LETTER OF OFFER

"This Document is important and requires your immediate attention."

The Letter of offer is sent to you as a shareholder(s) of Pennar Industries Limited. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or Merchant Banker / Registrar to the offer. In case you have recently sold your shares in the Company, please hand over the 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."

Cash offer to acquire up to 1,84,71,496 Equity shares of Rs 5/- each Fully Paid-up representing up to 20% of the voting rights (after taking into consideration the 1,60,00,000 outstanding convertible warrants that are eligible for conversion into equity shares at a price of Rs. 6.75 (Rupees Six And Paise Seventy five Only) per Fully Paid - up Equity Share of

PENNAR INDUSTRIES LIMITED,

Regd. Office: 3rd Floor, Saptagiri Towers, S.P. Road, Begumpet, Hyderabad - 500 016, Phone No (040) 27766781-85, Fax No.(040) 27768056, Email : pilhyd@sancharnet.in

Corp. Office : IDA, Patancheru, Medak District, Andhra Pradesh Phone No (08455)242184-193, Fax No.(08455) 242161, 242424

By the Acquirers

THAPATI TRADING PRIVATE LIMITED,
3rd Floor, Saptagiri Towers, Begumpet, Hyderabad - 500 016, Phone No (040) 27764563, Fax No.(040) 27765399,

PALGUNA CONSULTANTS PRIVATE LIMITED,
3rd Floor, Saptagiri Towers, Begumpet, Hyderabad - 500 016, (040) 27764563, Fax No.(040) 27765399,

And Persons Acting in Concert with them

Mr. J. Nrupender Rao, Mrs. J Rajyalakshmi, Mr. J Aditya N Rao, Mrs. Avanti Rao, Mrs. Ch. Arathi, Mr. Ch Sridhar and M/s J N R Associates, Plot no. 381, Road No. 10, Jubilee Hills, Hyderabad - 500 034, Phone No 040 - 23607193

Mr. P. Bhaskara Rao and Mrs. P Anasuya Plot No. 510, Gowtham Nagar Colony, Malkajgiri, Hyderabad - 500 047. Phone No 040 - 27054207.

Mr Ch Ananth Reddy Flat No. 202, Padmavathi Apartments, Sadat Manzil, Ameerpet, Hyderabad-16 . Ph No. 040 23403470

Pennar Chemicals Ltd, 3rd Floor Saptagiri Towers, Begumpet Hyderabad 500 016 Ph: 040 27762723.

Exel Engineering Ltd 3rd floor Saptagiri Towers, Begumpet, Hyderabad 500 016. Ph. 27765388.

Mr. Vijay Chandra Puljal, Mrs. P Jayanthi, Ms. P Bhavana, Ms. P Kalpana and M/s Vivekananda Enterprises, Flat No. 206, My Home Fernhill Apts, Somajiguda, Hyderabad 500082. Ph. 040-23413087

This offer is pursuant to Regulation 11(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereof.

1. This offer is not a conditional offer and is not subject to minimum level of acceptance.
2. This offer is not a competitive bid.
3. The Acquirers and PAC's have to obtain the approval of The Reserve Bank of India for acquisition of shares from Non - Resident shareholders if any pursuant to this offer.
4. "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 three working days prior to the date of the closure of the offer"
5. Regulation 26 of the Take over Regulations provide for an upward revision of Offer in respect of the price and the number of shares to be acquired, at any time up to seven working days (i.e. 16th March 2006, Thursday) prior to the date of closure of the offer. i.e. 27th March 2006, Monday. The same price will be paid by the Acquirers for all the shares tendered any time during the open offer. Any revision(s) in the offer price will be informed by way of a Public Announcement in the same newspapers in which the original Public Announcement was made.
6. The Acquirers can withdraw this offer, only under circumstances as mentioned under Regulation 27(1) and in this event the same would be informed by way of Public Announcement in the same news papers where the original Public Announcement has appeared.
7. There has been no competitive bid in respect of this Open Offer Announced by the Acquirers till the date of this Draft Letter of Offer.
8. A copy of public announcement and Letter of Offer (including form of acceptance cum acknowledgment) is also available on SEBI's website (www.sebi.gov.in).
9. Share holders, 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 three working days (i.e.22nd March 2006, Wednesday) prior to the closure of the Offer i.e. 27th March 2006,Monday.
10. The procedure for acceptance is set out in Para No.8 of the Letter of offer. A form of acceptance cum acknowledgement and instrument of transfer are enclosed with the Letter of offer.

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER	LEGAL ADVISORS TO THE OFFER
KARVY INVESTOR SERVICES LTD **Karvy Investor Services Limited** Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, Phone : 040 - 23312454 / 23374714 Fax :- 040 - 23374714 Email : mbd@karvy.com Contact Person : Mr. T.R. Prashanth Kumar	KARVY **Karvy Computershare Private Limited** Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, Phone : 040 - 23312454 / 23320751 Fax :- 040 - 23431551 Email : murali@karvy.com Contact Person : Mr. Murali Krishna	**LVV Iyer & Associates** Corporate Lawyers 302A, 3rd, Floor, 'Technopolis', Lane next to Pantaloons, Begumpet, Hyderabad - 500 016, Phone : Off: 040 - 27765828, Fax : 040 - 27766534 Email: iyerassociates@sify.com

Schedule of Activities

Activity	Original Schedule		Revised Schedule	
	Date	Day	Date	Day
Public Announcement (PA) Date	14th December 2005	Wednesday	Not Applicable	Not Applicable
Revised Public Announcement. In continuation of the original Public Announcement released on 14th December, 2005	Not Applicable	Not Applicable	21st February 2006	Tuesday
Specified Date	12th January 2006	Thursday	12th January 2006	Thursday
Last date for a competitive bid	3rd January 2006	Tuesday	3rd January 2006	Tuesday
Date by which Letter of Offer will be dispatched to the shareholders	21st January 2006	Saturday	27th February 2006	Monday
Offer opening Date	6th February 2006	Monday	8th March 2006	Wednesday
Last date for revising the offer price/ number of shares	18th February 2006	Saturday	16th March 2006	Thursday
Last date for withdrawal by shareholders	22nd February 2006	Wednesday	22nd March 2006	Wednesday
Offer closing Date	25th February 2006	Saturday	27th March 2006	Monday
Date by which the acceptance /rejection would be intimated and the corresponding payment for the acquired shares and /or the share	11th March 2006	Saturday	10th April 2006	Monday

RISK FACTORS

Relating to the Target Company

1. The net worth of the Company had been eroded as on 30th June 2002. The Company made a reference to the Board for Industrial and Financial Reconstruction (BIFR) as per the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 and was registered as a sick company vide Regn No.87/2003.

Relating to the Acquirers

2. The consideration payable by the Acquirers under the Offer assuming 100% acceptance is Rs.1246.83 lacs and the combined net worth of the Acquirers and the PACs as on 14th December 2005 is Rs.2126.03 lacs. The Acquirers and PACs have made arrangements for meeting their obligations under the Offer through borrowings against their investments.

Relating to the shares under Open Offer

3. The equity shares of Rs.5/- each issued in lieu of equity shares of Rs.10/- as per Part 3 of the Scheme, the equity shares issued to Financial Institutions as per Part 4 of the Scheme and to the Promoters Group as per Part 5 of the Scheme are yet to be listed by the stock exchange at Hyderabad (HSE). However, the Target Company has received the Listing and Trading Permission for the new equity from Bombay Stock Exchange vide Letter No. DCS/SMG/RCG/2006/513228 dated January 6, 2006. There may be delay in obtaining the listing and trading permissions from HSE for the shares of the Target Company and from BSE for the shares for which listing permission is awaited.
4. In case the Acquirers are unable to make the payment of consideration within a period of fifteen days from the closure of the offer as per Regulation 22(12) to the shareholders who have accepted the offer due to non-receipt of statutory approvals, SEBI may, if satisfied that non-receipt of requisite statutory approvals was not due to any wilfil default or neglect of the acquirers or failure of the acquirer to diligently pursue the applications for such approvals, grant extension of time for the purpose, subject to the acquirers agreeing to pay interest to the shareholders for delay beyond fifteen days, as may specified by SEBI from time to time.

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DEFINITIONS

The Acquirers / TTPL, PCPL	Thapati Trading Private Limited, Palguna Consultants Private Limited
Target Company / PIL	Pennar Industries Limited
Shares	Fully Paid - Up Equity shares of PIL
Offer	The offer made by the Acquirers to acquire the Fully Paid - up Equity shares of PIL.
Offer Price	Rs.6.75 (Rupees Six and Paise Seventy five Only) per Equity share of Rs.5/- each of PIL
PAC	Person's Acting in Concert as under :- Mr. J. Nrupender Rao, Mrs. J Rajyalakshmi, Mr. J Aditya N Rao, Mrs. Avanti Rao, Mrs. Ch. Arathi, Mr. Ch Sridhar , M/s J N R Associates, Mr. P. Bhaskara Rao, Mrs. P Anasuya, Mr Ch Ananth Reddy, Pennar Chemicals Ltd,, Exel Engineering Ltd, Mr. Vijay Chandra Puljal, Mrs. P Jayanthi, Ms. P Bhavana, Ms. P Kalpana and M/s Vivekananda Enterprises
PA	Public Announcement released in Financial Express (English edition), Andhra Prabha (Telugu edition), Jansatta (Hindi edition) and Loksatta (Marathi edition) on 14th December 2005
Regulations/ SAST	Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997 and subsequent amendments thereof.
Revised Public Announcement. In continuation of the original Public Announcement released on 14th December, 2005.	The Revised Public Announcement released in Financial Express (English edition), Andhra Prabha (Telugu edition), Jansatta (Hindi edition) and Loksatta (Marathi edition) on 21st February 2006
SEBI	Securities and Exchange Board of India
RBI	Reserve Bank of India
Offer Document	Letter of Offer
BSE	Bombay Stock Exchange Limited
HSE	The Hyderabad Stock Exchange Limited
FIPB	Foreign Investment Promotion Board
Escrow Account	"Pennar Industries Ltd - Escrow A/c - Open Offer"
Escrow Banker	IDBI Bank Ltd., Basheerbagh Branch, Hyderabad
Escrow Depository Account	The Escrow Depository Account opened with Karvy Stock Broking Ltd
FEMA	Foreign Exchange Management Act, 1999
Manager/ Manager to the Offer/KISL	Karvy Investor Services Limited
Persons eligible to apply in the Offer	All owners of the shares, registered or unregistered (except the Acquirers and PACs with them).
Registrar to the Offer / KCL	Karvy Computershare Private Limited
NRI	Non- Resident Indian
Specified Date	January 12, 2006 Thursday
Offer Period	Offer Opens on March 8th , 2006, Wednesday Offer Closes on March 27th , 2006, Monday
CDR	Corporate Debt Restructuring
BIFR	Board for Industrial and Financial Reconstruction
Scheme	Scheme of Reconstruction and Arrangement approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad

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 OVERSEEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF PENNAR INDUSTRIES LIMITED AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER(S), 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 ACQUIRER(S) IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER(S) DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER KARVY INVESTOR SERVICES LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 21st December 2005 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS 1997 AND SUBSEQUENT AMENDEMENT(S) THEREOF . THE FILING OF THE LETTER OF OFFER DOES NOT , HOWEVER, ABSOLVE THE ACQUIRER(S) FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAYBE REQUIRED FOR THE PURPOSE OF THE OFFER.."

