LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer (LOO) is sent to you as shareholder(s) of K G Denim Limited. If you require any clarifications about the action to be taken, you may consult your Stock Broker or Investment Consultant or Merchant Banker (Indbank Merchant Banking Services Limited) or Registrar (M/s. Cameo Corporate Services Limited) to the Offer. In case you have recently sold your shares of K G Denim Ltd., please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the Member of Stock Exchange through whom the said sale was effected.

Shri KG Baalakrishnan
Shanmugha, 188, Race Course, Coimbatore 641 018
Tamil Nadu, Phone: (0422) 4319111
Fax : (0422) 4319110
E-mail: offer@kannapiran.co.in

Shri B Sriramulu
Shanmugha, 188, Race Course, Coimbatore 641 018
Tamil Nadu, Phone: (0422) 4319111
Fax: (0422) 4319110
E-mail: offer@kannapiran.co.in

Shri B Srihari
90, Chinna Ayyavu Lay out, Sowripalayam,
Coimbatore 641 028, Tamil Nadu,
Phone: (0422) 4319111, Fax: (0422) 4319110,
E-mail: offer@kannapiran.co.in

Sri Kannapiran Mills Limited
Post Bag No. 1, Registered Office, Sowripalayam Post, Coimbatore 641 028, Tamil Nadu, Phone : (0422) 4319111
Fax : (0422) 4319110, E-mail : offer@kannapiran.co.in

As the "Acquirers" along with

Smt B Sathyabama
Shanmugha, 188, Race Course, Coimbatore 641 018
Tamil Nadu. Phone: (0422) 4319111,
Fax: (0422) 4319110. E-mail: offer@kannapiran.co.in

Smt T Anandhi
Shanmugha, 188, Race Course, Coimbatore 641 018
Phone: (0422) 4319111 Fax: (0422) 4319110
E-mail: offer@kannapiran.co.in

Smt Nirupa Sriramulu
Shanmugha,188, Race Course, Coimbatore 641 018
Phone: (0422) 4319111 Fax: (0422) 4319110
E-mail: offer@kannapiran.co.in

Smt Deepika Karthikeyan
90, Chinna Ayyavu Lay out, Sowripalayam,
Coimbatore 641 028, Tamil Nadu.
Phone: (0422) 4319111, Fax: (0422) 4319110
E-mail: offer@kannapiran.co.in

KG Fabriks Limited
Reg. Office at Plot No. FF-1, SIPCOT Industrial Growth Centre, Perundurai 638 052, Erode District, Tamil Nadu.
Phone: (04294) 329908, Fax: (04294) 4319410
E-mail: offer@kannapiran.co.in

Ganapathykumaran Investments Private Limited (GKIPL)
Reg. Office at 126 Arts College Road, Coimbatore - 641 018, Tamil Nadu, Phone: (0422) 4319540.
E-mail: offer@kannapiran.co.in

Kumaranganapathy Investments Private Limited (KGIPL)
Registered Office at 126 Arts College Road, Coimbatore 641 018, Phone (0422) 4391549 E mail: offer@kannapiran.co.in

As Persons Acting in Concert (PACs)

MAKE A CASH OFFER AT AN OFFER PRICE OF Rs. 18.00 TOGETHER WITH INTEREST OF Rs.1.08 (TOTAL CONSIDERATION OF RS. 19.08) PER EQUITY SHARE TO ACQUIRE

Up to 5130781 fully paid up Equity Shares representing 20% of the Voting Equity Capital of the Target Company

K G Denim Limited

Regd Office: Then Thirumalai, Mettupalayam Taluk, Coimbatore 641 032, Tel No.(04254) 304000, Fax(04254) 304400 E-Mail: cskgdl@kgdenim.in

Notes:

- The Offer is being made pursuant to, and in compliance with, among others, sub-regulation 1 of Regulation 11 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and subsequent amendments thereof.
- It is an unconditional offer.
- It is not a competitive bid
- No statutory approval is required to complete the Offer except the approval from the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999 ("FEMA") to acquire the shares from non-resident shareholders. As on the date hereof there are no other statutory approvals required to implement this offer.
- Shareholders who accept the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of closure of the Offer (i.e. June 13, 2008, Friday)
- The Acquirer can revise the Offer Price upwards up to 7 (seven) working days prior to the date of closure of the Offer (i.e. June 09, 2008, Monday)**.** If there is any upward revision in the Offer Price by the Acquirer or if the Offer is withdrawn, the same would be communicated by a public announcement in the same newspapers where the original Public Announcement appeared. The Acquirer would pay such revised price for all the Shares validly tendered any time during the Offer and accepted under the Offer.
- **If there is a competitive bid(s):**
  (i) The public offers under all the subsisting bids shall close on the same date;
  (ii) As the Offer Price cannot be revised during 7 (seven) working days prior to the closing date of the offers/ bids, it would, therefore, be in the interest of Shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.
- **There has been no competitive bid.**
- A copy of the Public Announcement and the Letter of Offer (including the Form of Acceptance cum Acknowledgment and Form of Withdrawal) is available on SEBI's website (www.sebi.gov.in).

Merchant Banker to the Offer

Indbank Merchant Banking Services Ltd
1st Floor, Khivraj Complex I, 480, Anna Salai,
Nandanam, Chennai 600 035
Phone: (044) 24313094 – 97, Fax : (044) 24313093
E-mail: kgdloffer@indbankonline.com
SEBI Regn. No: INM000001394
Contact Person: Ms. Gayathri K, Senior Project Executive

Registrar to the Offer

Cameo Corporate Services Limited
Unit : KG Denim Open Offer, " Subramanian Building",
No.1 Club House Road, Chennai 600 002.
Phone: (044) 28460390-5 /2846 1989 / 2846 0015
Fax: (044) 28460129, E-mail: investor@cameoindia.com
SEBI Regn. No: INR000003753
Contact Person: Ms.Priya, Senior Executive

A schedule of some of the major activities pertaining to the offer is given below:

Activity	Date & Day	
	Original Schedule	Revised Schedule
Public Announcement (PA) Date	31.08.07, Friday	31.08.07, Friday
Specified Date	28.09.07, Friday	28.09.07, Friday
Last date for a competitive bid, if any	21.09.07,Friday	21.09.07,Friday
Date by which Letter of Offer will be dispatched to the shareholders of the Target Company	08.10.07, Monday	24.05.08, Saturday
Offer Opens on	25.10.07, Thursday	30.05.08, Friday
Last date for revising the Offer Price / Offer Size	31.10.07, Wednesday	09.06.08, Monday
Last Date for Withdrawal of acceptance by the shareholders	06.11.07, Tuesday	13.06.08, Friday
Offer Closes on	13.11.07, Tuesday	18.06.08, Wednesday
Last date for communicating rejection/ acceptance (in part or full) and mailing of consideration for applications accepted	28.11.07, Wednesday	03.07.08, Thursday

Risk Factors

Risk involved in associating with the Acquirer

1. This offer is made for the purpose of consolidation of holdings and will not result in a change of control of the Target Company. The Acquirers and the PACs make no assurance with respect to the financial performance of the Target Company after consolidation of holdings.

Risks in relation to the offer

2. Shareholders accepting this Offer will be tendering their Equity Shares before getting payment of consideration. Further, they will not be able to take advantage of any favorable price movements.
3. As on date of this Letter of Offer, no statutory approvals are required to acquire the Equity Shares that are tendered pursuant to the Offer except the approval from the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999 ("FEMA") to acquire the shares from non-resident shareholders. However, the Offer would be subject to all statutory approvals that may become applicable at a later date. The dispatch of consideration can be delayed beyond 15 days, in case any statutory approval, which becomes so applicable on a later date, is not received. In terms of Regulation 22 (12) of the Regulations, in the case of non-receipt of statutory approvals, SEBI has the power to grant extension of time for the purpose of making payment subject to, the Acquirer agreeing to pay interest to the Shareholders for delay beyond 15 days.

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DEFINITIONS

Acquirers	Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited (SKML)
Act	The Companies Act, 1956
AGM	Annual General Meeting of the Shareholders
BSE	Bombay Stock Exchange Limited
Eligible Persons	All owners of shares, registered or unregistered, of K G Denim Ltd, (other than the Acquirer and PACs, and other members of the promoter group of K G Denim) who own the shares at any time prior to the closure of the offer.
Escrow Account	Escrow Account in accordance with Regulation 28 of the Regulations, created by the Acquirer with Indian Bank, Main Branch Variety Hall Road, Coimbatore-641001 in the form of cash deposit of Rs.246 Lakhs (Rs. Two Crores and forty six lakhs only), being more than the stipulated amount under Regulation 28(2)
The Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and subsequent amendments thereto
Form of Acceptance	Form of Acceptance-cum-Acknowledgement
Merchant Banker	Manager to the Offer, Indbank Merchant Banking Services Limited
NRIs	Non-Resident Indians
Offer	Offer for acquisition of up to 5130781 Fully paid-up Equity shares of face value of Rs.10/- each of K G Denim Ltd representing 20% of the Post Preferential Issue Voting Equity Capital of the Target Company at an offer price of Rs.18.00 together with interest of Rs. 1.08 (total consideration of Rs. 19.08) per equity share - payable in cash
Offer Period	From 31.08.07 to 03.07.08
Offer Price	Rs. 18/- (Rupees Eighteen Only) payable together with interest of Rs. 1.08 (total consideration of Rs. 19.08) per equity share
PACs	Persons Acting in Concert namely, Smt B Sathyabama, Smt T Anandhi, Smt Nirupa Sriramulu, Smt Deepika Karthikeyan, KG Fabriks Limited, Ganapathykumaran Investments Private Limited, Kumaranganapathy Investments Private Limited
PA	Public Announcement of the Offer, as per Regulation 15 of the Regulations, made by the Acquirer on 31.08.2007, Friday.
Promoter Group	The promoter group of K G Denim Ltd includes the core promoters (the Acquirers, PACs, Minors Pranav Ram and Adhya) and 54 other individuals forming part of the promoter group (who are promoters since the Target Company's IPO in 1993).
RBI	Reserve Bank Of India
Registrar	Cameo Corporate Services Limited.
SEBI	Securities and Exchange Board of India.
Specified Date	28.09.2007 (Friday)
Target Company	K G Denim Ltd (KGDL)
The Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto

1. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF K G DENIM LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, PACs OR THE 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 THE ACQUIRER IS 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 ACQUIRER DULY DISCHARGES HIS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, INDBANK MERCHANT BANKING SERVICES LIMITED, HAS SUBMITTED A DUE-DILIGENCE CERTIFICATE DATED 11.09.2007 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT (S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

2 Details of the Offer

2.1 Background of the offer

2.1.1 This open offer (this "Offer") is being made by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited. ("the Acquirers"), pursuant to and in compliance with sub-regulation 1 of Regulation 11 of the SEBI (SAST) Regulations, 1997 and subsequent amendments thereto. Smt B Sathyabama, Smt T Anandhi, Smt Nirupa Sriramulu, Smt Deepika Karthikeyan, KG Fabriks Limited, Ganapathykumaran Investments Private Limited, Kumaranganapathy Investments Private Limited are termed as the Persons Acting in Concert (PACs). This offer is made for substantial acquisition of shares for consolidation of holdings.

2.1.2 The Acquirers and the PACs are promoters and shareholders of K G Denim Ltd (Target Company). The Acquirers & PACs together with Minor Pranav Ram (Son of Shri B Sriramulu) and Minor Adhya (daughter of Shri B Srihari) form the core promoter group of the target company and collectively hold 1,26,17,136 equity shares of the target company (Shri KG Baalakrishnan – 23,60,925, Shri B Sriramulu – 20,56,489, Shri B Srihari – 20,79,689, Sri Kannapiran Mills –20,00,000, Smt B Sathyabama – 18,86,500, Smt T Anandhi – 1,50,000, Smt Nirupa Sriramulu – 1,69,185, Smt Deepika Karthikeyan – 72,600, KG Fabriks Ltd – 2,00,000, Ganapathy Kumaran Investments Private Ltd – 6,39,255, Kumaran Ganapathy Investments Private Ltd – 8,82,707, Minor Pranav Ram – 67,736, Minor Adhya – 52,050) forming 49.18% of the fully paid up voting equity Share Capital of the target company as on date. These holdings are inclusive of 55,55,555 shares allotted under a preferential allotment on 30th August 2007. Other than the core promoter group as detailed above, there are 54 other individuals forming part of the promoter group (who are promoters since the Target Company's IPO in 1993). The Acquirers & PACs together with other promoters (hereinafter collectively referred to as the "Promoter Group") collectively hold 1,36,15,154 fully paid up equity shares of KGDL representing 53.07% of the fully paid up voting equity share capital of the Target Company. This offer will not result in change of control of the Target Company.

2.1.3 At a meeting of the Board of Directors (the "Board Meeting") of the Target Company held on July 28, 2007, Saturday, the Board of Directors authorised the issue and allotment of equity shares to the Acquirers, on a preferential basis (the "Preferential Issue") in accordance with Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and subsequent amendments thereto (the "Guidelines"). In the same meeting the Board has also authorised passing of special resolution u/s 81(1A) of the Companies Act, 1956 (the "Act") at the AGM of the Target Company to be held on August 27, 2007 to approve the preferential issue. At the AGM held on August 27, 2007, Monday (the "AGM"), the shareholders of the Target Company authorized the Preferential Issue by way of a special resolution under Section 81(1A) of the Act and other applicable provisions of law including the Guidelines, subject to the receipt, by the Target Company, of relevant regulatory approvals required for the Preferential Issue. On 27th August, 2007 the Target Company received in-principle approval from the Bombay Stock Exchange Limited (BSE) for the preferential issue and the shares under the preferential issue were allotted at the Board meeting held on 30th August, 2007. The Target Company received the final listing approval from the BSE for the 55,55,555 equity shares allotted under the preferential issue on 19th December, 2007. These shares are under lock-in upto 29th August 2010.

2.1.4 The salient details of the preferential issue are as follows :

2.1.4.1 The Acquirers Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari, who are promoters of the Target Company, held 10,00,000 10% cumulative preference shares of Rs. 100/- each in the target company. These preference shares were originally issued to ICICI in July 1997 and were redeemable in 3 annual installments on 15th April 2000, 2001 and 2002. As the company incurred losses from 1998-99, and was unable to pay dividend or redeem the preference shares, the preference shares were purchased by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt B Sathyabama and Smt T Anandhi on 15.02.2003, under a buy back arrangement. Smt B Sathyabama and Smt T Anandhi have subsequently transferred their preference shares to Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari

2.1.4.2 KGDL has not paid preference dividend on these shares since 1.4.2005. The Company is making this preferential issue to redeem the preference shares and issue equity shares in lieu of them so as to conserve resources and improve the company's financial position. The preferential issue was made at a price of Rs. 18/- per equity share, being the higher than the price applicable under the Guidelines.

