LETTER OF OFFER

Note: This document is important and requires your immediate attention.

This Letter of Offer is being sent to you as an existing shareholder of **Kakatiya Textiles Limited** ("KTL"). If you require any clarifications about the action to be taken, you should consult your Stockbroker or your Investment Consultant, or the Registrar to the Offer. In case you have sold your shares in KTL, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deeds to the Member of the Stock Exchange (as defined) through whom the sale was effected.

Mr. L G Ramamurthi,
residing at Saroram, 185 Race Course, Coimbatore - 641018. Tel. No. 0422-2215000
AND
Mr. Sumanth Ramamurthi,
residing at 74, Appusami Layout, Red Fields, Coimbatore - 641045. Tel. No. 0422-4385111
(the Acquirers)
MAKES CASH OFFER AT AN OFFER PRICE OF Re. 1/- PER EQUITY SHARE TO ACQUIRE
upto 21,53,720 equity shares of face value of Rs 10/- each representing 20% of the Voting Rights, from existing shareholders
OF
Kakatiya Textiles Limited (the Target Company)
having its registered office at Kodad Mandal, Nalgonda District,
Nallabandagudem – 508 206, Andhra Pradesh. Tel. No. 08683-284223 Fax No. 08654-288333.

The Offer is being made pursuant to the provisions of Regulation 10 & 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto

The Offer is not conditional offer.

The Acquirers will make the requisite application, if applicable, to RBI to obtain permission under FEMA for the acquisition of shares under this Offer. As on date, to the best of knowledge of the Acquirers, there are no approvals, statutory or otherwise, required to acquire the shares tendered pursuant to this Offer.

Regulation 26 of SEBI (SAST) Regulations, 1997 provides for an upward revision of the Offer Price / Offer Size at anytime, upto seven working days prior to the date of the closure of the Offer i.e. April 28, 2006. In case of a revision in the Offer Price / Offer size, the Public Announcement for revision will be made in the same newspaper in which the original Public Announcement had appeared. In case of a revision in Offer Price, the same price shall be paid by Acquirers for all the shares tendered anytime during the period the Offer is open and accepted under the Offer.

Shareholders who have accepted the offer by tendering the requisite documents, in terms of the Public announcement / Letter of offer, can withdraw the same upto three working days prior to the date of the closure of the offer i.e. upto May 5, 2006.

"If there is a competitive bid : (i) The public offer under all the subsisting bids shall close on the same date. (ii) As the offer price cannot be revised during 7 working days prior to the closing date of the offers / bids, it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly."

There has been no competitive bid as on the date of this Letter of Offer.

THE PROCEDURE FOR ACCEPTANCE IS SET OUT IN PARAGRAPH 9. A FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT, FORM OF WITHDRAWAL AND TRANSFER DEED(S) ARE ENCLOSED WITH THIS LETTER OF OFFER. A COPY OF PUBLIC ANNOUNCEMENT AND THIS LETTER OF OFFER (INCLUDING FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT AND FORM OF WITHDRAWAL) WILL ALSO BE AVAILABLE ON SEBI'S WEB SITE www.sebi.gov.in.

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
Edelweiss Ideas create, values protect	INTIME SPECTRUM REGISTRY LIMITED
EDELWEISS CAPITAL LIMITED 14th Floor, Express Towers, Nariman Point, Mumbai - 400 021. Tel : 022 – 2286 4400, Fax - 022- 2288 2119 e-mail: jinesh.mehta@edelcap.com Contact Person: Mr. Jinesh N. Mehta	**INTIME SPECTRUM REGISTRY LIMITED** C-13 Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai 400 078. Tel: 022 - 2596 0320 - 28, Fax: 022 - 2596 0329 E-mail: ktloffer@intimespectrum.com Contact Person: Mr. Vishwas Attawar

TIMETABLE

Activity	Original Schedule		Revised Schedule	
	Date	Day	Date	Day
Date of Public Announcement	December 21, 2005	Wednesday	December 21, 2005	Wednesday
Specified Date	January 17, 2006	Tuesday	January 17, 2006	Tuesday
Last date for a competitive bid, if any	January 11, 2006	Wednesday	January 11, 2006	Wednesday
Date by which Letter of Offer will be posted to shareholders	January 30, 2006	Monday	April 15, 2006	Saturday
Date of opening of the Offer	February 8, 2006	Wednesday	April 21, 2006	Friday
Last date for Revising the Offer Price / Number of Shares	February 15, 2006	Wednesday	April 28, 2006	Friday
Last date for Withdrawing acceptances tendered by shareholders	February 21, 2006	Tuesday	May 5, 2006	Friday
Date of closing of the Offer	February 27, 2006	Monday	May 10, 2006	Wednesday
Date of communicating acceptance/ rejection and payment of consideration for accepted shares / dispatch of the share certificate in case of rejection.	March 13, 2006	Monday	May 24, 2006	Wednesday

Note: *Duly Signed Application and Transfer Deed(s) together with share certificate(s) should be despatched by Registered Post / Courier or hand delivered to the Registrar to the Offer at above address to arrive not later than 4.00 p.m. on May 10, 2006.*

RISK FACTORS

1. In the event of regulatory approvals not being received in time or litigation leading to stay on the Offer, or SEBI instructing that the Offer should not be proceeded with, thus the Offer process may be delayed beyond the Schedule of the Major Activities indicated in this Letter of Offer.
2. The Acquirers makes no assurance with respect to the market price of the shares during/ after the Offer. Further, the tendered shares will lie to the credit of a designated escrow account until the completion of the Offer formalities. During such period, there may be fluctuation in the market price of the shares of KTL.
3. The Offer to the shareholders of KTL is for substantial acquisition of shares along with acquisition of control, and it is made in accordance with Regulation 10 and 12 of the SEBI (SAST) Regulations.
4. In the event of oversubscription in the Offer, the acceptance will be on a proportionate basis based on the level of oversubscription.
5. If, due to non-receipt of requisite statutory approvals, the Acquirers are unable to make the payment to the shareholders who have accepted the Offer within 15 days of the date of closure of the Offer, then SEBI may, if satisfied that the non-receipt of requisite statutory approvals was not due to any willful default or neglect of the Acquirers or the failure of the Acquirers to diligently pursue the applications for such approvals, grant extension of time for the purpose, subject to the Acquirers agreeing to pay interest to the shareholders for delay beyond 15 days, as may be specified by SEBI from time to time. Further, shareholders should note that after the last date for Withdrawing acceptances i.e. May 5, 2006, the shareholders who have lodged the shares will not be able to withdraw them even if the acceptance of shares under the offer and despatch of consideration gets delayed. The tendered shares and documents would be held by the Registrar to the Offer, till such time as the process of acceptance of tendered shares and payment of consideration is completed.

The risk factors set forth above pertain to the Offer and do not relate to the present or future business or operations of KTL or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by a shareholder in the Offer. The shareholders of KTL are advised to consult their stockbroker or investment consultant, if any, for further risks with respect to their participation in the Offer.

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Attached : Form of Acceptance-cum-Acknowledgement,
Form of Withdrawal and
Transfer Deed(s) for Physical Shares.

