashtra, India.

Tel. No.: +91-22-41259072, Fax. No.: +91-22-41259001.

ATTENTION

1. This Offer is neither conditional upon any minimum level of acceptance in terms of Regulation 19 of the SEBI (SAST) Regulations nor it is a competing offer in terms of the Regulation 20 of the SEBI (SAST) Regulations.
2. As on date of this Draft Letter of Offer ('DLOF'), there are no statutory or other approvals which are required to make this Offer. However, in case of any regulatory or statutory or other approval being required at a later date before the closure of the Tendering Period, the Offer shall be subject to all such approvals and the Acquirer will make the necessary application for such approvals.
3. If there is any upward revision in the Offer Price/Offer Size at any time upto one (1) working day prior to the commencement of the Tendering Period in terms of the SEBI (SAST) Regulations, the same would also be informed by way of an announcement in the same newspapers where the Detailed Public Statement ('DPS') was published. Such revised Offer Price would be payable to all the Shareholders, who have validly tendered their Equity Shares anytime during the Tendering Period to the extent their Equity Shares have been verified and accepted under the Offer, by the Acquirer. If the Offer is withdrawn pursuant to Regulation 23 of SEBI (SAST) Regulations, the same would be communicated within two (2) working days by an announcement in the same newspapers in which the DPS is published.
4. **If there are competing offers: The public offers under all the subsisting bids shall open and close on the same date.**
5. A copy of Public Announcement, Detailed Public Statement, Draft Letter of Offer (including Form of Acceptance-cum- Acknowledgement) will be available on Securities Exchange Board of India ("SEBI") website: www.sebi.gov.in

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
 SYSTEMATIX GROUP Investments Re-defined	 Datamatics Business Solutions
SYSTEMATIX CORPORATE SERVICES LIMITED The Capital, A Wing, 603-606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India. Telephone: +91 22 6704 8000 Fax: +91 22 6704 8022 E-mail: ecm@systematixgroup.in Website: www.systematixgroup.in Contact Person: Amit Kumar SEBI Registration Number: INM000004224	DATAMATICS FINANCIAL SERVICES LIMITED Plot No B-5, Part B, Crosslane, MIDC, Marol, Andheri (East), Mumbai – 400093, Maharashtra, India. Telephone: +91 22 6671 2001 Fax: +91 22 6671 2209 Email: pradeep_mokale@datamaticsbpm.com Website: www.datamaticsbpm.com Contact Person: Mr. Pradeep Mokale SEBI Registration Number: INR000000874
OFFER / TENDERING PERIOD ("TP")	
STARTS ON: [●]	CLOSES ON: [●]

SCHEDULE OF ACTIVITIES

Activity	Day and Date [#]
Date of the Public Announcement (PA)	Friday, May 24, 2019
Date of the Detailed Public Statement (DPS)	Friday, May 31, 2019
Last date of filing Draft Letter of Offer (DLOF) with SEBI	Monday, June 10, 2019
Last date for a Competitive Bid / Offer	Monday, June 24, 2019
Identified Date*	Wednesday, July 03, 2019
Date by which LOF to be posted to the equity shareholders of the Target Company	Wednesday, July 10, 2019
Last date for public announcement by the Independent Directors committee of the Target Company on the Offer	Monday, July 15, 2019
Last date for upward revision of the Offer Price or any increase in the Offer Size	Tuesday, July 16, 2019
Offer Opening Public Announcement (Pre-Offer PA)	Tuesday, July 16, 2019
Date of Opening of the Tendering Period (TP) / Offer	Wednesday, July 17, 2019
Date of Closure of the Tendering Period (TP) / Offer	Tuesday, July 30, 2019
Last date for communicating the rejection /acceptance; Completion of payment of consideration or refund to the shareholders	Monday, August 05, 2019
Date of releasing Post-Offer Public Announcement (Post-Offer PA)	Tuesday, August 13, 2019
Submission of Final Report by the Manager to the Offer with SEBI	Wednesday, August 21, 2019

**The Identified Date is only for the purpose of determining the Shareholders as on such date to whom the Letter of Offer would be sent. It is clarified that all holders (registered or unregistered) of Equity Shares (except the parties to the SPA and persons deemed to be acting in concert with the parties to the SPA) are eligible to participate in the Offer any time before the Offer Closing Date.*

#The above timelines are indicative (prepared on the basis of timelines provided under the SEBI (SAST) Regulations) and are subject to receipt of relevant approvals from various regulatory authorities and may have to be revised accordingly.

RISK FACTORS

A. RELATING TO THE OFFER

1. As of date of this Draft Letter of Offer, to the best of the knowledge of the Acquirer, there are no statutory approvals required by the Acquirer to complete this Offer. In the event that:
 - a. any statutory approvals are required by the Acquirer at a later date before the closure of the Tendering Period, this Offer shall be subject to such approvals and the Acquirer shall make the necessary applications for such approvals and in case such approvals are not received in time;
 - b. there is any order of a governmental authority or a litigation leading to a stay or injunction on the Offer or that restricts or restrains the Acquirer from performing its obligations hereunder; or
 - c. the SEBI instructs the Acquirer not to proceed with the Offer,then the Offer process may be withdrawn or delayed beyond the schedule of activities indicated in this Draft Letter of Offer. Consequently, the payment of consideration to the Eligible Equity Shareholders whose Equity Shares have been accepted in this Offer as well as return of the Equity Shares not accepted by the Acquirer may be delayed.

In case the delay is due to non-receipt of statutory approval(s), as may be required at a later date, then in accordance with regulation 18(11) of the SEBI (SAST) Regulations, the SEBI may, if satisfied that non-receipt of approvals was not due to any wilful default, failure or negligence on the part of the Acquirer in diligently pursuing such approval, grant an extension for the purpose of completion of the Offer subject to the Acquirer agreeing to pay interest to the validly tendering Eligible Equity Shareholders at such rate as may be specified by the SEBI. Provided where the statutory approvals extend to some but not all the Eligible Equity Shareholders, the Acquirer will have the option to make payment of the consideration to such Eligible Equity Shareholders in respect of whom no statutory approvals are required in order to complete this Offer. The

Acquirer will have the right not to proceed with this Offer in the event any statutory approval, as may be required, is refused.

2. The Acquirer will not proceed with the Offer in the event statutory or other approvals, if any are required, are refused in terms of Regulation 23(1) of SEBI (SAST) Regulations. In the event of a withdrawal of the Offer, the Acquirer (through the Manager to the Offer) shall, within 2 (two) Working Days of such withdrawal, make a public announcement of such withdrawal, in the same newspapers in which the Detailed Public Statement was published, stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations.
3. All Eligible Equity Shareholders, including non-residents holders of Equity Shares, must obtain all requisite approvals required, if any, to tender the Equity Shares in the Offer (including without limitation, the approval from the RBI) and submit such approvals, along with the other documents required to accept this Offer. In the event such approvals are not submitted, the Acquirer reserves the right to reject such Equity Shares tendered in this Offer. Further, if the holders of the Equity Shares who are not persons resident in India had required any approvals (including from the RBI, or any other regulatory body) in respect of the Equity Shares held by them, they will be required to submit such previous approvals, that they would have obtained for holding the Equity Shares, to tender the Equity Shares in the Offer, along with the other documents required to be tendered to accept this Offer. In the event such approvals are not submitted, the Acquirer reserves the right to reject such Equity Shares tendered in the Offer. If the Equity Shares are held under general permission of the RBI, then the non-resident Eligible Equity Shareholder must state that the Equity Shares are held under general permission and clarify whether the Equity Shares are held on repatriable or non-repatriable basis.
4. In the event of any litigation leading to a stay on this Offer by a court of competent jurisdiction, or the SEBI instructing that this Offer should not proceed, then this Offer may be withdrawn or the Offer process may be delayed beyond the schedule of activities indicated on page 02 of this Draft Letter of Offer. Consequently, the payment of consideration to the Shareholders whose Equity Shares are validly accepted in this Offer as well as the return of the Equity Shares not validly accepted in this Offer by the Acquirer, may be delayed.
5. The Equity Shares, once tendered through the Form of Acceptance in the Offer, cannot be withdrawn by the Eligible Equity Shareholder during the Tendering Period, even if the acceptance of the Equity Shares in this Offer and, or, dispatch of consideration are delayed.
6. The Eligible Equity Shareholders may tender their Equity Shares in this Offer at any time from the commencement of the Tendering Period but prior to the closure of the Tendering Period. The Acquirer has up to 10 Working Days, or such extended period as may be permitted by the SEBI, from the date of closure of the Tendering Period to pay the consideration to the Eligible Equity Shareholders whose Equity Shares are accepted in this Offer.
7. The Equity Shares tendered in the Offer will be held in trust by the Clearing Corporation (as defined below), on behalf of the Eligible Equity Shareholders who have tendered their Equity Shares, till the completion of the formalities of this Offer, and the Eligible Equity Shareholders who have tendered their Equity Shares will not be able to trade in such Equity Shares held in trust by the Clearing Corporation during such period, even if the acceptance of the Equity Shares in this Offer and, or dispatch of payment consideration are delayed. During such period, there may be fluctuations in the market price of the Equity Shares and the Eligible Equity Shareholder will not be able to trade in such Equity Shares which are in the custody of the Clearing Corporation, thereby restricting the ability of such Eligible Equity Shareholders to take advantage of any favourable price movements. Accordingly, the Acquirer makes no assurance with respect to the market price of the Equity Shares before, during or upon completion of this Offer and each of them expressly disclaims any responsibility or obligation of any kind (except as required by applicable law) with respect to any decision by the Eligible Equity Shareholders on whether or not to participate in this Offer.
8. The Acquirer and its board accept no responsibility for statements made otherwise than in the Public Announcement ("PA"), the DPS, this Draft Letter of Offer or the Letter of Offer or in any advertisement or any materials issued by or at the instance of the Acquirer. Any persons placing reliance on any other source of information will be doing so at their own risk. Further, the Acquirer and the Manager to the Offer does not

accept responsibility with respect to the information contained in the PA, the DPS, or this Draft Letter of Offer or the Letter of Offer that pertains to the Target Company and/or, the Seller which has been provided by the Target Company, the Seller or taken from publicly available sources and have not independently verified the accuracy of such information.

9. This Draft Letter of Offer has not been filed, registered or approved in any jurisdiction outside India. The recipients of this Draft Letter of Offer resident in jurisdictions outside India should inform themselves of and observe the applicable legal requirements. This Offer is not directed towards any person or entity in any jurisdiction or country where the same would be contrary to the applicable laws or regulations or would subject the Acquirer or the Manager to the Offer to any new or additional registration requirements. This is not an offer for sale, or a solicitation of an offer to buy, in the United States of America and cannot be accepted by any means or instrument from within the United States of America.
10. The Eligible Equity Shareholders are advised to consult their respective tax advisers for assessing the tax liability pursuant to this Offer, or in respect of other aspects such as the treatment that may be given by their respective assessing officers in their case, and the appropriate course of action that they should take. The Acquirer and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of the tax provisions set forth in this Draft Letter of Offer.
11. The Acquirer and the Manager to the Offer make no assurance with respect to the financial performance of the Target Company and disclaim any responsibility with respect to any decision by the Eligible Equity Shareholders on whether or not to participate in this Offer.
12. The Acquirer shall accept Equity Shares tendered in dematerialized mode only. Physical Shares shall not be accepted in the Offer by the Acquirer. Shareholders are advised to get their physical shares dematerialised on or before bidding during the Tendering Period for the Offer.

B. RISKS RELATING TO THE ACQUIRER

1. The Acquirer makes no assurances with respect to their investment or divestment decisions relating to their proposed shareholding in the Target Company.
2. The Acquirer makes no assurances with respect to the continuation of the past trend in the financial performance or of the future performance of the Target Company.
3. The Acquirer makes no assurances with respect to the market price of the Equity Shares before, during or after this Offer and expressly disclaims any responsibility or obligation of any kind (except as required under applicable law) with respect to any decision by any Eligible Equity Shareholder on whether to participate or not to participate in this Offer.
4. The acquisition of Equity Shares pursuant to this Offer, together with the Equity Shares acquired pursuant to the SPA, may result in public shareholding in the Target Company falling below the level required for continued listing as prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**") and Rule 19A of the Securities Contracts (Regulation) Rules, 1957, as amended ("**SCRR**"). While the Target Company and, or, the Acquirer is required to decrease the non-public shareholding to the level specified and within the time stipulated under the SCRR, as amended, as per the requirements of Regulation 7(4) of the SEBI (SAST) Regulations and, or, the SEBI Listing Regulations, any failure to comply with the aforesaid regulations could have an adverse effect on the price and tradability of the Equity Shares

C. RISK IN THE TRANSACTION

The Offer contains a clause that it is subject to the provisions of the SEBI (SAST) Regulations and in case of non-compliance with any of the provisions of the SEBI (SAST) Regulations; the Acquirer shall not act upon the acquisition of Equity Shares under the Offer.

CURRENCY OF PRESENTATION

In this DLOF, all references to 'Rupees' or '₹' or 'INR' or 'Rs.' are to the reference of Indian National Rupee, the currency of the Republic of India. Throughout this DLOF, all figures have been expressed in "Lakh" unless otherwise specifically stated. In this DLOF, any discrepancy in any table between the total and sums of the amount listed are due to rounding off and / or regrouping.