2. DETAILS OF THE OFFER

2.1 Background of the offer

2.1.1 This offer is being made to the Equity share holders of Pennar Industries Limited (PIL) by M/s Thapati Trading Private Limited, M/s Palguna Consultants Private Limited (Acquirers) and Persons who are Acting in Concert with the Acquirers (PACs), namely, Mr. J. Nrupender Rao, Mr. P. Bhaskara Rao, Mrs. J. Rajyalakshmi, Mr. J. Aditya N. Rao, Ms. Avanti Rao, Ms. Ch. Arathi, Mr. Ch. Sridhar, M/s JNR Associates, Mrs. P. Anasuya, Mr. Ch. Anantha Reddy, M/s Pennar Chemicals Ltd., M/s Exel Engineering Ltd., Mr. Vijay Chandra Puljal, Mrs. P. Jayanti, Ms. P. Bhavana, Ms. P. Kalpana and M/s Vivekananda Enterprises.

2.1.2 Mr. J. Nrupender Rao and Mr. P. Bhaskara Rao are the Directors on the Board of both the Acquirer companies.

2.1.3 Mr. Vijay Chandra Puljal and Mr. Ch. Anantha Reddy are the Shareholders and Directors of the Target Company.

2.1.4 The PACs other than those referred to in 2.1.2 and 2.1.3 are shareholders of the Target Company and also PACs with the Promoters of the Target Company.

2.1.5 Mr. J. Nrupender Rao is currently the Executive Chairman of PIL, Mr. Ch. Anantha Reddy is the Executive Director of PIL and Mr. P. Bhaskara Rao and Mr. Vijay Chandra Puljal are Members of the Board of Directors of PIL. The Acquirers have acquired 1,34,88,457 fully Paid- up Equity shares of Rs 5/- each representing 17.66 % of the paid up equity share capital of PIL from Industrial Development Bank of India Limited (IDBI) at a price of Rs 6.50 per share (negotiated price) for consideration in cash on 8th, December, 2005.

2.1.6 The Acquirers, PACs or PIL have not been prohibited by SEBI from dealing in securities, in terms of direction issued u/s 11B of SEBI Act or under any of the regulations made under the SEBI Act.

2.1.7 This offer is being made pursuant to Regulation 11(1) of the Regulations consequent upon the acquisition referred to above with the object of consolidation of holdings of the promoters of PIL. The Acquirer companies do not hold any shares in PIL as on date of the PA other than the Acquisition referred to above. The existing shareholding of PAC's in PIL as on the date of PA is as under :

S. No.	Name	No. of Warrants convertible into equity shares	Number of shares held	(d) as a % to total Equity capital
(a)	(b)	(c)	(d)	(e)
1	Mr. J. Nrupender Rao	500000	1571968	2.06
2.	Mr. P. Bhaskara Rao	300000	300000	0.39
3.	Mrs. J. Rajyalakshmi	2500000	1693100	2.22
4.	Mr. J. Aditya N. Rao	3400000	1532870	2.01
5.	Ms. Avanti Rao	1000000	537060	0.70
6.	Ms. Ch. Arathi	1000000	1281179	1.68
7.	Mr. Ch. Sridhar	1000000	696000	0.91

S. No.	Name	No. of Warrants convertible into equity shares	Number of shares held	(d) as a % to total Equity capital
(a)	(b)	(c)	(d)	(e)
8.	M/s JNR Associates	-	107400	0.14
9.	Mrs. P. Anasuya	200000	200000	0.26
10.	Mr. Ch. Anantha Reddy	431200	660700	0.87
11.	Pennar Chemicals Ltd	1600000	300000	0.39
12.	Exel Engineering Ltd	1400000	3589054	4.70
13.	Mr. Vijay Chandra Puljal	200000	547140	0.72
14.	Ms. P. Jayanthi	500000	657660	0.86
15.	Ms. P. Bhavana	500000	988799	1.29
16.	Ms. P. Kalpana	500000	715081	0.94
17.	M/s Vivekananda Enterprises	-	114154	0.15
	Total	15031200	15492165	20.29

The PACs hold 33.05% of the voting rights of the Target Company taking into consideration all the outstanding warrants held by them that are eligible for conversion into equity shares.

2.1.8 The share holding of the Acquirers in PIL after the completion of the open offer assuming 100% response to the same would be as under :

S.No	Name of Acquirer	Number of shares held prior Acquisition referred to above	Shares acquired from IDBI	Shares proposed to be acquired under the offer	Total shares after the offer	% to total Equity capital
1	Thapati Trading Private Limited	Nil	6728457	9235748	15964205	20.91
2.	Palguna Consultants Private Limited	Nil	6760000	9235748	15995748	20.95

2.1.9 The share holding of the PAC's in PIL after the completion of the open offer assuming 100% response to the same would be as under :

S.No	Name	Number of shares held prior the Acquisition referred to above	Shares acquired from IDBI	Shares proposed to be acquired under the offer	Total shares after the offer	% to total Equity capital
1	Mr. J Nrupender Rao	1571968	NIL	NIL	1571968	2.06
2	Mr. P Bhaskara Rao	300000	NIL	NIL	300000	0.39
3	Mr. Ch Ananth Reddy	660700	NIL	NIL	660700	0.87
4	M/s Pennar Chemicals Ltd.	300000	NIL	NIL	300000	0.39
5	M/s Vivekananda Enterprises	114154	NIL	NIL	114154	0.15
6	M/s JNR Associates	107400	NIL	NIL	107400	0.14
7	M/s Exel Engineering Ltd.	3589054	NIL	NIL	3589054	4.70
8	Mr. Vijay C Puljal	547140	NIL	NIL	547140	0.72
9	Mrs. J Rajyalakshmi	1693100	NIL	NIL	1693100	2.22
10	Mr. J Aditya N Rao	1532870	NIL	NIL	1532870	2.01
11	Ms. Ch Arathi	1281179	NIL	NIL	1281179	1.68
12	Mr. Ch Sridhar	696000	NIL	NIL	696000	0.91

S.No	Name	Number of shares held prior the Acquisition referred to above	Shares acquired from IDBI	Shares proposed to be acquired under the offer	Total shares after the offer	% to total Equity capital
13	Ms. Avanthi Rao	537060	NIL	NIL	537060	0.70
14	Mrs. P Anasuya	200000	NIL	NIL	200000	0.26
15	Ms. P Jayanthi	657660	NIL	NIL	657660	0.86
16	Ms. P Bhavana	988799	NIL	NIL	988799	1.29
17	Ms. P Kalpana	715081	NIL	NIL	715081	0.94
	Total	15492165			15492165	20.29

2.1.10 The Acquirers and the PACs do not intend to make any changes in the Board of Directors of PIL after the Offer. However, changes may occur due to directors retiring by rotation after completion of their term. As already stated above in para 2.1.2 and 2.1.3 , Mr. J. Nrupender Rao, Mr. Ch. Anantha Reddy, Mr. Vijay Chandra Puljal and Mr. P. Bhaskara Rao are members of the Board of Directors of PIL where Mr. J. Nrupender Rao is the Executive Chairman and Mr. Ch. Anantha Reddy is the Executive Director.

2.2 Details of the proposed offer

2.2.1 The PA was released in the newspapers as per details given below:

Newspaper	Date on which the PA appeared	Date on which the revised PA appeared	Language	Edition
Financial Express	14th December 2005	21st February 2006	English	All
Jansatta	14th December 2005	21st February 2006	Hindi	All
Andhra Prabha	14th December 2005	21st February 2006	Telugu	All
Loksatta	14th December 2005	21st February 2006	Marathi	All

The PA is also available on the SEBI website at www.sebi.gov.in.

2.2.2 The Acquirers are making an open Offer to acquire up to 1,84,71,496 fully paid-up equity shares of PIL for cash at a price of Rs.6.75 (Rupees Six and Paise Seventy five Only) per share representing up to 20% of the voting rights of PIL after taking into consideration (1,60,00,000 warrants outstanding which are eligible for conversion into equity shares) from the existing shareholders of PIL.

2.2.3 There are no partly paid-up equity shares of PIL.

2.2.4 As the offer involves payment of consideration in cash, the differential price referred to in explanation (iii) to regulation 20(11) of the Regulations is not applicable.

2.2.5 The offer is being made pursuant to the acquisition referred to above and is not a competitive bid.

2.2.6 The offer is not conditional upon any minimum level of acceptance.

2.2.7 The details of further acquisition(s) by the Acquirers / PACs after the date of PA and up to the date of the Letter of Offer are as under :-

S.No.	Name of Acquirer / PAC	No. of shares acquired after PA	Mode of Acquisition	Price of Acquisition	% to total equity capital
		NIL			

2.3. Object of the acquisition/ offer

2.3.1. The object and purpose of the acquisition of the shares in the open offer is to comply with the terms of Regulation 11(1) of the Regulations pursuant to the acquisition referred to above with the objective of consolidation of holdings of the promoters / promoters group of PIL.

2.3.2. After the completion of the offer, assuming 100% response to the same, the Acquirers and PACs shall together hold 4,74,52,018 equity shares of PIL representing 62.14% of its total equity capital and 67.65% of the voting rights of PIL (including the Warrants outstanding.).

2.3.3. The acquirers do not intend to dispose of or otherwise encumber any assets of the target company in the succeeding two years, except in the ordinary course of business of the target company.

2.3.4. The Acquirers undertake that they shall not sell, dispose of, or otherwise encumber any substantial assets of the Target Company except with the prior approval of the shareholders.

2.3.5. The acquirers and the target company are not in a similar line of business and hence there would be no change in the position of the acquirers in terms of market positioning etc. and further, the acquirers are newly incorporated companies.

3 BACKGROUND OF THE ACQUIRERS (INCLUDING PACs, IF ANY)

3.1 If acquirer(s) (including PACs) is a company

3.1.1 The Acquirers are M/s Thapati Trading Private Limited and M/s Palguna Consultants Private Limited. The details of their registered office and corporate office are as under :-

Name of Acquirer	Registered and Corporate Office	Phone No.	Fax No.	Date of incorporation
Thapati Trading Private Limited	3rd Floor, Saptagiri Towers, Begumpet, Hyderabad	(040) 27764563	(040) 27765399	25th November 2005.
Palguna Consultants Private Limited	3rd Floor, Saptagiri Towers, Begumpet, Hyderabad	(040) 27764563	(040) 27765399	25th November 2005.