DEFINITIONS

The following definitions apply through this document, unless the context requires otherwise:

Term	Definition
“Acquirers”	Mr. L G Ramamurthi and Mr. Sumanth Ramamurthi
“BSE”	Bombay Stock Exchange Ltd.
“Company”, “Target Company” or “KTL”	Kakatiya Textiles Limited
FEMA	Foreign Exchange Management Act, 1999.
“HSE”	The Hyderabad Stock Exchange Ltd.
“Manager” or “Manager to the Offer”	Edelweiss Capital Limited
“Offer”	The offer being made by The Acquirers to shareholders of KTL as set out in this Letter of Offer
“Offer Document”	this Letter of Offer
“Offer Price”	Re. 1/- (Rupee One Only) per equity share of KTL
“Persons eligible to tender the shares”	All the shareholders, except the Acquirers and the parties to SPA, who own the shares of KTL anytime before the closure of the Offer, are eligible to tender the shares in the offer.
“Public Announcement” or “PA”	announcement of the Offer made on December 21, 2005
“RBI”	the Reserve Bank of India
“SEBI”	Securities & Exchange Board of India
“SEBI (SAST) Regulations”	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto
“Sellers” or “Promoter Group”	Mr. J V Choudary, Mr. J S Krishna Murthy, Mr. J Eswar Krishna, Mrs. J Usha Rani, M/s. Hyderabad Bottling Company Limited and M/s. JSK Holdings (P) Limited
“SPA” / “The Agreement”	Share Purchase Agreement dated December 19, 2005 between the Acquirers and Sellers
“Specified Date”	January 17, 2006
“Stock Exchanges”	BSE and HSE.

1. DISCLAIMER CLAUSE

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF **KAKATIYA TEXTILES LIMITED** TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF **MR. L G RAMAMURTHI AND MR. SUMANTH RAMAMURTHI** (“THE ACQUIRERS”) OR OF **KAKATIYA TEXTILES LIMITED** (“TARGET COMPANY”), WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRERS DULY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER – **EDELWEISS CAPITAL LIMITED** HAS SUBMITTED A DUE DILIGENCE CERTIFICATE **DATED DECEMBER 26, 2005** TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT (S) THERE OF.THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAYBE REQUIRED FOR THE PURPOSE OF THE OFFER.”

2. DETAILS OF THE OFFER

2.1 Background of the Offer

a) This offer of 20% of the voting rights i.e. 21,53,720 shares of KTL is made in terms of Regulation 10 & 12 of SEBI (SAST) Regulations. The Acquirers proposes to do a substantial acquisition of shares of KTL and takeover the management control of KTL.

b) Mr. L G Ramamurthi and Mr. Sumanth Ramamurthi (‘**Acquirers**’) have entered into a Share Purchase Agreement dated December 19, 2005 (hereinafter referred as **“SPA” /** “**the Agreement**”) with Mr. J V Choudary, for himself and on behalf of, Mr. J S Krishna Murthy, Mr. J Eswar Krishna, Mrs. J Usha Rani, M/s. Hyderabad Bottling Company

Limited and M/s. JSK Holdings (P) Limited **("the Sellers" or "Promoter Group"),** the majority shareholder of Kakatiya Textiles Limited **("the Target Company" or "KTL")**, to acquire upto 29,71,094 fully paid up equity shares of Rs.10/- each representing 51.13% of the equity capital of KTL at Re. 0.50ps. (Fifty Paisa only) per share ("the **Negotiated Price**") aggregating Rs 14,85,547/- (Rupees Fourteen Lacs Eighty Five Thousand Five Hundred Forty Seven Only) **("Consideration")** payable in cash (the '**Acquisition**').

As a part of acquisition of the target Company, the acquirers have also acquired entire Preference shares of Rs. 500 lacs from M/s. Hyderabad Bottling Company Limited, the lone preference share holder, on December 19, 2005.

c) The offer size of 20% of Total voting rights have been calculated as under:

Particulars	Face Value	No. of Shares	No. of Voting Rights
Total Issued equity shares	10	58,10,600	-
Partly paid equity shares	10	42,000	-
Total fully paid equity shares	10	57,68,600	57,68,600
Preference shares on which dividend was in Arrears for 2 years on January 24, 2002	100	5,00,000	50,00,000
Total Voting Rights			**1,07,68,600**
20% of Total Voting Rights for which the offer is made			21,53,720

d) There is no non-compete fees payable under the Agreement.

e) There is no other person acting in concert with the Acquirers for the purpose of this Offer.

f) None of the Acquirers, Sellers or the Target Company has been prohibited by SEBI from dealing in securities in terms of direction issued u/s. 11B of SEBI Act or any other regulations of SEBI.

g) After the successful completion of the offer, there may be a change in the composition of the Board of Directors of the Target Company as per business considerations and regulatory requirements.

2.2 Details of the Proposed Offer

a) The Public Announcement dated December 21, 2005 and revised PA dated April 15, 2006 were made in the following newspapers, in accordance with Regulation 15 of the SEBI (SAST) Regulations, 1997.

Publications	Edition
The Financial Express (English)	All editions
Janasatta (Hindi)	All editions
Andhra Prabha (Telugu)	Hyderabad, where the Registered office of the Target Company is situated

A copy of above will also be available on the SEBI's website at www.sebi.gov.in

b) Pursuant to Regulations 10 & 12 of the SEBI (SAST) Regulations, Acquirers are making an Offer to the public shareholders of KTL to acquire upto 21,53,720 shares **('Shares')** of Rs. 10/- each representing 20% of the voting rights of KTL, at a price of Re. 1/- (Rupee One only) per Share **("Offer Price")** payable in cash **("Offer")** subject to the terms and conditions mentioned hereinafter.

c) There are 42,000 partly paid up shares in the Target Company. However, the same offer price of Re. 1/- per equity share is payable to them also.

d) The Acquirers do not hold any equity shares in KTL as on the date of this Public Announcement. Further Acquirers have not acquired either directly or through any other person, any shares of KTL during the 12 months preceding the date of PA or after the date of PA.

e) The equity shares of KTL are to be acquired, pursuant to the Offer, free from all liens, charges and encumbrances and together with all rights attached thereto, including the rights to all dividend or other distributions hereinafter declared, made or paid.

f) The Offer is not conditional on any minimum level of acceptances.

g) There has been no competitive bid as on date.

h) Edelweiss Capital Limited, Manager to the Offer, do not hold any shares as on the date of the Public Announcement.

i) The Offer is made to all the shareholders of KTL except the Acquirers and the parties to SPA.

2.3 Objects of the Acquisition /Offer

a) The Acquirers proposes to do a substantial acquisition of shares of KTL pursuant to the Agreement and take over the management control of KTL. This Offer of 20% of the voting rights, i.e. 21,53,720 shares of KTL is made in terms of Regulations 10 & 12 of the SEBI (SAST) Regulations.

b) The Acquirers have vast experience in the textile sector and they expect to turn around the Company using their experience in raw material sourcing, marketing etc.

3. BACKGROUND OF MR. L G RAMAMURTHI AND MR. SUMANTH RAMAMURTHI (“THE ACQUIRERS”)

3.1. Mr. L G Ramamurthi

a) Mr. L G Ramamurthi, aged 75 years, is Diploma holder in Applied Engineering by qualification. He is residing at Saroram, 185 Race Course, Coimbatore - 641018. Tel. No. 0422-2215000.

b) Mr. L G Ramamurthi has an overall experience of 44 years in Textile and Engineering Industry. Under his guidance SARA ELGI group has grown to Rs.500 crores turnover and emerged as leaders in textiles and engineering in south India. In early 80’s he pioneered the concept of collaboration with European and US Companies within his group and since then the group has come a long way adapting new technologies. He was also instrumental in steering the group R & D activities to build socially conscious and sensitive new processes and solutions. He is also associated with several trade bodies and associations.

c) The Networth of Mr. L G Ramamurthi as on September 30, 2005 is Rs.3,52,65,008/- (Rupees Three Crore Fifty Two Lacs Sixty Five Thousand Eight only). The same is certified by M/s. CSK Prabhu & Co., Chartered Accountants (Membership No. 214194), Address: Auditors Association Buildings, 7, First Floor, D B Road, R S Puram, Coimbatore - 641002 Tel No.- 0422-2547420 Fax No.- 0422-2552437.

d) Mr. L G Ramamurthi is a Chairman of Super Spinning Mills Limited, a listed Company. Further he is a whole time director of Elgi Electric & Industries Limited. These companies are part of SARA ELGI group of Companies.