2.1.4.3 The preference share holders retain their right to receive the arrears of Preference Dividend till 31.03.2007

2.1.4.4 Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari have been allotted 1852777, 1851389 and 1851389 equity shares respectively through this preferential issue totaling to 55,55,555 equity shares on 30th August 2007. Consequent to this Preferential issue the stake of the promoter group in the Target Company increased by 12.84% from 40.70% to 53.54%, which has triggered the provisions of the Regulations. Thus, this offer is made pursuant to Regulation 11(1) of SEBI Takeover Code and other relevant provisions, as may be applicable. (The cumulative stake of the promoter group stands reduced to 53.07% as on date. Please refer 2.1.6 below for further details).

2.1.4.5 The preferential issue did not result in change in control of the Target Company. Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt T Ananthi, Shri A Velusamy and S Muthuswamy, Directors of the Target Company, represent the Acquirers. The Acquirers do not intend to change the composition of the management of the company or the Board of Directors on completion of this offer.

2.1.4.6. The Acquirers will not exercise voting rights on shares acquired through the preferential allotment till the completion of the open offer formalities.

2.1.5 The paid-up equity capital of the Target Company prior to the Preferential Issue was Rs.20,10,95,500/- which consisted of 2,00,98,350 equity shares having a face value of Rs.10 each and forfeited shares of Rs 1,12,000/-. There are no partly paid up Equity Shares or outstanding convertible instruments in KGDL. Post the Preferential Issue, the paid-up voting equity capital of the Target Company on a fully diluted basis i.e. including the Shares arising out of preferential allotment of equity shares for redemption of preference shares stands at Rs. 25,65,39,050/- (Rupees twenty five crores sixty five lakhs thirty nine thousand and Fifty Only) consisting of 2,56,53,905 Equity Shares of Rs. 10 each.

2.1.6 The shareholding of the promoter group in the Target Company as on date of this letter of offer is as follows:

SL NO	NAME OF THE SHAREHOLDER	NO OF SHARES	PERCENTAGE HOLDING (%)
	A. CORE PROMOTERS		
1	KG BAALAKRISHNAN	2360925	9.20%
2	B SATHYABAMA	1886500	7.35%
3	B SRIRAMULU	2056489	8.02%
4	B SRIHARI	2079689	8.11%

SL NO	NAME OF THE SHAREHOLDER	NO OF SHARES	PERCENTAGE HOLDING (%)
5	T ANANDHI	150000	0.58%
6	NIRUPA SRIRAMULU	169185	0.66%
7	DEEPIKA KARTHIKEYAN	72600	0.28%
8	MINOR PRANAV RAM S	67736	0.26%
9	MINOR ADHYA	52050	0.20%
10	SRI KANNAPIRAN MILLS LIMITED	2000000	7.80%
11	KG FABRIKS LIMITED	200000	0.78%
12	GANAPATHYKUMARAN INVESTMENTS (P) LTD	639255	2.49%
13	KUMARANGANAPATHY INVESTMENTS (P) LTD	882707	3.44%
	SUB TOTAL	**12617136**	**49.18%**
	B. RELATIVES		
14	K GOVINDASWAMY NAIDU	65209	0.25%
15	G RUKMANIAMMAL	209	0.00%
16	G SEETHALAKSHMIAMMAL	9	0.00%
17	G BAKTHAVATHSALAM	104609	0.41%
18	R RAMAKRISHNAN	9	0.00%
19	D BALASUNDARAM	120009	0.47%
20	G RAMASWAMY	9	0.00%
21	G VIJAYAKUMAR	9	0.00%
22	G KANNAPAN	9	0.00%
23	B DHANALAKSHMI	173400	0.68%
24	R VASANTHI	173000	0.67%
25	KRISHNAMOORTHY C	10000	0.04%
	SUB TOTAL	**646481**	**2.52%**
	C. ASSOCIATES & OTHERS		
26	A VELUSAMY	500	0.00%
27	RAMANI K N V	10000	0.04%
28	KALPANA N	5000	0.02%
29	RAMACHANDRAN V	2000	0.01%
30	RAMASWAMY G	10000	0.04%
31	RAJAMANI R	10000	0.04%
32	SUGUNA L	10000	0.04%
33	AMIRTHAM S	100	0.00%
34	SANJIV AHUJA	10000	0.04%
35	RAMANUJAM	30000	0.12%
36	DEVARAJ V	5700	0.02%
37	RAMACHANDRAN K	5000	0.02%
38	V LAKSHMINARAYANASAMY	10000	0.04%
39	SOUNDARARAJAN V	5000	0.02%
40	VENUGOPALAN N	5000	0.02%
41	PUTTASWAMY GOWDA G	5000	0.02%
42	NAGENDRA K	100	0.00%
43	SURESH RAO N	5000	0.02%
44	S PANDI	5000	0.02%
45	K R SHETTY	5000	0.02%
46	THIAGARAJAN S P	5000	0.02%
47	DORAISWAMY S K	5000	0.02%
48	VASANTHI A	5000	0.02%
49	RATHNAKAR R J	11500	0.04%
50	SHABBIR HUSSAEN	10000	0.04%
51	SAJJADBHAI ABDULABHAI	10000	0.04%
52	ABBASBHAI ABDULABHAI	10000	0.04%
53	ARUNA B	4000	0.02%
54	DHANBALAKRISHNAN KP	100	0.00%
55	PRABAKARAN J	10000	0.04%
56	G R BALASUBRAMANIAM	10837	0.04%

SL NO	NAME OF THE SHAREHOLDER	NO OF SHARES	PERCENTAGE HOLDING (%)
57	SUSHILA DEVI LATH	10000	0.04%
58	MANICKAM	5000	0.02%
59	SARASWATHY C	10000	0.04%
60	MARAGATHAM M	1500	0.01%
61	BHUVANESWARI M	1500	0.01%
62	T R CHANDRAHASA	15500	0.06%
63	MADHUSUDAN G S	21800	0.08%
64	GURUNADA THALAPANENI	21800	0.08%
65	SUNDARARAJAN N	11200	0.04%
66	SARASWATHI SUNDARARAJAN	11200	0.04%
67	G BALASUBRAMANIAN	22200	0.09%
	SUB TOTAL	**351537**	**1.37%**
	GRAND TOTAL	**13615154**	**53.07%**

Note : The cumulative shareholding of the promoter group in the target company on allotment of equity shares under the preferential issue stood at 1,37,36,554 equity shares forming representing 53.54% of the fully paid up voting equity share capital of the Target Company. Subsequent to the allotment under the preferential issue, 2 of the relatives (D Balasundaram and Amirthalakshmi B) forming part of the promoter group have sold 1,21,400 equity shares of the target company through the Stock Exchange, and the cumulative shareholding of the promoter group in the target company as on the date of this letter of offer stands reduced to 1,36,15,154 equity shares representing 53.07% of the fully paid up voting equity share capital of the Target Company

2.1.7 The Acquirer/ PACs and the Target Company have not been prohibited by SEBI from dealing in securities in terms of directions issued u/s 11B of the SEBI Act or under any of the regulations made under the SEBI Act.

2.1.8 Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt T Ananthi, Shri A Velusamy and S Muthuswamy, Directors of the Target Company, represent the Acquirers. They shall recuse themselves and not participate in any matter(s) concerning or 'relating' to the offer including any preparatory steps leading to the offer. There is no other person on the Board of the Target Company representing the Acquirers.

2.1.9 This Open Offer will result in consolidation of the holdings of the Promoter Group in the Target Company. There will be no change in control consequent to this offer

2.2 Details of the proposed Acquisition/ Offer

2.2.1 The Public Announcement (PA), in accordance with Regulation 15 of the SEBI (SAST) Regulations, 1997, was published on 31.08.2007 in all editions of Financial Express (English National Daily with wide circulation), all editions of Jansatta (Hindi National Daily with wide circulation), the Mumbai edition of Loksatta (regional daily with wide circulation at the place of the Stock Exchange where the shares of the company are most frequently traded) and the Coimbatore edition of Dinamani (regional daily with wide circulation at the place where the registered office of the target company is located). The details of the editions in which the PA has appeared is given below:

Newspaper	Language	Editions
Financial Express	English	Ahmedabad, Bangalore,Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Mumbai and New Delhi
Jansatta	Hindi	Delhi and Kolkatta
Loksatta	Marathi	Mumbai
Dina Mani	Tamil	Coimbatore

A corrigendum to the above PA will be published in all the editions of the same newspapers. The PA and the corrigendum to the PA will be available on the SEBI website at www.sebi.gov.in

2.2.2 Pursuant to and subject to the terms and conditions of this Letter of Offer, the Acquirer proposes to acquire up to 5130781 fully paid up equity shares ("Shares") of the Target Company (the "Offer Size") representing 20% of the Post Preferential Issue Capital of the Target Company, at a price of Rs.18 per Share (Rupees Eighteen only) together with interest of Rs. 1.08 per share calculated at 10% p.a. from the last date of payment of consideration as per the original schedule as mentioned in the PA (i.e 28.11.2007) till the last date of payment as per the revised schedule (i.e 03.07.2008). The interest paid may vary according to the actual date of despatch of consideration to the shareholders who accept this offer and is subject to deduction of taxes at source as may be applicable and will be paid accordingly. The total consideration of Rs. 19.08 per share (Rupees Nineteen and Eight Paise only) is payable in cash in accordance with the Regulations.

2.2.3 The offer is in accordance with Regulation 21(2) of the Regulations, and the public shareholding on completion of the offer will not fall below 25% of the listed equity capital of the target company.

2.2.4 The Target Company has no partly paid up shares or any outstanding convertible instruments. The offer is not subject to any minimum level of acceptance and is an unconditional offer.

2.2.5 This is not a Competitive Bid.

2.2.6 There has been no competitive bid.

2.2.7 The Promoter Group has acquired 32994 shares and sold 424700 shares through secondary market transactions on the BSE during the 12 month period prior to the PA. The highest purchase rate during this period was Rs 23.90 while the average purchase rate was Rs 19.96. Other than these shares and the 55,55,555 equity shares allotted at a price of Rs. 18/- per share under the preferential allotment on 30th August 2007, no other shares have been acquired by the promoter group during the 12 month period prior to the PA, including by way of allotment in a rights, public or preferential issue. Subsequent to the PA, 2 of the relatives (D Balasundaram and Amirthalakshmi B) forming part of the promoter group have cumulatively sold 1,21,400 equity shares of the target company through the Stock Exchange, and the cumulative shareholding of the promoter group in the target company as on the date of this letter of offer stands reduced to 1,36,15,154 equity shares representing 53.07% of the voting equity share capital of the Target Company. The promoter group has not purchased any equity shares in the target company from the date of the PA till the date of this letter of offer.

2.2.8 The Merchant Banker to the Offer does not hold any shares in the Target Company, as on the date of the PA. They declare and undertake that they shall not deal in the shares of the Target Company during the period commencing from the date of their appointment as Merchant Banker to the Offer till the expiry of 15 days from the closure of the offer

2.2.9 To the extent of the Offer Size, all the Shares of the Target Company that are validly tendered pursuant to this Offer are proposed to be acquired by the Acquirers. The equity shares tendered will be acquired solely by the acquirers as per the provisions of their agreement dt 28th August, 2007 (refer para 3.4). There is no agreement between the Acquirers and the PACs or by the Acquirers and / or PACs with any other person in connection with the offer and no other person/ entity other than the Acquirers proposes to take part in the acquisition.

2.2.10 The Acquirers are permitted to revise this Offer upwards up to seven working days prior to the date of closure of the Offer. In the event of such revision, an announcement will be made in the same newspapers where the PA has appeared and the revised offer price would be paid for all the equity shares tendered anytime during the Offer.

2.3 Object and Purpose of the Acquisition and Future plan about Target Company

2.3.1 The Target Company has allotted 55,55,555 equity shares on preferential basis to Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari, for redemption of the preference shares held by them. This has been done to conserve financial resources of the Target Company and improve its financial position. The preferential issue will result in consolidation of the holdings of the Promoter Group in the Target Company, and will attract the provisions of the Regulations. Hence, this Offer is pursuant to Regulation 11(1) and other applicable provisions of the Regulations involving consolidation of holdings. This Offer, assuming full acceptance, will lead to an increase in the stake of the Promoter Group to 73.07% of the voting equity capital of the target company.

2.3.2 None of the Acquirers/ PACs or their ventures are in the same line of business as the target company except for K G Fabriks Ltd (KGFL). Both KGDL and KGFL are engaged in the business of manufacture of denim fabrics. There will be no change of control of the Target Company pursuant to this offer, and the Acquirers do not intend to change the business strategies (in terms of market positioning, capacity utilisation, etc) of either KGDL or KGFL on completion of this offer.

3 Background of the Acquirers & PACs

3.1 Background of the Acquirers

3.1.1 Shri KG Baalakrishnan, aged 67 years, residing at Shanmugha, 188, Race Course, Coimbatore 641 018 Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, is the Head of the KG Group and Executive Chairman of the Target Company . He is a graduate in Commerce and Law. He has more than 4 decades of experience in textile industry management spanning setting up of new spinning, weaving, processing and garment plants, carrying out Technology up gradation and modernization schemes and reviving sick units. He is the Founder President of the Coimbatore Stock Exchange Limited. Currently he is an Executive Committee member of FICCI, SAARC Chamber of Commerce and Industry and Chairman of India – Sri Lanka Joint Business Council. He is a Managing Director of Sri Kannapiran Mills Ltd (SKML). The other companies promoted by him include KG Fabriks Ltd, GKIPL, KGIPL, KGB Securities & Investments Private Limited and Anandhi Power Limited. He is a full time director in the Target Company and SKML only. He is not a director in any listed company except the Target Company and SKML

3.1.2 Shri B Sriramulu, aged 40 years, residing at Shanmugha, 188, Race Course, Coimbatore 641 018 Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, is the son of Shri KG Baalakrishnan, and Managing Director of the Target Company and Director of SKML. He is a Graduate Engineer in Textile Technology and a Master of Science (Textile Technology) from University of Manchester, UK. He has 14 years of experience in spinning, weaving, processing and garmenting plants. The other companies promoted by him include KG Fabriks Ltd, GKIPL, KGIPL, KGB Securities & Investments Private Limited, Enterprise Telesys Limited, KG Textile Processors Private Limited and Anandhi Power Limited. He is a full time director in the Target Company and KG Fabriks Ltd (KGFL) only. He is not a director in any listed company except the Target Company and SKML

3.1.3 Shri. B. Srihari, aged 39 years, residing at 90, Chinna Ayyavu Lay out, Sowripalayam, Coimbatore 641 028, Tamil Nadu, Phone No. (0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, is the son of Shri KG Baalakrishnan, and Managing Director of the Target Company and Director of SKML. He is a B.Tech from REC, Trichy and ME (Chemical) from Cornell University, USA. He has 13 years of experience in spinning, weaving, processing and garmenting plants. The other companies promoted by him include KG Fabriks Ltd, GKIPL, KGIPL, KGB Securities & Investments Private Limited, Enterprise Telesys Limited, KG Textile Processors Private Limited and Anandhi Power Limited. He is a full time director in the Target Company and KG Fabriks Ltd (KGFL) only. He is not a director in any listed company except the Target Company and SKML

3.1.4 The Net Worth of Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari, as per certificate dt 16.05.2008 issued by Shri R Mahadevan, Partner. M/s Gopalaiyer & Subramanian, Chartered Accountants (Membership No 24797, Flat No. 2, 2nd floor, 57, East Sambandham Road, R S Puram, Coimbatore 641002, Tel No. 0422-2548141), is Rs.704.85 Lakhs, Rs.489.59 Lakhs and Rs.382.31 lakhs respectively.