3.1.2. The Promoters of the Acquirers are Mr. J. Nrupender Rao and Mr. P. Bhaskara Rao.

3.1.3 Mr. J. Nrupender Rao and Mr. P. Bhaskara Rao are the Directors of the Acquirers and are also on the Board of directors of PIL.

3.1.4 The main objects and other objects of TTPL inter alia include

- to carry on the business of Manufacturers, Representatives, Importers, Exporters, Stock Agents, Stockists, Distributors, all kinds of manufactured goods and commodities.
- To purchase, sell, subscribe, underwrite, acquire, invest, exchange, take-up, hold or otherwise to deal in shares, stock bonds, debentures, warrants, entitlements, premium notes, obligations or securities issued or guaranteed by the companies, corporations, mutual funds, Government undertakings, Government authorities, banks, financial institutions, foreign institutional investors, foreign companies or by any other body or authority in India or abroad either by original subscription, tender, conversion, offer, renunciation, purchase or otherwise and to subscribe for the same either conditionally or unconditionally and to guarantee the subscription thereof and to exercise, enforce and enjoy all rights and powers conferred by or incidental to the ownership thereof.

3.1.5 The main objects of PCPL inter alia include

- to act as an export house to design, develop, manufacture computer software and to market and to provide data processing service of all kinds including computer consultancy system analysis programming and computer maintenance in India or abroad.
- to underwrite, acquire, take up and hold shares, stocks, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any company constituted or carrying on business in India or in any foreign country and debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any Government, Sovereign Rules, Commissioner public body or authority, supreme, municipal, local or otherwise whether in India or any foreign country.

3.1.6 The provisions of Chapter II of the Regulations were not applicable to the acquirers as they were incorporated only on 25th November 2005. However, after the completion of the Open Offer the same shall be applicable to them and they shall have to comply with them within the prescribed time limit.

3.1.6.1 The applicable provisions of Chapter II of the Regulations have not been complied with by the PACs in respect of the Target Company.

3.1.7 The Board of Directors of TTPL are as under :-

S. No.	Name & Residential Address	Qualifications	Experience	Date of Appointment on BoD of TTPL
1.	Mr. J. Nrupender Rao Plot No.381, Road No.10, Jubilee Hills, Hyderabad, 500 034 Phone No.(040) 23607194	B.Tech, MS	38 Years	25.11.2005
2.	Mr. P. Bhaskara Rao Plot No.510, Gowtham Nagar Colony, Malkajgiri, Hyderabad - 500 047 Phone No.(040) 27054207	M.Tech	35 Years	05.12.2005

3.1.8 The Board of Directors of PCPL are as under :-

S. No.	Name & Residential Address	Qualifications	Experience	Date of Appointment on BoD of PCPL
1.	Mr. J. Nrupender Rao Plot No.381, Road No.10, Jubilee Hills, Hyderabad, 500 034 Phone No.(040) 23607194	B.Tech, MS	38 Years	25.11.2005
2.	Mr. P. Bhaskara Rao Plot No.510, Gowtham Nagar Colony, Malkajgiri, Hyderabad - 500 047 Phone No.(040) 27054207	M.Tech	35 Years	05.12.2005

3.1.9 Both the Directors of the Acquirers and two PACs viz. Mr. Ch. Anantha Reddy and Mr. Vijay Chandra Puljal are on the Board of PIL and they shall recuse themselves and not participate in any matter(s) concerning or relating to the offer including any preparatory steps relating to the offer.

3.1.10 The Acquirers being newly incorporated companies the past financial data is not available and not being provided.

3.1.11 The Acquirer companies have acquired Equity shares of PIL as stated in para 2.1.5 which has triggered the Regulations and as a consequence the Acquirer have made a public announcement for an open offer.

3.1.12 Both the Acquirer companies are newly incorporated Private limited companies and shall adopt the accounting policies prescribed by the Institute of Chartered Accountants of India.

3.1.13 The Acquirer Companies are private limited companies, hence the requirements of Corporate Governance are not applicable to them. Further, as these are newly incorporated companies the details regarding merger/demerger, spin off are not applicable.

3.1.14 The shareholding pattern of both the acquirer companies as on the date of PA are as under :-

Thapati Trading Private Limited

S.No.	Name of Shareholder	No. of shares held	% to total equity capital
1	Mr. J. Nrupender Rao	40000	80
2	Mr. P. Bhaskara Rao	10000	20
	Total	50000	100

Palguna Consultants Private Limited

S.No.	Name of Shareholder	No. of shares held	% to total equity capital
1	Mr. J. Nrupender Rao	90000	90
2	Mr. P. Bhaskara Rao	10000	10
	Total	100000	100

3.1.14.1 TTPL and PCPL belong to the Promoter Group of the Target Company. The other companies belonging to the group are Pennar Aluminium Company Limited and Pennar Chemicals Limited. These acquirer companies have not promoted any companies since incorporation.

3.1.14.2 The Directors of TTPL and PCPL are Mr. J. Nrupender Rao and Mr. P. Bhaskara Rao who are also the on the Board of Directors of the Target Company. Mr. J. Nrupender Rao is the Executive Chairman of the Target Company.

3.1.14.3 TTPL has an authorized capital of Rs.500 lacs comprising 50,00,000 equity shares of Rs.10/- each. The paid-up equity capital is Rs.5 lacs. In addition, the Share Application Money received by the Company is Rs.441.95lacs. It being a newly incorporated company, the past financial data including ratios are not applicable. The Net Worth of TTPL as on the date of PA was Rs.442.58 Lakhs.

3.1.14.4 PCPL has an authorized capital of Rs.500 lacs comprising 50,00,000 equity shares of Rs.10/-each. The paid-up equity capital is Rs.10 lacs. Further, the Share Application Money received by the Company is Rs.442.25lacs. It being a newly incorporated company, the past financial data including ratios are not applicable. The Net Worth of PCPL as on the date of PA was Rs.447.89 Lakhs.

3.1.14.5 Both the acquirer companies being private limited companies, the equity shares of these companies are not listed on any stock exchanges.

3.1.14.6 Both the Acquirer Companies have not promoted any Companies.

3.1.15 **Background of the Persons Acting in Concert**

3.1.15.1 The names, addresses and phone numbers of PAC's are given as under :-

Sr. No.	Name	Address	Phone Number
1	Mr. J. Nrupender Rao, Mrs. J Rajyalakshmi, Mr. J Aditya N Rao, Mrs. Avanti Rao, Mrs. Ch. Arathi, Mr. Ch Sridhar and M/s J N R Associates,	Plot no. 381, Road No. 10, Jubilee Hills, Hyderabad - 500 034,	040 - 23607193
2	Mr. P. Bhaskara Rao and Mrs. P Anasuya	Plot No. 510, Gowtham Nagar Colony, Malkajgiri, Hyderabad - 500 047	040 - 27054207
3	Mr Ch Ananth Reddy	Flat No. 202, Padmavathi Apartments, Sadat Manzil, Ameerpet, Hyderabad-16 .	040 23403470
4	Pennar Chemicals Ltd	3rd Floor Saptagiri Towers, Begumpet Hyderabad 500 016	040 27762723
5	Exel Engineering Ltd	3rd floor Saptagiri Towers, Begumpet, Hyderabad 500 016	27765388
6	Mr. Vijay Chandra Puljal, Mrs. P Jayanthi, Ms. P Bhavana, Ms. P Kalpana and M/s Vivekananda Enterprises	Flat No. 206, My Home Fernhill Apts, Somajiguda, Hyderabad 500082	040-23413087

3.1.15.2 Mr. J. Nrupender Rao and Mr. P. Bhaskara Rao are the Directors on the Board of both the Acquirer companies. Mr. Vijay Chandra Puljal and Mr. Ch. Anantha Reddy are the Shareholders, Directors of the Target Company and are also the PACs with the Promoters of the Target Company.

3.1.15.3 The PACs other than those referred to in Para 3.1.15.2 are shareholders as well as Promoters or PACs of the Promoters of the Target Company.

3.1.15.4 The PACs have not entered into any agreement with regard to the offer / acquisition of shares except that the Board Resolutions of the Acquirer companies in respect of the Open Offer have been passed by these two individuals as the only members of the Board of Directors of the Acquirer Companies.

3.1.15.5 The principal areas of business and relevant experience of the PACs is described below:-

Mr. J. Nrupender Rao

Mr. Nrupender Rao aged 60 years is an engineering graduate with a B.Tech degree from Indian Institute of Technology, Kharagpur and acquired his masters degree in M. S. Operations Research & Industrial Engineering from Purdue University, USA.

Mr. Nrupender Rao has 38 years of experience in various disciplines of manufacturing industry. He had worked in different managerial levels with organizations like National Cash Register, USA, Union Carbide India, Nagarjuna Steels Limited.

As an entrepreneur, he co-promoted ITW Signode (then Nagarjuna Signode) in 1980 along with Nagarjuna Steels Limited and Signode Corporation of USA. He later promoted Pennar Steels Limited in 1985 for the manufacture of Cold Rolled Steel Strips. In the FY 1997-98 NSL Limited of the Nagarjuna Group merged into Pennar Steels Limited and the merged entity was renamed as Pennar Industries Limited (PIL). PIL is now a multi location, multi product Company.

Mr. J. Nrupender Rao has also promoted M/s Pennar Aluminum Company Limited and M/s Pennar Chemicals Limited.

Mr. P. Bhaskara Rao

Mr. P. Bhaskara Rao aged 57 years is an M. Tech by qualification and has about 35 years of experience in senior positions in various companies such as KCP Ltd., NSL Ltd., Coromandel Fertilizers Ltd., HIP Alloys Ltd., Progressive Aluminium Limited, Pennar Aluminium Company Ltd. and Pennar Profiles Ltd..

Mr. Ch. Anantha Reddy

Mr. Ch. Anantha Reddy, aged 58 years is a B.Tech from REC, Warangal and has about 30 years of experience in senior positions in various companies such as Hindustan Aeronautics Limited, Nagarjuna Steels Limited, ITW Signode and Pennar Industries Limited.

Mr. Vijay Chandra Puljal

Mr. Vijay Chandra Puljal, aged 55 years is an MSc in Agricultural Sciences and has about 30 years experience in industry.

Pennar Chemicals Limited (PCL)

PCL is a part of the Pennar Group of Industries and it has not entered into any agreement for acquisition of shares of the Target Company or for the Offer.