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1. ABBREVIATIONS / DEFINITIONS

The following abbreviations / definitions apply throughout this document, unless the context requires otherwise:

PARTICULARS	DETAILS / DEFINITIONS
Acquirer	Salzer Electronics Limited
AOA	Articles of Association
BSE	BSE Limited, formerly known as Bombay Stock Exchange Limited
Buying Broker	Systematix Shares and Stocks (India) Limited
Cash Escrow Account	Opened for the purpose for keeping minimum escrow requirements
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
Companies Act	The Companies Act, 1956 or The Companies Act, 2013 as amended or modified from time to time
Commencement of TP	Wednesday, July 17, 2019 i.e. Offer Opening Date
Closure of the TP	Tuesday, July 30, 2019 i.e. Offer Closing Date
Demat Holders	Shareholders of the Target Company who are holding their Equity Shares in dematerialized form
DIN	Director Identification Number
DLOF	Draft Letter of Offer dated June 04, 2019
DP	Depository Participant
DPS	Detailed Public Statement, dated Thursday, May 30, 2019 issued by the Manager to the Offer, on behalf of the Acquirer in relation to the Offer and published in Newspapers on Friday, May 31, 2019 in accordance with Regulations 3(1) and 4 read with Regulations 13(4), 14(3) and 15(2) of the SEBI (SAST) Regulations
Eligible Persons	All the Shareholders of the Target Company (registered and unregistered) who own the Equity Shares at any time prior to the closure of the TP except the parties to the SPA (defined below) and the persons deemed to be acting in concert with the parties to the SPA
Escrow Agreement	Escrow Agreement dated Friday, May 24, 2019 between the Acquirer and the Escrow Agent and Manager to the Offer
EPS	Earnings Per Share = Profit after Tax / Total no. of outstanding equity shares
Equity Share & Voting Capital	The total voting equity share capital of the Target Company consisting of 63,470 Equity Shares of ₹100/- each.
Equity Share(s)	Fully Paid-up Equity Share(s) of ₹ 100/- each of the Target Company unless it is specified
Escrow Agent	IndusInd Bank Limited
Exiting Promoters	2015 Grover Family Trust (acting through its trustee Universal Trustees Private Limited), Mrs. Raju Grover and Ms. Aarti Grover
FCDs	Fully Convertible Debentures
FEMA	Foreign Exchange Management Act, 1999
FIIs	Foreign Institutional Investors
Form of Acceptance / FOA	The application-cum-acknowledgement form which is enclosed with this DLOF for accepting the Offer
FY	Financial Year
GIR	General Index Register
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
Identified Date	Wednesday, July 03, 2019 i.e. the date falling on the 10th (tenth) Working Day prior to the commencement of the Tendering Period, for the purposes of determining the Eligible Equity Shareholders of the Target Company to whom the Letter of Offer shall be sent
Income Tax Act / I.T.	Income Tax Act, 1961
IFSC	Indian Financial System Code
ISIN	International Securities Identification Number
Letter of Offer / LOF	The Letter of Offer, duly incorporating SEBI's comments on the Draft Letter of Offer, including the Form of Acceptance-cum-Acknowledgement, proposed to be sent to all the Eligible Equity Shareholders in accordance with the provisions of the SEBI (SAST) Regulations
Listing Agreement	Listing Agreement with the stock exchanges in India, as amended from time to time

Listing Regulations	SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended
LLP	Limited Liability Partnership
Manager to the Offer	Systematix Corporate Services Limited
MICR	Magnetic Ink Character Recognition
MOA	Memorandum of Association
NEFT	National Electronic Fund Transfer
MPS	Minimum Public Shareholding as defined in SCRR; which is 25% in case of the Target Company
NRI(s)	Non-Resident Indian(s) and persons of Indian origin residing abroad
No.	Number
NA/N.A.	Not Applicable
Newspapers	The detailed public statement in connection with the Offer, published on behalf of the Acquirer on May 31, 2019 in the following newspapers: (a) Financial Express (all editions); (b) Jansatta (all editions); and (c) Mumbai Lakshadeep (Mumbai edition).
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCBs	Overseas Corporate Bodies
Offer / Open Offer	Open offer being made by the Acquirer to the Eligible Equity Shareholders of the Target Company to acquire up to 16,503 Equity Shares, representing 26% of the Equity Share and Voting Capital, at a price of ₹3,475/- (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share
Offer Period	The period between the date on which the SPA was executed and the date on which the payment of consideration to the Eligible Equity Shareholder whose Equity Shares are validly accepted in this Offer, is made, or the date on which this Offer is withdrawn, as the case may be
Offer Price	₹3,475/- (Rupees Three Thousand Four Hundred and Seventy-Five only) for each fully paid-up equity share payable in cash to the shareholders of the Target Company
Offer Size / Open Offer Equity Shares	Up to 16,503 Equity Shares of the face value of ₹100/- each representing 26% of the Equity Share & Voting Capital of Target Company as of the tenth working day from the closure of the Tendering Period
PAN	Permanent Account Number
PCDs	Partly Convertible Debentures
Physical Holders	Shareholders of the Target Company who are holding Equity Shares in physical form
Public Announcement / PA	The public announcement in connection with the Offer dated Friday, May 24, 2019 issued by the Manager to the Offer on behalf of the Acquirer, in relation to this Offer and filed with the BSE and the SEBI on Friday, May 24, 2019 and with the Target Company on Friday, May 24, 2019
Promoter / Promoter Group	Promoter or members of Promoter Group of the Target Company unless it is specified
RBI	Reserve Bank of India
Registrar to the Offer	Link Intime India Private Limited
ROC	Registrar of Companies
₹/ Rs. / Rupee(s) / INR	Indian Rupees, the legal currency of India
RTGS	Real Time Gross Settlement
SCRR	Securities Contract (Regulations) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended or modified from time to time
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEBI (SAST) Regulations, 2011 / Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 and subsequent amendments thereto
Seller	2015 Grover Family Trust (acting through its trustee, Universal Trustees Private Limited)
SPA	Share purchase and transfer of control agreement dated Friday, May 24, 2019 executed between the Exiting Promoters, the Acquirer, and the Target Company whereby 45,899 (Forty-Five Thousand Eight Hundred and Ninety-Nine) Equity Shares at a price of ₹ 3,475.00 (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share aggregating to ₹ 15,94,99,025 (Rupees Fifteen Crore Ninety-Four Lakh Ninety-Nine Thousand and Twenty-Five only) and control

	of the Target Company have been agreed to be acquired by the Acquirer.
Settlement Date	The date on which bids/Equity Shares accepted in the Offer shall be squared-off
Sl. No.	Serial Number
Special Account	Opened for the purpose of making payment to the Buying Broker
Stock Exchanges	Collectively, the BSE and the NSE
STT	Securities Transaction Tax
Target Company	Kaycee Industries Limited, Mumbai, Maharashtra
Tendering Period / TP	Period of 10 working days within which Shareholders of Target Company may tender their equity shares in acceptance to the Offer
TDS	Tax Deduction at Source
TRC	Tax Residence Certificate
TRS	Transaction Registration Slip
Transaction	Collectively the Underlying Transaction and the Open Offer.
Underlying Transaction	The transaction to acquire up to 45,899 Equity Shares of the Target Company at a price of ₹3,475/- per Equity Share, by the Acquirer from the Seller.
Working Day(s)	Working days of SEBI

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2. DISCLAIMER CLAUSE

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DLOF WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DLOF 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 KAYCEE INDUSTRIES LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER OR THE TARGET COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DLOF. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DLOF, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER DULY DISCHARGES THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MANAGER TO THE OFFER, SYSTEMATIX CORPORATE SERVICES LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED JUNE 04, 2019 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES & TAKEOVERS) REGULATIONS, 2011 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE DLOF DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.”

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3. DETAILS OF THE OFFER

3.1. BACKGROUND OF THE OFFER

3.1.1. This Offer is a “Mandatory Offer” under the Regulation 3(1) and 4 of the SEBI (SAST) Regulations being made by the Acquirer to the eligible shareholders of the Target Company, pursuant to the execution of the SPA entered by and between Exiting Promoters, the Acquirer, and the Target Company whereby 45,899 (Forty-Five Thousand Eight Hundred and Ninety-Nine) Equity Shares (“SPA Shares”) at a price of ₹ 3475.00 (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share (the “**Negotiated Price**”) aggregating to ₹ 15,94,99,025 (Rupees Fifteen Crore Ninety-Four Lakh Ninety-Nine Thousand and Twenty-Five only) and control of the Target Company have been agreed to be acquired by the Acquirer.

3.1.2. This Offer is not pursuant to any global acquisition resulting in an indirect acquisition of the Equity Shares.

3.1.3. The Acquirer have agreed to purchase the Equity Shares from the Seller at a price of ₹ 3,475/- (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share, payable in cash, subject to the terms and conditions as contained in the SPA and the provisions of the SEBI (SAST) Regulations.

3.1.4. Details of the transaction which has triggered the Offer obligations (underlying transaction) are set out below:

Details of underlying transaction						
Type of Transaction (Direct/Indirect)	Mode of Transaction (Agreement/Allotment/ Market Purchase)	Equity Shares/ Voting rights acquired/ proposed to be acquired		Total Consideration for Equity Shares/ voting rights acquired (in ₹)	Mode of payment (Cash/ securities)	Regulations which have been triggered
		Number of Equity Shares	% vis-à-vis Equity Share and Voting			
Direct Acquisition	Direct acquisition of 45,899 Equity Shares of the Target Company representing 72.32% of the Equity Share and Voting Capital of the Target Company, pursuant to execution of the SPA entered into between the Exiting Promoters, the Acquirer, and the Target Company.	45,899	72.32%	15,94,99,025.00	Cash	Regulations 3(1) and 4 of the SEBI (SAST) Regulations

3.1.5. The Salient features of the Share Purchase Agreement (“SPA”) is as under:

- The Acquirer shall acquire 45,899 Equity Shares of ₹ 100 each of the Company, representing 72.32% of Equity Share Capital of the Company.
- The said Sale Equity shares are lying in the Seller Demat Account.
- The Purchase Consideration for the Sale Shares shall be at the rate of ₹ 3,475/- (Rupees Three Thousand Four Hundred and Seventy-Five only) per share. The Acquirer shall pay the Purchase Consideration relatable to the Sale Shares acquired by such Acquirer.
- The Exiting Promoters
 - shall not have any special rights in the Target Company through any formal or informal arrangements, in terms of the SEBI (LODR) Regulations
 - themselves and their Relatives shall resign from the Board of the Target Company and from any positions held by them in the Target Company; and

- iii. themselves and their nominees shall be removed as the authorized signatories of the Target Company including for the purpose of operating any bank accounts and nominees of the Incoming Promoter shall be appointed for the said purpose
- e. In addition, consummation of the Underlying Transaction is subject to the fulfillment of the conditions precedent as specified under the SPA, including the following:
 - i. Receipt of approval of the income tax authorities in terms of the provisions of section 281 of the Income Tax Act, 1961, for sale of Secondary Sale Shares by the Seller
 - ii. Target Company having received the consent of Saraswat Co-operative Bank Limited for the purpose of consummating the transactions contemplated herein including (i) transfer of control from the Exiting Promoters to the Acquirer; and (ii) change in directorship pursuant to the change of control;
 - iii. the Acquirer having deposited in an escrow account an amount equal to 100% (one hundred percent) of the consideration payable under the Open Offer assuming full acceptance of the Open Offer, in terms of the Takeover Regulations;
- f. Non-Compete Undertaking:
The Exiting Promoters have given a Non-compete undertaking to the Acquirer effective for a period of 5 years from the Closing Date (i.e. the date of closure of the Tendering Period of the Open Offer).
- g. The Acquirer shall achieve substantial acquisition of Equity Shares and voting capital, accompanied with effective management control over the Target Company after completion of the proposed Open Offer. The main object of this acquisition is to acquire substantial stake and management control of the Target Company in compliance with the SEBI (SAST) Regulations.

3.1.6. Details of the Seller ("2015 Grover Family Trust"):

- a. 2015 Grover Family Trust (the "**Trust**" or "**Seller**") is an unregistered trust under Indian Trust Act, 1882.
- b. The Trust has been set up pursuant to a trust deed dated May 20, 2015.
- c. Universal Trustees Private Limited ("**UTPL**" or "**Trustee**"), a private limited company is the Trustee of 2015 Grover Family Trust.
- d. The office of the Trust is A/902 Marathon Futurex, N.M. Joshi Marg, Lower Parel, Mumbai – 400013, Maharashtra, India.
- e. The Trust is the sole promoter of the Target Company in terms of the shareholding pattern filed by the Target Company with BSE as at March 31, 2019.
- f. As on the date of this Draft Letter of Offer, the Trust (acting through the Trustee) holds 45,899 Equity Shares constituting 72.32% of the Equity Share and Voting capital of the Target Company.
- g. The shareholding or voting rights of the Trust in the Target Company before and after the sale of Equity Shares to the Acquirer pursuant to the SPA are as follows:

Name of the Seller	Details of Equity Shares / Voting Rights held by the selling shareholder			
	Pre Transaction		Post Transaction	
	Number of Equity Shares	% vis-à-vis Equity Share and Voting Capital	Number of Equity Shares	% vis-à-vis Equity Share and Voting Capital
2015 Grover Family Trust (acting through its trustee Universal Trustees Private Limited)	45,899	72.32	NIL	NIL
Total	45,899	72.32	NIL	NIL

- h. The Trust has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act, 1992, as amended or under any other regulation made under the SEBI Act, 1992.
- i. The Sale Shares held by the Trustee are in dematerialised form.

3.1.7. The Proposed change in control of the Target Company is not through any Scheme of Arrangement.

3.1.8. The Acquirer reserves the right to nominate someone representing them to be a Director on the Board of the Target Company during the Offer Period in accordance with SEBI (SAST) Regulations by depositing 100% of the Maximum Consideration payable under the Offer in the Cash Escrow Account as required under Regulation 24(1) of the SEBI (SAST) Regulations.

3.1.9. As per Regulation 26(6) of the SEBI (SAST) Regulations, the Board of Directors of the Target Company are required to constitute a committee of Independent Directors to provide reasoned recommendation on this Offer to the Eligible Shareholders. Such recommendation shall be published at least two (2) working days before the commencement of the Tendering Period in the same newspapers where the DPS was published in compliance with Regulation 26(7) of the SEBI (SAST) Regulations.

3.1.10. No persons/ entities are acting in concert with the Acquirer for the purpose of this Offer in terms of Regulation 2 (1) (q) of the SEBI (SAST) Regulations.

3.2. DETAILS OF THE PROPOSED OFFER

3.2.1. The public announcement in connection with the Offer was issued by the Manager to the Offer on behalf of the Acquirer on Friday, May 24, 2019 to the BSE and was filed online with the SEBI on Friday, May 24, 2019 and a copy thereof was sent to the registered office/corporate office of the Target Company on Friday, May 24, 2019.

3.2.2. In terms of Regulation 13(4) of the SEBI (SAST) Regulations, the DPS dated Thursday, May 30, 2019 was published on Friday, May 31, 2019 i.e. within 5 (five) Working Days of the date of PA in the following newspapers:

Sl. No.	Newspapers	Language	Editions
1.	The Financial Express	English	All Editions
2.	Jansatta	Hindi	All Editions
3.	Mumbai Lakshadeep ^s	Marathi	Mumbai Edition

^sWhere Equity Shares of the Target Company are listed and where Regd. Office of the Target Company is situated.