3.2. Mr. Sumanth Ramamurthi

a) Mr. Sumanth Ramamurthi, aged 47 years, is BS (Electrical Engineering) by qualification. He is residing at 74, Appusami Layout, Red Fields, Coimbatore - 641045. Tel. No. 0422-4385111.

b) Mr. Sumanth Ramamurthi is son of Mr. L G Ramamurthi.

c) Mr. Sumanth Ramamurthi has an overall experience of 16 years in Textile and Engineering Industry. He is the managing director of the SARA ELGI group and has been responsible for developing superior manufacturing facilities for the group, enhancing In house design capabilities, Infrastructure development and IT consolidation for the group. He is following the foot steps of his father Mr. L G Ramamurthi and is spreading the core values of group viz. Integrity, understanding, excellence, unity and responsibility among the group members.

d) The Networth of Mr. Sumanth Ramamurthi as on September 30, 2005 is Rs.8,99,37,490/- (Rupees Eight Crore Ninety Nine Lacs Thirty Seven Thousand Four Hundred Ninety only). The same is certified by M/s. CSK Prabhu & Co., Chartered Accountants (Membership No. 214194), Address: Auditors Association Buildings, 7, First Floor, D B Road, R S Puram, Coimbatore - 641002 Tel No.- 0422-2547420 Fax No.- 0422-2552437.

e) Mr. Sumanth Ramamurthi is a Vice-Chairman and Managing Director of Super Spinning Mills Limited, a listed Company. Further he is a whole time director of Elgi Electric & Industries Limited. These companies are part of SARA ELGI group of Companies.

There are no major Litigations pending against the Acquirers

Provisions of Chapter II of SEBI (SAST) Regulations are not applicable to the Acquirers as they are not holding any shares of KTL since inception of KTL.

As on date, none of the acquirers or any of their representatives is on the Board of the Target Company.

The Acquirers’ group holds controlling stake i.e. 23,05,162 shares (41.91%) in Super Spinning Mills Limited (SSML), a Company listed on Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Coimbatore Stock Exchange (CSE) and Madras Stock Exchange (MSE). SSML is incorporated on June 6, 1962 having its registered office at “ELGI Towers”, P B 7113, 737-D, Green Fields, Puliakulam Road, Coimbatore – 641 045, Tamilnadu, India. SSML is engaged in the business of Cotton yarn spinning and manufacturing of fabrics and garments apart from cotton trading.

Brief Financials of SSML:

(Rs. In lacs)

Profit & Loss Statement	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31-12-2005 (9 months)**
Income from operations	28101.73	33516.26	36752.25	29315
Other Income	260.89	524.82	357.61	211
Total Income	28362.62	34041.08	37109.86	29526

Profit & Loss Statement	31.03.2003	31.03.2004	31.03.2005	31-12-2005 (9 months)
Total Expenditure	24122.04	29855.63	32840.55	24606
Profit Before Dep., Int. and Tax	4240.58	4185.45	4269.31	4920
Depreciation	1523.54	1630.53	1736.11	1465
Interest	896.83	1082.33	1159.13	976
Profit (Loss) Before Tax	1820.21	1472.59	1374.07	2479
Provision for Tax	410.00	431.64	246.58	830
Profit (Loss) After Tax	1410.21	1040.95	1127.49	1649

Balance Sheet Statement	31.03.2003	31.03.2004	31.03.2005	31-12-2005 (9 months)
Sources of funds				
Paid up Equity share capital	550.00	550.00	550.00	550
Reserves and Surplus (excluding revaluation reserves)	7558.72	8353.24	9224.99	10873
Revaluation Reserve	—	—	—	—
Less : Misc. exp. not written off and P & L Debit Balances	181.15	195.20	174.21	136
Networth	7927.57	8708.04	9600.78	11287
Secured loans	10280.35	13077.04	15284.48	16642
Unsecured loans	1432.13	4047.47	877.71	724
Total	19640.05	25832.55	25762.97	28653
Uses of funds				
Net fixed assets	10517.15	11497.87	13326.61	14127
Investments	1138.92	2447.83	2467.08	2467
Net current assets	9888.72	13993.23	11967.24	14292
Net Deferred Tax Assets	(1954.74)	(2106.38)	(1997.96)	(2233)
Total	19640.05	25832.55	25762.97	28653

Other Financial Data	31.03.2003	31.03.2004	31.03.2005	31-12-2005 (9 months)
Dividend (%)	50	40	40	NA
Earning Per Share (Rs.)	25.64	18.93	20.50	29.98
Return on Networth (%)	13.72	11.95	11.74	14.61
Book Value Per Equity Share (Rs.)	144.14	158.33	174.56	205.22

(The above compilation is based on audited financial statements for the years ending 31.03.2003, 31.03.2004 & 31.03.2005 and for the period ended December 31, 2005 subject to limited review respectively)

Formulas for Financial Ratios

1. Earning Per Share = (Profit after Tax) / No. of Equity shares i.e. 55,00,000
2. Return On Networth = Profit after Tax / Networth as at year end / period end
3. Book Value Per Equity Share = Networth / No. of Equity shares i.e. 55,00,000

4. DISCLOSURE IN TERMS OF REGULATION 16(IX) OF THE REGULATIONS

a) The Acquirers do not have any plan to dispose of or otherwise encumber any assets of KTL within two years from the date of closure of the Offer except in the ordinary course of business of KTL. However re-organisation and/or streamlining of various businesses may be considered for commercial reasons and operational efficiencies which may include the restructuring and/or rationalization of assets of KTL, however, not limited to, merger.

b) Further, the Acquirers undertake that in the next two years they shall not sell, dispose of or otherwise encumber any substantial asset of KTL except with the prior approval of the KTL's shareholders.

5. COMPLIANCE WITH REGULATION 21(2)

If, pursuant to the completion of the offer the total shareholding of the acquirers exceeds 75% of the total voting capital of KTL, the Acquirers will acquire only such number of shares from the sellers through SPA which will maintain atleast 25% Non-promoter shareholding after the offer in the target company.

6. BACKGROUND OF KAKATIYA TEXTILES LIMITED (KTL) ("THE TARGET COMPANY")

a) Kakatiya Textiles Limited is an existing public limited Company incorporated on August 26, 1981 under the Companies Act, 1956. KTL has its registered office at Kodad Mandal, Nalgonda District, Nallabandagudem – 508 206, Andhra Pradesh. Tel. No. 08683-284223 Fax No. 08654-288333. The corporate office of the target Company is situated at 6-3-1090/C/1/A/101, Lovely Mansion, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082. Tel. No. 040-23313118 Fax No. 040-23315637.

b) The total Issued, subscribed and paid-up equity share capital of the Target Company as on the date of the Public Announcement is Rs.5,78,45,500/- divided in to fully and partly paid-up shares as under:

Particulars	No. of Shares of Rs.10 each / Voting Rights (VR)	% of Shares / VR
Fully Paid up Equity Shares	57,68,600	99.28
Partly Paid up Equity Shares	42,000	0.72
Total Paid up Capital	58,10,600	**100.00**
Total Voting Rights	57,68,600	**99.28**

There is a call in arrears and allotment money due of Rs. 2,60,500 on 42,000 equity shares. There are no outstanding Convertible instruments (warrants / FCDs / PCDs) etc.