3.1.5 Sri Kannapiran Mills Limited (SKML)

3.1.5.1 SKML, incorporated in 1946 under the Companies Act, 1913, has its registered and corporate office at Post Bag No. 1, Registered Office, Sowripalayam Post, Coimbatore 641 028, Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in. The company was acquired by the K G Group in 1971, and the other Acquirers (Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari) together with the PACs hold 40.31% of the voting equity capital of SKML. Shri K G Baalakrishnan and his brother, Dr. G Bakthavatsalam, are Managing Directors of SKML.

3.1.5.2 The company is involved in the business of spinning of ring spun and open end cotton yarn of counts ranging from 6s to 120s. The company has an installed capacity of 58064 spindles & rotors.

3.1.5.3 Other than yarn sales of its own, SKML also does spinning on a job work basis for group companies (the Target Company and KGFL). The job work revenues (conversion charges) for the year ended 31.03.07 stood at Rs. 2938 lakhs out of a sales turnover of Rs. 16795 lakhs. Of the total conversion charges earned Rs. 2148 lakhs was earned from the Target Company.

3.1.5.4 SKML has a wholly owned subsidiary, Sri Balamurugan Textile Processing Ltd, which was incorporated in the year 1990 and is involved in the business of manufacture of yarn, soft waste and Yarn processing.

3.1.5.5 The details of the Board of Directors of SKML as on date of the PA i.e 31.08.2007 is as follows:

Name, Age, Designation & Residential Address	Qualifications	Experience in years	Date of Appointment
Shri KG Baalakrishnan, 67 Years, Managing Director 188, Race Course, Coimbatore 641 018	B Com, BL	40	07.08.1971
Dr G Bakthavathsalam, 64 Years, Managing Director 190, Race Course, Coimbatore 641 018	MS, FICS, FCCP, FAMS, FMMC	34	27.12.1991
Shri D Balasundaram, 61 Years, 195, Race Course, Coimbatore 641 018	B E., M B A	33	16.12.1985
Shri G Kannappan, 59 Years, 187, Race Course Road Coimbatore 641 018	B.E., M.E., FIE., FTI	32	24.12.1980
Shri G Ramasamy, 58 Years, 191, Race Course Road Coimbatore 641 018	B A	35	07.08.1971
Shri G Vijayakumar, 52 Years, 192, Race Course Road Coimbatore 641 018	P U C	34	10.04.1974

Name, Age, Designation & Residential Address	Qualifications	Experience in years	Date of Appointment
Shri B Sriramulu, 40 Years, 188, Race Course Coimbatore 641 018	B.Tech (Text), MS(Text)	14	31.01.2004
Shri B Srihari, 39 Years, 90, Chinna Ayyavu Layout Sowripalayam, Coimbatore 641 028	BTech(Chem), ME(Chem)	13	31.01.2004
Shri. KNV Ramani, 76 Years, 152, Kalidas Road Ramnagar. Coimbatore 641 009	MA, BL,	51	28.03.1995
Shri GVS Desikan, 75 Years, 79, A K Nagar Saibaba Mission Post, Coimbatore 641 011	B. Sc., B.Sc.(Tech)	50	04.09.1979
Shri R Govindarajulu, 59 Years, 33, Krishnaswamy Nagar Ramanathapuram, Coimbatore 641 045	P U C	38	26.02.2003
Shri A Velusamy, 51 Years, 46A, Second Layout Krishnaswamy Nagar, Ramanathapuram Coimbatore 641 045	B Sc, BL	28	26.12.1996
Shri R Mahadevan, 46 Years, 104, Kaleeswara Nagar Coimbatore 641 009	C A	18	26.12.2005
Shri V Arunachalam, 45 Years, Sri Sudharshanam 3, Ganapathy Layout, K K Pudur Coimbatore 641 038	C A	20	26.12.2005
Shri Duraipandian Kumaravel, 54 Years, 95, Sri Nagar II Street Ramanathapuram, Coimbatore 641 045	B A	25	26.12.2005

Since the date of the PA, Mr. G Kannappan and Mr. G Vijayakumar have retired at the AGM held on 18.09.2007, while Mr. Duraipandian Kumaravel has resigned from the Board on 19.09.2007. There are no other changes in the Board of Directors till the date of this Letter of Offer.

3.1.5.6 SKML's equity shares are listed on the Madras Stock Exchange and Coimbatore Stock Exchange.

3.1.5.7 The provisions of Corporate Governance and provisions under Clause 49 of the Listing Agreement are complied with by SKML. The details of compliance are given hereunder:

	Particulars	Clause of Listing agreement	Compliance Status Yes / No	Remarks
I	**Board of Directors**	49(1)		
	(A) Composition of Board	49 (IA)	Yes	
	(B) Non-executive Directors' compensation & disclosures	49 (IB)	Yes	
	(C) Other provisions as to Board and Committees	49 (IC)	Yes	
	(D) Code of Conduct	49 (ID)	Yes	
II	**Audit Committee**	49 (II)		
	(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	
	(B) Meeting of Audit Committee	49 (IIB)	Yes	
	(C) Powers of Audit Committee	49 (IIC)	Yes	
	(D) Role of Audit Committee	49 (IID)	Yes	
	(E) Review of Information by Audit Committee	49 (IIE)	Yes	
III	**Subsidiary Companies**	49 (III)	Yes	
IV.	**Disclosures**	49 (IV)		
	(A) Basis of related party transactions	49 (IV A)	Yes	
	(B) Disclosure of Accounting treatment	49 (IV B)	Yes	
	(C) Board Disclosures	49 (IV C)	Yes	
	(D) Proceeds from public issues, rights issues, preferential issues etc	49 (IV D)	Yes	
	(E) Remuneration of Directors	49 (IV E)	Yes	
	(F) Management	49 (IV F)	Yes	
	(G) Shareholders	49 (IV G)	Yes	
V	**CEO/CFO Certification**	49 (V)	Yes	
VI	**Report on Corporate Governance**	49 (VI)	Yes	
VII	**Compliance**	49 (VII)	Yes	

3.1.5.8 Outstanding Litigations :

i. SKML has filed 8 cases in the Magistrate Courts for recovery of outstanding receivables totaling to Rs. 110.08 Lakhs against various debtors.

ii. SKML has filed one case in the Magistrate Court for misappropriation to the tune of Rs. 16 Lakh

iii. SKML has one case pending before the Appellate Tribunal regarding a disputed claim of Rs. 8.21 Lakhs for differential excise duty on job work done for the Target Company.

3.1.5.9 Shri G Krishna Kumar is the Compliance Officer of the Acquirer, and he is available at the Registered Office of the Acquirer. (Post Bag No. 1, Registered Office, Sowripalayam Post, Coimbatore 641 028, Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in)

3.1.5.10 There has been no merger/ demerger, spin off during the last three years involving SKML. There has been no change in the name of SKML since incorporation.

3.1.5.11 The shareholding pattern of SKML as on the date of the PA is as follows :

Category Code	Category of Shareholder	Number of shareholders	Total number of shares	Total Shareholding as a percentage of total number of shares (A+B)
(A)	**Shareholding of Promoter and Promoter Group**			
(1)	**Indian**			
(a)	Individual/s Hindu Undivided Family	40	2719988	73.85
(b)	Central Government/ State Government(s)			
(c)	Bodies Corporate	8	505142	13.72
(d)	Financial Institutions/ Banks			
(e)	Any other (specify)			
	Sub-Total(A)(1)	48	3225130	87.57
(2)	**Foreign**			
(a)	Individuals			
	Non- Resident Individuals			
	Foreign Individuals			
(b)	Bodies Corporate			
(c)	Institutions			
	Sub-Total (A)(2)	0	0	0.00
	Total Shareholding of Promoter and Promoter Group(A)=(A)(1)+(A)(2)	48	3225130	87.57
(B)	**Public shareholding**			
(1)	**Institutions**			
(a)	Mutual Fund/s UTI			
(b)	Financial Institutions/ Banks			
(c)	Central Government/ State Government(s)			
(d)	Venture Capital Funds			
(e)	Insurance Companies			
(f)	Foreign Institutional Investors			
(g)	Foreign Venture Capital Investors			
	Sub-Total (B)(1)	0	0	0.00
(2)	**Non-institutions**			
(a)	Bodies Corporate	5	3600	0.10
(b)	Individuals	812	454150	12.33
	Sub-Total (B)(2)	817	457750	12.43
	Total Public Shareholding (B)=(B)(1)+(B)(2)	817	457750	12.43
	TOTAL (A)+(B)	865	3682880	100.00

3.1.5.12 The brief financials of SKML based on the audited results for the last 3 years are as follows:

Profit and Loss Statement (Rs. in Lacs)

Particulars for Year Ending	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Income from operations	15203.43	16151.13	16848.68
Other Income	197.72	220.77	132.56
Total Income	15401.15	16371.90	16981.24
Total Expenditure	13255.69	13826.47	14588.05
Profit Before Depreciation, Interest, Tax and Miscellaneous Expenditure w/o	2145.46	2545.43	2393.19

Particulars for Year Ending	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Interest	415.39	418.97	302.19
Depreciation	414.70	716.64	883.39
Miscellaneous Expenditure w/o	15.49	15.49	15.49
Profit Before Tax	1299.88	1394.33	1192.12
Provision for Tax (incl. FBT& Deferred Tax)	461.21	451.34	352.46
Prior Period Adjustments	1.64	26.51	0.11
Profit/ (Loss) After Tax	837.03	916.48	839.55

Balance Sheet Statement (Rs. in Lacs)

Particulars as on	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Sources of funds			
Equity Share Capital	368.30	368.30	368.30
Reserve & Surplus (excl. Revaluation Reserves)	2187.20	3103.68	3943.23
Less: Miscellaneous Expenditure	48.94	33.45	17.95
Net worth [1]	2506.56	3438.53	4293.58
Secured Loans	5491.12	6540.87	7214.34
Unsecured Loans	264.28	258.71	7.88
Deferred Tax Liability	611.83	811.78	933.80
Total	8873.79	11049.89	12449.60
Uses of Funds			
Fixed Assets	5595.37	7030.25	8538.40
Investments	252.36	251.30	541.93
Net Current Assets	3026.06	3768.34	3369.27
Total	8873.79	11049.89	12449.60

Other Financial Data

Particulars	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	22.73	24.88	22.80
Return on Net Worth – Fully Diluted *	33.39%	26.65%	19.55%
Book Value Per Share (Rs.) *	68.06	93.36	116.58

[1] Net Worth = Equity Capital + Reserves – Misc. Exp not Written Off

* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Share = Net worth/ Number of equity shares issued & subscribed

Return on Net Worth = Profit After Tax / Net Worth

3.1.5.13 SKML's sales have increased by 6.23% in FY2005-06 due to increase in production and raw material cost had reduced from 69% to 66% which resulted in increase in PAT by 9.49%. While sales increased by 4.32% in FY2006-07 PAT has declined by 8.39% due to increase in power cost and higher Depreciation due to additional capital expenditure.

3.1.5.14 The significant accounting policies of SKML are as follows:

i. The Financial Statements and Accounts have been prepared on the Historical Cost Convention and the Going Concern Concept, following the accrual basis of accounting

ii. Valuation of inventories : Stores – At cost arrived on weighted average method, Raw Materials – At cost or net realizable value whichever is lower, Process Stock – At cost where cost includes direct expenses and related overheads, Finished Goods – At cost or net realizable value whichever is lower, Waste – At since realised price.

iii. Contribution to Provident Funds has been made to the respective authorities. Gratuity provision has been made as per actuarial basis.

iv. Contingent liabilities in respect of show cause received are considered only when they are converted to demands.

3.1.5.15 The contingent liabilities of SKML as per the audited accounts for the year ended 31.03.07 stands at 8.21 lakhs (Disputed Central Excise amount for the year 2002-03.)

3.1.5.16 SKML has filed requisite disclosures under Regulation 8 of the Regulations with the Stock Exchanges within the respective due dates from the year ending 31.03.2003. For the period 1997-2002 the Target Company has filed the requisite disclosures under Regulations 6 & 8 of the regulations on 28.03.2003 under SEBI regularization scheme 2002 with penalty of Rs. 60,000/-. On 27.12.2000 SKML had made a preferential allotment of 5,00,000 equity shares each to KG Fabriks Ltd and Crocodile India (Pvt) Ltd which resulted in an increase in the shareholding of the promoter group of SKML from 83.03% to 87.64%. SEBI has vide its adjudication order dated 31.01.2007 levied a penalty of Rs. 5,00,000 on the Acquirers for non-compliance with regulations 3(1) (c) (i) and 3(1)(c)(ii) which made them ineligible for exemption under regulation 3(1)(c) from the applicability of Regulation 11(2).

3.2 Background of the Persons Acting in Concert (PACs)

3.2.1 Smt B Sathyabama, PAC, aged about 64 years, residing at Shanmugha, 188, Race Course, Coimbatore 641 018 Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, is the wife of Shri KG Baalakrishnan. She has 5 years of administrative and HR experience in Garment Industry. She is a promoter in KGIPL, GKIPL and Enterprises Telesys Ltd.

3.2.2 Smt T Anandhi, PAC aged about 41 years, residing at Shanmugha, 188, Race Course, Coimbatore 641 018 Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, is the wife of Shri J Thulasidharan and daughter of Shri KG Baalakrishnan. She has basic textile education and has over 13 years experience in textile field such as cotton, spinning and Garments. She is a Non Executive Director of Target Company.

3.2.3 Smt Nirupa Sriramulu, PAC, residing at Shanmugha, 188, Race Course, Coimbatore 641 018 Tamil Nadu, Phone No.(0422) 4319111, Fax No.(0422) 4319110 E-mail : offer@kannapiran.co.in, aged about 38 years, is the wife of Mr B Sriramulu. She is a Director in Sarvalakshmi Paper & Boards Pvt Ltd, Serval Engineering Works P Ltd and Danalakshmi Paper Mills P Ltd. and has over 10 years experience in paper industry.

3.2.4 Smt Deepika Karthikeyan, PAC, aged about 33 years, residing at 90, Chinna Ayyavu Lay out, Sowripalayam, Coimbatore 641 028, Tamil Nadu, Phone No. (0422) 4319111, Fax No. (0422) 4319119, E mail: offer@kannapiran.co.in is the wife of Shri B Srihari. She is Managing Director of RND Softech P Ltd and Director of Sri Karthikeya Spinning & Weaving Mills P Ltd., and has 7 years experience in Software and textile industry

3.2.5 Smt Nirupa Sriramulu is a Wholetime director on the Board of Danalakshmi Paper Mills Ltd and Sarvalakshmi Paper & Boards Pvt Ltd, while Smt Deepika Karthikeyan is a Wholetime director in RND Softech P Ltd and Sri Karthikeya Spinning & Weaving Mills P Ltd. Smt B Sathyabama and Smt T Anandhi do not hold Wholetime directorships on the Board of any company. None of the PACs as listed above are on the Board of any listed company except for Smt T Anandhi, who is a Non-Executive Director on the board of the Target Company.