Simultaneously, in accordance with the provisions of Regulation 14(4) of the SEBI (SAST) Regulations, a copy of the DPS was sent through the Manager to the Offer to: (i) SEBI; (ii) BSE and (iii) the registered office/corporate office of the Target Company on Friday, May 31, 2019.

3.2.3. A copy of the PA and DPS is available on the website of the SEBI (www.sebi.gov.in).

3.2.4. The Acquirer has made the Offer in accordance with the Regulation 3(1) and 4 of the SEBI (SAST) Regulations to all the Eligible Equity Shareholders of the Target Company for the acquisition of 16,503 Equity Shares representing 26% of the Equity Share and Voting Capital of the Target Company in accordance with the provisions of the SEBI (SAST) Regulations and subject to the terms and conditions set out in the DPS and the Letter of Offer which is proposed to be sent to all the Eligible Equity Shareholders in accordance with the provisions of the SEBI (SAST) Regulations. The Equity Share and Voting Capital have been calculated on the basis of data available in public domain.

3.2.5. The Offer is being made at a price of ₹3,475 (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share and will be paid in cash in accordance with Regulation 9(1)(a) of the SEBI (SAST) Regulations.

3.2.6. As on the date of this Draft Letter of Offer, there are no partly paid-up Equity Shares in the share capital of the Target Company.

3.2.7. As on the date of this Draft Letter of Offer, there are no outstanding convertible securities, depository receipts, warrants or instruments issued by the Target Company convertible into Equity Shares.

3.2.8. The Offer is being made to all the Shareholders of the Target Company except the parties to the SPA. The Equity Shares of the Target Company under the Offer will be acquired solely by the Acquirer as fully paid-up, free from any lien, charges and encumbrances and together with the rights attached thereto, including all rights to dividend, bonus and rights offer declared thereof.

3.2.9. This Offer is not a competing offer in terms of Regulation 20 of the SEBI (SAST) Regulations and there has been no competing offer as of the date of this Draft Letter of Offer.

- 3.2.10. This Offer is not conditional on any minimum level of acceptance by the Eligible Equity Shareholder. Further, there is no differential pricing for this Offer.
- 3.2.11. As on the date of this Draft Letter of Offer, the Acquirer has not acquired any Equity Shares after the date of PA.
- 3.2.12. The Acquirer undertakes that they will not sell the Equity Shares held by them, if any, during the Offer Period in terms of Regulation 25(4) of the SEBI (SAST) Regulations.
- 3.2.13. The Acquirer undertakes that it will not tender any Equity Shares in this Offer.
- 3.2.14. Acquirer undertakes not to sell the equity shares of the Target Company held by it during the "Offer Period" in terms of Regulation 25(4) of the SEBI (SAST) Regulations.
- 3.2.15. The Manager to the Offer does not hold any Equity Shares in the Target Company as on the date of appointment as Manager to the Offer and as on the date of this DLOF. The Manager to the Offer further declares and undertakes that it shall not deal in the Equity Shares of the Target Company during the period commencing from the date of its appointment as Manager to the Offer till the expiry of 15 days from the date of closure of this Open Offer.
- 3.2.16. The Offer (assuming full acceptance to the Offer Size) will result in the minimum public shareholding (MPS) to fall below 25% of its Equity Share and Voting Capital of the Target Company in terms of Regulation 38 of the SEBI Listing Regulations read with Rule 19A(1) of the Securities Contracts (Regulations) Rules, 1957. If the minimum public shareholding falls below 25% of the Equity Share and Voting Capital, the Acquirer will comply with the provisions of Regulation 7(4) of the SEBI (SAST) Regulations to maintain the MPS in accordance with the SCRR and the Listing Regulations.

3.3. OBJECT OF THE ACQUISITION / OFFER

- 3.3.1. This Offer is being made to the public shareholders of Target Company pursuant to and in compliance with regulation 3(1) and 4 of the SEBI (SAST) Regulations.
- 3.3.2. The Acquirer shall achieve substantial acquisition of Equity Shares and voting capital, accompanied with effective management control over the Target Company after completion of the proposed Open Offer. The main object of this acquisition is to acquire substantial stake and management control of the Target Company in compliance with the SEBI (SAST) Regulations.
- 3.3.3. The Acquirer intends to seek reconstitution of Board of Directors of the Target Company after successful completion of this Offer. However, no firm decision in this regard has been taken or proposed so far.
- 3.3.4. The Acquirer may continue the existing line of business of the Target Company if members' approval is not obtained or may diversify business activities in future subject to prior approval/consent of the shareholders and subject to approval of the requisite statutory authorities. However, depending on the requirements and expediency of the business situation and subject to the provisions of the Companies Act, 2013, Memorandum and Articles of Association of the Target Company and all applicable laws, rules and regulations, the Board of Directors of the Target Company will take appropriate business decisions from time to time in order to improve the performance of the Target Company. The Acquirer cannot ascertain the repercussions, if any, on the employees and locations of the business place of Target Company.
- 3.3.5. In terms of Regulation 25(2) of the SEBI (SAST) Regulations, the Acquirer does not currently have any intention to alienate, restructure, dispose of or otherwise encumber any assets of Target Company in the succeeding two years from the completion of this Offer, except in the ordinary course of business and other than as already agreed, disclosed and / or publicly announced by Target Company. Notwithstanding anything contained herein and except with the prior approval of the shareholders of Target Company through a special resolution, passed by way of postal ballot, the Acquirer undertake that it will not restructure, sell, lease, dispose of or otherwise

encumber any substantial assets of Target Company other than in the ordinary course of business and other than as already agreed, disclosed and / or publicly announced by Target Company.

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4. BACKGROUND OF THE ACQUIRER (SALZER ELECTRONICS LIMITED)

4.1 Brief History & Major Areas of Operation

- 4.1.1 Salzer Electronics Limited, is a publicly listed company which was incorporated on January 08, 1985 bearing CIN L03210TZ1985PLC001535 under the Companies Act, 1956 in the State of Tamilnadu. The name of the Acquirer has not changed since its inception.
- 4.1.2 The registered office of the Acquirer is situated at Samichettipalayam, Jothipuram Post, Coimbatore – 641047, Tamilnadu, India. Tel. No.: +91-422-4233600; Fax. No.: +91- 422-2692170; Email: baskarasubramanian@salzergroup.com; Website: www.salzergroup.net.
- 4.1.3 The Acquirer operates in four divisions namely Switchgear, Building Segment, Wires & Cables and Energy Management. The Acquirer has altogether 5 manufacturing facilities and all are situated at or around Coimbatore.
- 4.1.4 The Acquirer is a part of Salzer Group of Companies.
- 4.1.5 There is no person acting in concert with the Acquirer within the meaning of 2(1)(q)(1) of SEBI (SAST) Regulations.
- 4.1.6 The Equity Shares of the Acquirer are currently listed on the BSE and NSE having a Scrip Code as 517059 and Symbol as SALZERELEC. The ISIN of Equity Shares of the Acquirer is INE457F01013. The Equity Shares of the Acquirer are currently not suspended from trading on the Stock Exchanges. The equity shares of the Acquirer are frequently traded within the meaning of the SEBI (SAST) Regulations.
- 4.1.7 Mr. R. Doraiswamy – Managing Director and Mr. D. Rajesh Kumar – Joint Managing Director & Chief Financial Officer are the persons having the control over the Acquirer. Details of the key shareholders of the Acquirer as on March 31, 2019 is given below:

Category of shareholder	Total no. shares held	Shareholding as a % of total no. of shares
Individual		
D Vishnurangaswamy	7,54,500	4.72
Thilagam R	4,57,255	2.86
R Doraiswamy	3,13,428	1.96
D Rajesh Kumar	2,41,966	1.51
R Pappammal	59,922	0.37
R Damodaraswamy	43,220	0.27
Samhita Rajesh	13,000	0.08
Others		
Saradha Investments Limited	7,48,968	4.69
Quebec Information Services I Ltd	6,54,842	4.10
Srve Industries Limited	6,15,605	3.85
Salzer Exports Ltd	3,45,725	2.16
KR Health Care P Ltd	3,52,783	2.21
Salzer Securities Holdings Limited	1,01,007	0.63
Salzer Magnet Wires Ltd	10,30,000	6.44
Total	57,32,221	35.85

4.2 Shareholding Pattern of the Acquirer as on March 31, 2019:

No.	Category	No. of equity shares held	% of Total equity share & voting capital
1	Promoters	57,32,221	35.87
2	FIs / Mutual-Funds / FIs / Banks	21,17,300	13.25
3	Other Public	81,33,216	50.89
	Total Paid-Up Capital	1,59,82,737	100.00

4.3 Names and Details of the Acquirer's Directors:

Sr. No.	Name, DIN, Address	Designation	Details of experience	Qualifications	Date of appointment
1)	Name: Rangachary Nambi Iyengar DIN: 00054437 Address: Flat No. C -101, B Wing, RNS Santhi Nivas, Tumkur, Road, Yeshwantpura, Bangalore – 560 022, Karnataka, India	Chairman (Non-Executive and Independent Director)	He has served as a chairman of Central Board of Direct Taxes and chairman of Insurance Regulatory and Development Authority.	Mr. Rangachary, born in 1938, is an IRS officer having over 40 years of experience under the Government of India, Ministry of Finance. He is also a Fellow Member of all the three Professional Bodies viz., the Institute of Chartered Accountants of India, the Institute of Cost and Works Accountants of India, the Institute of Company Secretaries of India	August 9, 2014
2)	Name: Rangaswamynaidu Doraiswamy DIN: 00003131 Address: 9/175A, Railway Fedder Road, Periyanaickenpalayam, Coimbatore – 641 020, Tamil Nadu, India	Managing Director (Executive and Non Independent)	He has an experience in the field of design, development and manufacture of electrical installation products. He has been heading the entire operations under the supervision of the Board.	Bachelor's degree in Electrical Engineering from University of Madras	May 2, 2016
3)	Name: Rajesh Kumar Doraiswamy DIN: 00003126 Address: 9/175, Railway Fedder Road, Periyanaickenpalayam, Coimbatore – 641 020, Tamil Nadu, India	Joint Managing Director and Chief Financial Officer	He has approximately 20 years of experience of electrical and electronic industry. He is responsible for policy development and finance management in our Company.	Bachelor's degree in Electrical and Electronics Engineering from Bharathiar University Masters degree in Business administration from New Hampshire College, USA.	October 1, 2016
4)	Name: Ramachandran Perumal Reddiar DIN: 01043572 Address: No 2/438-2 Durai Mohan Illam, Pettathapuram Pirivu,	Whole time Director (Executive and Non Independent)	He has been associated with our Company in the capacity of a director since September 26, 1998. He is heading the	Bachelor's degree in Arts, from University of Madras	September 26, 2018

	East, Pettathapuram, Coimbatore – 641 104, Tamil Nadu, India		Wires and Cables Divisions of the Company		
5)	Name: Sankaran Baskarasubramanian DIN: 00003152 Address: 12/33, Valli Nagar, Edayarpalayam Road, Coimbatore – 641 025, Tamil Nadu, India	Director and Company Secretary (Executive and Non Independent)	He has over 30 years of experience in company law matters and corporate affairs. He has been associated with our Company in the capacity of a director since September 23, 2000. He is responsible for legal and secretarial work of our Company.	Bachelor's degree in Commerce from University of Delhi. He is a qualified Company Secretary and fellow member of Institute of Company Secretaries of India	September 23, 2000.
6)	Name: Narayanaswamy Jayabal DIN: 00003111 Address: No. 29, G.V. Residency, Sowripalayam, Coimbatore South, Sowripalayam, Coimbatore – 641 028, Tamil Nadu, India	Director (Non-Executive and Independent Director)	He has wide technical knowledge in engineering and managing new overseas business and corporate assets for more than 40 years and associated with the Company for more than 20 years	Bachelor's in Engineering (Electrical)	August 9, 2014
7)	Name: Praful Kanthilal Shah DIN: 00003106 Address: 24, Serpentine Road, K.P. (W), Sheshadri Puram, Bangalore – 560 020, Karnataka	Director (Non-Executive and Independent Director)	Having Good knowledge and exposures in Business financing and corporate matters over 50 years and associated with the Company for more than 30 years	Bachelor's degree in Commerce	August 9, 2014
8)	Name: Nirmal Kumar Chandria DIN: 00003134 Address: 136-A (48 New), Ponnurangam Road (E), R S Puram, Coimbatore – 641 002, Tamil Nadu, India	Director (Non-Executive and Independent Director)	Having wide experience of manufacturing and corporate business in aluminum sector for more than 35 years and associated with the Company for more than 30 years	Bachelor's degree in Commerce from University of Kerala	August 9, 2014
9)	Name: Sankaran Veeraraghavan DIN: 00003141 Address: New No.13, Old No.7, Street - 2, Zacia Colony, Choolaimedu, Chennai – 600 094, Tamil Nadu, India	Director (Non-Executive and Independent Director)	. Has wide in-depth knowledge and exposures in Accounts, finance, Costing and Taxation, and Management of Corporate Affairs in the line for more than 50 years. He associated with the Company for more than 15 years	Bachelor's degree in Commerce from University of Madras. Master's degree in Commerce from the Karnatak University. Diploma in Managerial Accounting from University of Bombay. Member of the Institute of Cost Accountants of India and the Institute of	August 9, 2014

				Company Secretaries of India.	
10)	Name: Dr. Thilagam Rajeshkumar DIN: 00006783 Address: 9/175A, Railway Fedder Road, Periyanaickenpalayam, Coimbatore – 641 020, Tamil Nadu, India	Director (Non-Executive and Non Independent Director)	Having good exposures in Management of Business affairs for more than 50 years and associated with the Company for last four years	Bachelor's degree in Medicine and Surgery from Dr. M.G.R. Medical University, Madras Registered medical practitioner with Tamil Nadu Medical Council, Madras. Holds a diploma in Obstetrics and Gynaecology from the PSG Institute of Medical Sciences and Research, Coimbatore.	March 30, 2015
11)	Name: Damodaraswamy Rangaswamy DIN: 00003230 Address: 9/174, Railway Station Road, Perianaickenpalayam, SRKV Post, Coimbatore – 641 020, Tamil Nadu, India	Director (Non-Executive and Non Independent Director)	Wide entrepreneurial knowledge in managing Corporate businesses for the more than 50 years. Associated with the Company for the last thirty years and known philanthropist in the Society	Bachelor of Arts with Honours	May 02, 1986.
12)	Name: L. Venkatapathy DIN: 00003095 Address: No. 11, Vinsant Colony, Coimbatore (M), Coimbatore – 641 001, Tamil Nadu, India	Director (Non-Executive and Independent Director)	Has wide in-depth knowledge and exposures in Financial Management for more than Fifty years and having worked in leading engineering Industries and associated with the Company for more than thirty years	Bachelor's degree in Commerce and Arts from University of Madras	August 8, 2015
13)	Name: Otto Eggimann DIN: 07791113 Address: Moosmattstrasse 4, Hunenberg 6331 CH	Director (Non-Executive and Independent Director)	He is having knowledge in engineering in the field of Textiles, Automobiles and Electrical. Besides he is well conversant with the Global Marketing Network . He handled multiple assignments across the Globe and also held various key positions in Global Corporations. Currently, he is a Vice President Operations and BU Asia and Americas in LEGIC	B.Sc. (Dipl. Ing. HTL) in Mechanical Engineering from Winterthur Polytechnic School of Engineering, Switzerland; M.Sc. in Mechanical Engineering from Columbia Pacific University and Ph.D. in Mechanical Engineering from Columbia Pacific University, USA	May 25, 2017

			Indentsystems, CH- Wetzikon,		
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None of the directors of the Acquirer are members of the board of directors of the Target Company.