PCL incorporated in the year 1992 with technical collaboration with ELF Antar France (now known as Total France) had setup manufacturing facilities at Mallapur near Hyderabad. PCL manufactures ELF AC 13S - Combustion Improver and ACS 82 - Storage stabilizer. PCL markets Kerosene additive - VAL 2S 1750, PC 30 - Lubricity Improver and RV 100 - Cetane Improver. The Company has registered office at Hyderabad with branches all over India

PCL has also signed the MOU with Cummins Diesel Sales & Service (India) Limited for use of additives in their DG Sets using alternate Fuel. PCL has more than 250 Customers all over India.

The Promoters of the company are Ms. J. Rajya Lakshmi, Ms. J.Avanthi, Ms. Ch. Aarti and Mr. J. Aditya N. Rao.

PCL has not complied with the applicable provisions of Chapter II in respect of the shares of the target company held by it.

The details of the Board of Directors of PCL are as under :-

Name	**Date of Appointment**	**Address**
Sri. Joginapally Nrupender Rao Chairman S/o.Sri (Late) J.V.Narsing Rao	04.08.1992	381, Road No.10 Jubliee Hills HYDERABAD - 500 034
Sri.Raman Krishnan Director S/o.Sri (Late) P.M.Raman Nair	26.09.1995	4C, May Flower Royale 21, Bhashyakar Street (Near Maruti Cinema), R. S. Puram COIMBATORE 641 018
Sri.Rangaswamy Srinivasa Sampath Exec. Director S/o.R.Srinivasa Ayyangar	01.11.1999	102, Samyuktha Apartments Raghava Colony, Sikh Village SECUNDERABAD - 500 009
Sri.Tiruvalam Natarajan Janaki Raman Director S/o.Sri (Late) T.J.Natarajan	29.08.1992	208, Sagar Apartment Rajbhavan Road HYDERABAD - 500 482
Wg. Cdr. Avula Bharat Bhushan Director S/o.Sri.A.Ramalingam	29.08.1997	38, Krishnapuri Colony West Marredpally SECUNDERABAD - 500 026

Shri Nrupender Rao, Chairman, a B.Tech from IIT Kaharagpur, is the Promoter of Pennar Group of Industries.

Shri R S Sampath, Executive Director is a Chartered Accountant of 1968 batch. Having about 30 years of rich and diverse experience with Voltas Limited and Pennar Group.

Shri R Krishnan, Director, an Electrical Engineering graduate has rich and diverse experience for more than 45 years with FACT, IFFCO and Nagarjuna Fertilizers and Chemicals etc.

Shri T.N.J.Raman is a B.A. (Hons) in Economics from Delhi University was the Executive Director of Jenson & Nicholson during 1971 - 74. He was with Union Carbide India Limited at Calcutta and has held positions in various associations and committees on Personnel Management, Chambers of Commerce etc.

Wg. Cdr. (Retd.) A. B. Bhushan is an MBA from Madras University. He had 25 years of experience in Indian Air Force. He was the President of Indo American Chamber of Commerce(IACC) AP Chapter and is a member of the national council of IACC.

FINANCIALS OF PENNAR CHEMICALS LIMITED

	AUDITED			**AMOUNT RS. IN LAKHS**
	Audited			**Certified**
PROFIT & LOSS STATEMENT	**31.03.2003**	**31.03.2004**	**31.03.2005**	**01.04.2005 14.12.2005**
INCOME FROM OPERATIONS	1271.40	1400.44	834.83	572.40
OTHER INCOME	7.08	12.98	14.96	7.17
TOTAL INCOME	1278.48	1413.42	849.79	579.57
TOTAL EXPENDITURE	1125.12	1227.75	732.10	486.89
PROFIT BEFORE DEPRECIATION INTEREST & TAX	153.36	185.67	117.69	92.68
DEPRECIATION	18.65	26.36	22.38	15.64
INTEREST	8.32	2.30	0.89	0.19
PROFIT BEFORE TAX	126.39	157.01	94.42	76.85
PROVISION FOR TAX	76.20	59.86	29.61	25.87
PROFIT AFTER TAX	50.19	97.15	64.81	50.98
BALANCE SHEET STATEMENT				
SOURCES OF FUNDS				
PAID UP SHARE CAPITAL	99.96	99.96	99.96	99.96
RESERVES & SURPLUS	207.14	312.85	332.17	383.16
NET WORTH	307.10	412.81	432.13	483.12
SECURED LOANS	25.53	0.00	0.00	0.00
UNSECURED LOANS	64.13	65.14	56.64	56.64
TOTAL	396.76	477.95	488.77	539.76
NET FIXED ASSETS	172.41	192.40	175.61	164.54
INVESTMENTS	23.48	5.00	5.00	30.40
NET CURRENT ASSETS	200.87	280.55	308.16	344.82
MISCELLANEOUS EXPENDITURE NOT WRITTEN OFF	0.00	0.00	0.00	0.00
TOTAL	**396.76**	**477.95**	**488.77**	**539.76**
OTHER FINANCIAL DATA				0.00
DIVIDEND %	0.00	0.00	10.00	0.00
EARNINGS PER SHARE	5.02	9.72	6.48	5.10*
RETURN ON NET WORTH %	16.34	23.53	15.00	10.55*
BOOK VALUE PER SHARE	30.71	41.28	43.21	48.31

* Not annualised

PCL does not have any Contingent Liability. Due to change in the Government Policy there had been a shortfall in the Turnover of the Company by about 40% due to reduction in the sales of Kerosene additive.

The significant accounting policies of PCL are as under :-

Revenue Recognition : Sale of goods is recognized at the point of dispatch and is inclusive of Excise Duty and Sales Tax and net of discounts and sales returns.

Retirement Benefits : Retirement benefits in respect of gratuity and leave encashment at retirement / cessation has been provided on the basis actuarial valuation and the contribution is being paid to approved schemes of the Life Insurance Corporation of India. In respect of Provident Fund and Superannuation Fund, the contribution paid regularly to the Government / Life Insurance Corporation and is charged to revenue.

Investments : Investments are stated at cost of acquisition and the same are considered as long term investments.

PCL is not a listed Company and hence the details regarding Corporate governance, pending litigation, Compliance Officer and merger / demerger, spin off are not applicable..

Exel Engineering Ltd.

Exel Engineering Ltd (EEL) was incorporated on 15th March 1984. Since then the Company is involved in business relating to financial services, investments and trading. . Its Promoters are Mr. J. Nrupender Rao and Mr. Vijay Chandra Puljal, who also form part of the promoters of Pennar Industries Ltd. The Directors of the company are Mr. A. Rajender, Mr. A. Srinivasa Rao, Mr.M. Rajeshwara Rao.

Exel Engineering Ltd has not entered into any agreement with the Acquirers or PACs for acquisition of the shares of the Target Company.

The applicable provisions of Chapter II of the SEBI Takeover Regulations have not been complied with by Exel Engineering Ltd.

The details of the Board of Directors of Exel Engineering Ltd are as under :-

Names	Addresses
Mr. D. A. Rajender	Flat No. 403, My Home Lakshmi Nivas Apartments, Opposite Green park hotel, Green lands, Ameerpet, Hyderabad.
Mr. A. Srinivasa Rao	4D, 3rd Floor, Geetanjali Apartments, Ramkote, Hyderabad.
Mr. M. Rajeshwara Rao	House No. 54, Rail vihar, Serilingampally, Rangareddy District. None of the members of the Board of Directors are on the Board of Directors of the Target Company.

Details of experience, qualifications, date of appointment of the Board of Directors.

Name	**Details of Experience**	**Qualifications**	**Date of appointment**
Mr. D. A. Rajender	Doctor with 20 years of experience	MBBS	05.03.1986
Mr. A. Srinivasa Rao	Retired Deputy Secretary - Industries Department in State Government of AP	BA	20.01.1986
Mr. M. Rajeshwara Rao	Agriculturist	SSC	04.06.2004

FINANCIALS OF EXEL ENGINEERING LIMITED AMOUNT RS. IN LAKHS

	AUDITED			CERTIFIED
PROFIT & LOSS STATEMENT	**2002-2003**	**2003-2004**	**2004-2005**	**30-06-05**
INCOME FROM OPERATIONS	36.15	21.91	36.01	0
OTHER INCOME	0.04	0.02	37.18	9.00
TOTAL INCOME	36.19	21.93	73.186	9.00
TOTAL EXPENDITURE	69.19	23.01	30.85	0.90
PROFIT BEFORE DEPRECIATION	(32.995)	(1.07)	42.34	8.096
DEPRECIATION	0.26	2.31	2.01	0
INTEREST	0	0	0	0
PROFIT BEFORE TAX	(33.26)	(3.39)	40.33	8.10
PROVISION FOR TAX(EARLIER YEARS TAX PAID)	0	0	45.81	0
PROFIT AFTER TAX(LOSS)	(33.24)	(3.39)	(5.47)	8.09
BALANCE SHEET STATEMENT				
SOURCES OF FUNDS				
PAID UP SHARE CAPITAL	50.43	50.43	50.43	50.43
RESERVES & SURPLUS	0	0	0	0
SECURED LOANS	0	0	0	0
UNSECURED LOANS	88.63	88.63	88.63	88.63
TOTAL	**139.06**	**139.06**	**139.06**	**139.06**

PROFIT & LOSS STATEMENT	AUDITED 2002-2003	2003-2004	2004-2005	CERTIFIED 30-06-05
USES OF FUNDS				
NET FIXED ASSETS	2.50	9.99	7.99	7.99
INVESTMENTS	16.7	16.7	46.2	44.7
NET CURRENT ASSETS	(161.90)	(172.78)	(118.07)	(108.47)
MISCELLANEOUS EXPENDITURE				
PROFIT & LOSS ACCOUNT (LOSS)	281.76	285.15	202.94	194.84
TOTAL	**139.06**	**139.06**	**139.06**	**139.06**
OTHER FINANCIAL DATA				0.00
DIVIDEND %	0	0	0	0
EARNINGS PER SHARE	(6.60)	(0.67)	(1.09)	1.61*
RETURN ON NET WORTH %	0	0	0	0
BOOK VALUE PER SHARE	(6.60)	(0.67)	(1.09)	1.61

* Not annualised

Exel Engineering Ltd does not have any contingent liability.

JNR Associates and Vivekananda Enterprises are two partnership firms involved in investments.

Mr. Ch. Sridhar

Sridhar Chelikani is a MTech from Indian Institute of Science, Bangalore and an MBA from the University of Illinois. He has ten years experience in industry and is a director of Saven Technologies Limited..

J Rajyalakshmi, Ch. Arathi, Avanthi Rao, J Aditya N Rao, P Anasuya, P Jayanthi, P Bhavana and P Kalpana are family members of the above mentioned persons and constitute part of the promoters group and are not involved in any business activities.

3.1.16 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Mr. J Nrupender Rao is Rs.135.82 lacs as on 14th December 2005 vide certificate dated 23rd January 2006.

3.1.17 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Mr. P Bhaskara Rao is Rs.114.65 lacs as on 14th December 2005 vide certificate dated 23rd January 2006.