In addition to above, the Company has issued 5,00,000, 9% Cumulative Redeemable Preference Shares (CRPS) of Rs. 100/- each aggregating Rs. 500 lacs.

c) KTL is engaged in the business of cotton yarn spinning, yarn dyeing and cotton ginning. It has spinning capacity of 18,144 spindles. Since October 2002, KTL is using its manufacturing facilities for Job/conversion work for other textile units. The Company was acquired by the present promoters i.e. Hyderabad Bottling Company group in January 1999, however due to its diversified interests the group wants to exit the textile business and focus on its other businesses.

d) The shares of KTL are listed on Bombay Stock Exchange Ltd. (BSE) and The Hyderabad Stock Exchange Ltd. (HSE). However the shares of the Company are not traded since January 2003. The company has complied with all the applicable provisions of the listing requirements and there has been no penal action taken by any of the stock exchanges against KTL.

e) The Current capital structure and its build up since inception is as under:

Annual Report for the period	No of shares issued	Cumulative paid up capital (Rs. In Lacs)	Mode of allotment	Identity of allottees (promoters/ ex-promoters/ others)	Status of compliance
28.08.1981	1,510	0.20	Further Issue	**	N.A.
19.08.1983	186,400	18.79	Further Issue	**	N.A.
29.10.1983	20,000	20.79	Further Issue	**	N.A.
10.02.1984	137,900	34.58	Further Issue	**	N.A.
12.05.1984	73,300	41.91	Further Issue	**	N.A.
24.12.1988	154,374	57.35	Further Issue	**	N.A.
03.06.1989	27,524	60.10	Further Issue	**	N.A.
12.03.1990	21,950	62.30	Further Issue	**	N.A.
24.07.1990	70,003	69.30	Further Issue	**	N.A.
17.06.1991	85,621	77.86	Further Issue	**	N.A.
26.10.1991	76,118	85.47	Further Issue	**	N.A.
09.05.1992	59,555	91.43	Further Issue	**	N.A.
09.09.1992	15,745	93.00	Further Issue	**	N.A.
27.05.1993	4,880,600	* 578.45	Public Issue	Public, Ex-Promoter and their Friends & Relatives	N.A.

** Allotted to Ex-promoters of the Company.

* Allotment Money & Calls in Arrears – Rs. 2.61 lacs as per Annual Report for FY 2004-05

f) The target Company as well as the Promoters and major shareholders have complied with all the applicable provision of Chapter II of the Regulations, however there has been delay in compliances as disclosed below:

Compliance by Present Promoters (Sellers) :

Sl. No.	Regulation/ Sub- regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (inno. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	6(1)	20.04.1997	Information not available for period prior to acquisition by present promoters		
2	6(3)	20.04.1997			
3	8(1)	21.04.1998			
4	8(2)	21.04.1998			
5	8(1)	21.04.1999	19.02.2000	305	
6	8(2)	21.04.1999	19.02.2000	305	
7	8(1)	21.04.2000	09.06.2000	50	
8	8(2)	21.04.2000	09.06.2000	50	
9	8(1)	21.04.2001	28.05.2001	38	
10	8(2)	21.04.2001	28.05.2001	38	
11	8(1)	21.04.2002	14.05.2002	24	
12	8(2)	21.04.2002	14.05.2002	24	
13	8(1)	21.04.2003	19.04.2003	—	
14	8(2)	21.04.2003	19.04.2003	—	
15	8(1)	21.04.2004	06.04.2005	350	
16	8(2)	21.04.2004	06.04.2005	350	
17	8(1)	21.04.2005	06.04.2005	—	
18	8(2)	21.04.2005	06.04.2005	—	
19	7(1) & 7(2)		19.02.2000		
20	7(1A) & (2)				

Compliance by KTL (Target Company) :

Sl. No.	Regulation/ Sub- regulation	Due Date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (inno. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1	6(1)	20.04.1997	Information not available for period prior to acquisition by present promoters		
2	6(4)	20.04.1997			
3	8(3)	21.04.1998			
4	8(3)	21.04.1999	19.02.2000	305	
5	8(3)	21.04.2000	09.06.2000	50	
6	8(3)	21.04.2001	28.05.2001	38	
7	8(3)	21.04.2002	14.05.2002	24	
8	8(3)	21.04.2003	19.04.2003	—	
9	8(3)	21.04.2004	06.04.2005	350	
10	8(3)	21.04.2005	06.04.2005	—	
11	7(3)		19.02.2000		

The SEBI has initiated action against the Target Company for not complying with the provisions of chapter II of the SEBI (SAST) Regulations on time and against sellers for not complying with the provisions of chapter II & III of the SEBI (SAST) Regulations

g) Board of Directors of KTL as on the date of PA i.e. December 21, 2005 :

Sr. No	Name and Address	Designation	Experience (No. of years)	Qualification	Date of appointment
1	Mr. J. S. Krishna Murthy 6-3-609/138, Anand Nagar, Hyderabad-500 004	Chairman	50 years	S S L C	18.01.1999
2	Mr. J. S. Rao Plot No.180, Road No.15, Jubilee Hills, Hyderabad 500 033	Director	25 years	M.E. (Structural)	18.01.1999
3	Mr. J. V. Choudary Plot No.1130/A, Road No.36, Jubilee Hills, Hyderabad-500 033	Managing Director	20 years	B. Com., PGDIRPM	18.01.1999
4	Mr. S. S. R. Koteswara Rao 4th Floor, Golden Green Apartments, Erramanzil, Punjagutta, Hyderabad	Director	30 years	F.C.A	18.02.1999
5	Mr. P. Kutumba Rao 1-10-122/24, Ashok Nagar, Hyderabad-500 020	Director	40 years	B. E. (Textiles)	30.10.2000

None of the above persons represent the Acquirers.

Brief profile of Directors

Mr. J. S. Krishna Murthy, Chairman:

Mr. Krishna Murthy, 83 years, has been the Chief Promoter of HBC Group. He has an experience of over four decades in soft drinks (aerated waters), ferro alloys, textiles, electronics, chemicals and cements. He is the Chairman of the company and advises the Management on all key issues. He was instrumental in starting the bottling operations by Hyderabad Bottling Company (HBC) and expanding its capacity and sales to great heights in a span of over 30 years. Mr. Krishna Murthy is the past President of The Federation of A.P Chamber of Commerce & Industry and the sitting Member of Managing Committee. He is the General Secretary of Vignan Jyothi, an Educational Society, which runs an Engineering College, Management College and a Public School on non-profit motive basis.

Mr. J. V Choudary, Managing Director:

Mr. Choudary, a Commerce Graduate with Post Graduation Diploma in IRPM, 50 years, is the Managing Director of Kakatiya Textiles Limited for over 5 years. He has joined the company consequent upon take-over of the company from the old management. Prior to joining Kakatiya Textiles, Mr. Choudary has been the Joint Managing Director of M/s. Hyderabad Bottling Company Limited, a soft drinks giant and authorised Bottler of Coca-Cola in Hyderabad, taking care of Marketing, Sales, Distribution & Advertisement for over 15 years. Mr. Choudary has also worked in The Coca-Cola Company for a while as Head of Sales and Marketing Divisions of Hyderabad region.