4.4 Key Financial Information of the Acquirer

The key financial information of the Acquirer based on its audited financials as at and for the 12 (twelve) months period ended March 31, 2019, March 31, 2018 and March 31, 2017 are as follows:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2017
	Audited	Audited	Audited
Profit & Loss Account			
Net Income from Operations <i>(Refer note 1)</i>	55,976.62	44,277.14	38,497.89
Other Income	70.70	310.24	544.35
Total Income	56,047.32	44,587.38	39,042.24
Total Expenditure <i>(Refer Note 2)</i>	49,612.06	38,948.66	34,083.18
PBDIT	6435.26	5638.72	4959.06
Depreciation	1,215.96	1,053.61	889.74
Interest	1,988.47	1,491.25	1,459.29
Profit/(Loss) Before Exceptional Items and Tax	3,230.83	3,093.86	2,610.03
Exceptional Items	0.00	0.00	0.00
Profit/(Loss) Before Tax	3,230.83	3,093.86	2,610.03
Provision for Tax	743.09	701.57	623.68
Deferred Tax	92.01	390.64	252.13
MAT credit	0.00	0.00	0.00
Tax of earlier years	0.00	0.00	0.00
Profit/(Loss) After Tax	2,395.73	2,001.65	1,734.22
Other Comprehensive Income	-18.39	-45.07	148.85
Total Comprehensive Income	2,377.34	1,956.58	1,883.07
Balance Sheet			
Sources of Funds			
Paid up Share Capital	1,598.27	1,552.67	1,434.82
Reserves and Surplus	27,119.56	25,507.42	21,820.54
Net worth	28,717.83	27,060.09	23,255.36
Non-Current Liabilities	2,458.28	3,007.41	3,017.23
Current Liabilities	25,380.25	23,655.67	19,118.91
Total	56,556.36	53,723.17	45,391.50
Uses of Funds			
Fixed Assets	18,904.01	17,276.35	14,797.76
Non-current investments	67.25	86.55	78.75
Trade receivable and others	2,064.73	3,359.72	3,153.21
Other non-current assets	551.29	208.79	237.95
Current Assets	34,969.08	32,791.76	27,123.83
Total	56,556.36	53,723.17	45,391.50
Other Financial Data			
Dividend (%)	16%	16%	16%
Earnings Per Share in (in Rs.) (Basic)	15.21	13.82	12.53
Earnings Per Share in (in Rs.) (Diluted)	15.10	13.45	12.11
Return on Net worth (%)	8.34%	7.40%	7.46%
Book Value Per Share (in ₹)	179.68	174.62	162.08

Notes:

1. Exclusive of Excise Duty paid upto June 30, 2017 and from July 01, 2017 onwards is exclusive of Goods and Services tax which subsumed excise duty.
2. Exclusive of Depreciation and Interest

4.5 Major Contingent Liabilities

Particulars	2018-19	2017-2018	2016-2017
Towards Import Obligations under EPGC	279.97	1,671.97	1,373.12
Letter of Credit for import and purchase of Raw Materials	1798.30	847.30	551.83
Obligation towards Bank Guarantee	614.59	734.48	412.55
Excise Protest Fund Liability	12.00	85.68	85.68

4.6 Other details of the Acquirer:

As of the date of this Draft Letter of Offer, except for Mr. R. Doraiswamy, Managing Director (Executive and Non Independent) of the Acquirer, who holds two (2) Equity Shares in the Target Company for more than last three years, no other directors hold any Equity Shares in the Target Company. The transaction contemplated by the Acquirer in the SPA which has triggered this Offer, neither the Acquirer, nor any of its directors nor its key employees have any other interest in the Target Company except as disclosed in the SPA.

4.7 The Acquirer has not been categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI.**4.8 The closing market price on June 04, 2019 of the equity shares of the Acquirer having face value of ₹ 10.00 (Rupees Ten Only) each, on the Stock Exchanges is given below:**

Stock Exchange	Closing Price as on June 04, 2019
NSE	138.25
BSE	139.35

4.9 Status of Corporate Governance of the Acquirer:

The Acquirer has received a certificate dated May 24, 2019 from G. V and Associates, Practising Company Secretary, wherein it has been confirmed that the Acquirer has complied with the conditions of corporate governance stipulated in the LODR Regulations, as applicable for the year ended May 31, 2019. Further, the Acquirer has submitted the Annual and quarterly compliance report (in the format prescribed as per SEBI circular CIR/CFD/CMD/5/2015 dated September 24, 2015) on corporate governance wherein it has confirmed compliance, as of March 31, 2019, with corporate governance norms relating to the composition of board of directors and various committees (such as audit committee, nomination and remuneration committee etc.) and that meetings of the board of directors and the relevant committees have been conducted in the manner specified in LODR Regulations.

4.10 Name and Details of Compliance Officer of the Acquirer

Mr. S. Baskarasubramanian, Director (Corporate Affairs),
Company Secretary & Compliance Officer,
Tel. No. +91-422-4233614
Email: baskarasubramanian@salzergroup.com

4.11 Undertakings / Confirmation by the Acquirer**4.11.1 Neither the Acquirer nor any of the entities with which they are associated, are in securities related business and registered with SEBI as a 'Market Intermediary'.****4.11.2 Based on the information available, the Acquirer is not in the list of 'wilful defaulters' issued by any bank, financial institution, or consortium thereof in accordance with guidelines on wilful defaulters issued by RBI.**

- 4.11.3 The Acquirer and its board of directors have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of SEBI Act or under any other regulations made under the SEBI Act.
- 4.11.4 Based on the information available, the Acquirer has not been declared as a fugitive economic offender under section 12 of Fugitive Economic Offenders Act, 2018 (17 of 2018) as per Regulation 2(1) (ja) of SEBI (SAST) Regulations.
- 4.11.5 The Acquirer and its board of directors undertake that if they acquire any Equity Shares of the Target Company during the Offer Period, they will inform to the Stock Exchanges and the Target Company within 24 hours of such acquisitions and they will not acquire any Equity Shares of the Target Company during the period between three working days prior to the commencement of the Tendering Period (“TP”) and until the closure of the TP in accordance with Regulation 18(6) of SEBI (SAST) Regulations.
- 4.11.6 All Open Offer Shares that are validly tendered and accepted in the Offer shall be solely subscribed by the Acquirer.

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5. BACKGROUND OF THE TARGET COMPANY (KAYCEE INDUSTRIES LIMITED)

- 5.1 The Target Company was Incorporated as a public limited company by the Registrar of Joint Stock Companies of Punjab, Lahore (now in Pakistan), on December 15, 1942, under the Indian Companies Act, 1913. Subsequently, pursuant to special resolution and an Order of the High Court dated July 2, 1948 (Judicature for the province of East Punjab at Simla) provisions of Memorandum of Association were altered with respect to transfer of the Registered Office from the province of East Punjab to the province of Bombay vide fresh certificate of incorporation from Registrar of Companies, Mumbai, on July 23, 1953. The CIN of the Target Company is L70102MH1942PLC006482.
- 5.2 The Registered Office of the Target Company is situated at Old Kamani Chambers, 32-Ramjibhai Kamani Marg, Ballard Estate, Mumbai- 400001, Maharashtra, India. Tel. No. +91-22-22613521; Fax. No. +91-22- 22616106; Email: complianceofficer@cms-kaycee.co.in, Web: www.kayceeindustries.com. The Corporate Office of the Target Company is situated at 70 Lake Road, Bhandup (West), Mumbai 400 078, Maharashtra, India. Tel. No. +91-22-41259000; Fax. No. +91-22-41259001.
- 5.3 The Target Company is mainly involved in manufacturing and trading of switchgears. Principal products are Rotary Switches, Rotary Cam Switches, Micro and Toggle Switches, Weather Tight Switches, Breaker Control Switches, Water Meters, Counters and Fuse Fittings.
- 5.4 The manufacturing facilities of the Target Company are situated at Plot No F-25, Addl. Ambarnath Industrial Area, Anand Nagar, Ambarnath (East), Thane - 421502, Maharashtra.
- 5.5 The Equity Shares of the Target Company are currently listed on the BSE Ltd, Mumbai ("**BSE**") having a Scrip Code as 504084 and Symbol as KAYCEEI. The ISIN of Equity Shares of the Target Company is INE813G01015. The Equity Shares of the Target Company are currently not suspended from trading on BSE.
- 5.6 The Share capital structure of the Target Company as on the date of Draft Letter of Offer is as follows:

Paid up Equity Shares of Target Company	No. of Shares/Voting Rights	Amount (in ₹)	% of Equity Shares / Voting Rights
Authorised Capital			
Equity Shares of ₹ 100 each	97,500 Equity Shares	97,50,000	
Issued, Subscribed & Paid up Share Capital Capital			
Equity Shares of ₹ 100 each	63,470 Equity Shares	6,347,000	
Total Voting Rights in the Target Company	63,470 Equity Shares	6,347,000	100%

- 5.7 As of the date of this Draft Letter of Offer, there are no: (i) partly paid-up Equity Shares; and (ii) outstanding convertible instruments (warrants/fully convertible debentures/partially convertible debentures) issued by the Target Company.

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5.8 As on the date of this Draft Letter of Offer, the following are on the board of the Target Company:

Sr. No.	Name, DIN, Address	Designation	Details of experience	Qualifications	Date of appointment
1)	Name: Aarti Rameshdutt Grover DIN: 02625342 Address: 1, Revills, 45 Cuffe Parade, Opposite Colaba Woods, Mumbai 400005, Maharashtra, India	Managing Director	She has overall experience 17 years in the field of product and business services.	MBA from the University of San Francisco, USA	August 14, 2012
2)	Name: Chandra Prakash Jain DIN: 07337778 Address: Building No. 204/B, Vrindavan B. P. Road, Bhayander East, Thane – 401105, Maharashtra, India	Whole time Director	He has over 30 years experience in management of Accounts and Finance, Property management.	Bachelor's degree in Commerce	November 14, 2015
3)	Name: Raju Ramesh Dutta Grover DIN: 01584366 Address: 1, Revills, 45 Cuffe Parade, Opposite Colaba Woods, Mumbai - 400005, Maharashtra, India	Director	He's over 17 years of experience in Finance and property management.	Bachelor's degree in Arts.	July 31, 2009
4)	Name: Sona Purshottam Ramchandani DIN: 05229003 Address: Plot No. 156, Flat No. 12- A Ideal House, Sion Circle, Sion East Mumbai – 400022, Maharashtra, India.	Independent Director	She over 5 years of experience in Finance and Administration.	Bachelor's degree in Arts	March 20, 2012
5)	Name: Pramila Prakash Merani DIN: 07002974 Address: 433, Shahani Colony, Navghar Road, Mulund East, Mumbai - 400081, Maharashtra, India	Independent Director	He has over 6 years of experience in Administration.	Bachelor's degree in Commerce.	September 30, 2015
6)	Name: Savitri Lal Butani DIN: 07003047 Address: 504, Satguru Elegance, R. W. Sawant Road, Near Sheetal Dairy, Majiwada, Thane - 400601, Maharashtra, India	Independent Director	He has over 6 years of experience in Finance.	Bachelor's degree in Commerce.	September 30, 2015

Note: None of the directors mentioned in the table above are representatives of the Acquirer. Neither of them is related to the Acquirer in any manner whatsoever.