3.1.18 Mr. Ravi Rambabu, Partner, M/s Rambabu & Co., Chartered Accountants, Flat No.32, Pancom Chambers, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23311587/23318152, Fax No.040 - 23397182, Membership No.18541) has certified that the Net Worth of Mr. Ch Anatha Reddy is Rs 76.40 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.19 Mr. Ravi Rambabu, Partner, M/s Rambabu & Co., Chartered Accountants, Flat No.32, Pancom Chambers, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23311587/23318152, Fax No.040 - 23397182, Membership No.18541), has certified that the Net Worth of M/s Pennar Chemicals Limited is Rs.483.11 lacs as on 14th December 2005. Vide Certificate dated 15th December 2005

3.1.20 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of M/s Vivekananda Enterprises is Rs.0.72 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.21 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of M/s JNR Associates is Rs.1.25 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.22 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of M/s Exel Engineering Ltd is Rs.16.63 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.23 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Mr. Vijay Chandra Puljal is Rs.19.03 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.24 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Smt. J Rajyalakshmi is Rs.60.25 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.25 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Mr. J Aditya N Rao is Rs.71.37 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.26 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Smt. Ch Arathi is Rs.59.06 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.27 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Mr. Ch Sridhar is Rs.20.69 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.28 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Smt. Avanti Rao is Rs.71.52 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.29 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Smt. P Anasuya is Rs.35.72 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.30 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Smt. P Jayanthi is Rs.7.11 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.31 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Ms. P Bhavana is Rs.34.86 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.32 Mr. C V Koteswara Rao, Partner, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat No.222, Amrutha Ville Apartments, Left Wing, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 (Phone Nos.040 - 23394982/23394985, Fax No.040 - 23430633, Membership No.28353), has certified that the Net Worth of Ms. P Kalpana is Rs.27.31 lacs as on 14th December 2005. Vide Certificate dated 23rd January 2006.

3.1.33 The disclosure regarding the compliance of the applicable provisions of Chapter II of the Regulations by the PACs has been mentioned under para no. 3.1.6.

3.1.34 The details of the positions held by the PAC's on the Board of Directors of listed companies have been furnished under the para 5.11.

3.1.35 Mr. J. Nrupender Rao is a full time Director in M/s Pennar Industries Limited where he is the Executive Chairman.

3.1.36 The names of the companies where Mr. P. Bhaskara Rao is a full time Director are as under :-

(a) Pennar Profiles Limited

(b) Pennar Aluminium Company Limited

3.1.37 The details of the earlier acquisitions, made in the target company, change in shareholding pursuant to the said acquisition are as under :-

Sl No.	Name	Date of Acquisition	Mod of Acquisition	Price (Rs.)	No. of Equity Shares	% after such Acquisiton
1	Nrupender Rao	22.08.05	Part 3 of Scheme		476568	0.63
		29.08.05	Part 5 of Scheme	5	1095400	1.43
	Total				**1571968**	**2.06**
2	P Bhaskara Rao	29.08.05	Part 5 of Scheme	5	300000	0.39
3	Ch Ananth Reddy	22.08.05	Part 3I of Scheme		700	0.01
		29.08.05	Part 5 of Scheme	5	660000	0.86
	Total:				**660700**	**0.87**
4	Pennar Chemicals Ltd	29.08.05	Part 5 of Scheme	5	300000	0.39
5	Vivekananda Enterprises	22.08.05	Part 3I of Scheme		114154	0.15
6	JNR Associates	22.08.05	Part 3 of Scheme		107400	0.14
7	Exel Engineering	22.08.05	Part 3 of Scheme		1290939	1.69
		29.08.05	Part 5 of Scheme	5	2298115	3.01
	Total:				**3589054**	**4.70**
8	Vijay Chandra Puljal	22.08.05	Part 3 of Scheme		135140	0.18
		29.08.05	Part 5 of Scheme	5	412000	0.72
	Total				**547140**	**0.72**
9	J Rajyalakshmi	22.08.05	Part 3 of Scheme		78100	0.10
		29.08.05	Part 5 of Scheme	5	1615000	2.12
	Total				**1693100**	**2.22**
10	J Aditya N Rao	22.08.05	Part 3 of Scheme		850	
		29.08.05	Part 5 of Scheme	5	1532020	2.01
	Total				1532870	2.01
11	Ch Arathi	22.08.05	Part 3 of Scheme		2740	0.01
		29.08.05	Part 5 of Scheme	5	1278439	1.67
	Total:				**1281179**	**1.68**
12	Ch Sridhar	29.08.05	Part 5 of Scheme	5	696000	0.91
13	Avanti Rao	22.08.05	Part 3 of Scheme		1840	
		29.08.05	Part 5 of Scheme		535220	0.70
	Total:				537060	0.70
14	P Anasuya	29.08.05	Part 5 of Scheme	5	200000	0.26
15	P Jayanthi	22.08.05	Part 3 of Scheme		61300	0.08
		29.08.05	Part 5 of Scheme	5	596360	0.78
	Total				**657660**	**0.86**
16	P Bhavana	22.08.05	Part 3 of Scheme		3500	
		29.08.05	Part 5 of Scheme	5	985299	1.29
	Total:				**988799**	**1.29**
17	P Kalpana	29.08.05	Part 5 of Scheme	5	715081	0.94

Part 3 of the Scheme- reorganization of old equity shares of Rs.10/- each into new equity shares of Rs.5/- each and new preference shares of Rs.5/- each as per part 3 of the Scheme.

Part 5 of the Scheme- Allotment of equity shares of Rs.5/- each as per part 5 of the Scheme.

3.1.38 The object and purpose of the acquisition of the shares in the open offer is to comply with the Regulations and to consolidate the holdings of the promoters / promoters group of PIL.

3.1.39 The acquirers do not intend to dispose of or otherwise encumber any assets of the target company in the succeeding two years, except in the ordinary course of business of the target company.

3.1.40 The Acquirers and PACs have not made any future plans in respect of the target company for the purposes of this open offer. The future plans of the target Company have been chalked out by the Board of Directors of the Target Company of which the PACs are already the members. The acquisition of shares by the acquirers from IDBI and this Open offer is for the purpose of consolidation of holdings of the promoters.

3.1.41 The Acquirers 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.

4. Option in terms of Regulation 21(3), if applicable

4.1 The provisions of Regulation 21(3) are not applicable.

4.1.1 The minimum non-promoter shareholding requirement as per clause 40A of the Listing Agreement does not apply since the Target Company is registered with BIFR in view of sub-clause (iv) of clause 40A of the Listing Agreement.

5. BACKGROUND OF THE TARGET COMPANY

5.1 The Registered office of the company is situated at 1-10-75/1/1-6, 3rd floor, Saptagiri Towers, S.P. Road, Begumpet, Hyderabad - 500 016, Phone No (040) 27766781-85, Fax No.(040) 27768056, Email : pilhyd@sancharnet.in. The Corporate office of the Company is situated at the IDA, Patancheru, Medak District, Andhra Pradesh Phone No (08455) 242184-193, Fax No.(08455) 242161, 242424 .

5.2 The Target Company, M/s Pennar Industries Limited was incorporated on 8th August 1975 as M/s Pennar Steels Limited and obtained a certificate of commencement of business on 16th December 1975. It obtained a fresh certificate of incorporation consequent on change of name to M/s Pennar Industries Limited vide certificate dated 30th September 1998.

The total paid-up capital of the Target Company as on the Date of the Public Announcement comprises 7,63,57,479 equity shares of Rs.5/- each fully paid-up aggregating Rs.3817.87 lacs. The Company also has 60,000 Series A, 14% Cumulative Redeemable Preference shares of Rs 100 /-each, 4,40,000, Series A, 15% Cumulative Redeemable Preference shares of Rs 100 /-each, 1,66,49,119 Series B, 0.01% Cumulative Redeemable Preference shares of Rs 5 /-each, 93,73,862 Series C, 0.01% Cumulative Redeemable Preference shares of Rs 5 /- each, There are no partly paid-up equity shares of the Target Company. There are 1,60,00,000 out standing warrants as on the date of the draft letter of offer.

Pennar Industries Limited set up a Cold Rolled Steel Complex at Isnapur, Hyderabad with a capacity of 30000 MT per annum in 1988. The capacity was expanded during 1996 to 60000 MT per annum. Merger of NSL Limited of the Nagarjuna Group into Pennar Industries Limited was effected during the FY 1997-98 as it was considered desirable to achieve economies of scale and a diversified product mix. Merger resulted in increasing production capacity to 142000 TPA; and addition of new products - Cold Rolled Formed Profiles (CRFS), Pressed Components, Pre-engineered building systems, and Road Safety Systems. The company also acquired in 1999 the cold rolled formed sections plant at Tarapur from Tube Investments Company, Madras.

The lenders of the Company sanctioned a Debt Restructuring package to PIL under the aegis of Corporate Debt Restructuring (CDR) Forum. In order to implement the CDR package, the members of the Company and its secured lenders approved a Scheme of Reconstruction and Arrangement ("Scheme").

Later, the Hon'ble High Court of Andhra Pradesh at Hyderabad sanctioned the said Scheme vide order dated July 1, 2005. The following were part of the Scheme :-

(a) Conversion of the old Equity Shares of Rs.10/-each into new equity shares of Rs.5/- each and new 0.01% Cumulative Redeemable Preference Shares of Rs.5/- each redeemable at par in three annual installments commencing from 2013-14 and ending in 2015-16.

(b) Conversion of Funded Interest Term Loans of Financial Institutions into equity and preference shares.

(c) Contribution towards equity by promoters, their friends and relatives, associates and strategic / financial investors to the extent of Rs.1500 lacs.

Salient operative features of the scheme

The Scheme of reconstruction and arrangement of Pennar Industries Limited has been sanctioned by the High court of Andhra Pradesh vide its order dated July 1,2005, Part 3-6 of the Scheme contains the operative part. The salient operative features of the scheme are described as follows:

Part 3 of the Scheme

Upon the scheme becoming effective, without further application, act or deed, 50% of the face value of rs 10/- each of 1,66,49,199 fully paid equity shares shall stand converted into 1,66,49,119 number of 0.01% cumulative redeemable preference shares of Rs 5/- each (hereafter referred to as "Preference Shares") credited as fully paid up in the share capital of the company, redeemable at par in three annual instalments commencing from 2013 -14 and ending in 2015-16 at the rate of Rs 1.66, Rs 1.67 and Rs 1.67 respectively per Preference share of Rs 5/- each. Consequently, the face value of each of the 1,66,49,119 equity shares in the share capital of the company after such conversion shall be only rs 5/- each.

