

PUBLIC ANNOUNCEMENT

Public Announcement to the **Shareholders/Beneficial Owners of M/s.Panyam Cements & Mineral Industries Limited (PCMIL)**, Registered Office, Cementnagar – 518 206, Kurnool District, A.P. Tel No. 088516 – 274638, Fax. No: 08816 -274644

Corporate Office: 701, 7th Floor, Paigah Plaza, Hyderabad 500 063, Tele Phone Nos.: 040-23231664/ 23231660, Fax No.: 040 – 23298159

This Public Announcement is being issued by M/s.Sobhagya Capital Options Limited on behalf of Mr. S. Sreedhar Reddy herein after referred to as the(“Acquirer”) and Mr.S.P.Y.Reddy, Mr. V.Suresh, Mrs.S.Parvathi, Mrs.S.Sujala, Mrs.V.Aravinda Rani, Mr.Francis Reddy, Mr.S.A.Rawoof, Mr.N.Ramasubbaiah, Mr.S.Chand Basha and Mr. Y. Srinivasa Reddy, all persons acting in concert who have given their consents to be considered as Persons Acting in Concert (herein after referred to “PACs”) pursuant to Regulation 10 and other provisions of Chapter III of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 [SEBI (SAST) Regulations 1997] and subsequent amendments thereto (herein after referred to as “Regulations”)

The Offer

- Mr. S.Sreedhar Reddy, Mr.S.P.Y.Reddy, Mr. V.Suresh, Mrs.S.Parvathi, Mrs.S.Sujala, Mrs.V.Aravinda Rani, Mr.Francis Reddy, Mr.S.A.Rawoof, Mr.N.Ramasubbaiah, Mr.S.Chand Basha and Mr. Y. Srinivasa Reddy (herein after referred to as acquirer and persons acting in concert), have been allotted 7,10,000 Equity Shares of Rs. 100/- each at Rs. 100/- per share constituting 50.98% of the enhanced paid up equity share capital by way of preferential allotment in the Target Company on 12.01.2005.
- Pursuant to the above referred change in the shareholding pattern due to the issue of preferential allotment of equity shares to the acquirer and persons acting in concert , this open offer is being made as per the SEBI (SAST) Regulations to the Shareholders of M/s. Panyam Cements & Mineral Industries Limited to acquire from them 2,78,550 fully paid up Equity Shares of Rs.100/- each (representing 20 % of the voting capital of M/s. Panyam Cements & Mineral Industries Limited) at a price of Rs. 166/- per share (Rupees Hundred and sixty six only).
- The Offer is not subject to any minimum level of acceptance and is not a conditional offer. The Share capital of M/s.Panyam Cements & Mineral Industries Limited does not consist of any partly paid up shares.
- For the purpose of this offer, the persons acting in concert as per the provisions of Regulation 2(1) (e) of the Regulations are Mr.S.P.Y.Reddy, Mr. V.Suresh, Mrs.S.Parvathi, Mrs.S.Sujala, Mrs.V.Aravinda Rani, Mr.Francis Reddy, Mr.S.A.Rawoof, Mr.N.Ramasubbaiah, Mr.S.Chand Basha and Mr. Y. Srinivasa Reddy. Mr. S. Sreedhar Reddy and Mr.S.P.Y.Reddy are also Directors on the board of the target company, appointed at the board meeting held on 18.08.2004. Mr.S.Sreedhar Reddy was appointed as Managing Director of the company for a period of five years with effect from 30th October 2004 in the board meeting held on 30th October 2004 which was approved in the annual general meeting held on 30th December 2004 before the public announcement. The Acquirer and all the PACs are the associates of M/s. SPY Reddy & Associates.
- The Equity Shares of M/s.Panyam Cements & Mineral Industries Limited are listed on The Stock Exchange, Mumbai (BSE). Based on available information, the equity shares of M/s.Panyam Cements & Mineral Industries Limited are frequently traded within the meaning of Regulation 20 of the SEBI (SAST) Regulations.
- The offer price of Rs. 166/- is justified in terms of the Regulation 20(4) of SEBI (SAST) Regulations as follows:
 - Negotiated Price: Not Applicable
 - Highest Price paid by the acquirer or persons acting in concert with him for acquisition, if any, including by way of allotment in a public or rights or preferential issue in the target company during the twenty-six week period prior to the date of public announcement which ever is higher: The Acquirer and persons acting in concert were allotted 7, 10,000 equity shares of the Target Company at a price of Rs. 100/- each on 12.01.2005, prior to the date of public announcement.