- 5.9 There has been no merger, demerger, amalgamation or spin-off during the last 3 years involving the Target Company except as mentioned below:
Scheme of arrangement between the Company and RDJ Constructions Limited:
Demerger of identified undertaking being transferred from the Company to RDJ Constructions Limited. The Scheme was approved by the Mumbai Bench of the National Company Law Tribunal vide order dated 23rd March 2018 and it became effective from 2nd June 2018 (being the date of filing with Registrar of Companies).
- 5.10 As on the date of this Draft Letter of Offer, the Target Company does not have any subsidiary or holding company.
- 5.11 The Target Company has no Equity Shares that are locked-in as of the date of this Draft Letter of Offer.
- 5.12 The Target Company including its directors has not been prohibited by SEBI from dealing in securities in terms of Section 11B of the SEBI Act. The Target Company is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is under winding up.
- 5.13 The Target Company including its directors are not in the list of 'wilful defaulters' issued by any bank, financial institution, or consortium thereof in accordance with guidelines on wilful defaulters issued by RBI.
- 5.14 The key financial information of the Target Company based on its audited financials as at and for the 12 (twelve) months period ended March 31, 2019, March 31, 2018 and March 31, 2017 are as follows:

(₹ in Lakh except EPS)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2017
	Audited	Audited	Audited
Profit & Loss Account			
Income from Operations	2,501.81	2,502.61	2,362.91
Other Income	153.66	14.32	90.83
Total Income	2,655.47	2,516.93	2,453.74
Total Expenditure(Refer Note 1)	2,461.77	2,365.84	2,426.01
PBDIT	247.36	208.90	105.52
Depreciation	38.06	26.79	32.56
Interest	15.60	31.02	45.22
Exceptional Items	0.00	0.00	0.00
Profit/(Loss) Before Extraordinary Items and Tax	193.70	151.09	27.74
Extraordinary Items	0.00	0.00	0.00
Profit/(Loss) Before Tax	193.70	151.09	27.74
Current Tax	54.23	0.78	7.00
Deferred Tax	4.28	36.82	(47.91)
MAT credit	0.00	0.00	0.00
Tax of earlier years	0.00	0.00	4.00
Profit/(Loss) After Tax	135.19	113.49	64.65
Other Comprehensive Income	(5.70)	(0.35)	(0.44)
Total Comprehensive Income	129.49	113.14	64.21
Balance Sheet			
Sources of Funds			
Paid up Share Capital	63.47	63.47	63.47
Reserves and Surplus	1234.49	1112.38	1166.42
Net worth	1297.96	1175.85	1229.89
Non-Current Liabilities	44.55	46.12	63.07
Current Liabilities	521.02	836.53	962.68
Total	1863.53	2058.50	2255.63
Uses of Funds			

Fixed Assets	327.31	227.54	414.41
Non-current investments and Others	3.28	3.28	4.15
Deferred tax assets (net)	10.37	14.65	51.33
Other non-current assets	71.04	103.44	70.56
Current Assets	1451.53	1709.59	1715.16
Total	1863.53	2058.50	2255.63
Other Financial Data			
Dividend (%)	10%	10%	5%
Earnings Per Share in (in ₹) (Basic & Diluted)	213.00	178.81	101.16
Return on Net worth (%)	14.92%	12.85%	2.26%
Book Value Per Share (in ₹)	2045.00	1852.61	1937.75

Notes:

1. Exclusive of Depreciation and Interest

5.15 Pre and Post Offer Shareholding Pattern of the Target Company as on date of this DLOF is and shall be as follows:

Shareholders' Category	Equity Shares/voting rights prior to the SPA and this Offer		Equity Shares/voting rights agreed to be acquired under the SPA which triggered the SEBI (SAST) Regulations, 2011 (Assuming full acceptances)		Equity Shares/voting rights to be acquired in this Offer (Assuming full acceptances)		Shareholding/ voting rights after the acquisition under the SPA and this Offer (Assuming full acceptances)	
	A		B		C		A+B+C=D	
	Number of Equity Shares	% of Equity Share Capital	Number of Equity Shares	% of Equity Share Capital	Number of Equity Shares	% of Equity Share Capital	Number of Equity Shares	% of Equity Share Capital
(1) Promoter and Promoter Group								
a) Parties to agreement, if any	45,899	72.32	(45,899)	(72.32)	-	-	-	-
b) Promoter other than (a) above	-	-	-	-	-	-	-	-
Total 1 (a+b)	45,899	72.32	(45,899)	(72.32)	-	-	-	-
(2) Acquirer								
a) Acquirer	-	-	45,899	72.32	16,503	26.00	62,402	98.32
Total 2 (a+b)	-	-	45,899	72.32	16,503	26.00	62,402	98.32
(3) Parties to agreement other than 1 (a) & (b)								
(4) Public (other than parties to the agreement)								
a) Institutions	166	0.26	-	-	(16,503)	(26.00)	1,068	1.68
b) Central/State Govt.	0	0.00	-	-				
c) Non-Institutions	17,405	27.42	-	-				
Total (4) (a+b+c)	17,571	27.68	-	-	(16,503)	(26.00)	1,068	1.68
Grand Total (1+2+3+4)	63,470	100.00	-	-			1,61,885	100.00

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6. OFFER PRICE AND FINANCIAL ARRANGEMENTS

6.1 JUSTIFICATION OF OFFER PRICE UNDER DIRECT ACQUISITION

6.1.1 The Offer is a mandatory offer made in accordance with Regulation 3(1), 4 and other applicable regulations of the SEBI (SAST) Regulations. The Offer is made for the acquisition of up to 26% of the Equity Shares and voting rights pursuant to the execution of the SPA accompanied with a change in control of the Target Company.

6.1.2 The Equity Shares of the Target Company are currently listed and traded on the BSE Ltd, Mumbai ("BSE").

6.1.3 The Equity Shares of the Target Company are frequently traded on BSE within the meaning of Regulation 2(1)(j) of the SEBI (SAST) Regulations.

6.1.4 The annualized trading turnover of the Equity Shares of the Target Company on BSE based on trading volume during twelve calendar months preceding the month of PA (May 2018 to April 2019) is given below:

Name of the Stock Exchange	Total number of Equity Shares traded during twelve calendar months preceding the month of PA	Total Number of Listed Equity Shares on Stock Exchange	Trading Turnover (in terms of % to Total Listed Equity Shares)
BSE	56,013	63,470	88.25

Source: www.bseindia.com

6.1.5 The Offer Price of ₹3,475/- (Rupees Three Thousand Four Hundred and Seventy-Five only) per Equity Share is justified in terms of Regulation 8(1) and 8(2) of the SEBI (SAST) Regulations as it is higher of the following:

(a)	Highest Negotiated Price per equity share for any acquisition under the Agreement attracting the obligation to make the PA	₹3,475.00
(b)	The volume-weighted average price paid or payable for acquisition during the 52 week immediately preceding the date of the PA	Not Applicable
(c)	The highest price paid or payable for any acquisition during 26 weeks period immediately preceding the date of PA	Not Applicable
(d)	The volume-weighted average market price for a period of 60 trading days immediately preceding the date of PA on BSE	₹3,168.54

6.1.6 There have been no corporate actions in the Target Company warranting adjustment of relevant price parameters. Further, there is no differential pricing for the Offer.

6.1.7 If the Acquirer acquires Equity Shares of the Target Company during the period of twenty-six weeks after the closure of TP at a price higher than the Offer Price, then the Acquirer shall pay the difference between the highest acquisition price and the Offer Price, to all shareholders whose Equity Shares have been accepted in this Offer within sixty days from the date of such acquisition. However, no such difference shall be paid in the event that such acquisition is made under another open offer under the SEBI (SAST) Regulations, or pursuant to SEBI (Delisting of Equity Shares) Regulations, 2009 or open market purchases made in the ordinary course on the stock exchange, not being negotiated acquisition of Equity Shares of the Target Company in any form.

6.1.8 As on date of this DLOF, there is no revision in the Offer Price or Offer Size. In case of any revision in the Offer Price or Offer Size, the Acquirer will comply with all the provisions of the Regulation 18(5) of the SEBI (SAST) Regulations which are required to be fulfilled for the said revision in the Offer Price or Offer Size. If there is any revision in the Offer Price on account of future purchases or competing offers, such revision will be done only up to the period prior to commencement of last Working Day before the commencement of the Tendering Period of this Offer in accordance with Regulation 18(4) and Regulation 18(5) of the SEBI (SAST) Regulations. In the event of such revision, the Acquirer shall:

- make corresponding increase to the escrow amount;
- make a public announcement in the same newspapers in which DPS has been published; and

- iii. Simultaneously with the issue of such public announcement, inform the SEBI, the BSE and the Target Company at its registered office/corporate office of such revision.

The revised Offer Price would be paid to all the Eligible Equity Shareholders whose Equity Shares are accepted under the Offer.

- 6.1.9 If the Acquirer acquires or agree to acquire any Equity Shares or voting rights in the Target Company during the Offer Period, whether by subscription or purchase, at a price higher than the Offer Price, the Offer Price shall stand revised to the highest price paid or payable for any such acquisition in terms of Regulation 8(8) of SEBI (SAST) Regulations. However, no such acquisition shall be made by the Acquirer after 3 Working Days prior to the commencement of the Tendering Period of this Offer and until the expiry of the tendering period of this Offer.

6.2 FINANCIAL ARRANGEMENTS

- 6.2.1 The total fund requirement for the Offer (assuming full acceptance) is ₹ 5,73,47,925 (Rupees Five Crore Seventy-Three Lakh Forty-Seven Thousand Nine Hundred and Twenty-Five only) (**"Maximum Consideration"**).
- 6.2.2 In accordance with Regulation 17(1) of the SEBI (SAST) Regulations, the Acquirer, the Manager to the Offer and the Escrow Agent have entered into an escrow agreement on May 24, 2019 (the **"Escrow Agreement"**). Pursuant to the Offer Escrow Agreement, the Acquirer has established an escrow account under the name and title of "Kaycee Industries Limited-Open Offer-Escrow Account" bearing account number 250556773836 with the Escrow Agent at its branch located at IndusInd Bank Ltd, Premises no. 61, Sonawala Building, Mumbai Samachar Marg, Fort, Mumbai - 400001.
- 6.2.3 The Acquirer has deposited a sum of ₹5,73,48,000 (Rupees Five Crore Seventy Three Lakh Forty-Eight Thousand only) to the Cash Escrow Account on May 28, 2019 in accordance with the Regulation 17(3)(a) read with Regulation 22(2) of the SEBI (SAST) Regulations being more than 100% of the total fund obligation for the Offer.
- 6.2.4 The Acquirer has confirmed that the funds lying in the Escrow Account will be utilized exclusively for the purposes of this Offer. Further, the Acquirer has solely authorized the Manager to the Offer to operate and realize the value of the Escrow Account in terms of the SEBI (SAST) Regulations.
- 6.2.5 The Acquirer has adequate financial resources and has made firm financial arrangements for the implementation of the Offer in full out of their network. M/s. Swamy & Ravi, Chartered Accountants, (Membership no. 023783), having office at No.90, Co-operative "A" Colony, K.K. Pudur, Coimbatore 641 038; Tamilnadu. (Tel: +91-422-2446357; 4384536), has certified that the Acquirer has sufficient liquid network to meet the total financial obligations under the Offer vide their certificate dated May 28, 2019.
- 6.2.6 In case of any upward revision in the Offer Price or the Offer Size, the Acquirer shall make further deposit into the Escrow Account, prior to effecting such revision, to ensure compliance with Regulations 17(2), 22(2) and 24(1) of the SEBI (SAST) Regulations.
- 6.2.7 On the basis of the above and the certificate provided by M/s. Swamy & Ravi, the Manager to the Offer is satisfied about the ability of the Acquirer to fulfill its obligations in respect of this Offer in accordance with applicable provisions of the SEBI (SAST) Regulations.

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7. TERMS AND CONDITIONS OF THE OFFER

7.1. OPERATIONAL TERMS AND CONDITIONS

- 7.1.1 The Offer is not subject to any minimum level of acceptances from shareholders of the Target Company. Acquirer will acquire all the Equity Shares of the Target Company that are validly tendered and accepted in terms of this Offer upto 16,503 (Sixteen Thousand Five Hundred and Three) Equity Shares of ₹100/- each representing 26% of the Equity Share and Voting Capital of the Target Company. Thus, the Acquirer will proceed with the Offer even if they are unable to obtain acceptance to the full extent of the Equity Shares of the Target Company for which this Offer is made.
- 7.1.2 The Acquirer refrain themselves to send the LOF to non-resident shareholders in accordance with Regulation 18(2) of the SEBI (SAST) Regulations since the local laws or regulations of any jurisdiction outside India may expose them or the Target Company to material risk of civil, regulatory or criminal liabilities in case the LOF is sent in its original form. However, non-resident can participate in the Offer even if LOF is not sent to them, but with intention to participate in the offer by writing to the Registrar or Manager to the Issue or Acquirer.
- 7.1.3 The Offer is subject to the terms and conditions set out in this DLOF, the PA, the DPS and any other public announcements that may be issued with respect to the Offer.
- 7.1.4 The DLOF along with FOA would also be available at SEBI's website, www.sebi.gov.in and equity shareholders can also apply by downloading such forms from the website.
- 7.1.5 Accidental omission to dispatch this DLOF or any further communication to any person to whom this Offer is made or the non-receipt of this DLOF by any such person shall not invalidate the Offer in any way. The instructions, authorisations and provisions contained in the FOA constitute an integral part of the terms of this Offer.
- 7.1.6 The acceptance of the Offer must be unconditional and should be sent in the enclosed FOA along with the other documents duly filled in and signed by the applicant shareholder(s) which should be received by the Registrar to the Offer at the collection centres mentioned in Para 8 under "Procedure for Acceptance and Settlement" on or before the Closure of the TP.
- 7.1.7 The Acquirer shall not be responsible in any manner for any loss of share certificate(s) and Offer acceptance documents during transit. The Shareholders of the Target Company are advised to adequately safeguard their interest in this regard.
- 7.1.8 In terms of the Regulation 18(9) of the SEBI (SAST) Regulations, Shareholders who tender their Equity Shares in acceptance of this Offer shall not be entitled to withdraw such acceptance.
- 7.1.9 Kindly note that the Registrar and Transfer Agent ("RTA") of the Target Company is Datamatics Financial Services Limited and the Acquirer have appointed them as "Registrar to the Offer". No documents should be sent to the Acquirer, the Target Company and the Manager to the Offer.

7.2 LOCKED IN SHARES

As on date of this Draft Letter of Offer, the Target Company's Equity Shares are not locked-in. The locked-in Equity Shares, if any acquired pursuant to the SPA or Offer can be transferred to the Acquirer, subject to the continuation of the residual lock-in period in the hands of the Acquirer.

The Manager to the Offer ensures that there shall be no discrimination in the acceptance of locked-in and non-locked-in Equity Shares.

7.3 ELIGIBILITY FOR ACCEPTING THE OFFER

The Offer is made to all the public shareholders (except parties to the Share Purchase Agreement) whose names appeared as beneficiaries on the records of the respective Depository Participants ("DP") at the close of the business hours on the Identified Date.