The members holding shares in the physical form and whose names appear on the Register of Members as on the Record date shall, be issued new share certificates for the equity shares of Rs 5/- each fully paid up and for the Preference shares of Rs 5/- each fully paid up allotted in their favour, in lieu of the exisiting share certificates for the equity shares, which shall without any further application, act, instrument of deed, be deemed to have been automatically cancelled upon such issue of new share certificates by the company in pursuance of the scheme. Similar effect shall be given to the shares held by the members in the dematerialized form, whose names appear on the Register of Members as on the Record date.

The Preference shares to be issued by PIL pursuant to this scheme shall, be listed on the Hyderabad and Bombay stock exchanges. The Preference shares will be issued in dematerialized form to those equity shareholders who hold the shares in dematerialized form, provided all details relating to the account with the Depository participant are available to PIL.

Part - 4 of the Scheme

Conversion of Funded interest Term loans into Equity/Preference shares by Secured Creditors/ Financial Institutions/ Debenture holders.

The simple interest accured and due upto the cut off date along with simple interest accruing from July 1,2002 upto March 31,2004 on Term loans and Debentures amounting to Rs 2285 lakhs has been funded as a funded interest term loan (FITL). Upon the scheme becoming effective, but after conversion of 50% of the existing equity into Preference Shares, without any further application, act or deed part of the FITL, will be converted into equity shares of Rs 5 each at par and part into 0.01% cumulative redeemable preference shares (CRPS) of Rs 5/- each at par, fully paid-up, as the case may be, redeemeable in 10 quartely instalments from October 1,2013 to January 1, 2016, with an option for conversion into equity, as under:

Institution	IDBI	ICICI	IFCI	Total
Equity	663	732	90	1485
CRPS	424	-	46	470
FITL	-	330**	-	330
Total	**1087**	**1062**	**136**	**2285**

** After conversion of Rs 732 lakhs of ICICI's loan into equity, the balance amount of Rs 330 lakhs of FITL is to be repaid in 10 equal quarterly installments commencing from October 1, 2013 and ending on January 1, 2016. ICICI shall have the option to convert this FITL into 0.01% CRPS within a period of 18 months from the date of sanction of the CDR package.

Part 5 of the Scheme

Contribution towards equity by Promoters to the extent of Rs 1500 lakhs

After the effective date, subject to approvals as may be necessary, appropriate number of equity shares of Rs 5/- each in the share capital of the company shall be issued in accordance with and at a price as per SEBI (Disclosure & Investor Protection) Guidelines, 2000 for Preferential Issues or at par, whichever is higher to the Promoters against the unsecured loans of Rs 1001.19 lakhs brought in by the Promoters as of November 30,2004. In respect of the balance amount of Rs 498.81 lakhs , appropriate number of equity shares of Rs 5/- each shall be issued for cash in accordance with and at a price as per SEBI (Disclosure & Investor Protection) Guidelines, 2000 for Preferential issues or at par, which ever is higher, to the promoters, payable in one or more tranches as the Board of PIL may decide and which shares in whole or in part may be transferred to Strategic / Financial Investors after the Lock - in period under the relevant SEBI (Disclosure & Investor Protection) Guidelines, 2000 and such transfers when effected shall be treated to have been made in pursuance of the Scheme. The equity shares issued pursuant to this paragraph shall rank pari passu in all respects with the then existing equity shares of the company and all such equity shares allotted shall be listed on the Stock Exchanges where the existing equity shares are listed.

Part 6 of the Scheme

Contracts, Deeds etc

Subject to the provisions of this Scheme, PIL shall enter into and / or issue and/ or execute deeds, writings or confirmations or enter into any arrangements, confirmations or novations, in order to give formal effect to the provisions of the Scheme, if so required or it becomes necessary.

Modification or Amendments to the Scheme

PIL by their respective Board of Directors or any committee constituted by them may assent to any modifications/ amendments to the Scheme or to any conditions or limitations that the , Andhra Pradesh High Court and/ or appropriate Tribunals and / or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them. PIL by its Board of Directors or any committee constituted by them be and is hereby authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authority or otherwise howsoever arising out of or by vitue of the Scheme or implementation thereof and/ or any matter concerned or connected therewith.

Conditionality of the Scheme

This scheme is and shall be conditional upon and subject to :

The approval to the scheme by the requisite majority of the shareholders of PIL.

The approval to the Scheme by the requisite majority of the class of Secured Creditors, namely, IDBI, ICICI Bank Ltd, and IFCI ltd.

The sanction of the High Court of Judicature of Andhra Pradesh under Sections 391 to 394 of the Act, to the Scheme and the necessary certified orders being filed with the Registrar of Companies, Andhra Pradesh under Section 391(3) of the Companies Act, 1956.

The Provisions contained in this Scheme are inextricably inter-linked with the other provisions and the scheme consisting of Para 3, 4, 5 and 6 thereof constitutes an integral whole. The Scheme would be given effect to only if it is approved in its entirety as aforesaid unless specifically agreed to otherwise by the Board of Directors of PIL or any Committee constituted by it.

Rounding Off

The outstanding figures wherever given in the Scheme show the nearest rounded off figures. But actual conversions shall be based on accurate workings. The Board of Directors has full powers to clarify including rounding off any other doubts that may arise at the time of implementation of the scheme in the best interests of all the parties.

Demat form - Physical Form

The shares of PIL will be issued in dematerialized form to those equity shareholders who hold the shares of PIL in dematerialized form, provided all details relating to the account with the depository participant are available to PIL. All those equity shareholders who hold shares of PIl in physical form will be issued shares of PIL in the physical form unless otherwise communicated in writing by the shareholders on or before such date as may be deteremined by the Board of PIL or committee thereof.

Current status of the process of restructuring

Conversion of Equity

The scheme became effective from August 16, 2005 the date on which the certified copy of the High Court order was filed with the Registrar of Companies, Hyderabad. New equity shares of Rs 5/- each and new Preference shares of Rs 5/ - each were allotted in lieu of cancelled old equity shares of Rs 10/- each. Bombay Stock Exchange has granted listing and trading permissions for 1,66,49,119 equity shares of Rs 5/- each and 1,66,49,119 preference shares of Rs 5/- each with effect from January 10,2006. The listing and trading permission is awaited from Hyderabad Stock Exchange in respect of these shares.

Conversion of Funded Interest Term Loans (FITL) of Financial Institutions into Equity and Preferenc shares

2,97,08,360 equity shares of Rs 5/- each and 93,73,862 Preference shares of Rs 5/- each were allotted to financial institutions on conversion of FITL. The Target company has made listing application to the stock exchanges vide letter dated : December 6, 2005 for 2,97,08,360 equity shares.

Fresh contribution towards Equity by Promoters

3,00,00,000 Equity shares of Rs 5/- each were allotted to the Promoters group in different tranches on different dates between August 29, 2005 to October 18, 2005. The target company has applied for listing of 1,45,48,934 Equity shares allotted on August 29, 2005 vide its letter dated January 30,2006 and also applied for listing of the balance 15451066 equity shares allotted in different tranches vide its letter dated February 04, 2006. These shares are under lock-in for a period of 1 year.

The net worth of the Company had been eroded as on 30th June 2002. The Company made a reference to the Board for Industrial and Financial Reconstruction (BIFR) as per the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 and was registered as a sick company vide registration No.87/2003.

5.3 PIL has three plants for manufacturing of the various products :

a) Pantancheru Unit:

The Patancheru unit has facilities for manufacture of Cold Rolled Steel Strips (CRSS), Cold Roll Formed Steel

Profiles and Sections (CRFS) and Engineering Components with capacity of 100300 TPA.

b) Isnapur Unit:

The manufacturing unit at Isnapur unit has facilities for the production of 52860 TPA of CRSS.

c) Tarapur Unit:

The Tarapur unit has a capacity to produce 14000 TPA of CRFS.

The Product Range

The range of products manufactured by PIL is as under :-

a) Special Cold Rolled Steel Strips (CRSS) ranging from 0.25 mm to 4.00 mm thickness and width ranging from 20 mm to 740 mm.

b) Cold Roll Forming Sections catering to the following industrial segments:-

i) Automobiles -Bus / LCV segment

ii) Electrostatic Precipitators

iii) Building Systems

iv) General engineering industries

In addition PIL also provides total solutions in the following areas :-

i) Pre-engineered building systems

ii) Metal Decking & Composite Roofing Sheets

iii) Industrial Racking

iv) Highway Safety Barrier Systems

v) Pre-fab shelters

c) Engineering Components

The Components division is a step toward forward integration to supply value added products to PIL's customers.

PIL serves a variety of customers spread over diverse industry segments such as automobiles and ancillaries, electrical appliances, refrigerators, washing machines, furniture and containers.

5.4 Share capital structure of the target company as on the. date of Public Announcement

Paid up Equity Shares of Target Company	No. of Shares / voting rights	% of shares/voting rights
Fully paid up equity shares	7,63,57,479 Equity shares of Rs. 5/- each. There are 1,60,00,000 outstanding Warrants.	100% of Shares and 82.68% of the Voting rights after taking in to consideration the outstanding warrants.
Partly paid up equity shares	Nil	Nil
Total paid up equity shares	7,63,57,479 Equity shares of Rs 5/- each.	100% of shares
Total voting rights in Target company	9,23,57,479	100%

Note : Out of the total 1,60,00,000 outstanding warrants, 72,50,000 warrants are eligible for conversion during the Financial Year 2005-2006.

5.5 Build-up of the capital structure of the target company since inception :-

Prior to reorganization of equity capital as per Scheme

Date of allotment	No of shares issued of Rs.10/- each	% to paid up to the equity capital prior to re-organization	Cumulative paid up capital	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of Regulations
11.07.1986	658780	3.93	6587800	Cash	Promoters	
28.11.1986	358600	2.14	10173800	Cash	Promoters	
18.05.1987	359600	2.15	13769800	Cash	Promoters	Not Applicable.
07.09.1987	382200	2.28	17591800	Cash	Promoters	

Date of allotment	No of shares issued of Rs.10/- each	% to paid up to the equity capital prior to re-organization	Cumulative paid up capital	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of Regulations
19.12.1987	162500	0.97	19216800	Cash	Promoters	
31.05.1988	1686920	10.08	36086000	Public Issue	Promoters and Others	
19.11.1991	1443427	8.62	50520270	Rights Issue	Promoters & Others	
16.04.1993	2331295	13.93	73833220	Rights Issue	Promoters & Others	
31.08.1998	9356884	55.90	167402060	Pursuant to Merger of NSL	Promoters & Others	Not Applicable as the allotments are as per the Scheme of Merger of NSL.

Note :- 91,087 equity shares of Rs.10/- each were forfeited during the financial year 2004-05.