Since the Preferential allotment is made on January 12, 2005 , as per the SAST Regulations the Public Announcement should have appeared latest by January 18, 2005. Hence, the average weekly high and low of prices of the equity shares of the target company in Stock Exchange, Mumbai has been considered for computation of offer price. **Further the offer price so computed would be enhanced by interest payable at 10% P. A., for the period of delay in making the Public Announcement.**

- Based on the information available, the average weekly high and low of prices of the equity shares of the target company on The Stock Exchange, Mumbai (The Exchange, where the equity shares are most frequently traded) for the twenty six weeks period preceding January 18, 2005 is Rs.93.85 (Source: bseindia.com). Based on the information available, the average daily high and low of the prices of the equity shares of the target company on The Stock Exchange, Mumbai (The Exchange, where the equity shares are most frequently traded) for the two weeks period preceding the date of this public announcement is *Rs166.26ps*(Source: bseindia.com).

Information about Acquirer and PACs

Mr. S. Sreedhar Reddy: D.No.30/726, Bommalasatram, Nandyal, Kurnool District ,Andhra Pradesh, (Networth Rs. 2.45 Crores)
Mr. S.P.Y.Reddy D.No.30/726, Bommalasatram, Nandyal, Kurnool District, Andhra Pradesh (Networth Rs. 4.38 Crores)
Mr. V.Suresh, D.No.30/726, Bommalasatram, Nandyal, Kurnool District, Andhra Pradesh (Networth Rs. 2.39 Crores)
Smt. S.Parvathi, D.No.30/726, Bommalasatram, Nandyal,Kurnool District, Andhra Pradesh (Networth Rs.1.92 Crores)
Smt. S.Sujala, D.No.30/726, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs.1.89 Crores)
Smt. V. Aravinda Rani, D.No.30/726, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs. 1.84 Crores)
Mr. Francis Reddy,D.No.30/716, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs. 36 Lacs)
Mr. S.A.Rawoof, D.No.F-6(Old), Industrial Estate, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs. 32 Lacs)
Mr. N.Ramasubbaiah, D.No.E3B, Industrial Estate, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs. 76 Lacs)
Mr. S.Chand Basha, D.No.B-14, Industrial Estate, Bommalasatram, Nandyal, Kurnool District , Andhra Pradesh (Networth Rs. 72 Lacs)

Mr. Y.Srinivasa Reddy, Udamalapuram, Industrial Estate, Nandyal, Kurnool District, Andhra Pradesh (Networth Rs. 69 Lacs)

Mr.N.Subbaiah, Chartered Accountant (Membership No: 200133), 25/701, Upstairs, First Floor, Srinivasa Market Complex, Opp. Canara Bank, Nandyal-518501, Kurnool District A.P. vide certificate dated 01-01-2005 has confirmed the Networth of the Acquirer and PACs as mentioned above.

Mr S.Sreedhar Reddy the Acquirer and all the persons acting in concert are the members of M/s. SPY Reddy and Associates, H.No.30/726, Bommalasatram, Nandyal, Kurnool District, A.P. SPY REDDY and Associates was formed with the main objective of carrying on business in shares, real estate (purchase and sale of plots), marketing of industrial products, finance arrangement, brokerage and commission, render management services and also to deal any other nature of business or businesses of profitable in nature with the consent of all members from time to time.