7.4 STATUTORY APPROVALS

- 7.4.1 As of the date of this Draft Letter of Offer, to the best of the knowledge of the Acquirer, there are no statutory approvals required by the Acquirer to complete this Offer. However, in case of any statutory approvals are required by the Acquirer or become applicable at a later date prior to the completion of before the closure of the Offer, this Offer shall be subject to such approvals and the Acquirer shall make the necessary applications for such approvals. In the event the statutory approvals (the grant or satisfaction of which are considered to be outside the reasonable control of the Acquirer) are not granted or satisfied, the Acquirer shall have the right to withdraw this Offer in terms of Regulation 23 of the SEBI (SAST) Regulations.
- 7.4.2 All Public Shareholders of the Target Company who are either Non-Resident Indian (the "NRIs") and Overseas Corporate Bodies (the "OCBs") are subject to approval/exemption, if applicable, from the Reserve Bank of India ("RBI"). NRI and OCB holders of Equity Shares, if any, must obtain all requisite approvals required to tender the Equity Shares held by them pursuant to this Offer (including without limitation, the approval from the RBI) and submit such approvals, along with the other documents required in terms of the Letter of Offer. Further, if holders of the Equity Shares who are not persons resident in India (including NRIs, OCBs, QFIs and FIIs) had required any approvals (including from the RBI) in respect of the Equity Shares held by them, they will be required to submit the previous approvals that they would have obtained for holding the Equity Shares, to tender the Shares held by them pursuant to this Offer, along with the other documents required to be tendered to accept this Offer. In the event such approvals are not submitted, the Acquirers reserve the right to reject such Equity Shares tendered in this Offer.
- 7.4.3 In case of delay in receipt or non-receipt of any statutory approvals which may be required by the Acquirer at a later date, as per Regulation 18(11) of the SEBI (SAST) Regulations, SEBI may, if satisfied, that non-receipt of approvals was not attributable to any wilful default, failure or neglect on the part of the Acquirer, to diligently pursue such approvals, grant an extension of time for the purpose of completion of this Open Offer subject to the Acquirer agreeing to pay interest to the Eligible Equity Shareholders for the delay. However, where the statutory approvals extend to some but not all holders of the Equity Shares of the Target Company, the Acquirer have the option to make payment to such holders of the Equity Shares of the Target Company in respect of whom no statutory approvals are required in order to complete this Open Offer.
- 7.4.4 The Acquirer will have the right not to proceed with this Offer in accordance with Regulation 23 of the SEBI (SAST) Regulations, in the event the statutory approvals are refused.
- 7.4.5 In the event of withdrawal of this Offer, a public announcement will be made within 2 Working Days of such withdrawal, in the same newspapers in which the DPS was published and such public announcement will also be sent to the BSE, the SEBI and the Target Company at its registered office/corporate office.

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8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

- 8.1. The Offer is made to the Public Shareholders as defined in this DLOF. While the Letter of Offer shall be dispatched to the Public Shareholders of the Target Company whose name appears in the records of the Depositories as of the Identified Date, all Public Shareholders holding Equity Shares in dematerialised form are eligible to participate in the Offer at any time during the Tendering Period.
- 8.2. The Offer will be implemented through Stock Exchange Mechanism made available by BSE in the form of separate window (Acquisition Window) as provided under the SEBI (SAST) Regulations, SEBI Circular CIR/CFD/POLICY/CELL/1/2015 dated April 13, 2015 and SEBI Circular CFD/DCR2/CIR/P/2016/131 dated December 09, 2016 issued by SEBI, as amended from time to time, and notices / guidelines issued by BSE and the Clearing Corporation in relation to the mechanism / process for acquisition of shares through stock exchange pursuant to the tender offers under takeovers, buy back and delisting, as amended and updated from time to time.
- 8.3. BSE shall be the designated stock exchange (Designated Stock Exchange) for the purpose of tendering shares in the Offer.
- 8.4. All the Equity Shareholders who desire to tender their Equity Shares under the Offer should consult with their respective depository participants and their respective stock brokers ("**Selling Broker**") well in advance to understand the process and methodology in relation to tendering of Equity Shares through the Designated Stock Exchange.
- 8.5. The Acquisition Window will be provided by the Designated Stock Exchange to facilitate placing of sell orders. The Equity Shareholders can enter orders for demat Equity Shares. Please note that no physical shares will be accepted under this Open Offer
- 8.6. The Acquirer has appointed Systematix Shares and Stocks (India) Limited ("**Buying Broker**") for the Offer through whom the purchases and settlement of Equity Shares tendered in this Offer shall be made.

Contact details for the Buying Broker are as follows:-

Name: Systematix Shares and Stocks (India) Limited

Address: A Wing, No. 603-606, 6th Floor, The Capital, Plot C 70, G Block,
Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India,

Tel. No. +91-22-6704 8000;

Fax No. +91-22-6704 8029;

Email: compliance@systematixgroup.in;

Contact Person: Mr. Rajkumar Gupta.

- 8.7. During the Tendering Period, the tender of the Equity Shares by the Equity Shareholders in this Offer will be placed through their respective Selling Brokers during normal trading hours of the secondary market.
- 8.8. Shareholders or Seller whose brokers are not registered with BSE are able to tender their Equity Shares through the buyer's broker or the Buying Broker subject to fulfillment of the account opening and KYC of the Buying Broker.
- 8.9. The cumulative quantity tendered shall be displayed on the Designated Stock Exchange website throughout the trading session at specific intervals by the Designated Stock Exchange during Tendering Period.
- 8.10. Procedure for tendering Equity Shares held in dematerialised form:**

- a. The Eligible Equity Shareholders who are holding Equity Shares in demat form and who desire to tender their Equity Shares in this Offer shall approach their respective Selling Broker indicating to their Selling Broker the details of Equity Shares they intend to tender in this Offer.

- b. The Eligible Equity Shareholders intending to tender Equity Shares are required to transfer, through their respective depository participants, the Equity Shares intended to be tendered to the early pay-in account of the Indian Clearing Corporation Ltd. ("Clearing Corporation"). Such Eligible Equity Shareholders shall provide early pay-in of demat Equity Shares (except for custodian participant orders) to the Clearing Corporation using the settlement number provided in the Offer opening circular before their respective Selling Broker places the bids / orders on their behalf and the same shall be validated at the time of order entry.
- c. For custodian participant, orders for demat Equity Shares early pay-in is mandatory prior to confirmation of order by the custodian. The custodians shall either confirm or reject orders not later than 6:00 PM on the last day of the Tendering Period. Thereafter, all unconfirmed orders shall be deemed to be rejected.
- d. Eligible Equity Shareholders shall submit Delivery Instruction Slips (DIS) duly filled in specifying market type as "Open Offer" and execution date along with all other details to their respective depository participant / Selling Broker so that Equity Shares can be tendered in this Offer.
- e. Upon placing the bid, the Selling Broker(s) shall provide transaction registration slip generated by the Designated Stock Exchange bidding system (TRS) to the Eligible Equity Shareholder. TRS will contain details of order submitted like Bid ID No., DP ID, Client ID, No. of Equity Shares tendered etc.
- f. The Eligible Equity Shareholders will have to ensure that they keep their DP account active and unblocked to successfully facilitate the tendering of the Equity Shares and to receive credit in case of return of Equity Shares due to rejection or due to prorated Offer.
- g. The Eligible Equity Shareholders holding Equity Shares in demat mode are not required to fill any Form of Acceptance-cum Acknowledgement. The Eligible Equity Shareholders are advised to retain the acknowledged copy of the DIS and the TRS till the completion of Offer Period.

8.11. Acceptance of Equity Shares

Registrar to the Offer shall provide details of order acceptance to Clearing Corporation within specified timelines.

In the event that the number of Equity Shares validly tendered by the Public Shareholders under this Offer is more than the number of Equity Shares offered, the Acquirer shall accept those Equity Shares validly tendered by the Public Shareholders on a proportionate basis 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 and does not result in non-marketable lots, provided that acquisition of Equity Shares from a Public Shareholder shall not be less than the minimum marketable lot, or the entire holding if it is less than the marketable lot.

PLEASE NOTE THAT NO SHARES WILL BE ACCEPTED IN PHYSICAL MODE PURSUANT TO PR NO.: 51/2018 DATED DECEMBER 03, 2018 ISSUED BY SEBI WHEREIN REQUESTS FOR EFFECTING TRANSFER OF SECURITIES SHALL NOT BE PROCESSED AFTER MARCH 31, 2019 UNLESS THE SECURITIES ARE HELD IN THE DEMATERIALIZED FORM WITH A D EPOSITORY.

8.12. Procedure for tendering the shares in case of non-receipt of Draft Letter of Offer

- a. Equity Shareholders who have acquired Equity Shares but whose names do not appear in the register of members of the Target Company on the Identified Date, or unregistered owners or those who have acquired Equity Shares after the Identified Date, or those who have not received the Letter of Offer, may also participate in this Offer by intimating or writing to the Registrar to the Issue.
- b. An Equity Shareholder may participate in the Offer by approaching their Selling Broker and tender Shares in the Offer as per the procedure mentioned in the Draft Letter of Offer or in the relevant Form of Acceptance-cum-Acknowledgment. The Letter of Offer along with a Form of Acceptance-cum-Acknowledgement will be dispatched to all the Equity Shareholders of the Target Company, whose names appear on the beneficial records of the respective depositories, in either case, at the close of business hours on the Identified Date to the Offer.

- c. In case of non-receipt of the Letter of Offer, such Equity Shareholders of the Target Company may download the same from the SEBI website (www.sebi.gov.in) or obtain a copy of the same from the Registrar to the Offer on providing suitable documentary evidence of holding of the Equity Shares of the Target Company. The Letter of Offer along with the Form of Acceptance cum Acknowledgment (FOA) would also be available at SEBI's website, www.sebi.gov.in, and Equity Shareholders can also apply by downloading such forms from the said website.

8.13. Settlement Process

- a. On closure of the Offer, reconciliation for acceptances shall be conducted by the Manager to the Offer and the Registrar to the Offer and the final list of accepted Equity Shares tendered in this Offer shall be provided to the Designated Stock Exchange to facilitate settlement on the basis of Equity Shares transferred to the Clearing Corporation.
- b. The settlement of trades will be carried out in the manner similar to settlement of trades in the Acquisition Window Circulars.
- c. For Equity Shares accepted under the Offer, the Clearing Corporation will make direct funds payout to respective eligible Public Shareholders' bank account linked to their demat account. If the Public Shareholders' bank account details are not available or if the funds transfer instruction is rejected by RBI/Bank, due to any reason, then such funds will be transferred to the concerned Selling Broker settlement bank account for onward transfer to their respective Public Shareholders.
- d. In case of certain client types viz. NRI, foreign clients, etc. (where there are specific RBI and other regulatory requirements pertaining to funds pay-out) who do not opt to settle through custodians, the funds pay-out would be given to their respective Selling Broker's settlement accounts for releasing the same to their respective Public Shareholder's account onwards.
- e. The Public Shareholders will have to ensure that they keep the DP account active and unblocked to receive credit in case of return of Equity Shares, due to rejection or due to non-acceptance of the Equity Shares tendered under the Offer.
- f. Excess demat Equity Shares or unaccepted demat Equity Shares, if any, tendered by the Public Shareholders would be returned to them by the Clearing Corporation.
- g. The direct credit of Equity Shares will be given to the demat account of Acquirer as indicated by the Buying Broker.
- h. Once the basis of acceptance is finalised, the Clearing Corporation would facilitate clearing and settlement of trades by transferring the required number of Equity Shares to the demat account of Acquirer.
- i. In case of partial or non-acceptance of orders the balance demat Equity Shares will be returned directly to the demat accounts of the Public Shareholders. However, in the event of any rejection of transfer to the demat account of the Public Shareholder for any reason, the demat Equity Shares will be released to the securities pool account of their respective Selling Broker and the Selling Broker will thereafter transfer the balance Equity Shares to the respective Public Shareholders.
- j. Any Equity Shares that are subject matter of litigation or are held in abeyance due to pending court cases / attachment orders / restriction from other statutory authorities wherein the Public Shareholder may be precluded from transferring the Equity Shares during pendency of the said litigation are liable to be rejected if directions / orders regarding these Equity Shares are not received together with the Equity Shares tendered under the Offer.
- k. If Public Shareholders' bank account details are not available or if the fund transfer instruction is rejected by the RBI or bank, due to any reasons, then the amount payable to Public Shareholders will be transferred to the Selling Broker for onward transfer to the Equity Shareholder.

- l. Public Shareholders who intend to participate in the Offer should consult their respective Selling Broker for any cost, applicable taxes, charges and expenses (including brokerage) that may be levied by the Selling Broker upon the selling shareholders for tendering Equity Shares in the Offer (secondary market transaction). The Offer consideration received by the Public Shareholders, in respect of accepted Equity Shares, could be net of such costs, applicable taxes, charges and expenses (including brokerage) and the Target Company accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage) incurred solely by the Public Shareholders.
- m. In case of delay in receipt of any statutory approval(s), SEBI has the power to grant extension of time to Acquirer for payment of consideration to the Public Shareholders who have accepted the Open Offer within such period, subject to Acquirer agreeing to pay interest for the delayed period if directed by SEBI in terms of Regulation 18(11) of the SEBI (SAST) Regulations.

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9. TAX INFORMATION

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE INCOME-TAX ACT, 1961 AND THE REGULATIONS THEREUNDER. THE LEGISLATIONS, THEIR JUDICIAL INTERPRETATION AND THE POLICIES OF THE REGULATORY AUTHORITIES ARE SUBJECT TO CHANGE FROM TIME TO TIME, AND THESE MAY HAVE A BEARING ON THE IMPLICATIONS LISTED BELOW. ACCORDINGLY, ANY CHANGE OR AMENDMENTS IN THE LAW OR RELEVANT REGULATIONS WOULD NECESSITATE A REVIEW OF THE BELOW.

THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT INCOME-TAX IMPLICATIONS. THIS NOTE ON TAXATION SETS OUT THE PROVISIONS OF LAW IN A SUMMARY MANNER ONLY AND IS NOT A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX CONSEQUENCES OF THE DISPOSAL OF EQUITY SHARES.