Mr. J. S. Rao, Director:

Mr. Rao a Post Graduate in Engineering, 52 years, is the Managing Director of Hyderabad Flextech Limited and Director-in-charge of Keerthi Industries Limited (formerly Suvarna Cements Ltd). He was formerly the Managing Director of Hyderabad Bottling Co Ltd., for over 15 years. Mr. Rao was also the past President of The Federation of A.P Chamber of Commerce & Industry. He is also the Promoter-Director of Kakatiya Cement Sugar & Industries Ltd.

Mr. S. S. R. Koteswara Rao, Director:

Mr. Koteswara Rao, FCA, 62 years has been the Sr. Partner of Brahmayya & Co., a leading Chartered Accountants firm in South India. He has been heading M/s. Brahmayya & Co., for about three decades and has been instrumental in building the brand name of the firm on all India basis. He is a Director of A.P State Financial Corporation Ltd., Hyderabad and was Director of A.P Industrial Development Corporation Ltd., Hyderabad. Mr. Koteswara Rao is the past President of The Federation of A.P Chamber of Commerce & Industry and the sitting Member of Managing Committee.

Mr. P. Kutumba Rao, Director:

Mr. Rao, B.Sc., B. Sc. Tech from Madras University and Diploma in Public Administration, 78 years. Started his career with Binnys in Madras, served DBR Mills, Hyderabad and joined Azamzahi Mills (Govt. Sector). He was selected as General Manager of Textile Corporation of Maharashtra Ltd (a unit of Maharashtra Govt.), which was managed initially by Mafatlals, for 7 years. Then he was appointed by Govt. of India as CEO & G.M for NTC Mills in Bangalore for 2 years, then promoted as Advisor for Andhra, Kerala, Karnataka and Meha for 3 years. Then he was transferred to Maharashtra as CEO for Sahu Chatrapati Mills, Kolhapur, owned by Maharashtra Govt. for 5 years. From there he was transferred to Nagpur Zone by Maharashtra Govt. as Director of Maharashtra State Textiles Corp. for 3 years and retired from Govt. service. Subsequently he has worked as Executive Director of Towels India Ltd., a USA based company, Berlington, USA, for 5 years. He has started his own Consultancy from 1992 onwards in Hyderabad and still active. He is on the Panel of Consultants for Textile Industry for SBI from 1994 onwards.

h) There have been no mergers/ de-mergers /spin-offs during the past three years involving KTL. Further, there has been no change in the name of the Target Company since its incorporation.

i) Brief Financials of KTL

(Rs. In lacs)

Profit & Loss Statement	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31-12-2005 (9 months)**
Income from operations	679.64	402.34	511.41	383.98
Other Income	316.28	62.78	73.88	75.47
Total Income	995.92	465.12	585.29	459.45
Total Expenditure (incl. write offs)	1453.63	531.70	1034.25	475.87
Profit Before Dep., Int. and Tax	(457.71)	(66.58)	(448.96)	(16.42)
Depreciation	—	—	—	—
Interest	109.16	3.64	63.17	79.22
Extraordinary Items				
Less : Prior period adjustments	3.19	2.26	3.86	10.07
Add : Unsecured Loans written back	—	—	350.00	—
Profit (Loss) Before Tax	(570.06)	(72.48)	(165.99)	(105.71)
Provision for Tax	—	—	—	—
Profit (Loss) After Tax	(570.06)	(72.48)	(165.99)	(105.71)

Balance Sheet Statement	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31-12-2005 (9 months)**
Sources of funds				
Paid up share capital	1078.46	1078.46	1078.46	1078.46
Reserves and Surplus (excluding revaluation reserves)	17.50	17.50	17.50	17.50
Revaluation Reserve	—	—	—	—
Less : Misc. exp. not written off and P & L Debit Balances	1069.62	1142.11	1308.10	1413.81
Networth	26.34	-46.15	-212.14	-317.85
Secured loans	596.04	524.92	372.85	—
Unsecured loans	679.85	789.82	594.60	597.52
Total	1302.23	1268.59	755.31	279.67
Uses of funds				
Net fixed assets	906.44	960.85	889.93	887.36
Investments	—	—	—	—
Net current assets	395.79	307.74	(134.62)	(607.69)
Net Deferred Tax Assets	—	—	—	—
Total	1302.23	1268.59	755.31	279.67

Other Financial Data	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31-12-2005 (9 months)**
Dividend (%)	—	—	—	—
Earning Per Share (Rs.)	-9.81	-1.25	-8.88	-1.82
Return on Networth (%)	—	—	—	—
Book Value Per Equity Share (Rs.)	-8.15	-9.40	-12.26	-14.08

(The above compilation is based on audited financial statements for the years ending 31.03.2003, 31.03.2004 & 31.03.2005 and for the period ended December 31, 2005 subject to limited review respectively)

Formulas for Financial Ratios

1. Earning Per Share = (Profit after Tax + Unsecured loans written back) / No. of Equity shares i.e. 58,10,600
2. Return On Networth = Profit after Tax / Networth as at year end / period end
3. Book Value Per Equity Share = (Networth - Preference share capital i.e. Rs.500 lacs) / No. of Equity shares i.e. 58,10,600

Reasons for fall/rise in PAT or Total Income during above period:

The main reason for fall in Total Income during above period was due to shifting of revenue mix from own production to more of Job work. The reason for Losses during FY 2003 to FY 2005 is writing off of Bad debts, impaired assets and damaged stocks. However during Period ended December 31, 2005 Loss was more due to provision of interest (not provided during earlier years) due to OTS (one time settlement) proposal.

j) Pre and Post offer Shareholding Pattern of KTL :

(a) based on No. of Equity Shares :

Shareholders' category	Shareholding prior to the agreement/ acquisition and offer.		Shares agreed to be acquired which triggered off the Regulations.		Shares to be acquired in open offer (Assuming full acceptances)		Share holding after the acquisition and offer. i.e.	
	(A)		(B)		(C)		(A)+(B)+(C)=(D)	
	No.	%	No.	%	No.	%	No.	%
(1) Promoter group								
a) Main Promoters (Exisiting) **(As per table below)**	29,71,094	51.13	**(22,04,230)	(37.93)	—	—	***	***
b) PACs	—	—	—	—	—	—	—	—
(2) Acquirers								
a) Main Acquirers (Mr. L G Ramamurthi & Mr. Sumanth Ramamurthi)	—	—	**22,04,230	37.93	21,53,720	37.07	43,57,950	75.00
b) PACs	—	—	—	—	—	—	—	—
Total 2 (a+b)	—	—	22,04,230	37.93	21,53,720	37.07	43,57,950	75.00
(3) Parties to agreement other than (1) & (2)	—	—	—	—	—	—	—	—
(4) Public (other than parties to agreement, Acquirers & PACs)								
a) FIs/MFs/FIIs/ Banks, SFIs Indian Bank MF	32,400	0.56	—	—	*	*	*	*
b) Others	28,07,106	48.31	—	—	*	*	*	*
(Total number of shareholders in "Public category")	10,786 shareholders							
Total 4(a+b)	28,39,506	48.87	—	—	(21,53,720)	(37.07)	14,52,650 ***	25.00 ***
GRAND TOTAL (1+2+3+4)	**58,10,600**	**100.00**	—	—	—	—	**58,10,600**	**100.00**

** The acquirers have entered into SPA with sellers for acquisition of upto 29,71,094 equity shares being 51.13% of the total equity share capital of KTL. However column B of the above table shows only 22,04,230 equity shares as proposed acquisition. This disclosure is based on the assumptions (i) that the public shareholders referred at point no. 4 above will offer 21,53,720 shares to the acquirers in this offer and (ii) the aggregate acquisition of the equity share by the acquirers in this offer cannot exceed 75% of the total eqity share capital of KTL.