3.2.6 The Net Worth of Smt B Sathyabama, Smt T Anandhi, Smt Nirupa Sriramulu and Smt Deepika Karthikeyan as per certificate dt 16.05.2008 issued by Sri R. Mahadevan, Partner. M/s Gopalaiyer & Subramanian, Chartered Accountants (Membership No 24797, Flat No. 2, 2nd floor, 57, East Sambandham Road, R S Puram, Coimbatore 641002, Tel No. 0422-2548141) is Rs 743.78 Lakhs, Rs. 423.27 Lakhs, Rs. 637.51 and Rs. 183.27 Lakhs respectively.

3.2.7 KG Fabriks Limited (KGFL)

3.2.7.1 KG Fabriks Ltd, PAC, was incorporated in 1994 under the Companies Act, 1956 as K G Denim Finance Ltd. The name of the company was changed to Southern Technologies Limited in 1999 and to the current name in 2004. The company has its registered office at Plot No. FF-1, SIPCOT Industrial Growth Centre, Perundurai 638 052, Erode District, Tamil Nadu, Phone No. (04294) 329908 Fax No. (04294) 4319410 E mail: offer@kannapiran.co.in, while the corporate office is the same as SKML.

3.2.7.2 KGFL is involved in the business of manufacture of Denim and Industrial Fabrics. The company has an installed capacity of 82 Looms.

3.2.7.3 KGFL is promoted by Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari. Shri KG Baalakrishnan is the Chairman of the company while Shri B Sriramulu and Shri B Srihari are Managing Directors of the Company. The Acquirers and PACs collectively hold 48.33 % of the equity capital of the company.

3.2.7.4 The Shares of KGFL are not listed on any Stock Exchange. The company has an equity capital of Rs. 2076.01 Lakhs, which has been built up through - allotment to promoters and private placement to others cumulating to Rs.576.01 Lakhs in 1994-95 and preferential allotment to promoters and others cumulating Rs. 1500 Lakhs in 2005-06 and 2006-07. While there was an intention to list the shares of the company in the past, the same was not possible due to the poor performance of the company/ unfavourable market conditions.

3.2.7.5 The details of the Board of Directors of KGFL as on date of the PA i.e 31.08.2007 are as follows:

Name, Age, Designation & Residential Address	Qualifications	Experience in years	Date of Appointment
Shri B Sriramulu, 40 Years, Managing Director 188, Race Course Coimbatore 641 018	B.Tech (Text), MS(Text)	14	23.12.1994
Shri B Srihari, 39 Years, Managing Director 90, Chinna Ayyavu Layout Sowripalayam, Coimbatore 641 028	B Tech (Chem), ME(Chem)	13	26.09.1998
Shri KG Baalakrishnan, 67 Years, 188, Race Course Coimbatore 641 018	B Com, BL	40	23.03.2005
Shri V Jagadisan, 75 Years, New No 3, First Main Road Gandhi Nagar Adayar Chennai 600 20	B. Com, FCA	50	26.06.1995
Shri A Velusamy, 51 Years, 46A, Second Layout Krishnaswamy Nagar Ramanathapuram, Coimbatore 641 045	B Sc, BL	28	26.12.1996
Shri M Balasubramanain, 45 Years, 5/43, Perumal Naidu Street Vedapatti, Coimbatore 641 007	B Tech, MBA	26	26.02.2003
Shri Duraipandian Kumaravel, 54 Years, 95, Sri Nagar II Street Ramanathapuram Coimbatore 641 045	B A	25	26.12.2005

There are no changes in the Board of Directors of KGFL from the date of the PA till the date of this letter of offer.

3.2.7.6 Outstanding Litigations :

i) KGFL has filed 2 cases in the magistrate court for recovery of Lease/HP dues totaling Rs. 140 lakhs.

ii) KGFL has filed a criminal case u/s 138 of Negotiable Instruments Act for dishonour of cheque of value Rs. 28 lakhs.

3.2.7.7 Shareholding Pattern of KGFL as on the date of the PA is as follows:

Category Code	Category of Shareholder	Number of shareholders	Total number of shares	Total Shareholding as a percentage of total number of shares (A+B)
(A)	**Shareholding of Promoter and Promoter Group**			
(1)	**Indian**			
(a)	Individual/s Hindu Undivided Family	9	3150045	15.17
(b)	Central Government/ State Government(s)			
(c)	Bodies Corporate	8	6896175	33.22
(d)	Financial Institutions/ Banks			
	Sub-Total(A)(1)	17	10046220	48.39
(2)	**Foreign**			
(a)	Individuals			
	Non- Resident Individuals			
	Foreign Individuals			
(b)	Bodies Corporate			
(c)	Institutions			
	Sub-Total (A)(2)	0	0	0.00
	Total Shareholding of Promoter and Promoter Group(A)=(A)(1)+(A)(2)	17	10046220	48.39
(B)	**Public shareholding**			
(1)	**Institutions**			
(a)	Mutual Fund/s UTI			
(b)	Financial Institutions/ Banks			
(c)	Central Government/ State Government(s)			
(d)	Venture Capital Funds			
(e)	Insurance Companies			
(f)	Foreign Institutional Investors			
(g)	Foreign Venture Capital Investors			
	Sub-Total (B)(1)	0	0	0.00
(2)	**Non-institutions**			
(a)	Bodies Corporate	22	6092625	29.35
(b)	Individuals	12205	4621218	22.26
	Sub-Total (B)(2)	12227	10713843	51.61
	Total Public Shareholding (B)=(B)(1)+(B)(2)	12227	10713843	51.61
	TOTAL (A)+(B)	12224	20760063	100.00

3.2.7.8 There has been no merger/ demerger/ spin off involving KGFL during the last 3 years. KGFL was incorporated as K G Denim Finance Ltd on 23.12.1994. The details of name change of KGFL since incorporation is as follows:

23.04.1999 Southern Technologies Ltd

03.03.2004 KG Fabriks Ltd

3.2.7.9 The brief financials of KGFL based on the audited financials for the last 3 years are as follows.

Profit and Loss Statement (Rs. in Lacs)

Particulars for Year Ending	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Income from operations	702.04	710.83	4288.73
Other Income	45.65	8.08	64.18
Total Income	747.69	718.91	4352.91
Total Expenditure	641.08	608.51	4248.89
Profit Before Depreciation, Interest and Tax	106.61	110.40	104.02
Interest	13.48	3.81	221.81
Depreciation	25.60	33.12	433.41
Profit Before Tax	67.53	73.47	-551.20
Provision for Tax (incl. FBT& Deferred Tax)	18.20	29.86	0.00
Prior Period Expenses	1.95	-3.77	-0.04
Profit/ (Loss) After Tax	47.38	47.38	-551.16

Balance Sheet Statement (Rs. in Lacs)

Particulars as on	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Sources of funds			
Equity Share Capital	576.01	1793.45	2076.01
Reserve & Surplus (excl. Revaluation Reserves)	124.15	171.52	18.25
Less: Profit & Loss Account Debit balance			397.88
Net worth [1]	700.15	1964.97	1696.38
Secured Loans	45.02	3769.75	6359.86
Unsecured Loans			100.00
Deferred Tax Liability	16.67	40.28	40.28
Total	761.84	5775.00	8196.52
Uses of Funds			
Fixed Assets	581.72	5288.85	6633.16
Investments	6.25	4.91	6.70
Net Current Assets	173.87	481.24	1556.66
Total	761.84	5775.00	8196.52

Other Financial Data

Particulars	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	0.82	0.26	-2.65
Return on Net Worth – Fully Diluted *	6.77%	2.41%	-32.49%
Book Value Per Share (Rs.) *	12.16	10.96	8.17

[1] Net Worth = Equity Capital + Reserves – Profit & Loss Account

* Earning per share = Profit After Tax / Number of equity shares issued & subscribed
Book Value per Share = Net worth/ Number of equity shares issued & subscribed
Return on Net Worth = Profit After Tax / Net Worth

3.2.7.10 KGFL has shown only marginal increase in Sales and Gross profit level for FY 2005-06 compared to previous financial year. Sales increased substantially in FY 2006-07 (by 503.34% over FY2005-06) on account of commencement of new activity of Denim fabric manufacture. However the new activity resulted in Net loss being the first year of commercial production

3.2.7.11 The significant accounting policies followed by KGFL are as follows:

i. The Financial Statements and Accounts have been prepared on the Historical Cost Convention and the Going Concern Concept, following the accrual basis of accounting

ii. Inventories are valued at lower of cost and net realizable value including the value of stock of shares held at the end of the year.

iii. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

3.2.7.12 The contingent liabilities of KGFL based on the audited accounts for the year ended 31.03.07 are as follows:

i. Income Tax demand for Rs. 34.64 Lakhs for Assessment Year 1998-99. Appeal is preferred before the Honorable Supreme Court

ii. Income Tax demand of Rs. 93.10 Lakhs for the Assessment Years 1999-2000 to 2002-03

iii. Interest Tax demand of Rs. 11.17 lakhs for the Assessment Years 1996-97 to 1999-2000.

3.2.8 Ganapathykumaran Investments Private Limited (GKIPL)

3.2.8.1 Ganapathykumaran Investments Private Limited (GKIPL), PAC, incorporated in 1995 under the Companies Act, 1956 has its Registered Office at 126 Arts College Road, Coimbatore 641 018, Phone (0422) 4391549 E mail:offer@kannapiran.co.in

3.2.8.2 GKIPL is an Investment Company promoted by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt B Sathyabama and Smt T Anandhi. They collectively hold 100% of the equity capital of the company. The shares of the Company are not listed.

3.2.8.3 The details of the Board of Directors of GKIPL as on date of the PA i.e 31.08.2007 are as follows:

Name, Age & Residential Address	Qualifications	Experience in years	Date of Appointment
Shri B Sriramulu, 40 Years, 188, Race Course Coimbatore 641 018	B.Tech (Text), MS(Text)	14	19.04.1995
Smt B Sathyabama, 64 Years, 188, Race Course Coimbatore 641 018	School Education	30	19.04.1995
Shri B Srihari, 39 Years, 90, Chinna Ayyavu Layout Sowripalayam, Coimbatore 641 028	BTech(Chem), ME(Chem)	13	25.09.1996

There are no changes in the Board of Directors of GKIPL from the date of the PA till the date of this letter of offer.

3.2.8.4 The brief financials of GKIPL based on the audited financials for the last 3 years are as follows.

Profit and Loss Statement (Rs. in lakhs)

Particulars for Year Ending	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Income from operations (Sale of shares)	8.90	2.51	94.99
Other Income	0.00	5.60	7.25
Total Income	8.90	8.11	102.24
Total Expenditure	9.84	7.05	102.80
Profit Before Depreciation, Interest and Tax	-0.94	1.06	-0.56
Interest	1.67	0.08	4.89
Depreciation	1.63	0.98	0.00
Profit Before Tax	-4.24	0.00	-5.45
Provision for Tax (incl. FBT& Deferred Tax)	0.00	0.00	0.00
Profit/ (Loss) After Tax	-4.24	0.00	-5.45

Balance Sheet Statement (Rs. in lakhs)

Particulars as on	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Sources of funds			
Equity Share Capital	1.00	1.00	1.00
Reserve & Surplus (excl. Revaluation Reserves)	0.00	0.00	0.00
Less: Profit & Loss Account Debit balance	23.33	23.33	28.76
Net worth [1]	-22.33	-22.33	-27.76
Secured Loans	0.00	0.00	0.00
Unsecured Loans	0.00	0.00	0.00
Deferred Tax Liability	0.00	0.00	0.00
Total	-22.33	-22.33	-27.76
Uses of Funds			
Fixed Assets	21.85	20.88	20.88
Investments	0.00	0.00	0.00
Net Current Assets	-44.18	-43.21	-48.64
Total	-22.33	-22.33	-27.76

Other Financial Data

Particulars	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	-42.40	0.00	-54.50
Return on Net Worth – Fully Diluted *	NA	NA	NA
Book Value Per Share (Rs.) *	-223.3	-223.3	-277.6

[1] Net Worth = Equity Capital + Reserves – Profit & Loss Account

* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Share = Net worth/ Number of equity shares issued & subscribed

Return on Net Worth = Profit After Tax / Net Worth

3.2.8.5 GKIPL had achieved marginal profit only in FY 2005-06 due to reduction in operations. Operations for FY 2006-07 had increased substantially especially through purchase and sale of shares of the target company. GKIPL made an operating loss in 2006-07 and a higher net loss due to increase in interest charges.

3.2.8.6 GKIPL has made losses in FY 2004-05 and FY 2006-07. The company has made a marginal profit in the FY 2005-06. The net worth of the company is fully eroded. GKIPL is an investment company and is not a Sick Industrial Undertaking. As on 31.03.2007, the company holds closing stock of 645055 equity shares of KGDL valued at Rs. 107.40 Lakhs and 123500 equity shares of KGFL valued at Rs. 12.31 Lakhs

3.2.8.7 The significant accounting policies followed by GKIPL are as follows:

i) The Financial Statements and Accounts have been prepared on the Historical Cost Convention and the Going Concern Concept, following the accrual basis of accounting

ii) Investments are treated as Stock in trade and valued at Cost or Market Price which ever is lower

3.2.9 Kumaranganapathy Investments Private Limited (KGIPL)

3.2.9.1 Kumaranganapathy Investments Private Limited (KGIPL), PAC, incorporated in 1995 under the Companies Act, 1956 has its Registered Office at 126 Arts College Road, Coimbatore 641 018, Phone (0422) 4391549 E mail: offer@kannapiran.co.in.

3.2.9.2 KGIPL is an Investment Company promoted by Shri KG Baalakrishnan, Shri B Sriramulu Shri B Srihari, Smt B Sathyabama and Smt T Anandhi. They collectively hold 100% of the equity capital of the company. The shares of the Company are not listed.

3.2.9.3 The details of the Board of Directors of KGIPL as on date of the PA i.e 31.08.2007 are as follows:

Name, Age & Residential Address	Qualifications	Experience in years	Date of Appointment
Shri B Srihari, 39 90, Chinna Ayyavu Layout Sowripalayam Coimbatore 641 028	BTech(Chem), ME(Chem)	13	27.03.1995
Smt B Sathyabama, 64 188, Race Course Coimbatore 641 028	School Education	30	27.03.1995
Shri B Sriramulu, 40 188, Race Course Coimbatore 641 018	B.Tech (Text), MS(Text)	14	25.09.1996

There are no changes in the Board of Directors of KGIPL from the date of the PA till the date of this letter of offer.