Mr. S.P.Y.Reddy is the Chairman and Mr. S.Sreedhar Reddy is the Executive Director of Nandi Group of Companies engaged in the manufacture of Rigid PVC pipes and fittings with an annual turnover of about Rs. 375 crores.

Information about the Target Company

M/s.Panyam Cements & Mineral Industries Limited was incorporated on 23rd June, 1955 as a Public Limited Company with its Registered Office at Cementnagar, Kurnool District, Andhra Pradesh. The Tel. No. of the Company is 088516 – 274638 and the fax No. is 274644. The Company was promoted by late Padmashri Machani Somappa with the main objective to establish basic heavy industrial units in the industrially backward region of Rayalaseema in A.P.

The Company commenced its operations in 1959 with a 200 TPD Cement Plant at Cementnagar, Kurnool District, A.P. as one of the first cement companies established in the State. Over the years, besides expanding the capacity with two additional plants of 300 TPD and 600 TPD in the same location, the company underwent an upgradation programme by conversion of the kilns to dry process. During 1988, when the VBC Group of Hyderabad took over the company, the net worth of the Company was negative and on a reference to BIFR in 1989 by the new promoters, a revival package was sanctioned in 1991. The company has repaid all the dues to Financial Institutions by way of One Time Settlement sanctioned by BIFR in 1995. With a view to effectively utilise the abundant limestone reserves of more than 100 million tonnes in its leasehold area and to enlarge its market beyond the State of A.P, the company has increased the installed capacity of cement plant from 5,31,000 M.Tonnes per annum to 7,20,000 M.Tonnes per annum i.e.2200 tonnes per day.

The present directors of the Company are Mr. S.P.Y.Reddy, Mr. S.Sreedhar Reddy, Mr. V.Ramnath, Mr. P.V.Satyanarayana Murthy, Mr. D.Krishna Mohan, Dr.R.K.Prasad Sunkara, Mr. P.P.Sarma (Nominee of Bank of Baroda). Mr. A.Sathya Bhushana Rao is the Alternative Director to Dr.R.K.Prasad Sunkara.

The shares of the company are listed on the Stock Exchange, Mumbai. There are no partly paid up shares in the Company.

The paid up share capital of the Company is as follows: Rs.			
19,299 – 14% Redeemable “C” Cumulative			
Preference Shares of Rs.100/- each		19,30,000	
6,82,723 Equity Shares of Rs.100 each	6,82,72,300	6,83,02,300	
Add: Forfeited shares (Amount paid up)	30,000		
		7, 02, 32,300	

Add: Preferential Allotment:

7,10,000 Equity Shares of Rs.100/- each allotted to Acquirer and PACs on 12/01/05	7, 10, 00, 000
TOTAL	14,12, 32, 300

Audited financial information of the Target Company for the period ended 31.03.2004:

Particulars	Rs. Lakhs
Sales	6437.07
Other Income	37.91
Total Income	6474.98
Total Expenditure	8747.25
Loss	2772.27

Return on Net Worth is negative since Networth eroded, EPS is Nil due to losses, P/E is negative due to losses, Cement Industry P/E for South India is 16.90

Mr.N.Subbaiah, Chartered Accountant (Membership No: 200133), 25/701, Upstairs, First Floor, Srinivasa Market Complex, Opp. Canara Bank, Nandyal-518501, Kurnool District A.P. has confirmed vide his certificate dated 01-01-2005 that sufficient resources are available to allow the Acquirers to fulfil their obligations under the offer. Based on the above, the Manager to the Offer is satisfied about the ability of the Acquirers to implement the offer in accordance with the Regulations

Reasons for the Acquisition and offer and future plan about Target Company, if any.

This offer has been made pursuant to Regulation 10 and other applicable provisions of Chapter III :

- Substantial acquisition of shares on acquiring 50.58% of the share capital of the target company through preferential allotment resulting in change in control/management of the Target Company.
- to revive the operations of the cement division of the target company by inducting funds by the Acquirer

The Acquirer and PACs do not have any intention to dispose-off or otherwise encumber any assets of M/s.Panyam Cements & Mineral Industries Limited in the next two years from the date of closure of the offer, except in the ordinary course of business and with the prior approval of the shareholders.