(b) based on No. of voting rights :

Shareholders' category	Voting rights prior to the agreement/ acquisition and offer.		Voting rights agreed to be acquired which triggered off the Regulations.		Voting rights to be acquired in open offer (Assuming full acceptances)		Voting rights after the acquisition and offer. i.e.	
	(A)		(B)		(C)		(A)+(B)+(C)=(D)	
	No.	%	No.	%	No.	%	No.	%
(1) Promoter group (Equity holding)								
a) Main Promoters (Exisiting) **(As per table below)** b) PACs	29,71,094 —	27.59 —	**(9,22,730) —	(8.57) —	— —	— —	*** —	*** —
1A. Voting Rights on preference shares on which dividend was in arrears for 2 years on January 24, 2002	50,00,000	46.43	(50,00,000)	(46.43)	—	—	—	—
Total (1 + 1A)	**79,71,094**	**74.02**	**(59,22,730)**	**(55.00)**	—	—	***	***
(2) Acquirers (Equity holding) a) Main Acquirers (Mr. L G Ramamurthi & Mr. Sumanth Ramamurthi) b) PACs	— —	— —	**9,22,730 —	8.57 —	21,53,720 —	20.00 —	30,76,450 —	28.57 —
2A. Voting Rights on preference shares on which dividend was in arrears for 2 years on January 24, 2002			50,00,000	46.43	—	—	50,00,000	46.43
Total (2(a+b) + 2A)	—	—	59,22,730	55.00	21,53,720	20.00	80,76,450	75.00
(3) Parties to agreement other than (1) & (2)	—	—	—	—	—	—	—	—
(4) Public (other than parties to agreement, Acquirers & PACs)								
a) FIs/MFs/FIIs/ Banks, SFIs Indian Bank MF b) Others (Total number of shareholders in "Public category")	32,400 27,65,106 10,786 shareholders	0.30 25.68	— —	— —	* *	* *	* *	* *
Total 4(a+b)	27,97,506	25.98	—	—	(21,53,720)	(20.00)	26,92,150 ***	25.00 ***
GRAND TOTAL (1+1A+2+2A+3+4)	**107,68,600**	**100.00**	—	—	—	—	**107,68,600**	**100.00**

** The acquirers have entered into SPA with sellers for acquisition of upto 29,71,094 shares being 27.59% of the total voting rights of KTL. However column B of the above table shows only 9,22,730 equity shares as proposed acquisition. This disclosure is based on the assumptions (i) that the public shareholders referred at point no. 4 above will offer 20% of the total voting rights to the acquirers in this offer and (ii) the aggregate acquisition of the voting rights by the acquirers in this offer cannot exceed 75% of the total voting rights of KTL.

Notes to table (a) and (b)

* Individual break up of equity shares /voting rights held by public depends on their acceptance of offer.

*******Consequent to the sale of majority holding by the existing promoters (i.e. Hyderabad Bottling Company Group) in terms of SPA, their balance holding has been classified as public holding in the post acquisition/offer shareholding in column D.

Details of shareholding of main promoters as per Point 1 (a) above:

Sl. No.	Name of the Registered Shareholder	No. of Shares	%
1	Mr. J V Choudary	11,27,506	19.40
2	M/s. Hyderabad Bottling Company Limited	9,40,370	16.18
3	Mr. J S Krishna Murthy	5,71,218	9.83

Sl. No.	Name of the Registered Shareholder	No. of Shares	%
4	M/s. JSK holding (P) Limited	2,87,000	4.94
5	J Usha Rani	40,000	0.69
6	J Eswar Krishna	5,000	0.09
	Total	**29,71,094**	**51.13**

Changes in Shareholding pattern of Promoter group and compliance with Regulations:

The present promoters have acquired KTL on January 1999 and it had made public offer in terms of SEBI (SAST) Regulations. Nagarjuna Finance Limited, manager to the said offer, has given the compliance certificate for the same.

k) Other details :

(a) Status of Corporate Governance compliances by KTL:

Provision of Clause 49 of the Listing Agreement with the Stock Exchange dealing with Corporate Governance has been complied with. Certificate of Compliance on Corporate Governance received from the Statutory Auditors had been published in the Annual Report for the year ended 31st March, 2005.

(b) Details of Pending major Litigations against KTL:

i. The following are the Contingent Liabilities as on March 31, 2005:

(i) Dividend on 5,00,000, 9% Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs.233.38 lacs is not provided. **(Refer Note below)**

(ii) Sales Tax liability amounting to Rs.12.62 lacs

(iii) Excise duty liability amounting to Rs.33.03 lacs

Note: Arrears of Dividend on preference shares have been waived by M/s. Hyderabad Bottling Company Limited, the lone preference shareholder, vide its letter dated July 25, 2005 and the same has been recorded by KTL at their Board meeting held on July 31, 2005. Accordingly, the arrears of dividend on preference shares have been deleted from the list of Contingent Liabilities of the Company.

ii. Andhra Bank, Sultan Bazar Branch, Hyderabad has filed a case against the Company in Debt Recovery Tribunal, Hyderabad to recover the outstanding in its loan accounts. However, the Company has entered into one time settlement (OTS) of its dues with Andhra Bank and paid off complete dues.

The shareholders of the target company, who are desirous of obtaining further information about the pending litigation, may send their written request to the Target Company at its Registered Office.

(c) Name and other Details of compliance Officer:

Mr. K Murali Krishna
Accounts Officer,
6-3-1090/C/1/A/101, Lovely Mansion, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082.
Tel. No. 040-23313118 Fax No. 040-23315637.

(**Source :** All the data about Target Company is provided by Kakatiya Textiles Limited)

7. OFFER PRICE AND FINANCIAL ARRANGEMENTS

7.1 Justification of Offer Price

a) The equity shares of KTL are listed on Bombay Stock Exchange Ltd. (BSE) and The Hyderabad Stock Exchange Ltd. (HSE) (collectively referred as "Stock Exchanges").

b) The annualised trading turnover based on the trading volume in the shares of KTL on each of the above mentioned stock exchanges during June 2005 to November 2005 (6 calendar months preceding the month in which the PA is made) is as under:

Name of Stock Exchange(s)	Total no. of shares traded during the 6 calendar months prior to the month in which PA is made	Total No. of listed Shares	Annualized Trading turnover (as a % to total listed shares)
BSE	—	58,10,600	Nil
HSE	—	58,10,600	Nil

There has been no trading in the shares of the Company since January 2003.