3.2.9.4 The brief financials of KGIPL based on the audited financials for the last 3 years are as follows.

Profit and Loss Statement (Rs. in lakhs)

Particulars for Year Ending	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Income from operations (Sale of shares)	12.90	0.00	0.00
Other Income	0.00	0.00	0.00
Total Income	12.90	0.00	0.00
Total Expenditure	12.96	0.05	0.05
Profit Before Depreciation, Interest and Tax	-0.06	-0.05	-0.05
Interest	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00
Profit Before Tax	-0.06	-0.05	-0.05
Provision for Tax (incl. FBT& Deferred Tax)	0.00	0.00	0.00
Profit/ (Loss) After Tax	-0.06	-0.05	-0.05

Balance Sheet Statement (Rs. in lakhs)

Particulars as on	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Sources of funds			
Equity Share Capital	1.00	1.00	1.00
Reserve & Surplus (excl. Revaluation Reserves)	0.00	0.00	0.00
Less: Profit & Loss account Debit balance	26.68	26.72	26.76
Net worth [1]	-25.68	-25.72	-25.76
Secured Loans	0.00	0.00	0.00
Unsecured Loans	0.00	0.00	0.00
Deferred Tax Liability	0.00	0.00	0.00
Total	-25.68	-25.72	-25.76
Uses of Funds			
Fixed Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Net Current Assets	-25.68	-25.72	-25.76
Total	-25.68	-25.72	-25.76

Other Financial Data

Particulars	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	-0.60	-0.50	-0.50
Return on Net Worth – Fully Diluted *	NA	NA	NA
Book Value Per Share (Rs.) *	-256.8	-257.2	-257.6

[1] Net Worth = Equity Capital + Reserves – Profit & Loss Account

* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Share = Net worth/ Number of equity shares issued & subscribed

Return on Net Worth = Profit After Tax / Net Worth

3.2.9.5 KGIPL has no operations in the last 2 years and made marginal losses in last 3 years. The net worth of the company is fully eroded. KGIPL is an investment company and is not a Sick Industrial Undertaking. As on 31.03.2007, the company holds closing stock of 882707 equity shares of KGDL valued at Rs. 149.11 Lakhs and 115000 equity shares of KGFL valued at Rs. 11.50 Lakhs.

3.2.9.6 The significant accounting policies followed by GKIPL are as follows:

i) The Financial Statements and Accounts have been prepared on the Historical Cost Convention and the Going Concern Concept, following the accrual basis of accounting.

ii) Investments are treated as Stock in trade and valued at Cost or Market Price which ever is lower

3.3 Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt T Ananthi, Shri A Velusamy and S Muthuswamy, Directors of the Target Company, represent the Acquirers/ PACs. They shall recuse themselves and not participate in any matter(s) concerning or 'relating' to the offer including any preparatory steps leading to the offer. There is no other person on the Board of the Target Company representing the Acquirer.

3.4 The Acquirers have entered into an agreement dt. 28th August, 2007 with each other whereby SKML will acquire 70% of the shares tendered in the offer, while Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari will acquire 10% each of the shares tendered under the offer. The cost incurred on the open offer will also be shared by the Acquirers in the same ratio. There is no agreement by the Acquirers with any other person including the PACs in connection with the offer and no other person/ entity proposes to take part in the acquisition. The shares in the Open Offer are proposed to be solely and entirely acquired by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited, the Acquirers.

3.5 Details of change in shareholding of current promoter group including Acquirers and PACs in the Target Company & Status of compliance with the Regulations

Date of Purchase	Mode of Purchase/ Sale	Shares Purchased/ Sold		Cumulative Shareholding		Status of compliance with SEBI SAST Regulations 1997 and amendments thereto
		Number	% of share and voting capital	Number	% of share and voting capital	
13.6.1992	Subscription to Memorandum	90	100.00	90	100.00	Not Applicable
9.6.1993	Firm allotment in IPO	7689960	38.19	7690050	38.19	Not Applicable
9.6.1993	Subscription to IPO	14500	0.07	7704550	38.26	Not Applicable
1995-96	Market Purchase	106000	0.53	7805550	38.76	Not Applicable
	Market Sale	5000	0.02			
1996-97	Market Purchase	385500	1.91	8191050	40.68	Not Applicable
	Market Sale	Nil	Nil			
1997-98	Market Purchase	426000	2.12	8605950	42.74	Creeping acquisition limit under Regulation 11(1) exceeded.
	Market Sale	11100	0.06			
1998-99	Market Purchase	900	0.00	8604150	42.73	NA
	Market Sale	2700	0.01			
1999-00	Market Purchase	57700	0.29	8541850	42.42	NA
	Market Sale	120000	0.60			
2000-01	Market Purchase	74256	0.37	8585906	42.64	NA
	Market Sale	30200	0.15			
2001-02	Market Purchase	299223	1.49	8861929	44.01	NA
	Market Sale	23200	0.12			
2002-03	Market Purchase	283186	1.41	9108315	45.23	NA
	Market Sale	36800	0.18			
2003-04	Market Purchase	738466	3.67	9793281	48.64	Intimation under Reg.7 (1A) by the Promoter to the Company/ Stock Exchange within 2 days of purchase was not made
	Market Sale	53500	0.27			
2004-05	Market Purchase	76771	0.38	9033528	44.95	Intimation of Sale (under Reg. 7(1A)) by the Promoter group to the Company/ Stock Exchange within 2 days of sale was not made
	Market Sale	836524	4.15			
2005-06	Market Purchase	21600	0.11	8227347	40.93	Intimation of Sale (under Reg 7(1A)) by the Promoter group to the Company/Stock Exchange within 2 days was not made
	Market Sale	827781	4.12			
2006-07	Market Purchase	394375	1.96	8226799	40.93	NA
	Market Sale	394923	1.96			
01.04.07 to 30.08.07	Market Purchase	900	0.00	8180999	40.70	NA
	Market Sale	46700	0.23			
30.08.07	Preferential Allotment	5555555	21.66	13736554	53.54	Intimation to stock exchange under the Guidelines and under the SEBI insider trading regulations made
31.08.07 to 31.03.08	Market Sale	121400	0.47	13615154	53.07	NA

There have been no purchases/ sales by the promoter group after 31.03.08 upto the date of this letter of offer. The transactions as detailed above are net of inter-se transfers within the Promoter Group. There have been the following occasions of non-compliance with the SEBI Regulations by the Promoter Group including the Acquirers and PACs

3.5.1 The cumulative acquisitions in 1997-98 stands at 2.12% and has exceeded the creeping acquisition limit of 2% under Regulation 11(1).

3.5.2 In 2002-03 and 2004-05 there are certain inter-se transfers of equity shares of the target company among the Acquirers/ PACs and between the Acquirers/ PACs and Relatives & Associates forming part of the promoter group. The Acquirers/ PACs had not filed the reports under Regulation 3(4) of the regulations in relation to the transfers within the respective due dates for claiming the exemption from the applicability of Regulation 11 of SAST Regulations 1997. However, the reports have been filed by the Acquirers/PACs vide their letters dated 14th December 2007.

3.5.3 Non-Compliance with Chapter II of the regulations by the Acquirers/ PACs

3.5.3.1 The Acquirers & PACs have not made the required disclosure under regulation 7(1A) of the Regulations for their acquisitions of the shares of the target company in 2003-04. The cumulative acquisitions by the Acquirers/ PACs during the period stands at 681324 equity shares forming 3.37% of the voting equity capital of the company, thus exceeding the 2% limit for disclosure under regulation 7(1A). In addition relatives and associates forming part of the promoter group have also acquired 57142 shares during 2003-04 forming 0.30% of the voting equity capital of the company.

3.5.3.2 In the years 2004-05 and 2005-06 some of the Relatives and Associates forming part of the promoter group have cumulatively sold 836524 equity shares and 817581 equity shares respectively of the target company. These sales form 4.15% and 4.07% respectively of the voting equity capital of the company and are in excess of the 2% limit for disclosure under Regulation 7(1A). The required disclosures under Regulation 7(1A) have not been made.

3.5.4 For the above violations, suitable action may be initiated by SEBI at a later stage.

3.6 Declaration under Regulation 16 (ix)

3.6.1 As of date of this PA, the Acquirer does not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next two years except in the ordinary course of business of the Target Company.

3.6.2 The Acquirer/ PACs undertake that they shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company.

4. Declaration in terms of Regulation 21(2)

The Offer is as per the provisions of Regulation 21 (2) of the Regulations. Pursuant to this Offer, the public shareholding will not reduce to less than 25% of the voting equity capital of the Target Company.

5. Background of K G Denim Limited (" Target Company")

5.1 KGDL was incorporated on 25th June 1992 under the Companies Act,1956. KGDL has its Registered & Corporate Office at Then Thirumalai, Mettupalayam, Coimbatore District, Tamil Nadu, India - 641 032. Tel No: 04254 304000 Fax: 04254 304400 E-Mail: cskgdl@kgdenim.in

5.2 The Target Company was promoted by Shri K. Govindaswamy Naidu & his sons including Shri KG Baalakrishnan and went public in the year 1993. Shri K G Baalakrishnan is the Executive Chairman of the company, while Shri B Sriramulu and Shri B Srihari are the Managing Directors of the company.

5.3 KGDL is a Denim and Apparel fabric manufacturer, whose products are supplied to leading jeans wear makers, fashion brands and retailers. It sells its products under the trade mark Indigo fabrics with various lines like Strength, Pride, Ecstasy, Fortune and Passion, and Trigger for ready made jeans. KGDL has recently entered the home textiles market to provide innovative and specialized products for beds, blankets, pillow cases and duvet/ comforter covers. The Target Company currently manufactures denim fabrics, cotton fabrics and apparels from its manufacturing facility at "Then Thirumalai, Mettupalayam, Coimbatore District, Tamil Nadu, India - 641 032".

5.4 The Target Company has 204 looms and 3 stenters. The company produced approximately 160 lakh meters of denim fabrics and 42 lakh meters of cotton fabrics during FY 2006-07. The company also produced 5.73 lakh pieces of garments during FY2006-07. However, all garment manufacturing activity is sub-contracted on job work basis.

5.5 The Company has two wholly owned subsidiaries (a) Trigger Apparels Limited (b) K G Denim (USA) inc. KG Denim (USA) Inc is yet to commence commercial operations. Trigger Apparels Limited markets Trigger branded garments in the domestic market. It commenced operations in the domestic market during 2005-06. For the year ended 31.03.07, the company reported a net profit of Rs. 5.59 lakhs on a turnover of Rs. 13.71 Crores.

5.6 On completion of the preferential allotment the paid up equity capital of KGDL stands at Rs. 25,66,51,050/- consisting of 2,56,53,905 equity shares having a face value of Rs.10 each and forfeited shares of Rs 1,12,000/-. As on the date of the PA, there are no partly paid up shares or outstanding convertible instruments of KGDL

Share Capital Structure of Target Company ("K G Denim Limited")

Paid up Equity Share of Target Company	No. Of Shares/ Voting rights	% of Shares/ Voting Rights
Fully Paid Up Equity Shares	25653905	100%
Partly Paid Up Shares	Nil	Nil
Total Paid Up Equity Shares	25653905	100%
Total Voting Rights in Target Company	25653905	100%

5.7 The Target Company, as on the date of this public offer does not have any outstanding convertible instruments (options, warrants, FCD/ PCDs, etc). The Target Company as on the date of this public offer does not have any partly paid up equity shares and hence voting right in case of partly paid up equity shares is Nil.

5.8 Equity Share Capital History of K G Denim Ltd.

Date of Allotment	No and % of shares allotted	Cumula-tive paid up share capital (No. of Shares)	Mode of allotment	Identity of allottees (promoters/ ex-promoters/others)		Status of regulatory compliance with SEBI (SAST) Regulations and other relevant provisions where applicable.
				Promoter Group	Others	
13.6.1992	90(100%)	90	Subscription to Memorandum & Articles of Association	90	Nil	As per Companies Act, SEBI Public Issue and Listing Guidelines
9.6.1993	20135660 (100%)	20135750	Initial Public Offer	7689960	12445700	
30.03.2005	(37400) (0.19%)	20098350	Forfeiture		(37400)	Forfeiture for non-payment of allotment money as per provisions of the Act and Listing Agreement
30.08.2007	5555555 (21.66%)	25653905	Preferential allotment	5555555	Nil	As per the provisions of the Guidelines and Listing Agreement
Total	25653905 (100%)			13245605	12408300	

5.9 Status of compliance with Chapter II of the Regulations by the Target Company

The Target company has filed requisite disclosures under Regulation 8 of the Regulations with the Stock Exchanges within the respective due dates from the year ending 31.03.2003. For the period 1997-2002 the Target Company has filed the requisite disclosures under Regulations 6 & 8 of the regulations on 24.03.2003 under SEBI regularization scheme 2002 with penalty of Rs. 60,000/-.

5.10 Status of compliance with Chapter II of the Regulations by the promoter group and other major shareholders.

There have been instances of non-compliance with Chapter II of the Regulations by the promoter group including Acquirers and PACs. For these violations, suitable action may be initiated by SEBI at a later stage. For further details of the violations please refer to para 3.5.3 of this letter of offer.

5.11 Compliance with listing requirements of Stock Exchanges

5.11.1 The Equity shares of the K G Denim Limited ("Target Company") are listed on the Bombay Stock Exchange Ltd (BSE), w.e.f. 28th October 1993. The Target Company is in the process of delisting its shares from the Coimbatore Stock Exchange, the Madras Stock Exchange, the Calcutta Stock Exchange and the Delhi Stock Exchange.

After the Initial Public Offer in 1993, KGDL's equity shares were listed on the BSE, the Ahmedabad Stock Exchange, the Coimbatore Stock Exchange (the Regional Stock Exchange), the Madras Stock Exchange, the Calcutta Stock Exchange and the Delhi Stock Exchange. On 20.04.1994 KGDL passed a Board Resolution to delist from the Madras Stock Exchange, the Calcutta Stock Exchange, the Ahmedabad Stock Exchange and the Delhi Stock Exchange on the grounds of absence of trading or negligible trading and communicated the same to the above exchanges on 27.04.1994. KGDL has not been filing any returns or paying any fees to these Stock Exchanges (other than to the BSE and Coimbatore Stock Exchange) since this date. The Ahmedabad Stock Exchange has delisted the equity shares of the company with effect from 01.04.1996 for non-payment of listing fees. Since the other Stock Exchanges have not delisted the company's shares and in view of the passing of the SEBI (delisting of Securities) Guidelines, 2003, at the AGM held on 15.09.2005 a special resolution as per the provisions of regulation 5 of the SEBI (Delisting of Securities) Guidelines, 2003 was passed to delist the equity shares from the Delhi Stock Exchange, the Madras Stock Exchange and the Calcutta Stock Exchange. A similar resolution was passed at the AGM held on 28.09.2006 to delist the Company's shares from the Coimbatore Stock Exchange. The Target Company is yet to receive any confirmation of delisting of the shares from the Stock Exchanges at Coimbatore, Madras, Calcutta and Delhi.

5.11.2 The Target Company has complied with the listing requirements of the BSE and no punitive action has been initiated against KGDL by the BSE.