THE IMPLICATIONS ARE ALSO DEPENDENT ON THE SHAREHOLDERS FULFILLING THE CONDITIONS PRESCRIBED UNDER THE PROVISIONS OF THE RELEVANT SECTIONS UNDER THE RELEVANT TAX LAWS AND THE DOUBLE TAXATION AVOIDANCE AGREEMENTS ("DTAA") WITH RESPECTIVE COUNTRIES. IN VIEW OF THE PARTICULARISED NATURE OF INCOME-TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE ACQUIRER DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY OF INCOME-TAX IMPLICATIONS, RELATING TO THE TREATMENT OF INCOME-TAX IN THE CASE OF TENDERING OF LISTED EQUITY SHARES IN OPEN OFFER ON THE RECOGNISED STOCK EXCHANGES IN INDIA, AS SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

A. GENERAL

- 9.1 The basis of charge of Indian income-tax under the Income-tax Act, 1961 as amended from time to time ("Income-tax Act" or "IT Act") depends upon the residential status of the taxpayer during a tax year. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to income-tax in India on his worldwide income, subject to certain tax exemptions, which are provided under the Income-tax Act. A person who is treated as a non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India-sourced income (i.e. income which accrues or arises or deemed to accrue or arise in India) as also income received by such persons in India. In case of shares of a company, the source of income from shares will depend on the "situs" of such shares. As per judicial precedents, generally the "situs" of the shares is where a company is "incorporated" and where its shares can be transferred.
- 9.2 Accordingly, since the Target Company is incorporated in India, the Target Company's shares should be deemed to be "situated" in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the Income-tax Act.
- 9.3 Further, the non-resident shareholder can avail benefits of the Double Taxation Avoidance Agreement ("DTAA") between India and the respective country of which the said shareholder is tax resident subject to satisfying relevant conditions including non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under the Income-tax Act.
- 9.4 The Income-tax Act also provides for different income-tax regimes/ rates applicable to the gains arising from the tendering of shares under the Offer, based on the period of holding, residential status, classification of the shareholder and nature of the income earned, etc.

- 9.5 The summary of income-tax implications on tendering of listed equity shares on recognised stock exchanges in India is set out below. All references to equity shares herein refer to listed equity shares unless stated otherwise.
- 9.6 **Classification of Shareholders:** Shareholders can be classified under the following categories:
- (a). Resident Shareholders being:
 - i. Individuals, Hindu Undivided Family (HUF), Association of Persons ("AOP") and Body of Individuals ("BOI")
 - ii. (ii) Others
 - (b). Non-Resident Shareholders being:
 - i. Non-Resident Indians (NRIs)
 - ii. Foreign Institution Investors (FIIs) / Foreign Portfolio Investors (FPIs)
 - iii. Others:
 - A. Company
 - B. Other than company
- 9.7 **Classification of Income: Equity Shares** can be classified under the following two categories
- (a). Equity Shares held as investment (Income from transfer of such shares is taxable under the head "Capital Gains" and such income also called as "capital gains")
 - (b). Equity Shares held as stock-in-trade (Income from transfer of such shares is taxable under the head "Profits and Gains from Business or Profession" or "PGBP" and such income is also called as "business income")
- 9.8 **Taxability of Capital Gain in the hands of the Equity Shareholders:**
- (a). Gains arising from the transfer of equity shares may be treated either as "capital gains" or as "business income" for income-tax purposes, unless specifically exempted, depending upon whether such shares were held as a capital asset/investment or trading asset/ stock-in-trade.
 - (b). As per the current provisions of the IT Act, where the shares are held as capital assets, income arising from the transfer of such shares is taxable under the head "Capital Gains". Further, Section 2(14) of the IT Act has provided for deemed characterization of securities held by FPIs as capital assets, whether such assets held as a capital asset or not; and therefore, the gains arising in the hands of FPIs will be taxable in India as capital gains. Capital Gains only in the hands of shareholders would be computed as per provisions of Section 48 of the IT Act.
 - (c). Period of holding: Depending on the period for which the shares are held, the gains would be taxable as "short-term capital gain/ STCG" or "long-term capital gain/ LTCG":
 - a. In respect of equity shares held for a period less than or equal to 12 (Twelve) months prior to the date of transfer, the same should be treated as a "short-term capital asset", and accordingly the gains arising therefrom should be taxable as "STCG".
 - b. Similarly, where equity shares are held for a period more than 12 (Twelve) months prior to the date of transfer, the same should be treated as a "long-term capital asset", and accordingly the gains arising therefrom should be taxable as "LTCG".
 - (d). The Finance Act, 2018 ("Finance Act"), vide Section 112A, has imposed an income tax on LTCG @ 10% on transfer of equity shares that are listed on a recognized stock exchange, which have been held for more than 12 (Twelve) months and have been subject to securities transaction tax ("STT") upon both acquisition and sale.
 - (e). LTCG that arise on shares purchased prior to February 1, 2018 shall be grandfathered for the notional gains earned on such shares till January 31, 2018. For computing capital gains under the grandfathering regime, the cost of acquisition for the long-term capital asset acquired on or before January 31, 2018 will be the actual cost. However, if the actual cost is less than the fair market value of such asset as on January 31, 2018, the fair market value will be deemed to be the cost of acquisition. Further, if the full value of consideration on transfer is less than the fair market value, then such full value of consideration or the actual cost, whichever is higher, will be deemed to be the cost of acquisition
 - (f). However, since STT will not be applicable to the Equity Shares transferred in this Offer, the provisions of Section 112A of the IT Act shall not be applicable.
 - (g). Where LTCG arising from tendering of Equity Shares in the Offer does not fall under the provisions of Section 112A, such LTCG shall be subject to tax as follows:
 - a. LTCG will be chargeable to tax at rate of up to 20% (plus applicable surcharge and cess) in the case of a non-resident shareholder (other than a FPI/FII, or a NRI who is governed by the

- provisions of Chapter XII-A of the Income Tax Act) in accordance with provisions of section 112 of the IT Act.
- b. In the case of FIIs/FPIs, LTCG would be taxable at 10% (plus applicable surcharge and cess) in accordance with provisions of section 115AD of the IT Act.
 - c. For a NRI who is governed by the provisions of Chapter XII-A of the Income Tax Act, LTCG would be taxable at 10% (plus applicable surcharge and cess) under Section 115E of the Income Tax Act.
 - d. For a resident shareholder, an option is available to pay tax on such LTCG at either 20% (plus applicable surcharge and cess) with indexation or 10% (plus applicable surcharge and cess) without indexation.
- (h). Further, in case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is to be considered while computing the income-tax on such LTCG taxable under section 112A of the IT Act.
 - (i). As per the current provisions of the IT Act, STCG arising from such transaction, which is subject to STT, would be subject to tax @ 15% under section 111A of the IT Act.
 - (j). Further, in case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is considered while computing the income-tax on such STCG taxable under section 111A of the IT Act.
 - (k). Minimum alternate tax ("MAT") implications will get triggered in the hands of a resident corporate shareholder. Foreign companies will not be subject to MAT if the country of residence of such of the foreign country has entered into a DTAA with India and such foreign company does not have a permanent establishment in India in terms of the DTAA.
 - (l). Taxability of capital gain arising to a non-resident in India from the transfer of equity shares shall be determined basis the provisions of the Income Tax Act or the DTAA entered between India and the country of which the non-resident seller is resident, whichever is more beneficial, subject to fulfilling relevant conditions and maintaining & providing necessary documents prescribed under the Income Tax Act.

As per the current provisions of the IT Act, in addition to the above STCG and LTCG tax, surcharge and health and education cess are leviable.

- 9.9 Taxability of business income in hands of shareholders (Where shares held as Stock-in-Trade):** If the equity shares are held as stock-in-trade by any of the eligible Shareholders of the Target Company, then the gains from transfer of such equity shares will be characterized as business income and taxable under the head "Profits and Gains from Business or Profession".

Taxability of business income in the hands of Equity Shareholders

- (a). Resident Shareholders: Profits of:
 - i. Individuals, HUF, AOP and BOI will be taxable at applicable slab rates.
 - ii. Domestic companies having turnover or gross receipts not exceeding ₹ 250 crore in the relevant financial year as prescribed will be taxable @ 25%.
 - iii. For persons other than stated in (i) and (ii) above, profits will be taxable @ 30%.
No benefit of indexation by virtue of period of holding will be available in any case.
- (b). Non Resident Shareholders
 - i. Non-resident Shareholders can avail beneficial provisions of the applicable DTAA entered into by India with the relevant shareholder country but subject to fulfilling relevant conditions and maintaining & providing necessary documents prescribed under the Income Tax Act.
 - ii. Where DTAA provisions are not applicable:
 - A. For non-resident individuals, HUF, AOP and BOI, profits will be taxable at slab rates
 - B. For foreign companies, profits will be taxed in India @ 40%
 - C. For other non-resident Shareholders, such as foreign firms, profits will be taxed in India @ 30%.

In addition to the above, applicable Surcharge, Health and Education Cess are leviable for resident and non-resident shareholders.

9.10 Tax Deduction at Source

- (a). In case of Resident Shareholders
In absence of any specific provision under the Income Tax Act, the Acquirer is not required to deduct tax on the consideration payable to resident Shareholders pursuant to the said offer.

(b). In case of Non-resident Shareholders

i. In case of FIIs / FPIs:

1. Section 196D of the Income Tax Act provides for specific exemption from withholding tax in case of Capital Gains arising in hands of FIIs / FPIs. Thus, no withholding of tax is required in case of consideration payable to FIIs / FPIs. The Acquirer would not deduct tax at source on the payments to FIIs / FPIs, subject to the following conditions:
 - a. FIIs / FPIs furnishing the copy of the registration certificate issued by SEBI (including for subaccount of FII / FPI, if any);
 - b. FIIs / FPIs declaring that they have invested in the Equity Shares in accordance with the applicable SEBI regulations. Such FIIs / FPIs will be liable to pay tax on their income as per the provisions of the Income Tax Act.
2. If the above conditions are not satisfied, FIIs / FPIs may submit a valid and effective certificate for deduction of tax at a nil/lower rate issued by the income tax authorities under the IT Act ("TDC"), along with the Form of Acceptance cum-Acknowledgement, indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. The Acquirer shall deduct tax in accordance with such TDC.

ii. In case of other non-resident Shareholders (other than FIIs / FPIs) holding Equity Shares of the Target Company:

1. Section 195(1) of the Income Tax Act provides that any person responsible for paying to a non-resident, any sum chargeable to tax is required to deduct tax at source (including applicable surcharge and cess). Subject to regulations in this regard, wherever applicable and it is required to do so, tax at source (including applicable surcharge and cess) shall be deducted at appropriate rates as per the Income Tax Act read with the provisions of the relevant DTAA, if applicable. In doing this, the Acquirer will be guided by generally followed practices and make use of data available in the records of the Registrar to the Offer except in cases where the non-resident Public Shareholders provide a specific mandate in this regard.
2. In case TDC is not submitted requiring lower withholding of tax by non-resident shareholders (other than FIIs / FPIs) including NRIs / foreign shareholders or is otherwise not valid and effective as of the date on which tax is required to be deducted at source, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the IT Act (i.e. 40% in case of foreign company, 30% in case of all other category of persons plus applicable surcharge and cess), on the gross consideration towards acquisition of shares, payable to such shareholder under the Offer.
3. The non-resident Shareholders undertake to indemnify the Acquirer if any tax demand is raised on the Acquirer on account of gains arising to the non-resident Shareholders pursuant to this Offer. The non-resident Shareholders also undertake to provide the Acquirer, on demand, the relevant details in respect of the taxability / non-taxability of the proceeds pursuant to this Offer, copy of tax return filed in India, evidence of the tax paid etc.

Where the gains realised from the sale of listed equity shares are taxable as business profits, the same will be taxable at applicable tax rates to such Equity Shareholders.

B. Other Matters

a. Submission of PAN and other details

- A. All non-resident Public Shareholders are required to submit their PAN along with self-attested copy of the PAN card for income-tax purposes. In absence of PAN for non-resident Public Shareholders, as per Notification No. 53 /2016, F.No.370 142/16/2016-TPL, they shall furnish self-attested copy of documents containing the following details:
 - (a) Name, email id, contact number;
 - (b) Address in the country of residence;
 - (c) Tax Residency Certificate ("TRC") from the government of the country of residence, if the law of such country provides for issuance of such certificate; and
 - (d) Tax identification number in the country of residence, and in case no such number is available, then a unique number on the basis of which such non-resident is identified by the government of the country of which he claims to be a resident.

- B. If PAN or in case of non-resident Public Shareholders not having a PAN the aforesaid details, are not furnished, the Acquirer will arrange to deduct tax at least at the rate of 20% as per Section 206AA of the Income Tax Act or at such rate as applicable and provided above for each category of the Public Shareholders, whichever is higher. The provisions of Section 206AA of the Income Tax Act would apply only where there is an obligation to deduct tax at source.
- b. Other points for consideration
- A. Shareholders who wish to tender their Equity Shares must submit the information / documents, as applicable, all at once along with the Form of Acceptance-cum Acknowledgement and those that may be additionally requested for by the Acquirer. The documents submitted by the shareholders along with the Form of Acceptance-cum-Acknowledgement will be considered as final. Any further / delayed submission of additional documents, unless specifically requested by the Acquirer, may not be accepted.
 - B. Based on the documents and information submitted by the shareholder, the final decision to deduct tax or not, or the quantum of taxes to be deducted rests solely with the Acquirer.
 - C. Taxes once deducted will not be refunded by the Acquirer under any circumstances.
 - D. The Acquirer shall deduct tax (if required) as per the information provided and representation made by the shareholders. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided / to be provided by the shareholders, such shareholders will be responsible to pay such income tax demand (including interest, penalty, etc.) and provide the Acquirer with all information / documents that may be necessary and co-operate in any proceedings before any income tax / appellate authority.
 - E. The tax deducted by the Acquirer while making the payment to a shareholder under this Offer may not be the final liability of such shareholders and shall in no way discharge the obligation of the shareholders to appropriately disclose the amount received by it, pursuant to this Offer, before the income tax authorities. The rate at which tax is required to be deducted is based on the tax laws prevailing as on the date of this Draft Letter of offer. If there is any change in the tax laws with regards to withholding tax rates as on the date of deduction of tax, the tax will be deducted at the rates applicable at the time of deduction of tax.
 - F. All shareholders are advised to consult their tax advisors for the treatment that may be given by their respective assessing officers in their case, and the appropriate course of action that they should take. The Acquirer and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of such advice. The aforesaid treatment of tax deduction at source may not necessarily be the treatment also for filing the return of income.
 - G. not be the final tax liability of such Public Shareholder and shall in no way discharge the obligation of the Public Shareholder to appropriately disclose the amounts received by it, pursuant to this Open Offer, before the income tax authorities.
 - H. The Acquirer and the Manager to the Open Offer do not accept any responsibility for the accuracy or otherwise of the tax provisions set forth herein above.
- c. Rate of Surcharge and Cess
- In addition to the basic tax rate, applicable Surcharge, Health and Education Cess are currently leviable as under:
- A. Surcharge
 - (a) In case of domestic companies: Surcharge @ 12% is leviable where the total income exceeds ₹ 10 crore and @ 7% where the total income exceeds ₹ 1 crore but less than ₹ 10 crore.
 - (b) In case of companies other than domestic companies: Surcharge @ 5% is leviable where the total income exceeds ₹ 10 crore and @ 2% where the total income exceeds ₹ 1 crore but less than ₹ 10 crore.
 - (c) In case of individuals, HUF, AOP, BOI: Surcharge @15% is leviable where the total income exceeds ₹ 1 crore and @10% where the total income exceeds ₹ 50 lac but less than ₹ 1 crore.
 - (d) In case of Firm and Local Authority: Surcharge @12% is leviable where the total income exceeds ₹ 1 crore.