Statutory Approvals/ other approvals required for the offer

- Approval of Reserve Bank of India (“RBI”) is required for acquiring equity shares from the NRI Shareholders and FIPB approval for acquiring equity shares from the Foreign Shareholders. Further approvals of term lending institutions namely KSIDC is required.
- To the knowledge of the Acquirer and PACs, no other statutory approvals are required to acquire the shares that may be tendered pursuant to the Offer. If any statutory approvals become applicable at a later date, the offer would be subject to such statutory approvals. In case the statutory approvals are not obtained, the Acquirer and PACs will not proceed with the Offer.

c. Acquirer and PACs will make the requisite application to RBI as well as FIPB to obtain permission for the acquisition of shares from NRIs and Foreign Nationals.

- In case of delay in receipt of statutory approval, SEBI has power to grant extension of time to Acquirer and PACs for payment of consideration to shareholders, subject to Acquirer and PACs agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by Acquirer and PACs in obtaining the requisite approval, Regulation 22(13) of SEBI (SAST) Regulations will also become applicable.

In case approvals from RBI and FIPB for making payments to the NRIs and Foreign Nationals are unduly delayed, the Acquirer and PACs reserves the right to proceed with payment to the resident shareholders whose shares have been accepted by the Acquirer and PACs in terms of the Offer, pending payment to the Non - Resident shareholders and Foreign Nationals, subject to the payment instruments payable to Non - Resident shareholders, Foreign Nationals being kept in the safe custody with the Registrars to the Offer.

Option to the Acquirer and PACs in terms of Regulation 21(3)

If, pursuant to this offer and any acquisition of shares by the Acquirer and PACs from the open market or through negotiations or otherwise made in compliance with the SEBI (SAST) Regulations, 1997 the public shareholding is reduced to 10% or less of the paid up and voting share capital of PCMIL , then in accordance with Regulation 21 (3) of the Regulations, the Acquirer and PACs undertake to disinvest through an offer for sale or by fresh issue of capital to the public which shall open within a period of 6 months from the date closure of the open offer, such number of shares so as to satisfy the listing requirements .

Financial Arrangements

- The Acquirer and PACs have adequate and firm financial resources to fulfil the obligations under the open offer. The sources of funds shall be through internal resources of the Acquirer and PACs. No borrowings from Bank/ Financial Institution is being made for the purpose. All the funds will be domestic and no foreign funds will be utilised.
- The maximum purchase consideration payable by the Acquirer and PACs in the case of full acceptance of the offer i.e 2,78,550 equity shares is Rs.4,62,39,300 (Rupees Four Crore sixty two lakhs thirty nine thousand three hundred only) and interest for the delayed payment.
- In accordance with the Regulation 28 of The SEBI (SAST) Regulations, Acquirer and PACs have opened an Escrow Account with SBI, Nandyal, in favour of Sobhagya Capital Options Limited - the Manager to the offer, for an amount of Rs.1,17,00,000 (Rupees One Crore and Seventeen Lakhs only) being in excess of 25% of the maximum consideration payable under the offer and the same has been deposited in the said account.
- The Manager to the offer Sobhagya Capital Options Limited has been duly authorised by the acquirer and persons acting in concert to operate and realise the value of the Escrow Account in terms of the Regulations.
- The Manager to the offer confirms that the firm arrangements for funds and money for payment through verifiable means are in place to fulfil offer obligations.