5.11.3 The provisions of Corporate Governance and provisions under Clause 49 of the Listing Agreement are complied with by K G Denim Ltd. The details of compliance are given hereunder:

		Particulars	Clause of Listing agreement	Compliance Status Yes / No	Remarks
I		**Board of Directors**	49(1)		
	(A)	Composition of Board	49(1A)	Yes	
	(B)	Non-executive Directors' compensation & disclosures	49(1B)	Yes	
	(C)	Other provisions as to Board and Committees	49(1C)	Yes	
	(D)	Code of Conduct	49(1D)	Yes	
II		**Audit Committee**	49 (II)		
	(A)	Qualified & Independent Audit Committee	49 (IIA)	Yes	
	(B)	Meeting of Audit Committee	49 (IIB)	Yes	
	(C)	Powers of Audit Committee	49 (IIC)	Yes	
	(D)	Role of Audit Committee	49 (IID)	Yes	
	(E)	Review of Information by Audit Committee	49 (IIE)	Yes	
III		**Subsidiary Companies**	49 (III)	Yes	
IV.		**Disclosures**	49 (IV)		
	(A)	Basis of related party transactions	49 (IV A)	Yes	
	(B)	Board Disclosures	49 (IV B)	Yes	
	(C)	Proceeds from public issues, rights issues, preferential issues etc	49 (IV C)	Yes	
	(D)	Remuneration of Directors	49 (IV D)	Yes	
	(E)	Management	49 (IV E)	Yes	
	(F)	Shareholders	49 (IV F)	Yes	
V		**CEO/CFO Certification**	49 (V)	Yes	
VI		**Report on Corporate Governance**	49 (VI)	Yes	
VII		**Compliance**	49 (VII)	Yes	

5.12 The Board of Directors of K G Denim Limited as on the date of Public Announcement i.e. 31.08.2007 is as under.

Name & Age	Qualifications	Experience	Date of Appointment
Shri KG Baalakrishnan, 67 Years	B Com, BL	40 years	03.11.2003
Shri B Sriramulu, 40 Years	B.Tech (Text), MS(Text)	14 years	03.11.2003
Shri B Srihari, 39 Years	BTech(Chem), ME(Chem)	13 years	03.11.2003
Shri S R Rajasekharan, 75 Years	FCA	30 years, Chartered Accountant	30.05.2002
Shri GVS Desikan, 75 Years	B. Sc., B.Sc.(Tech)	50 Years	31.10.2003
Shri. KNV Ramani, 76 Years	MA, BL,	50 Years, Advocate	31.10.2003
Shri V Jagadisan, 75 Years	B. Com, FCA	50 Years, Chartered Accountant	31.10.2003

Name & Age	Qualifications	Experience	Date of Appointment
Smt. T. Anandhi,41 Years	HSC	13 years	03.11.2003
Shri Surinder Chhibber, 56 Years	MSc Industrial Engg ., M Sc Operations Research, PGDBM	29 years	25.06.2006
Shri MJ Vijayaraghavan, 75 Years	FCA	40 Years, Chartered Accountant	26.12.2005
Shri A. Velusamy, 51 Years	B Sc, BL	28 Years	27.01.2005
Shri S. Muthuswamy, 51 Years	FCA, ACS, AICWA	28 Years, Company Secretary	30.05.2002

Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Smt T Anandhi, Shri A Velusamy and S Muthuswamy, Directors, represent the Acquirers/ PACs on the Board of the Target Company. They shall recuse themselves and not participate in any matter(s) concerning or relating to the offer including any preparatory steps leading to the offer. There is no change in the Board of Directors of the Target Company since the date of the PA till the date of this Letter of Offer.

5.13 There has been no merger/ demerger involving the Target company in the last 3 years, and no change of name since incorporation. However, the marketing of garments under the Trigger brand in the domestic market has been spun off to the wholly owned subsidiary, Trigger Apparels Ltd, from the year 2005-06

5.14 The Financial details of K G Denim Limited are as follows:

5.14.1 **Profit and Loss Statement** (Rs. in Lacs)

Particulars for Year Ending	31.03.2005 (Audited) 9 months	31.03.2006 (Audited) 12 months	31.03.2007 (Audited) 12 months
Income from operations	19235.72	23015.79	21266.75
Other Income	138.45	202.58	781.46
Total Income	19374.17	23218.37	22048.21
Total Expenditure	17359.80	19058.59	20177.37
Profit Before Depreciation, Interest and Tax	2014.37	4159.78	1870.84
Interest	683.76	973.15	1521.07
Depreciation	531.69	776.99	1183.82
Profit Before Tax	798.92	2409.64	-834.05
Provision for Tax (incl. FBT& Deferred Tax)	191.60	859.33	-163.50
Prior Period expenses	68.30	-25.26	21.03
Miscellaneous Expenses written off	14.27	3.05	0.00
Profit/ (Loss) After Tax	524.75	1572.52	-691.58

5.14.2 Balance Sheet Statement (Rs. in Lacs)

Particulars as on	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Sources of funds			
Paid up Equity Share Capital	2009.84	2009.84	2009.84
Forfeited Shares	1.12	1.12	1.12
Preference Share Capital	1000.00	1000.00	1000.00
Reserve & Surplus (excl. Revaluation Reserves)	2260.27	3832.79	3141.21
Less : Miscellaneous Expenditure not written off	3.05	0.00	0.00
Net worth [1]	5268.18	6843.75	6152.17
Secured Loans	5193.87	11555.89	12409.35
Unsecured Loans	429.64	477.71	120.95
Deffered Tax Liability	1748.29	1927.16	1741.03
Total	12639.98	20804.51	20423.50
Uses of Funds			
Fixed Assets	8418.66	13672.97	13930.03
Investments	27.05	336.68	336.69
Net Current Assets	4194.27	6794.86	6156.78
Total	12639.98	20804.51	20423.50

5.14.3 Other Financial Data

Particulars	31.03.2005 (Audited)	31.03.2006 (Audited)	31.03.2007 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	2.61	7.82	-3.44
Return on Net Worth – Fully Diluted *	9.96%	22.98%	-11.24%
Book Value Per Equity Share (Rs.) *	21.24	29.08	25.63

[1] Net Worth = Paid Up Equity Capital +Forfeited Shares + Preference Capital + Reserves – Misc. Exp not Written Off

* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Equity Share = Net worth excl Preference Capital/ Number of equity shares issued & subscribed

Return on Net Worth = Profit After Tax / Net Worth

5.14.4 KGDL's income from operations has declined by 13.68%(on annualised basis) in FY2005-06 while it has declined by 7.60% in FY 2006-07. The net profit has grown by 166.26% (on an annualised basis) in FY2005-06 but has turned into a loss in FY2006-07. The sale of cloth in FY2006-07 has grown to 195.80 Lakh meters from 173.35 lakh meters in the previous year. However, the sales value of cloth has declined to Rs.18205 lacs in FY2006-07 from Rs. 18636 lacs in the previous year. The company attributes this to surplus capacity in the denim industry and appreciation in rupee, leading to fall in demand and prices.

5.14.5 The significant accounting policies

i. The Financial Statements and Accounts have been prepared on the Historical Cost Convention and the Going Concern Concept, following the accrual basis of accounting

ii. Inventories are valued at lower of cost and net realizable value. Waste stock is valued at net realizable value. The cost formulae used for different inventories are as follows: Cotton – on specific identification basis; Grey Fabrics, Chemicals, Stores & Spares – at weighted average cost; Yarn, Finished Goods and Process Stock – At average cost.

iii. Foreign currency transactions – Export sales are converted at rates prevailing on the date of the transaction, on the date of negotiation of export bills and/ or at forward contract rate. Foreign currency liabilities are converted at the exchange rate prevailing on the last working day of the accounting year and / or the Forward contractual rate. The net variation arising on account of such conversion and other variations are charged to the profit and loss account. Monetary assets are converted at the exchange rate prevailing on the last day of the accounting year.

iv. Gratuity liability as per the Actuarial valuation has been provided in the accounts.

v. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

5.14.6 The contingent liabilities for as per the audited accounts for the year ended 31.03.07 are as follows:

i. Bills discounted with Banks - Rs. 1187.72 Lacs

ii. Arrears of dividend on preference shares - Rs. 200 Lacs

iii. Contracts remaining to be executed on Capital A/c - Rs. 24.93 Lacs

iv. Disputed Taxes and Duties - Rs. 233.85 Lacs

v. Guarantees given to Bank for loan to subsidiary - Rs. 350 Lacs

5.15 The Pre and Post-offer Equity Shareholding pattern of K G Denim Limited

Shareholders' Category	Shareholding & Voting rights prior to the agreement/ the acquisition/preferential allotment and offer		Shares & voting rights acquired / (sold) which triggered off the Regulations		Shares/ Voting rights to be acquired/ (sold) in the offer (assuming full acceptance)		Share holding/ voting rights after the acquisition and offer i.e. **	
	(A)		(B)		(C)		(A)+(B)+(C) = (D)	
	No.	%	No.	%*	No.	%*	No.	% *
I. Promoter Group								
(a) Parties to the agreement	NA	NA	NA	NA	NA	NA	NA	NA
(b) Acquirers	2941548	14.64	5555555	21.66	5130781	20.00	13627884	53.12
(c) PACs	4000247	19.90	Nil	Nil	Nil	Nil	4000247	15.59
(b) Other Promoters	1239204	6.16	Nil	Nil	Nil	Nil	1117804	4.36
Total	8180999	40.70	5555555	21.66	5130781	20.00	18867335	73.07
II. Parties to the agreement other than I (a) and II (a) above	NA	NA	NA	NA	NA	NA	NA	NA
IV. Public (other than above)								
(a) Institutional Investors (i) Mutual Fund & UTI (ii) Bank/ FIs (iii) FIIs	 53001 480256 173027	 0.03 7.36 0.86						
Total	1658583	8.25	Nil	Nil				
(b) Others	10258768	51.05	Nil	Nil				
Total (Public)	11917351	59.30	Nil	Nil	(5130781)	(20.00)	6907970	26.93
Grand Total(I+II+III+IV)	20098350	100.00	5555555				25653905	100.00

* Percentage holding calculated on post preferential allotment voting equity capital

** Other promoters (other than Acquirers and PACs) have sold 121400 shares of the target company forming 0.47% of the voting equity capital after the date of the preferential allotment till the date of this letter of offer. The post offer shareholding of the other promoters stands reduced to that extent and that of the Public stands increased to that extent.

The PACs, Smt. B Sathyabama, Smt T Anandhi, Smt Nirupa Sriramulu, Smt Deepika Karthikeyan, KG Fabriks Limited, Ganapathy Kumaran Investments Private Limited, Kumaran Ganapathy Investments Private Limited and the Acquirers Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited together, are a part of the Promoter Group. Hence their shareholding is accounted for under the Promoter Group.

5.16 The total number of shareholders in the Public category as on 31.08.2007 is 18593

5.17 Outstanding Litigations

5.17.1 There is no pending case or restraint order of any Court against this Open offer.

5.17.2 The Target Company has 4 cases pending before the Commissioner of Central Excise (Appeals) Salem relating disputed excise duty claims totaling to Rs. 11.08 lakhs

5.17.3 The Target Company has 6 cases pending before the Customs, Excise and Service Tax Appellate Tribunal, Chennai relating to disputed customs and excise duty claims totaling to Rs. 84.45 lakhs

5.17.4 The Target Company has 2 cases pending with the Income Tax Appellate Chennai regarding disputed income tax claims for the Assessment Years 1998-99 and 2003-04 totaling to Rs. 169.09 Lakhs

5.17.5 KGDL has filed a total of 4 cases under Sec 138 of the Negotiable Instruments Act for dishonor of cheques issued by various debtors. The total value of the cheques involved is Rs. 22.99 Lakhs

5.18 The Company Secretary of the Target Company is Mr. S. Muthusamy. He is available at the Registered Office of the Target Company, Then Thirumalai, Mettupalayam, Coimbatore District, Tamil Nadu, India - 641 032 Tel No: (04254) 304000 Fax: (04254) 304400 E-Mail: cskgdl@kgdenim.in.

5.19 Shri R K Sridhar is the Compliance Officer of the Target Company, and he is available at the Registered Office of the Target Company. Then Thirumalai, Mettupalayam, Coimbatore District, Tamil Nadu, India – 641 032. Tel No. 04254 304000 Fax No. 04254 304400 E-Mail : cskgdl@kgdenim.in

6. Offer Price and Financial Arrangements

6.1 Justification of offer Price

6.1.1 The equity shares of K G Denim are listed on the Bombay Stock Exchange Ltd. (BSE), The annualized trading turnover during six calendar months preceding the month in which the public announcement has been made in the stock exchange is detailed below:

Name of the Stock Exchange	Total no. of shares traded from Feb 2007 - July 2007	Total no. of shares listed	Annualised trading turnover
BSE	2900281	20098350	28.86 %

Source : Website www.bseindia.com

The Target Company is in the process of delisting its shares from the Madras Stock Exchange, the Coimbatore Stock Exchange, the Calcutta Stock Exchange and the Delhi Stock Exchange. (refer para 5.11.1). The shares of the target company are infrequently traded on these Exchanges, within the meaning of Regulation 20, Sub-regulation (5), of the Regulations.