As disclosed above, the Equity shares of KTL are infrequently traded on BSE & HSE within the meaning of explanation (i) to Regulation 20 (5) of the SEBI (SAST) Regulations.

c) The Offer Price of Re. 1/- (Rupees One Only) per Share is justified in terms of Regulations 20 (4) and 20 (5) of the SEBI (SAST) Regulations in view of the following:-

a. The Negotiated Price		Re.0.50ps per share
b. Highest Price paid by Acquirers for acquisition, if any, including by way of allotment in a public or rights issue or Preferential issue during the 26 weeks prior to the date of PA		Not Applicable
c. The average of the weekly High and Low of the closing prices of the shares of KTL on Stock Exchange, where it is most frequently traded, during 26 weeks period preceding the date of PA		Not Applicable
d. The average of the daily High and Low of the prices of the shares of KTL on Stock Exchange, where it is most frequently traded, during 2 weeks period preceding the date of PA		Not Applicable
e. **Other Financial Parameters**	**31/03/2005**	**31/12/2005**
Return on Net Worth (%)	Negative	Negative
Book Value per share (Rs.)	-12.26	-14.08
Earning per share (Rs.)	-8.88	-1.82
Price Earning multiple (with reference to Offer price of Re.1/- per share)	NA	NA
Industry (Textiles – Spinning – synthetic/blended) Average Price Earning Multiple **	11.00	11.00

** (Source*: Capital Market Vol. XX No.20 December 5-18, 2005*).

M/s. G P Associates, Chartered Accountants (Membership No. 203300), Address: 105, 1st Block, 1st Floor, Divyashakti Complex, Ameerpet, Hyderabad – 500 016 Tel No.- 040-2373 1837 Fax No.- 040-2374 6257, have certified that the Fair Value per share of KTL, based on the valuation methodology as laid down by the Hon'ble Supreme Court of India in the case of Hindustan Lever Employees Union vs. Hindustan Lever Limited, 1995 (83 com case 30), would be Rs.(-15.44).

d) There is no non-compete fees payable under the Agreement.

e) Based on the aforementioned information, in the opinion of the Manager to the offer and the Acquirers, the offer price of Re. 1/- (Rupee One Only) per fully paid up Equity share is justified in terms of Regulation 20(4) & 20(5).

e) If The Acquirers acquire shares after the date of Public Announcement upto 7 working days prior to the closure of the offer at a price higher than the offer price, then the highest price paid for such acquisition shall be payable for all the shares tendered in the offer and accepted under the offer.

7.2 Financial Arrangements

a) The total fund requirement for the acquisition of 21,53,720 equity shares, being 20% of the voting rights of KTL, at Re 1/- per share is Rs. 21,53,720/- (Rupees Twenty One Lacs Fifty Three Thousand Seven Hundred Twenty only).

b) In accordance with Regulation 28 of the SEBI (SAST) Regulations, Acquirers have created an Escrow Account in the form of a cash deposit of Rs. 5,50,000/- (Rupees Five Lacs Fifty Thousand only), being in excess of 25% of the total consideration payable under this Offer, with UTI Bank, Pappnaickan Palayam Branch, Coimbatore. Edelweiss Capital Limited, the Manager to the Offer has been empowered to realise the value of the Escrow in terms of the SEBI (SAST) Regulations, by marking a lien on the deposit in favour of the Manager to the Offer.

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

d) The Acquirers have adequate resources to meet the financial requirements of the Offer. The same is certified by M/s. CSK Prabhu & Co., Chartered Accountants (Membership No. 214194), Address: Auditors Association Buildings, 7, First Floor, D B Road, R S Puram, Coimbatore - 641002 Tel No.- 0422-2547420 Fax No.- 0422-2552437.

e) On the basis of the above, the Manager to the Offer is satisfied about the ability of the Acquirers to implement the Offer in accordance with the SEBI (SAST) Regulations. The Offer will be implemented by the Acquirers through their own funds and/or borrowings from friends and relatives.

8. TERMS AND CONDITIONS OF OFFER

8.1 Statutory Approvals

a) Non-resident shareholders will be required to submit all the previous RBI Approvals (specific or general) that they would have obtained for acquiring shares of Target Company. **In case of previous RBI Approvals not being submitted, the Acquirers reserves the right to reject the shares tendered in the offer.**

b) The Acquirers will make the requisite application, if applicable, to RBI to obtain permission under FEMA for the acquisition of shares under this Offer.

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

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

e) The Acquirers reserves the right to withdraw the Offer, in terms of Regulation 27 of the SEBI (SAST) Regulations, in the event the requisite statutory approvals are being refused. In the event of withdrawal, a Public Announcement will be made in the same newspapers in which this original PA is being made.

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

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

8.2 Others Terms and Conditions

a. The Letter of Offer together with Form of Acceptance cum Acknowledgement (FOA), the Form of Withdrawal (FOW) and Transfer Deed (TD) (for shareholders holding shares in physical form) will be mailed to all the shareholders of KTL, except the Acquirers, Seller and parties to the Agreement, whose names appear on the Register of Members of KTL and the beneficial owners of the shares whose names appear as beneficiaries on the records of the respective share depositories, at the close of business hours on January 17, 2006 (specified date).

b Accidental omission to dispatch Letter of Offer to any member entitled to this open offer or non-receipt of the Letter of Offer by any member entitled to this open offer shall not invalidate the open offer in any manner whatsoever. The Offer is subject to the terms and conditions set out herein and in the Letter of Offer that would be sent to the shareholders of KTL as on the specified date.

c. All the shareholders, except the Acquirers, Seller and parties to the Agreement, who own the shares of KTL anytime before the closure of the Offer, are eligible to participate in the Offer anytime before date of closing of the offer.

9. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

a. The Acquirers have appointed **Intime Spectrum Registry Limited** as Registrar to the Offer. Registrars have set up the following centres to collect the acceptances being tendered in this offer:

LOCATION	NAME & ADDRESS	STD	PHONE /	FAX
MUMBAI	**Mr. Vishwas Attavar** C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai – 400 078	022	2596 0320 (9 lines)	2596 0329
HYDERABAD	**Mr. R Subramanian** c/o. Ashwini Book Supplier, Door # 8-1-403, Near Syndicate Bank, R. P. Road, Secunderabad – 500 003	0842	2771 0838	2771 0838

The documents should be sent by Hand delivery at the above places except Mumbai where the documents can also be sent by Registered Post.

The documents can be tendered at the above centres between 10.00 am to 1.00 pm and 2.00 pm to 4.00 pm from Monday to Friday and between 10.00 am to 1.00 pm on Saturday. The centres will be closed on Sundays and Public holidays.

b. Registered Shareholders (holders of shares in physical form) should enclose:

Form of Acceptance Cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.

Original Share Certificate(s)

Valid Share Transfer deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with KTL and duly witnessed at the appropriate place(s).

c. Beneficial owners (holders of shares in dematerialised form) should enclose:

Form of Acceptance Cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all the beneficial holders of shares as per the records of the DP.

Photocopy/Counterfoil of Delivery Instruction slip in "off market" mode in favour of the special depository account mentioned above, duly acknowledged by DP.

d. In case of non-receipt of the aforesaid documents, but receipt of the shares in the special depository account, it will be deemed that the shareholder has tendered acceptance of the Offer.

e. The Registrar to the Offer has opened a special depository account with HDFC Bank Limited (Depository – NSDL) styled "Intime – KTL Open Offer Escrow A/c". The DP ID is IN 301151 and Beneficiary/Client ID is 20870116.

f. Unregistered Shareholders should enclose:

Form of Acceptance cum Acknowledgement or an application on plain paper duly completed and signed in accordance with the instructions contained therein by the person(s) accepting the Offer. Application on plain paper should be duly signed and stating the name, address, number of shares held, distinctive numbers, folio number and the number of shares in respect of which they are accepting the Offer

Original Share Certificate(s)

Original Contract Note(s) from the broker through whom the shares were acquired.

Valid Share Transfer deed(s) as received from market. The details of buyer should be left blank failing which, the same will be invalid under this offer. All other requirements for valid transfer will be pre condition for valid acceptance.