Other terms of the Offer

- The Letter of Offer together with the Form of Acceptance cum Acknowledgement will be mailed to the shareholders of M/s.Panyam Cements & Mineral Industries Limited (except the Acquirer and the PACs) whose names appear on the Register of Members at the close of the business hours on 14.03.2005 (the Specified Date).
- Shareholders, holding shares in physical form , who wish to tender the shares will be required to send the Form of Acceptance cum Acknowledgement, Original Share Certificate (s) and Transfer Deed (s) duly signed to the Registrar to the offer at the address mentioned herein below, either by hand delivery during normal business hours from Monday to Friday i.e. 10.00 a.m. to 5.00 p.m. (excluding Bank Holidays) or by Registered Post on or before the close of the offer i.e. 27.04.2005 in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance cum Acknowledgement.
- The Acquirers have appointed M/s XL Softech Systems Limited, 3,Sagar Society, Road no.2, Banjara Hills, Hyderabad- 500 034, Telephone: 040-23545913/14/15, Fax: 040-23553214 as the Registrar to the Open Offer (“Registrar”).
- Beneficial owners and shareholders holding shares in dematerialised form, will be required to send their form of acceptance cum acknowledgement to the Registrars to the offer either by hand delivery during normal business hours or by registered post on or before the closure of the offer, i.e 27.04.2005 along with the photo copy of the delivery instructions in “ off market” mode or counterfoil of the delivery instructions “off market” mode duly acknowledged by the depository participant (DP) in favour of ‘DP Escrow Account’ being opened details of which will be furnished in the letter of offer. For further details refer letter of offer.
- All owners of shares, registered or unregistered (except the Acquirer and PACs), who own the shares at any time prior to the closure of the offer are eligible to participate in the offer. Unregistered owners can send their application in writing to the Registrar to the Offer, on a plain paper stating the Name, Address, Number of Shares held, Number of Shares Offered, Distinctive Numbers, Folio No., together with the Original Share Certificate(s), valid transfer deed(s) and a copy of the contract note issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners.
- In case of non-receipt of the Letter of Offer, eligible persons may send their acceptance to the Registrars to the offer at the address mentioned herein below, on a plain paper stating the Name, Address, No. of shares held, Distinctive Nos., Folio No., No. of shares offered, along with documents as mentioned above, so as to reach to the Registrars the offer on or before the close of the Offer, i.e. 27.04.2005 or in case of Beneficial Owners , they may send the application in writing on a plain paper stating the name, address, DP ID, Client ID, Number of shares held, number of shares offered, on or before the closure of the offer i.e. 27.04.2005.
- The Registrars to the offer M/s.XL Softech Systems Limited, Hyderabad will hold in trust the shares, / share certificates, Form of Acceptance cum Acknowledgement, if any, and the transfer form(s) on behalf of the shareholders of the Target Company, who have accepted the offer, until the cheques/ drafts for the consideration and/ or the unaccepted shares/ share certificates are dispatched/ returned.
- Unaccepted Share Certificates, transfer forms and other documents, if any, will be returned by Registered Post at the shareholders/ unregistered owners sole risk to the sole/ first shareholder.

9 In case the shares tendered in the offer by the shareholders of M/s. Panyam Cements & Mineral Industries Limited are more than the shares to be acquired under the offer, the acquisition of the shares from each shareholder will be as per the provision of Regulation 21(6) of the Regulations on a proportionate basis irrespective of whether the shares are held in physical or dematerialised form.

10Shares, if any, that are subject matter of litigation wherein the shareholder(s) may be precluded from transferring the shares during the pendency of the said litigation are liable to be rejected in case directions/ orders regarding these shares are not received together with the shares tendered under the offer. The Letter of Offer in some of these cases wherever possible, would be forwarded to the concerned statutory authorities for further action at their end.

11 The consideration for the shares accepted by the Acquirer and PACs will be paid by crossed account payee cheques/demand drafts.Such payments and documents, in case of unaccepted shares will be returned by registered post/speed post at the shareholders/unregistered owners' sole risk. Communication of acceptance / rejection and the payment of consideration for the accepted shares will be made by the Acquirer and PACs in cash through cheque/demand draft to the shareholders of accepted shares within 15 days from the date of the closure of the offer.