6.1.2 The Shares of the Target Company are frequently traded on the BSE. This Offer is being made at a price of Rs 18.00 (Rupees Eighteen only) per Share , being the price in terms of the applicable provisions of the Regulations, together with interest of Rs. 1.08 per share. The Price of Rs.18.00 per share is justified in terms of Regulation 20(4) of the Regulations as it is the highest of the following:

i.	Negotiated price: If the Acquirer has entered into any agreement for acquisition of shares or voting rights or deciding to acquire shares or voting rights exceeding the prescribed percentage	NA
ii.	Highest price paid by the Acquirers/ PACs for any acquisition including by way of allotment in a public or rights or preferential issue during the 26-week period prior to the date of this PA	Rs. 18/-
iii.	Higher of (A) or (B) below	
(a)	The average of the daily high and low prices for Shares of the Target Company on BSE (being the Stock Exchange on which the Shares of the Company are most frequently traded) for the two weeks period preceding the relevant date (28th July 2007, being date of Board meeting authorizing the preferential issue)	Rs. 16.35/-
(b)	The average of the weekly high and low of the closing prices of the Shares of the Target Company as quoted on BSE (being the Stock Exchange where the Shares of the Target Company are most frequently traded) during the twenty six weeks preceding the relevant date (28th July 2007, being date of Board meeting authorizing the preferential issue)	Rs. 17.09 /-

6.1.3 The price and volume data on the BSE used for calculating the prices under (iii) (a) above are as follows:

2 Week daily high/ low

Day No.	Date	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume
1	16.07.2007	17.80	17.00	17.40	17470
2	17.07.2007	17.60	17.00	17.30	14801
3	18.07.2007	17.05	16.50	16.78	19060
4	19.07.2007	17.50	16.30	16.90	43326
5	20.07.2007	16.95	16.20	16.58	24995
6	23.07.2007	16.50	15.60	16.05	22277
7	24.07.2007	16.00	15.50	15.75	11440
8	25.07.2007	15.65	15.25	15.45	6800
9	26.07.2007	16.50	15.20	15.85	31563
10	27.07.2007	15.80	15.00	15.40	17350
	Average Price			**16.35**	

Source: Website www.bseindia.com

6.1.4 The price and volume data on the BSE used for calculating the prices under (iii) (b) above are as follows:

26 weeks weekly high/ low of closing prices

Week No.	Week		High of the Closing Prices	Low of the Closing Prices	Average	Traded Volume (No. of shares)
	From	To				
1	27-Jan-07	02-Feb-07	21.65	20.55	21.10	122575
2	03-Feb-07	09-Feb-07	24.10	21.80	22.95	534981
3	10-Feb-07	16-Feb-07	20.40	19.75	20.08	112162
4	17-Feb-07	23-Feb-07	20.55	18.10	19.33	176434
5	24-Feb-07	02-Mar-07	18.50	17.50	18.00	77723
6	03-Mar-07	09-Mar-07	16.00	15.05	15.53	121665
7	10-Mar-07	16-Mar-07	16.45	15.65	16.05	67699
8	17-Mar-07	23-Mar-07	15.95	15.50	15.73	128980
9	24-Mar-07	30-Mar-07	15.90	15.55	15.73	113818
10	31-Mar-07	06-Apr-07	15.90	15.65	15.78	23218
11	07-Apr-07	13-Apr-07	16.65	16.10	16.38	82693
12	14-Apr-07	20-Apr-07	16.35	16.05	16.20	40733
13	21-Apr-07	27-Apr-07	15.95	15.85	15.90	42744
14	28-Apr-07	04-May-07	16.20	15.55	15.88	42387
15	05-May-07	11-May-07	16.40	15.75	16.08	51058
16	12-May-07	18-May-07	16.10	15.50	15.80	38287
17	19-May-07	25-May-07	15.85	15.55	15.70	35701
18	26-May-07	01-Jun-07	15.40	14.46	14.93	61840
19	02-Jun-07	08-Jun-07	17.00	14.50	15.75	172999
20	09-Jun-07	15-Jun-07	16.71	16.10	16.41	60080
21	16-Jun-07	22-Jun-07	18.31	16.58	17.45	111267
22	23-Jun-07	29-Jun-07	20.43	18.17	19.30	294254
23	30-Jun-07	06-Jul-07	18.55	17.75	18.15	115485
24	07-Jul-07	13-Jul-07	17.75	17.55	17.65	84173
25	14-Jul-07	20-Jul-07	17.30	16.40	16.85	119652
26	21-Jul-07	27-Jul-07	16.05	15.30	15.68	89430
	Average Price				**17.09**	

Source: Website www.bseindia.com

6.1.5 The Target Company is in the process of delisting its shares from the Madras Stock Exchange, the Coimbatore Stock Exchange, the Calcutta Stock Exchange and the Delhi Stock Exchange. (refer para 5.11.1). The shares of the target company are infrequently traded on these Exchanges, within the meaning of Regulation 20, Sub-regulation (5), of the Regulations. The price of Rs. 18.00 (Rupees Eighteen only) is payable in cash in terms of Regulation 20(2). The offer price is determined by the acquirer in consultation with the Merchant Banker in terms of Regulation 20(5) taking into account the following factors:

i. Negotiated price: If the Acquirer /PAC has entered into any agreement for acquisition of shares or voting rights or deciding to acquire shares or voting rights exceeding the prescribed percentage	NA
ii. Highest price paid by the Acquirer /PAC for any acquisition including by way of allotment in a public or rights or preferential issue during the 26-week period prior to the date of this PA	Rs. 18.00
iii. Other Parameters (As per Audited results for year ended 31.03.2007)	
Return on net Worth	-ve (-11.23%)
Book Value Per Share (Rs.)	25.63
Earning Per Share (Rs.) – Fully Diluted	-ve (-3.44)
Price Earning Multiple on the Offer Price	NA
Industry (Textiles – Cotton/ Blended) Average P/E (Source: Capital Market Vol XXII/11 Jul 30 – Aug 12, 2007)	13.1

The Price of Rs.18.00 is justified based on the above parameters.

6.1.6 There are no partly paid shares in the target company

6.1.7 Non Compete Fee – There is no non-compete agreement

6.1.8 The Acquirer/ PACs will not acquire any shares in the target company till the completion of the offer formalities, other than through the offer.

6.2 Financial Arrangement for the Offer

6.2.1 The total financial resources required for this Offer, at Rs. 19.08 (rupees Nineteen and Paise Eight Only) per equity share, assuming full acceptance would be Rs.9,78,95,301/- (Rupees Nine crore seventy eight lakhs ninety five thousand three hundred and one only) ("Maximum Consideration").

6.2.2 In accordance with Regulation 28 of the Regulations, an escrow account was created with the Indian Bank, Main Branch Variety Hall Road, Coimbatore-641001 on 30.08.2007 in the form of cash deposit of Rs.2,31,00,000/- (Rupees Two hundred and thirty one lakhs only), being more than 25% of the original offer size of Rs. 9,23,54,058. With the revision in maximum consideration under the offer to Rs. 9,78,95,301 the amount deposited in the escrow account has been increased to Rs. 2,46,00,000 (Rupees Two Hundred and Forty Six lakhs only) being more than the amount stipulated under Regulation 28(2).

6.2.3 The Acquirer has arranged a lien on the cash deposit in favour of the Manager to the Offer. The Manager to the Offer is authorised to realise the value of the escrow in terms of the Regulations

6.2.4 The shares in the Open Offer are proposed to be solely and entirely acquired by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited, the Acquirers. There is no agreement between the Acquirers and the PACs with regard to the offer and funding arrangement. As per the agreement dt. 28th August, 2007 between the Acquirers (refer para 3.4) SKML will acquire 70% of the shares tendered in the offer, while Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari will acquire 10% each of the shares tendered under the offer. The total financial resources required for this offer (assuming full acceptance) being Rs. 9,78,95,301/ -, the funds required by SKML to meet it's obligation stands at Rs.685.27 Lakhs. The Net Worth of SKML as per the audited Balance Sheet dated 31.03.2007 is Rs.4293.58 Lakhs. The funds requirement for this offer will be arranged by SKML through its internal accruals/ net worth. Shri M V Jeganathan, Partner, M/s. M S Jagannathan and Viswanathan, Chartered Accountants (Membership No. 214178, M S S Memorial Building, No. 6, D B Road, R S Puram, Coimbatore 641 002, Tel No 0422-2552367) has certified vide his certificate dated 15.05.08 that SKML has got sufficient liquid resources as on 31.12.07 to meet its obligations under this offer to the extent of Rs. 727.24 lakhs. The funds required by Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari, to meet their obligation stands at Rs. 293.69 Lakhs. (Rs. 97.90 Lakhs each). The Net Worth of Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari, as per certificate dt 16.05.2008 issued by Shri R Mahadevan, Partner. M/s Gopalaiyer & Subramanian, Chartered Accountants (Membership No 24797, Flat No. 2, 2nd floor, 57, East Sambandham Road, R S Puram, Coimbatore 641002, Tel No. 0422-2548141), is Rs.704.85 Lakhs, Rs.489.59 Lakhs and Rs.382.31 lakhs respectively. Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari have already raised their funds requirement for this offer through borrowings from private individuals, cash and bank balances and capital withdrawn from partnership firm where they are partners. Sri R. Mahadevan, Partner. M/s Gopalaiyer & Subramanian, Chartered Accountants (Membership No 24797, Flat No. 2, 2nd floor, 57, East Sambandham Road, R S Puram, Coimbatore 641002, Tel No. 0422-2548141) has certified vide his certificate dated 06.05.2008 that Shri K G Baalakrishnan along with Shri B Sriramulu and Shri B Srihari has got sufficient liquid resources to the extent of Rs. 307 lakhs in the form of cash and bank balances to meet their obligations under this offer. No borrowings from FIs/ Banks or foreign sources such as NRIs or otherwise is envisaged.

6.2.5 The details of the borrowings from private individuals by Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari for meeting their funds requirement for this offer are as follows :

Shri K G Baalakrishnan - Loan of Rs. 100 Lakhs from Mrs. Saroj Ramesh Chander, Sarvodaya cloth market, Gandhibagh, Nagpur - 440002

Shri B Sriramulu – Loan for Rs. 50 Lakhs raised from Tarun Traders, Raja Street, Kallimadai, Coimbatore -641005

Shri B Srihari – Loans for Rs. 25 Lakhs each (total Rs. 50 Lakhs) raised from Smt. Sachi D Sheth and Smt. Aruna V Sheth of 308, Thambu Street, Chennai -600 001

The above lenders will not acquire any rights over the shares of the target company being acquired under this offer and are not PACs for this offer.

6.2.6 Sri R. Mahadevan, Partner. M/s Gopalaiyer & Subramanian, Chartered Accountants (Membership No 24797) vide certificate dt 16.05.2008, has certified that the Net Worth of the PACs is as follows: Smt B Sathyabama - Rs.743.78 lakhs, Smt T Anandhi – Rs. 423.27 Lakhs, Smt Nirupa Sriramulu – Rs. 637.51 Lakhs and Smt Deepika Karthikeyan – Rs. 183.27 lakhs. The Net Worth of KG Fabriks Ltd, GKIPL and KGIPL as per their audited Balance Sheets dated 31.03.2007 are Rs. 1698.38 Lakhs , Rs. (-27.76) lakhs and Rs. (-25.76) lakhs respectively.

6.2.7 The Acquirers have sufficient financial resources to meet the financial requirements of the offer and financial resources required to implement the offer are already in place. The Merchant Banker to the Offer confirms that adequate funds (liquid resources) are available with the Acquirer through verifiable means to implement this Offer in full.

7. **Terms and conditions of the Offer**

7.1

7.1.1 This Offer will open on Friday, May 30, 2008 and will close on Wednesday, June 18, 2008. The Equity Shares offered under this Offer should be free from all liens, charges, equitable interests, encumbrances and are to be offered together with, if any, all rights of dividends, bonuses or rights from now on and hereafter.

7.1.2 This is not a conditional Offer and is not subject to any minimum level of acceptance.

7.1.3 To the extent of the Offer Size, all the Shares of the Target Company that are validly tendered pursuant to this Offer are proposed to be acquired by the Acquirer.

7.1.4 The acceptance of this Offer by the Equity Shareholders of the Target Company must be absolute and unqualified. Any acceptance to this Offer, which is conditional or incomplete in any respect, will be rejected without assigning any reason whatsoever.

7.1.5 The acceptance of this Offer is entirely at the discretion of the Equity Shareholders of the Target Company.

7.1.6 The instructions, authorizations and provisions contained in the Form of Acceptance and Form of Withdrawal constitute part of the terms of the Offer.

7.2 Locked-in Shares: None of the shareholders eligible to participate in this offer are holding locked-in shares.

7.3 Eligibility for accepting the Offer

7.3.1 The Letter of Offer shall be mailed to all Equity Shareholders/ Beneficial Owners holding Shares in dematerialized form (except the Acquirer/PACs and promoters of the Target Company) whose names appear in the register of the Target Company as on Friday, September 28, 2007, the Specified Date.

7.3.2 This Offer is also open to persons (except the Acquirer/ PACs and promoters of the Target Company) who own Equity Shares in the Target Company any time before the closure of the offer but are not registered Shareholders (or beneficial owners holding Shares in dematerialized form as on the Specified date).

7.3.3 Accidental omission to dispatch this Letter of Offer to any person to whom this Offer is made or the non-receipt or delayed receipt of this Letter of Offer by any such person will not invalidate this Offer in any way. A copy of the Letter of Offer (including Form of Acceptance and Form of Withdrawal) is expected to be available on SEBI's website (http://www.sebi.gov.in) during the period the Offer is open and may be downloaded from the site.

7.4 Statutory and Other Approvals required for this Offer

7.4.1 The offer is subject to the receipt of approval from Reserve Bank of India (RBI) under Foreign Exchange Management Act 1999(FEMA) for acquisition of equity shares by the acquirer from Non-resident persons under the offer.

7.4.2 To the best of knowledge and belief of the Acquirer, as of the date of this Letter of Offer, there are no other statutory approvals required to acquire the equity shares tendered pursuant to this Offer. If any other statutory approvals are required or become applicable, the Offer would be subject to the receipt of such other statutory approvals. The Acquirer will not proceed with the Offer in the event that such statutory approvals that are required are refused in terms of Regulation 27 of the Regulations. No approvals are required from FIs/ Banks for the Offer.

7.4.3 The Acquirer shall complete all procedures relating to the Offer within a period of 15 days from the date of closure of the Offer. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12), SEBI may, if satisfied that the non receipt of approvals was not due to willful default or negligence on part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, at such rates as may be specified by SEBI. Further, if the delay occurs due to willful default of the Acquirer in obtaining the requisite approvals, Regulation 22 (13) of the Regulations will become applicable.

8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

8.1 ACCEPTANCE OF THE OFFER

8.1.1 Name and Address of the persons (Registrars to the Offer) to whom the Equity Shares along with documents required to be submitted therewith, should be sent

Registrars to the Offer	Working days and timings	Mode of delivery
M/s. Cameo Corporate Services Limited, Unit : KG Denim Open Offer " Subramanian Building", No.1 Club House Road, Chennai 600 002., Phone: (044) 28460390-5 / 2846 1989 / 2846 0015 Fax: (044) 28460129, E-mail: investor@cameoindia.com Contact person: Ms.Priya, Senior Executive	Monday to Friday 10:00 AM to 5:00 PM Saturday 10:00 AM to 1:00 PM	By Post/ Registered Post/ Courier/ Hand delivery

8.1.2 Share holders holding Equity Shares in physical form and wishing to tender their Equity Shares will be required to send their form of acceptance, original Share certificates and transfer deeds to the Registrar to the Offer either by hand delivery or by Registered Post, to reach them on or before the closure of the Offer, i.e. Wednesday, June 18, 2008 in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance. Where the Transfer Deeds are signed by a constituted Attorney, a certified copy of the Power of Attorney shall also be lodged. In the case of body corporate/limited Companies, certified copy of the Memorandum & Articles of Association and copy of the Board Resolution authorizing the signatory, shall also be sent along.

8.1.3 Beneficial owners (holders of Equity Shares in Dematerialized Form) who wish to tender their Equity Shares will be required to send their Form of Acceptance-cum-acknowledgement along with a photocopy of the delivery instructions in "Off –market" mode or counterfoil of the delivery instruction in "Off –market" mode, duly acknowledged by the Depository Participant (DP) in favor of the Special Depository Account opened by the Registrar to the Offer, "Cameo Corporate Services Limited Escrow Account – KGDL Open Offer", in accordance with instructions specified in this Letter of Offer and in the Form of Acceptance. The details of the Special Depository Account is given below:

DP Name	Indbank Merchant Banking Services Limited
DP ID Number	IN300597
Beneficiary Account Number	10090498
ISIN	INE104A01012
Market	Off-market
Execution Date	On or before June 18, 2008

8.1.4 The Acceptance Form along with Share Certificates/ copy of delivery instruction to DP and other relevant documents should be sent to the Registrars only. The same should not be sent to the Acquirer/ PACs, the Target Company or Merchant Banker to the Offer.