No indemnity is required from the unregistered owners.

g. The shareholders tendering shares in demat form should ensure the credit of shares in favour of the special depository account mentioned above, before the closure of the Offer i.e. May 10, 2006. FOA, in respect of dematerialized equity shares not credited to the above special depository account before the date of closing of offer, is liable to be rejected.

h. Shareholders having their beneficiary account with Central Depository Services Limited (CDSL), have to use inter-depository delivery instruction slip for the purpose of crediting their Equity shares in favour of the above mentioned Special Depository Account with NSDL.

i. In case of non-receipt of the Letter of Offer/FOA, the eligible persons may download the same from SEBI website or obtain a copy of the same by writing to Registrars to the offer at any of the collection centres clearly marking the envelope "KTL Open Offer" or make an application on plain paper duly signed and stating their name, address, No. of Shares held, no. of shares offered, DP name, DP ID, Client ID and the counterfoil/photocopy of the delivery instruction in "Off-Market" mode in favour of the special depository account, duly acknowledged by the DP, to the Registrar to the Offer, before the closure of the Offer.

j. In case any person has lodged shares of KTL for transfer and the transfer has not yet been effected, the concerned person may apply in writing on a plain paper, duly signed and stating the name, address, number of shares held, distinctive numbers, folio number and the number of shares in respect of which they are accepting the Offer along with the original share certificate(s), valid transfer deed(s) duly signed **(columns meant for transferee / buyer should be kept blank)** and the acknowledgement of the lodgment of shares for transfer. Such person should also instruct KTL and its Registrars & Transfer Agents to send the transferred share certificate(s) directly to the collection centres of Registrars to the offer as mentioned above before the date of closing of the offer.

k. Shareholders who have sent their physical shares for Dematerialisation and the dematerialization has not yet been effected, the concerned person should send the completed FOA together with the photocopy of the dematerialization request form acknowledged by shareholder's DP. The shareholder should ensure that process of getting shares dematerialised is completed well in time so that the credit in the special depository account should be received before closure of the Offer i.e. May 10, 2006, else the application will be rejected.

l. Equity shares tendered by the shareholders of KTL in the offer shall be free from lien, charges and encumbrances of any kind whatsoever.

m. Equity shares, that are the subject matter of litigation or are held in abeyance due to pending court cases, such that the shareholder(s) of KTL may be precluded from transferring the equity shares during pendency of the said litigation, are liable to be rejected unless directions/orders regarding the free transferability of such equity shares are received together with the equity shares tendered in the offer prior to the date of closing of the offer.

n. In case the shares tendered in the Offer by the shareholders, are more than the shares to be acquired under the Offer, the acquisition of shares from each shareholder will be as per the provisions of Regulation 21 (6) of the SEBI (SAST) Regulations on a proportionate basis, in such a way that the acquisition from a shareholder shall not be less than the minimum marketable lot or the entire holding if it is less than the marketable lot. Market lot for the Target Company's share is 1 (one) share.

o. While tendering shares under the Offer, NRIs / OCBs / foreign shareholders will be required to submit the previous RBI Approvals (specific or general) that they would have obtained for acquiring shares of Target Company. **In case**

of previous RBI Approvals not being submitted, the Acquirers reserve the right to reject the shares. While tendering shares under the Offer, NRI / OCBs / foreign shareholders will be required to submit a Tax Clearance Certificate from the Income Tax authorities, indicating the amount of tax to be deducted by the Acquirers under the Income Tax Act, 1961 before remitting the consideration. In case the aforesaid Tax Clearance Certificate is not submitted, the Acquirers will arrange to deduct tax at the maximum marginal rate as may be applicable to the category of the shareholder under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.

p. The consideration received by the shareholders for shares accepted in the offer will be subject to the capital gains tax / deduction of tax at source applicable as per the Income Tax Act, 1961. Further the securities transaction tax will not be applicable on shares accepted in this offer.

q. The Registrar to the Offer will hold in Trust the Shares / Share certificates, FOA, if any, and the transfer form/s on behalf of the shareholders of KTL who have accepted the Offer, till the Acquirers completes the offer obligations in accordance with the Regulations.

r. Unaccepted Share Certificates, transfer forms and other documents, if any, will be returned by Registered Post at the shareholders'/unregistered owners' sole risk to the sole/first shareholder. Shares held in demat form to the extent not accepted will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the FOA.

10. PROCEDURE FOR WITHDRAWAL OF APPLICATION / ACCEPTANCE

a) In accordance with Regulation 22(5A) of the SEBI (SAST) Regulations 1997, shareholders shall have the option to withdraw acceptances tendered up to three working days prior to the Offer Closing Date i.e. up to May 5, 2006.

b) Shareholders who wish to withdraw their shares from the Offer will be required to send the FOW duly completed & signed alongwith the requisite documents.

c) In case of non receipt of Form of Withdrawal, the withdrawal can be exercised by making an application on plain paper along with following details :-

- **In case of physical shares**: by stating Name, Address, Distinctive numbers, Folio number, Number of shares tendered and to be withdrawn.
- **In case of dematerialized shares**: by stating Name, Address, Number of shares tendered and to be withdrawn, DP Name, DP ID, Beneficiary account number, Counterfoil/ Photocopy of the delivery instruction in "Off Market" mode duly acknowledged by the DP in favour of the special depository account.
- **In either case:** a copy of the acknowledgement received from the Manager to the Offer upon tendering of the Shares,

so as to reach the Registrar to the Offer either by hand delivery or by registered post on or before May 5, 2006.

11. MATERIAL DOCUMENTS FOR INSPECTION

The following documents are regarded as material documents and are available for inspection at the office of Edelweiss Capital Limited, 14th Floor, Express Towers, Nariman Point, Mumbai - 400 021 from 10.00 a.m. to 1.00 p.m. and from 2.00 p.m. to 4.00 p.m. on any working day, except Saturdays, Sundays, and Public/Bank Holidays until the offer closes

a) Memorandum & Articles of Association and Certificate of Incorporation of Kakatiya Textiles Limited.

b) MOU between the Acquirers and M/s Edelweiss Capital Ltd., Managers to the Offer.

a) Copy of Share Purchase Agreements between the Acquirers and Sellers dated December 19 2005.

b) Copy of Certificate dated December 19, 2005 from CSK Prabhu & Co., Chartered Accountants, certifying about the Networth of the Acquirers and adequacy of resources of the Acquirers in fulfilling the obligations of the offer.

c) Annual Reports of KTL for FY 2002-03, 2003-04 and 2004-05 and Un-audited results for the period ended 30.09.2005 subjected to limited review by the statutory Auditors of the Company.

d) Copy of Fixed Deposit Receipt from UTI Bank, Coimbatore for deposit of Rs.5,50,000/- (Rupees Five Lacs Fifty Thousand only) more than 25% of total consideration as Escrow money with Lien registered on it in favour of Edelweiss Capital Limited.

e) Copy of Certificate from M/s. G P Associates, Chartered Accountants, giving the KTL's share price working as per various parameters laid down by Supreme Court judgement in the case of HLL Employee Union vs. Hindustan Lever Ltd.

f) Copy of Public Announcement dated December 21, 2005 and revised PA dated April 15, 2006.

g) SEBI final observation letters no. CFD/DCR/AK/TO/64146/2006 dated April 5, 2006.

12. RESPONSIBILITY STATEMENT

a) The Acquirers accepts full responsibility for the information contained in this Letter of Offer.

b) Further the Acquirers accept full responsibility, jointly and severally, for ensuring compliance of the SEBI (SAST) Regulations.

Signed on behalf of Acquirers
For and on behalf of the Acquirers

Sd/-

(L G Ramamurthi)

Date : April 15, 2006

Place: Coimbatore

Encl. : Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed(s) for Physical Shares

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