12In terms of Regulation 22(5A), shareholders shall have the option to withdraw acceptance tendered up to three working days prior to the date of closure of the Offer i.e. 27.04.2005 by submitting the documents as specified below, so as to reach the Registrars to the offer . The withdrawal can be exercised by submitting Form of Withdrawal enclosed with Letter of Offer. In case of non-receipt of form of withdrawal, the withdrawal can be exercised by making plain paper application along with the following details:

* Name, address, distinctive numbers, folio numbers, DP ID, Client ID, number of shares tendered/withdrawn.

13Eligible persons to the Offer may also download a copy of the Letter of Offer and Form of Acceptance cum Acknowledgement and form of withdrawal which will be available on SEBI's website at <http://www.sebi.gov.in> from the offer opening Date i.e. 08.04.2005 and apply in the same.

14The shares withdrawn by the shareholders, if any would be returned by registered post, in case of physical shares.

15The Acquirer and PACs undertake to pay interest pursuant to Regulation 22 (12) to the shareholders for the delay, if any, in payment of consideration

16Schedule of the major Activities pertaining to the Offer is given below:

ACTIVITY	DAY & DATE
Specified Date (for the purpose of determining the names of shareholders to whom the Letter of Offer would be sent)	Monday 14.03.2005
Last date for a Competitive Bid	Thursday 10.03.2005
Date by which Letter of Offer to be posted to the shareholders.	Tuesday 29.03.2005
Date of Opening of the Offer	Friday 08.04.2005
Last date for revising the offer price / Number of shares	Wednesday 13.04.2005
Last date for withdrawal of acceptance by shareholders who have accepted the offer	Thursday 21.04.2005
Date of Closure of the Offer	Wednesday 27.04.2005
Date by which acceptance/ rejection under the Offer would be communicated and the corresponding payment for the acquired shares and/ or the unaccepted shares/ share certificates will be despatched/ credited.	Wednesday 11.05.2005

General

- “Shareholders who have accepted the offer by tendering the requisite documents, in terms of the Public announcement / Letter of offer, can withdraw the same up to 21.04.2005 i.e. three working days prior to the date of the closure of the offer”
- If there is any upward revision in the offer price before the last date of revision (i.e. 13.04.2005) or *withdrawal of the offer*, the same would be informed by way of public announcement in the same newspaper where the original public announcement appeared. Such revised Offer Price would be payable to all the shareholders who have tendered their shares at any time during the offer and which have been accepted under the offer.
- “If there is competitive bid:
 - The public offers under all the subsisting bids shall close on the same date.
 - As the offer price can not be revised during 7 working days prior to the closing date of the offers / bids, it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly”
- The Acquirer, PACs and the Target Company have not been prohibited by SEBI from dealing in securities, in terms of direction issued u/r 11B of SEBI Act or under any other regulations made under the SEBI Act.
- The Acquirer and PACs accept the responsibility for the information contained in the Public Announcement and also for the obligations of Acquirer and PACs laid down in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997” and subsequent amendments made thereof.

For further details please refer to the Letter of Offer. This public announcement is also available on SEBI website (www.sebi.gov.in) eligible persons can down load the same.

Manager to the Offer

SOBHAGYA CAPITAL OPTIONS LIMITED
7-1-32/4, P – 1, Leelanagar, Begumpet, Hyderabad – 500 016.
Phone Nos.: 040 – 55528262 Fax No.: 040 – 23740419
Email: sobhagycapital@yahoo.com

Registrars to the Offer

M/S.XL SOFTECH SYSTEMS LIMITED
3, Sagar Society, Rd.No.2, Banjara Hills,Hyderabad-500 034.
Phones: 040-23545913/14/15. Fax: 040-23553214.
e-mail:xlsoft@hd1.vsnl.net.in Website: www.xlsoftech.com

Issued by Manager to the offer on behalf of Acquirer and Persons Acting in Concert
Place: Hyderabad
Date: 16.02.2005