8.2 **Procedure for acceptance of the Offer by unregistered Shareholders, owners of Shares who have sent them for transfer or those who did not receive the Letter of Offer**

8.2.1 A copy of the Letter of Offer (including Form of Acceptance and Form of Withdrawal) is expected to be available on SEBI's website (http://www.sebi.gov.in) during the period the Offer is open and may also be downloaded from the site.

8.2.2 In case of non-receipt of the letter of Offer, the eligible person(s), holding Equity Shares of the Target Company in physical form, may send his/ her/ their consent on plain paper stating the name, address, number of Shares held, distinctive numbers, certificate numbers and the number of Equity Shares Offered along with the Share certificates, duly signed transfer forms and other required documents to the Registrar to the Offer so as to reach them on or before the closure of the Offer.

8.2.3 In case of non receipt of the Letter of Offer, beneficial owners holding Equity Shares in dematerialized form, may send their applications in writing to The Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and photocopy of the delivery instruction in "Off-market", or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favor of the special depository account, so as to reach the Registrar to the Offer on or before the closure of the Offer.

8.2.4 In case the Share Certificate(s) and Transfer Deeds are lodged with the Target Company /its Share Transfer Agent for transfer and have not been received back, then the acceptance shall be accompanied by (i) The Share Transfer Deed(s) (ii) The acknowledgement of the lodgment with, or receipt issued by the Target Company/its transfer agents for the Share Certificate(s) so lodged, and (iii) other documents, as applicable, as specified in clause 8.1.2

8.2.5 Unregistered owners holding Equity Shares in physical Form should enclose (i) Form of Acceptance-cum-acknowledgement duly completed (or else on plain paper with relevant details as per clause 8.2.2 above) and signed in accordance with instructions contained therein (ii) Original Share Certificates. (iii) Original broker contract note of a registered broker of a recognized Stock Exchange (iv) Valid Share transfer form as received from the market. The details of the buyer should be left blank. If the details of buyer are filled in, the tender will not be valid under the Offer. All other requirements for valid transfer will be pre-conditions for valid acceptance.

8.2.6 Unregistered Equity Shareholders and those who apply in plain paper will not be required to provide any Indemnity.

8.3 If the Shares tendered in this Offer by the shareholders of the Target Company are more than the Shares to be acquired under this Offer, the acquisition of Shares from each shareholder will be on a proportionate basis as per provisions of the Regulation 21(6) of the Regulations such that the acquisition from each shareholder shall not be less than the minimum marketable lot or the entire holding, if it is less than the marketable lot.

8.4 The Acquirer shall complete all procedures relating to the Offer within a period of 15 days from the date of closure of the Offer. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12), SEBI may, if satisfied that the non receipt of approvals was not due to willful default or negligence on part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, at such rates as may be specified by SEBI.

8.5 The unaccepted share certificates, transfer forms and other documents, if any, would be returned by registered post at the shareholders' sole risk. Unaccepted Shares (to the extent unaccepted) held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per details furnished in the Form of Acceptance.

8.6 The Registrar will hold in trust the Acceptance Form, Shares, share certificates, transfer deed(s) and/or other documents on behalf of the shareholders of the Target Company who have accepted this Offer, till the cheques/drafts for the consideration are dispatched and unaccepted share certificates/ Shares, if any, are dispatched/ returned to the relevant shareholders.

8.7 The payment of consideration for accepted applications will be made by the Acquirer through account payee cheques/ drafts sent by registered post for amount exceeding Rs. 1,500 and otherwise by UCP in accordance with the Regulations. The Acquirer may also choose to credit the payment for the consideration to the shareholder's bank account through ECS, as per bank details furnished in the acceptance form. The acquirer is required to deduct tax at source as may be applicable.

8.8 Shareholders who have accepted this Offer by tendering the requisite documents, in terms of the PA / Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of the closure of this Offer, in terms of regulation 22(5A). The withdrawal option can be exercised by submitting the form of withdrawal attached to the Letter of Offer duly filled in, with relevant particulars, so as to reach the Registrars to the Offer on or before Friday, June 13, 2008.. The withdrawal option can also be exercised by making an application in plain paper with the following details:

If held in physical form – Name, Address, Distinctive numbers, Folio Nos., No of shares tendered/ withdrawn

If held in dematerialized form – Name, Address, DP Name, DP ID, Client ID No. of the account from where the shares were tendered, No of shares tendered/ withdrawn, photocopy of the delivery instruction in " Off Market Mode" duly acknowledged by the DP in favor of the Special Depository Account in the name of Registrar

8.9 The marketable lot of the target company's shares is 1 (one only)

9. Documents for Inspection

9.1 The following documents will be available for inspection to the shareholders of K G Denim Limited on all working days between 10:00AM and 5:00PM (except Saturdays between 10:00 AM and 2:00 PM) from the date of this offer letter till the closure of the Offer (i.e. Wednesday, June 18, 2008) at the office of the Acquirer at the following address : Then Thirumalai, Mettupalayam – 641 302, Coimbatore District, Tamil Nadu, India

9.1.1 Certificate of Incorporation, Memorandum and Articles of association of K G Denim Limited

9.1.2 Certificates issued by Shri R Mahadevan, Partner. M/s Gopalaiyer & Subramanian Chartered Accountants (Membership No 24797), as on 16.05.2008 certifying the Net Worth of the Acquirers and the PACs.

9.1.3 Copies of Annual Reports of K G Denim Ltd. for 2004-05, 2005-06 and 2006-07.

9.1.4 Copies of Annual Reports of Sri Kannapiran Mills Ltd, KG Fabriks Ltd, Ganapathykumaran Investments Pvt Ltd and Kumaranganapathy Investments Pvt Ltd for 2004-05, 2005-06 and 2006-07.

9.1.5 Letter from Indian Bank, Main Branch, Variety Hall Road, Coimbatore, dated 30.08.2007 confirming creation of Escrow account by the Acquirer for Rs.246 Lakhs, and marking of lien in favour of the Indbank Merchant Banking Services Ltd.

9.1.6 Letter from Indian Bank, Main Branch, Variety Hall Road, Coimbatore, dated 16.05.08 confirming increase in balance of Escrow account created by the Acquirer to Rs.246 Lakhs, and marking of lien in favour of the Indbank Merchant Banking Services Ltd

9.1.7 Published copy of the Public Announcement as it appeared in the Newspapers on 31.08.2007, Friday.

9.1.8 Copy of Account Opening Form and Agreement for special depository account opened by Registrar to the Offer.

9.1.9 Copies of plaints/ petitions for outstanding litigations as listed under 3.1.5.8, 3.2.7.6 and 5.17 of this Letter of Offer

9.1.10 SEBI Observation Letter No. CFD/DCR/SG/125200/08 dt. 12.05.2008

9.1.11 Due Diligence Certificate dt. 11.09.07 submitted to SEBI by the Manager to the Offer

9.1.12 Copies of letters from Tarun Traders, Smt. Saroj Ramesh Rander, Smt Sachi D Sheth and Smt Aruna V Sheth stating terms and conditions of their loans to Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari

9.1.13 Certificate dated 06.05.08 issued by Shri R Mahadevan, Partner, Gopalaiyer and Subramanian certifying availability of liquid funds with Shri K G Baalakrishnan, Shri B Sriramulu and Shri B Srihari.

9.1.14 Certificate dated 15.05.08 issued by Shri M V Jeganathan, Partner, M S Jagannathan & Vishwanathan certifying availability of liquid funds with SKML.

10. DECLARATION

10.1 Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari, Sri Kannapiran Mills Limited and each of its Directors, along with the PACs, and their Directors, jointly and severally accept full responsibility for the information contained in this Letter of Offer and also accept responsibility for the obligations of the Acquirers laid down in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof. All information contained in this document is as on the date of the Public Announcement, unless stated otherwise.

Signed By

Shri K G Baalakrishnan	Shri B Sriramulu
Shri B Srihari	For Sri Kannapiran Mills Ltd Shri K G Baalakrishnan, Managing Director
Smt B Sathyabama	Smt T Anandhi
Smt Nirupa Sriramulu	Smt Deepika Karthikeyan
For KG Fabriks Ltd Shri B Sriramulu Managing Director	For Ganapathykumaran Investments Pvt Ltd Shri B Sriramulu Director
For Kumaranganapathy Investments Pvt Ltd Shri B Srihari Director	

Place: Coimbatore

Date : 17.05.2008

FORM OF ACCEPTANCE-CUM -ACKNOWLEDGEMENT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this Form with enclosures to the Registrars to the Offer at their address given below)

From
(Name & Full address of Sole/ First Holder)

Offer Opens On: 30.05.2008
Offer Closes On: 18.06.2008

To
M/s. Cameo Corporate Services Limited,
Unit : KG Denim Open Offer
"Subramanian Building",
No.1 Club House Road, Chennai 600 002.

Dear Sirs,

SUB: Open Offer for purchase of 5130781 Equity Shares of K G Denim Limited representing 20% of its equity voting capital at an Offer Price of Rs.18.00 together with interest of Rs. 1.08 per fully paid up equity share by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited(Acquirers)

I/we refer to the Letter of Offer dated 17.05.08 for acquiring the equity shares held by me/us in K G Denim Limited.
I/We, the undersigned have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.

For Shares in Physical Form

I/We accept the offer and enclose the original share certificate(s) and duly signed transfer deeds in respect of my/our shares as detailed below:

Sr. No.	Ledger Folio	Certificate No.	Distinctive nos.		Number of shares
			From	To	
		Total No. of Shares			

(Please attach an additional sheet of paper and authenticate the same, if the above space is insufficient)

For Shares held in Demat Form

I/We hold the following Equity Shares of K G Denim Ltd in Dematerialized Form and accept the Offer and enclose a photocopy of the Depository Delivery instruction(s) duly acknowledged by the DP in respect of my/our Equity Shares, details of which are given below:

DP Name	
DP ID	
Client ID	
No. of shares	
Name of Beneficiary	

I/We have done an Off-market transaction for crediting the Shares to the Special Depository Account, "Cameo Corporate Services Ltd Escrow Account - KGDL Open Offer." " whose particulars are DP Name: Indbank Merchant Banking Services Limited DP ID IN300597, Client ID 10090498

I/We confirm that the equity shares of K G Denim Ltd., which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.

I/ We note and understand that the share holders who have accepted the offer by tendering the requisite documents, in terms of the Public announcement/Letter of Offer, shall have the option to withdraw acceptance tendered by them up to three working days prior to the date of closure of the offer i.e. 13.06.2008 (Friday), by submitting an application in the Form of Withdrawal or on plain paper along with relevant details.

Tear along this line

App No. **Acknowledgement slip** (To be filled in by the shareholder)

Folio No: For Shares tendered against open [redacted]rihari & Sri Kannapiran Mills Limited

Received from Mr./Ms./M/s ....[redacted]......

Address ....[redacted]......

Folio No.: ....[redacted]......

No. of Share certificates enclosed ....[redacted]......

Total number of Share(s) enclosed ....[redacted]......

Copy of delivery instruction slip received from DP ID.....[redacted]......

Stamp of Registrar
Date of receipt
Signature of Officer

Note: All future [redacted]ars to the Offer.

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

I/ We authorize the Acquirer to accept the shares so offered which they may decide to accept in consultation with the Merchant Banker and in terms of the Letter of Offer and I/We further authorize the Acquirer to return to me/us, the equity share certificate(s)/ shares in respect of which the Offer is not found valid/not accepted, specifying the reasons thereof.

I/ We authorize the Acquirer to send by registered post/ Under Certificate of Posting the cheque/ demand draft/pay order, in settlement of the amount to the sole/first holder at the address mentioned above or to credit the proceeds through ECS to our bank account, details of which are mentioned below

So as to avoid fraudulent encashment in transit, the applicants are requested to provide details of Bank account of the sole/first Shareholder and the consideration Cheque will be drawn accordingly.

Name of the Bank	
Full address of the Branch	
Nature of Account	
Account Number	
9 digit MICR Code	

The Permanent Account No. (PAN) Allotted under the Income Tax Act 1961 is as under

Holder	PAN / GIR No.
Sole/ First	
Second	
Third	

Yours Faithfully

Signed & Delivered

Holder	Full Name	Holder’s Signature
Sole/ First		
Second		
Third		

Note: In case of joint holdings all holders must sign. .

Place: Date:

FORM OF WITHDRAWAL

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

You have an "Option to Withdraw" the acceptance tendered in response to the offer any time up to three working days prior to the date of closure i.e. on or before 13.06.2008.
In case you wish to withdraw your acceptance, please use this form

OFFER SCHEDULE

OFFER OPENS ON	: 30.05.2008
LAST DATE FOR WITHDRAWAL	: 13.06.2008
OFFER CLOSES ON	: 18.06.2008

From
(Name & Full Address of Sole/ First Holder)

To

M/s. Cameo Corporate Services Limited,
Unit : KG Denim Open Offer, "Subramanian Building", No.1 Club House Road, Chennai 600 002.

Dear Sir,

SUB: Open Offer for purchase of 5130781 Equity Shares of K G Denim Limited representing 20% of its voting capital at an Offer Price of Rs.18.00 together with interest of Rs. 1.08 per fully paid up equity share by Shri KG Baalakrishnan, Shri B Sriramulu, Shri B Srihari and Sri Kannapiran Mills Limited (Acquirers)

I/we refer to the Letter of Offer dated 17.05.08 for acquiring the equity shares held by me/us in K G Denim Ltd.

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

I/ We wish to withdraw our acceptance tendered in response to the said offer. We had deposited/ sent our Form of Acceptance to you on _________ along with original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares/xerox copy of delivery instruction slip as detailed below:

(Please enclose the Xerox copy of Acknowledgement received for 'Form of Acceptance')

For Shares in Physical Form

Sr. No.	Ledger Folio	Certificate No.	Distinctive nos.		Number of shares
			From	To	
Total No. of Shares					

(Please attach an additional sheet of paper and authenticate the same, if the above space is insufficient)

For Shares in Demat Form

DP Name	
DP ID	
Client ID	
No. of shares	
Name of Beneficiary	

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

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

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

Yours faithfully,

Signed

FULL NAME (S)	SIGNATURE (S)
First/ Sole Holder	
Second Holder	
Third Holder	

Place: Date:

Note: In case of joint holdings, all holders must sign.

TEAR HERE

(Acknowledgment Slip)

Folio No.: **Sl. No.:**

Stamp of Registrar
Date
Signature of
Officer

Date of receipt to the offer ....

Received from Mr./Ms./M/s ....

Address ....

Form of Withdrawal in respect of

..........Number of share certificates Representing .... number of shares

Copy of instruction slip from DP ID ....Client ID..........number of shares ....

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