The changes in the capital structure pursuant to the Scheme of Reconstruction and Arrangement approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad are as under :-

S. No.	Particulars of Change
1	Equity Capital of the Company was reorganized and new equity shares of Rs.5/- each were issued in lieu of the cancelled old equity shares of the face value of Rs.10/- each on 22nd August 2005.
2	0.01% Cumulative Redeemable Preference Shares of Rs.5/- each were issued for the balance Rs.5/- per share in respect of the cancelled old equity shares of Rs.10/- each on 22nd August 2005.
3	New Equity Shares of Rs.5/- each and 0.01% Cumulative Redeemable Preference Shares of Rs.5/- were allotted to Financial Institutions on 16th September 2005.
4	3,00,00,000 New Equity Shares of Rs.5/- each were allotted to the promoters of PIL, their friends and relatives, associates and strategic / financial investors on a Preferential Basis on various dates between 29th August 2005 and 18th October 2005.

Details of build up of equity capital structure after the Scheme as under :-

Date of allotment	No of shares issued of Rs.5/- each	% to equity capital as on 31.10.05	Cumulative paid up capital (Rupees)	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of the Regulations
22.08.2005	16649119	21.80	83245595	Reorga-nization	Promoters, FIs and Public	
29.08.2005	14548934	19.05	155990265	Preferential Allotment as per Scheme	Promoters & Others	
16.09.2005	29708360	38.90	304532065	Conversion of FITL as per Scheme	Financial Institutions	
17.09.2005	3090104	4.05	319982585	Preferential Allotment as per Scheme	Promoters & Others	Not Applicable as the allotments are as per the Scheme
23.09.2005	3232400	4.23	336144585	Preferential Allotment as per Scheme	Promoters & Others	
24.09.2005	1334480	1.75	342816985	Preferential Allotment as per Scheme	Promoters & Others	

Date of allotment	No of shares issued of Rs.5/- each	% to equity capital as on 31.10.05	Cumulative paid up capital (Rupees)	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of the Regulations
05.10.2005	2821800	3.70	356925985	Preferential Allotment as per Scheme	Promoters & Others	
06.10.2005	1799702	2.36	365924495	Preferential Allotment as per Scheme	Promoters & Others	
17.10.2005	1891500	2.48	375381995	Preferential Allotment as per Scheme	Promoters & Others	
18.10.2005	1281080	1.68	381787395	Preferential Allotment as per Scheme	Promoters & Others	

Note :- Warrants were issued to the Promoters Group on 30.08.2005

The details of the outstanding warrants are as under:

S. No.	Name	No. of Warrants convertible into equity shares			(e) as a % to total warrants
(a)	(b)	(c)	(d)	(e)	(f)
		Convertible in 2005-06	Convertible in 2006-07	Total	
1	Mr. J. Nrupender Rao	250000	250000	500000	3.26%
2	Mr. P. Bhaskara Rao	150000	150000	300000	1.96%
3	Mrs. J. Rajyalakshmi	950000	1550000	2500000	16.30%
4	Mr. J. Aditya N. Rao	1400000	2000000	3400000	22.17%
5	Ms. Avanti Rao	500000	500000	1000000	6.52%
6	Ms. Ch. Arathi	500000	500000	1000000	6.52%
7	Mr. Ch. Sridhar	500000	500000	1000000	6.52%
8	Ms. Laxma Reddy	76900	76900	153800	1.00%
9	Mrs. P. Anasuya	100000	100000	200000	1.30%
10	Mr. Ch. Anantha Reddy	215600	215600	431200	2.81%
11	Pennar Chemicals Ltd	800000	800000	1600000	10.43%
12	Exel Engineering Ltd	550000	850000	1400000	9.13%
13	Mr. Vijay Chandra Puljal	100000	100000	200000	1.30%
14	Ms. P. Jayanthi	250000	250000	500000	3.26%
15	Ms. P. Bhavana	250000	250000	500000	3.26%
16	Ms. P. Kalpana	250000	250000	500000	3.26%
17	Ms. Sunita	76850	76850	153700	1.00%
18	Mr. Narendra Reddy	76850	76850	153700	1.00%
19	Ms. Ch. Jyothi	53800	53800	107600	0.70%
20	Mr. B.Bal Reddy	50000	50000	100000	0.65%
21	Ms. B. Vanajatha Reddy	50000	50000	100000	0.65%
22	Mr. Shyamsunder Pal Reddy & Shanthi	100000	100000	200000	1.30%
	Total	7250000	8750000	16000000	100.00%

Details of the build up of the Preference Capital are as under :-

Date of allotment	No of shares issued of Rs.100/- each	Cumulative paid up capital	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of Regulations
15.11.1997	500000	50000000	Cash	Financial Institutions and Insurance Companies	Not Applicable

Note :- As on 31st October 2005, after redemptions, 60,000 Series A, 14% CRPS of Rs.100/- aggregating Rs.42 lacs are remaining and 4,40,000 Series A, 15% CRPS of Rs.100/- aggregating Rs.359 lacs are remaining.

Date of allotment	No of shares issued of Rs.5/- each	Cumulative paid up capital Rs.	Mode of allotment	Identity of allottees (promoters/ ex promoters/ others)	Status of Compliance with applicable provisions of Regulations
22.08.2005	16649119	83245595	Reorganization as per Scheme	Promoters, FIs and Public	Not Applicable
16.09.2005	9373862	130114905	Conversion of FITL as per Scheme	Financial Institutions	

5.6 The old equity shares of the Target Company were listed on the Stock exchanges at Hyderabad and Mumbai. The Equity capital has been restructured in terms of the Scheme. The trading in the shares of the target company was suspended by both the exchanges to facilitate the implementation of the Scheme. The Target Company has received the listing and trading permission from BSE for 1,66,49,119 Equity shares and 1,66,49,119 Preference shares of Rs 5/- each issued in lieu of the Equity shares of Rs 10/- each vide BSE's Letter No. DCS/SMG/RCG/2006/513228 dated January 6, 2006. The acquirers confirm and undertake that all the shares tendered in the open offer irrespective of whether they are listed or not, shall be considered for the basis of acceptance. Further, the Promoters of the acquirer companies confirm and undertake that they shall take necessary steps to ensure that the Target Company complies with the requirements of the Stock Exchanges to enable all the shares to be listed on these Exchanges at the earliest.

5.7 The Target Company is yet to obtain listing and trading permissions from the Hyderabad Stock Exchange for all the equity and preference shares. Further, the Target Company is yet to obtain approval of the Bombay Stock Exchange for the shares issued to Financial Institutions and to the Promoters Group.

5.8 The details of the outstanding convertible instruments (warrants / FCDs / PCDs) etc. of PIL as on date of PA are as under :-

There are outstanding convertible share warrants 1,60,00,000 issued at Rs.5/- each to the promoters to be converted in to the Equity Shares at Rs. 6.50 per shares (Rs.1.50 premium). There are 93,73,862 (0.01%) Cumulative Redeemable Preference Shares of Rs.5/- each issued to IDBI Limited and IFCI Limited that are optionally convertible into equity shares on the due dates of redemption i.e. from October 1, 2013 to January 1, 2016.

The number of Equity shares for which the open offer is being made has been arrived at after taking into consideration all the 1,60,00,000 outstanding warrants that are eligible for conversion into equity shares. The CRPS issued to the Financial Institutions are redeemable in ten quarterly installments from October 1, 2013 to January 2016 with an option for conversion into equity shares and hence have not been taken into consideration for arriving at the size of the open offer. The outstanding warrants have been taken into consideration as per Regulation 21(5) since as per the terms of the issue of the warrants, the same are eligible to be converted into equity shares of Rs.5/- each at a premium of Rs.1.50 per share.

The Acquirers and the PACs confirm and undertake that they shall not exercise the option of conversion of the warrants into equity shares as long as the holdings of the Acquirers and the PACs are 55% or more.

5.9 The applicable provisions of Chapter II of SEBI Takeover Regulations have been complied with by the Target Company as well as the sellers, promoters and other major shareholders. However, there has been a delay in such compliances as per details given below :-

5.9.1 The Target Company has not complied with some of the provisions of Chapter II and in cases where it has complied there has been delayed compliance in most cases.

5.9.2 The Promoters have not complied with the provisions of chapter II.

5.9.3 The status of compliance with the provisions of Chapter II by the major shareholders of the Target Company is as under :-

5.9.3.1 Compliance with the provisions of Regulation 6(1) was not made.

5.9.3.2 There were no shareholders falling within the purview of Regulation 8(1).

5.9.3.3 IDBI did not comply with the provisions of Regulation 7 on acquisition of the equity shares pursuant to the Scheme, however, it complied with Regulation 7 in respect of the sale of shares to the Acquirers.

SEBI may initiate suitable action at a later stage for the aforesaid Non-Compliance of the provisions of Chapter - II of SEBI (Take over Regulations).

5.10 The status of the compliance with the listing requirements by PIL and the penal actions, if any, taken by the Stock Exchanges are as under :-

Hyderabad Stock Exchange

S.No.	Period / Year	Particulars of non-compliance
1.	1996 - 1997	Distribution schedules not submitted and provisions of SAST not complied with.
2.	1997 - 1998	Distribution schedules not submitted and provisions of SAST not complied.
3.	1998 - 1999	Provisions of SAST not complied with and non-compliance with Clause 46 of Listing agreement.
4.	1999 - 2000	Provisions of SAST not complied with and non-compliance with Clause 46 of Listing agreement.
5.	2001 - 2002	Limited Review Report not submitted
6.	2002 - 2003	Limited Review Report & Secretarial Audit Report not submitted and provisions of SAST not complied with.
7.	2003 - 2004	Limited Review Report not submiited.
8.	2004 - 2005	Limited Review Report, Secretarial Audit Report for December 2004 not submitted.
9.	2005 - 2006	Limited Review Report, Secretarial Audit Report not submitted and Clause 46 of Listing Agreement for September 2005 not complied with.

Bombay Stock Exchange

S.No.	Period / Year	Particulars of non-compliance
1.	February ,1997	Provisions of SAST not complied with.
2.	1998	Regulation of 8(3) of SAST not complied
3.	1999	Regulation of 8(3) of SASTnot complied
4.	2000	Regulation of 8(3) of SAST not complied
5.	2001	Regulation of 8(3) of SAST not complied
6.	December 2002	Secretarial Audit Report not submitted
7.	March 2003	Secretarial Audit Report not submitted
8.	2003	Regulation of 8(3) of SAST not complied with
9.	September 2003	Faulty reporting of clause 35. of Listing Agreement.
10.	September 2004	Faulty reporting of clause 35. of Listing Agreement.
11.	2005 - 2006	Delay in payment of listing fees. Interest of Rs 900/- Outstanding.
	September 2005	Secretarial Audit Report not submitted

As per the information and records available with the Target Company, no penal action was taken by the Stock Exchanges against the Company so far. However, SEBI has sent a 'settlement by convert order' vide its letter dated November 29, 2004 for violation of takeover regulations Viz. Regulation 6(2) and 6(4) for 1997 and 8(3) 1998 to 2002 and 8(3) for record date for 1998.