- B. Cess
Health and Education Cess @ 4% is currently leviable in all cases.
- C. The tax rate and other provisions may undergo changes.

THE ABOVE NOTE ON TAXATION SETS OUT THE PROVISIONS OF LAW IN A SUMMARY MANNER ONLY AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX CONSEQUENCES OF THE DISPOSAL OF EQUITY SHARES. THIS NOTE IS NEITHER BINDING ON ANY REGULATORS NOR CAN THERE BE ANY ASSURANCE THAT THEY WILL NOT TAKE A POSITION CONTRARY TO THE COMMENTS MENTIONED HEREIN. HENCE, YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISORS FOR THE TAX PROVISIONS APPLICABLE TO YOUR PARTICULAR CIRCUMSTANCES.

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10. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection to the Shareholders of the Target Company at the Corporate Office of the Manager to the Offer situated at The Capital, A-Wing, No. 603-606, 6th Floor, Plot No. C-70, G-Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai 400 051, Maharashtra, India during the TP from Monday to Friday except SEBI Holidays between 10.00 a.m. to 5.00 p.m.

- 10.1 Certificate of Incorporation, MOA & AOA of the Acquirer and the Target Company.
- 10.2 Copy of certificate from Swamy & Ravi, Chartered Accountants (Membership no. 023783), having office at No.90, Co-operative "A" Colony, K.K. Pudur, Coimbatore 641 038; Tamilnadu, (Tel: +91 91-422-2446357; 4384536), dated May 28, 2019 certifying that the Acquirer has adequate and firm financial resources through verifiable means available for fulfilling the obligations under this Offer.
- 10.3 Copy of Audited Financials for the year ended March 31, 2019 as certified by the Auditors and copies of annual reports of the Target Company for the year ending March 31, 2018 and 2017.
- 10.4 Copy of Audited Financials for the year ended March 31, 2019 as certified by the Auditors and copies of annual reports of the Acquirer for the year ending March 31, 2018 and 2017.
- 10.5 Escrow Agreement between the Acquirer, Manager to the Offer and the Escrow Agent dated May 24, 2019.
- 10.6 Certificate dated May 28, 2019 from Escrow Agent confirming that Rs. 573.48 Lakh amount kept in Escrow Account opened as per the SEBI (SAST) Regulations and a lien is marked in favour of Manager to the Offer.
- 10.7 Memorandum of Understanding between the Acquirer and the Manager to the Offer dated May 24, 2019.
- 10.8 Memorandum of Understanding between the Acquirer and the Registrar to the Offer dated May, 24, 2019.
- 10.9 Copy of the Share Purchase Agreement dated May 24, 2019 executed by and between the Acquirer and the Seller;
- 10.10 A copy of the Public Announcement dated May 24, 2019;
- 10.11 Published copy of the DPS dated May 30, 2019, published by the Manager to the Offer on behalf of the Acquirer in the Newspapers on May 31, 2019;
- 10.12 Published copy of Offer opening advertisement dated [●], published in the Newspapers on [●].
- 10.13 Copy of the recommendation to be made by the committee of independent directors of Target Company, in relation to this Offer; and
- 10.14 Copy of the observation letter dated [●] from SEBI containing its comments on the Draft Letter of Offer.

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11. DECLARATION BY THE ACQUIRER

The Acquirer and its board of directors accept, full responsibility for the information contained in this Draft Letter of Offer including the attached Form of Acceptance cum Acknowledgement. In relation to the information pertaining to the Seller and Target Company, the Acquirer has relied on the information provided / confirmed by the Target Company and, or, the Sellers, any published information and publicly available sources and have not independently verified the accuracy of such information. The Acquirer do not accept any responsibility with respect to any misstatement by the Target Company and, or, the Seller in relation to such information.

The Acquirer shall be responsible for fulfillment of its obligations under the Offer and ensuring compliance with the SEBI (SAST) Regulations in respect of the Offer.

The information contained in this Draft Letter of Offer is as of the date of this Draft Letter of Offer, unless expressly stated otherwise.

The person signing this Draft Letter of Offer is duly and legally authorized by the Acquirer to sign the Draft Letter of Offer.

**Signed for and on behalf of
Salzer Electronics Limited ("Acquirer")**

**Sd/-
Authorized Signatory**

Date: June 04, 2019
Place: Coimbatore.

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FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

KAYCEE INDUSTRIES LIMITED

(All non-resident Public Shareholders (holding demat shares) are mandatorily required to fill this form of acceptance-cum acknowledgement ("FOA"). The non-resident Public Shareholders holding demat shares are required to send this form with enclosures to the Registrar to the Offer at their address stated overleaf/in the Letter of Offer (L.OF).)

(Capitalized terms and expressions used herein but not defined shall have the same meaning as ascribed to them in the LOF)

(Please send this Form with TRS generated by broker/Seller Member and enclosures to the Registrar to the Offer - Datamatics Financial Services Limited, at their registered office address provided in the Letter of Offer)

To,

Salzer Electronics Limited (Acquirer)

C/o Datamatics Financial Services Limited

Plot No B5, Part B, Crosslane, MIDC, Marol,

Andheri (East), Mumbai – 400093, Maharashtra, India.

Telephone: +91 22 6671 2151

Dear Sir,

Sub: Open Offer for acquisition of up to 16,503 (Sixteen Thousand Five Hundred and Three only) fully paid-up equity shares of face value of INR 100 (Indian Rupees Hundred only) each ("Equity Share") representing 26% of the Equity Share & Voting Capital of Kaycee Industries Limited ("KIL" or "Target Company") at a price of INR 3,475/- each from the Public Shareholders by the Salzer Electronics Limited ("Acquirer").

I / We refer to the Letter of Offer dated [●] for acquiring the Equity Shares held by me / us in Kaycee Industries Limited. I/We acknowledge and confirm that all the particulars/statements given herein are true and correct.

Name (in BLOCK LETTERS)	Holder	Name of the Shareholder(s)	Permanent Account Number (PAN)
(Please write names of the joint holders in the same order as appearing in the Equity Share certificate(s) / demat account)	Sole/ First		
	Second		
	Third		
Contact Number(s) of the First Holder	Tel No. (With STD Code):		Mobile No.:
	Fax No. (with STD Code):		
Full Address of the First Holder (with pin code)			
Email address of First Holder			
Date and Place of incorporation (if applicable)			

I / We, the undersigned, have read the Public Announcement, the Detailed Public Statement and this Letter of Offer and understood its contents, terms and conditions, and unconditionally accept it.

FOR NRIs/ OCBs/ FIIs AND SUB-ACCOUNTS/ OTHER NON-RESIDENT SHAREHOLDERS

I/We confirm that my/our residential status is (✓ whichever is applicable)

- | | | | | |
|---|--|--|--|---|
| ☐ Individual | ☐ Foreign Company | ☐ FII/FPI Corporate | ☐ FII/FPI Others | ☐ FVCI |
| ☐ Foreign Trust | ☐ Private Equity Fund | ☐ Pension/Provident Fund | ☐ Sovereign Wealth Fund | ☐ Partnership/ Proprietorship firm |
| ☐ Financial Institution | ☐ NRIs/PIOs repatriable | ☐ NRIs/PIOs – non repatriable | ☐ OCB | ☐ QFI |
| ☐ Others – please specify: | | | | |

I/We confirm that my/our investment status is (✓ whichever is applicable)

- ☐ FDI Route
- ☐ PIS Route
- ☐ Any other – please specify _____

I/We confirm that the Equity Shares tendered me/us are held on (✓ whichever is applicable)

- ☐ Repatriable basis
- ☐ Non-repatriable basis applicable):

I/We confirm that (✓ whichever is applicable)

- ☐ No RBI, FIPB or other regulatory approval was required by me for holding Equity Shares that have been tendered in this Offer and the Equity Shares are held under general permission of the RBI
- ☐ Copies of all approvals required by me for holding Equity Shares that have been tendered in this Offer are enclosed herewith
- ☐ Copy of RBI Registration letter taking on record the allotment of shares to me/us is enclosed herewith

I/We confirm that (✓ whichever is applicable)

- ☐ No RBI, FIPB or other regulatory approval is required by me for tendering the Equity Shares in this Offer
- ☐ Copies of all approvals required by me for tendering Equity Shares in this Offer are enclosed herewith

In case of interest payments, if any, by the Acquirer for delay in payment of Offer consideration or a part thereof, the Acquirer will deduct taxes at source at the applicable rates as per the Income Tax Act. For details please refer to instruction given overleaf.

Yours faithfully,

Signed and Delivered:	Full Name	PAN	Signature
First / Sole Holder			
Joint Holder 1			
Joint Holder 2			
Joint Holder 3			

Note: In case of joint holdings, all must sign. In case of body corporate, the common seal should be affixed and necessary board resolutions should be attached.

Place: _____

Date: _____

INSTRUCTIONS

PLEASE NOTE THAT NO EQUITY SHARES / FORMS SHOULD BE SENT DIRECTLY TO THE ACQUIRER, THE TARGET COMPANY OR THE MANAGER TO THE OFFER

1. This Form should be filled in English.
2. All queries pertaining to this Offer may be directed to the Registrar to the Offer.
3. In case of Equity Shares held in joint names, names should be filled in the same order in this Form and in the share transfer deed(s), as the order in which they hold the Equity Shares, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting this Offer.
4. If the Equity Shares are rejected for any reason, the Equity Shares will be returned to the sole/first named Public Shareholder(s) along with all the documents received at the time of submission.
5. All Public Shareholders should provide all relevant documents, which are necessary to ensure transferability of the Equity Shares in respect of which the acceptance is being sent.
6. All documents/remittances sent by or to the Public Shareholders will be at their own risk. Public Shareholders are advised to adequately safeguard their interests in this regard.
7. The Seller Member shall deliver the requested documentation along with the TRS to the Registrar do as to reach them within 2 days of bidding by the Seller Member. On receipt of the confirmation from RTA the bid will be accepted or else rejected (as applicable) and accordingly the same will be depicted on the exchange platform.
8. In case any person has submitted Equity Shares in physical mode for dematerialisation, such Public Shareholders should ensure that the process of getting the Equity Shares dematerialised is completed well in time so that they can participate in the Open Offer before close of Tendering Period.
9. Procedure for tendering the Equity Shares in case of non-receipt of Letter of Offer:
Public Shareholders may participate in the Offer by confirming their consent to participate in this Offer on the terms and conditions of this Offer as set out in the PA, the DPS and this Letter of Offer. They can participate by submitting an application on plain paper giving details regarding their shareholding and relevant documents mentioned in paragraph 7 above. Public Shareholders must ensure that the Acceptance Form, along with the TRS and requisite documents (as mentioned in paragraph 7 above) should reach the Registrar of the Company within 2 days of the close of Tendering Period. If the signature(s) of the of the Public Shareholders provided in the plain paper application differs from the specimen signature(s) recorded with the Registrar of the Target or are not in the same order (although attested), such applications are liable to be rejected under this Offer. Alternatively, such holders of Equity Shares may also apply on the form of acceptance- cum-acknowledgement in relation to this Offer, which may be obtained from the SEBI website (www.sebi.gov.in) or from Registrar to the Offer.
10. The Acceptance of Shares, Settlement Process, Settlement of Funds / Payment Consideration and the Note on Taxation have been mentioned in the Letter of Offer under Section 8 and 9 respectively The Letter of Offer along with the Form of Acceptance would also be available at SEBI's website, www.sebi.gov.in, and shareholders can also apply by downloading such forms from the said website. The Letter of Offer along with Form of Acceptance will be dispatched to all the Public Shareholders as on the Identified Date. In case of non-receipt of the Letter of Offer, such shareholders of the Target Company may download the same from the SEBI website (www.sebi.gov.in) or obtain a copy of the same from the Registrar to the Offer on providing suitable documentary evidence of holding of the Equity Shares.
11. Interest payment, if any: In case of interest payments by the Acquirer for delay in payment of Offer consideration or a part thereof, the Acquirer will deduct taxes at source at the applicable rates as per the Income Tax Act.
12. If the resident and non-resident Public Shareholders require that no tax is to be deducted on the interest component or tax is to be deducted at a rate lower than the prescribed rate, in such cases the following documents are required to be submitted to the Registrar to the Offer.

For resident Public Shareholders:

- ◆ Self-attested copy of PAN card
- ◆ Certificate from the income tax authorities under Section 197 of the Income Tax Act, wherever applicable, in relation to payment of interest, if any, for delay in payment of Offer Price (certificate for deduction of tax at lower rate)
- ◆ Self-declaration in Form 15G / Form 15H (in duplicate), if applicable
- ◆ For specified entities under Section 194A(3)(iii) of the Income Tax Act, self-attested copy of relevant registration or notification (applicable only for interest payment, if any)

For non-resident Public Shareholders:

- ◆ Self-attested copy of PAN card
- ◆ Certificate under Section 195(3) or Section 197 of the Income Tax Act, wherever applicable (certificate for deduction of tax at lower rate) from the income tax authorities under the Income Tax Act, indicating the amount of tax to be deducted by the Acquirer before remitting the amount of interest)
- ◆ Tax Residency Certificate and a no 'permanent establishment' / business connection declaration

In an event of non-submission of NOC or certificate for deduction of tax at nil/lower rate, tax will be deducted at the maximum marginal rate as may be applicable to the relevant category, to which the Public Shareholder belongs, by the Acquirer.

FOR DETAILED PROCEDURE IN RESPECT OF TENDERING EQUITY SHARES IN THIS OFFER, PLEASE REFER TO THE LETTER OF OFFER.

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