The Company has made a representation to SEBI vide letter dated January 2, 2005 on the above for condonation of violations. The Target Company has not received any further reply from SEBI in this regard.

5.11 The present composition of the Board of Directors of PIL as on the date of the PA is as under :-

Name, Address, Qualification & Age	Date of Appointment	Experience	Other Directorships	Status
Mr. J. Nrupender Rao Plot No. 381, Road No.10, Jubilee Hills, Hyderabad - 500 034 B.Tech, MS, 60 Years (Executive Chairman)	23.09.1995	About 38 Years	Pennar Chemicals Ltd Pennar Aluminium Company Ltd * Pennar Profiles Ltd * O & S Ratna Aluminium Fabricators Pvt. Ltd O & S Metallimport Holdings Pvt. Ltd Thapati Trading Pvt. Ltd. Palguna Consultants Pvt. Ltd.	He is one of the Promoters of the Acquirers and is a shareholder and director of the Acquirers.
Dr. N. Kondal Rao 1-57, Snehapuri, Nacharam Hyderabad - 500 076. Metallurgist, PhD, 81 Years, Director	16.08.2005	About 50 years	NIL	
Prof. Laxmi Narain 1-3-29/4/A, Street No. 4, Hubsiguda, Hyderabad - 500 018, M.Com , LLB, Ph.D, London School of Economics, 75 Years (Director)	30.10.1998	About 45 Years	Pennar Profiles Ltd *	
Mr. C. Rangamani Flat No. 1A, Rainbow Arihant, 11, Srinivasan Street, Mandaveli, Chennai - 600 028, B.sc (Agr), 64 Years (GIC Nominee)	31.01.2000	About 38 Years	Shakti Sugars Ltd.* Suyay Insurance Services Pvt. Ltd.	
Mr. P. Bhaskara Rao Plot No. 510, Gowtham Nagar Colony, Malkajgiri, Hyderabad - 500 047 M. Tech, 57 Years (Director)	30.10.2000	About 35 Years	Pennar Aluminium Company Ltd * Pennar Profiles Ltd * O & S Ratna Aluminium Fabricators Pvt. Ltd O & S Metallimport Holdings Pvt. Ltd Thapati Trading Pvt. Ltd. Palguna Consultants Pvt. Ltd.	He is one of the Promoters of the Acquirers and is a shareholder and director of the Acquirers
Mr. Vijay Chandra Puljal Flat No. 206, My Home, Fern Hill, Apartments, Beside Zikra Public School , Rajbhavan Road, Somajiguda, Hyderabad - 500 082 M.Sc (Agr), 54 Years (Director)	21.07.2005	About 35 Years	Pennar Aluminium Company Ltd * HR Chambers Pvt. Ltd.	
Mr. Ch. Anantha Reddy Flat No. 202, Padmavathi Apartments, Sadat Manzil, Ameerpet, Hyderabad - 500 016 B.E.(Metallurgical), PGDMM, 58 Years Executive Director	30.10.2000	About 35 Years	NIL	

* Indicates listed companies.

5.12 The Target Company, M/s Pennar Industries Limited was incorporated on 8th August 1975 as M/s Pennar Steels Limited and obtained a certificate of commencement of business on 16th December 1975. It obtained a fresh certificate of incorporation consequent on change of name to M/s Pennar Industries Limited vide certificate dated 30th September 1998. NSL Limited of the Nagarjuna Group merged into PIL during FY 1997-98.

5.13 The brief audited financial details of PIL for the period ended 30th June 2003, 9 month period ended 31st March 2004 and for the last year and the certified financial data for the period from 1st April 2005 to 31st October 2005 are as under :-

(Amount Rs. In lacs)

Profit & Loss Statement	**Period from 1st April 2005 to 31st October 2005**	**Year Ended 31st March 2005**	**9 month period ended 31st March 2004**	**Period Ended 30th June 2003**
Income from operations	*Certified*	*Audited*	*Audited*	*Audited*
Sales	26492.13	36965.21	17552.20	10949.91
Other Income	24.86	42.28	19.72	13.74
Total Income	26516.99	37007.49	17571.92	10963.65
Total Expenditure.	24895.35	34785.95	16597.15	10822.90
Profit Before Depreciation				
Interest and Tax	1621.64	2221.54	974.77	140.75
Depreciation	302.48	507.13	871.48	284.09
Financing Cost / Interest	598.53	2370.09	2159.37	700.29
Profit / (Loss) Before Tax	720.64	(699.36)	(2089.64)	(843.63)
Provision for Tax	-	-	-	-
(a) Advances / Prior period expenses	-	-	634.24	701.37
(b) Remission of Principal amount of loan	-		(1972.69)	-
(c) Provision for doubtful debts	-			546.79
Profit / (Loss) After Tax	720.64	(699.36)	(751.18)	(2091.79)

(Amount Rs. In lacs)

Balance Sheet Statement	**Period from 1st April 2005 to 31st October 2005**	**Year Ended 31st March 2005**	**9 month period ended 31st March 2004**	**Period Ended 31st March 2003**
Sources of funds	Certified	Audited	Audited	Audited
Paid up share capital				
Equity Capital (Including amount forfeited)	3817.87	1671.09	1670.99	1670.99
Share Application Money	104.00	-	-	-
14% Cumulative Redeemable Preference Shares	42.00	48.30	60.00	60.00
15% Cumulative Redeemable Preference Shares	359.00	390.50	440.00	440.00
0.01% Cumulative Redeemable Preference Shares (Series B)	832.46	-	-	-
0.01% Cumulative Redeemable Preference Shares (Series B1)	468.69	-	-	-

Balance Sheet Statement	Period from 1st April 2005 to 31st October 2005	Year Ended 31st March 2005	9 month period ended 31st March 2004	Period Ended 31st March 2003
Reserves and Surplus (excluding revaluation reserves)	-4380.32	-5107.14	-4625.95	-4319.71
Networth	-5326.54	-8226.71	-7571.11	-6772.55
Secured loans	19385.52	21502.38	21488.95	21673.70
Unsecured loans	996.14	2204.23	1448.59	1610.73
Total	**21625.36**	**20709.36**	**20482.58**	**21135.71**
Uses of funds				
Net fixed assets (Less revaluation)	5970.80	6273.38	6297.41	6962.31
Capital Work in Progress	589.78	44.77	27.18	0.00
Investments	14.71	14.70	14.70	169.23
Net current assets	10285.98	9585.85	9527.14	9880.34
Deferred Tax Assets	4531.51	4531.51	4313.33	3868.39
Total miscellaneous expenditure not written off	232.58	259.15	302.82	255.44
Total	**21625.36**	**20709.36**	**20482.58**	**21135.71**

Other Financial Data

	Period from 1st April 2005 to 31st October 2005	Year Ended 31st March 2005	9 Month Period Ended 31st March 2004	Period Ended 31st March 2003
	Certified	**Audited**	**Audited**	**Audited**
Dividend (%)	-	-	-	-
Earning Per Share (Rs.)	0.94	-4.18	-5.97	-12.52
Return on Networth	Negative	Negative	Negative	Negative
Book Value Per Share (Rs.)	-6.98	-49.23	-45.31	-40.53

5.14 The reasons for fall/rise in total Income and PAT in the relevant years are explained below:-

Total Income

The total income has decreased to Rs. 75.59 crores during the year 2001-02 as compared to Rs. 164.05 crores during the 15 months period ended 30.06.2001, on account of downturn in the Steel Sector in the country during 1997 to 2001. The major Steel units, SAIL, Essar, Jindal, Ispat also incurred heavy losses during this period. Competition from Tata's and Bhushan Steel reduced the margins on CRSS products and also led to flight of some customers. Markets for CRFS products for commercial vehicles and for the construction sector were down due to reduced industrial activity and as no new projects were being commissioned. As a result, the merged Company produced less than the sum of the production by the two erstwhile Companies. Also the total income has decreased on account of non-availability of the working capital for the operations of the company.

The total income has improved to Rs. 109.50 crores during FY 2002-03, on account of the focussed marketing efforts, strong relationships were built with prestigious customers like Telco, Eicher, ACC, TVS, BEML and L&T who bought their major share from PIL. Level of Customer service was significantly improved. Also, the improvement on account of the restructuring of the loans has been taken up by the FIs and Banks during the year in the form of funding of interest on the loans and thereby conserving the cash for the operations of the company.

The total income has increased to Rs. 175.52 crores during the nine months period ended 31.03.2004, on account of the revised restructuring package has been accepted by the lenders by way of reduction of the interest rates, funding of interest, longer repayment period etc. Also the total income has improved on account of gaining back the customers who have discontinued the business earlier and infusion of the funds by the promoters.

The total income increased significantly to Rs.369.65 crores during FY 2004-05 on account of intensive marketing efforts, infusion of funds by the promoters and availability of cash for operations due to funding of interest by the lenders till 31.03.2004. The total income has further increased to Rs. 264.92 crores during 7 months period from April 2005 to October 2005 on account of aggressive marketing and improvement in the business in Auto and infrastructure segments of economy.

PROFIT AFTER TAX

Company incurred losses during 15 months accounting period ended 30.06.2001 and in the FY 2001-02 on account of lower realization of selling prices due to competition and uneconomical operations. The losses have been contained during the FY 2002-03 and FY 2003-04 on account of exercising the controls on the expenditure, improvement in the yield of the products and improvement in the volumes of production. Company has made a profit of Rs.6.20 crores in the FY 2004-05, before accounting for a one time charge of additional interest of prior period resulting from the restructuring of the loans. This was possible due to improvement in the operations of the company, exercising of cost controls and higher volumes of production. Company has made a profit of Rs.7.20 crores during the period from April 2005 to October 2005 on account of the higher volumes of production, improvement in the product mix and improvement in the yield of the products.

5.15 The Pre and Post- Offer share holding pattern of the target company as on the date of the Public Announcement is as under :-

5.15.1 In respect of the paid up equity shares:-

Shareholders' category	Shareholding & voting rights prior to the agreement / acquisition and offer *		Shares /voting rights agreed to be acquired which triggered off the Regulations. *		Shares/voting rights to be acquired in open offer (Assuming Full acceptances) *		Share holding / voting rights after the acquisition and offer. i.e. *	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares
(1) Promoter gp.								
a. Parties to agreement, if any	-	-	-	-	-	-	-	-
b. Promoters other than (a) above	-	-	-	-	-	-	-	-
c. PACs with Promoters	-	-	-	-	-	-	-	-
Total 1(a+b+c)	-	-	-	-	-	-	-	-
(2) Acquirers								
(a) Main Acquirer								
Thapati Trading Private Limited	-	-	6728457	8.81%	9235748	12.10%	15964205	20.91%
Palguna Consultants Private Limited	-	-	6760000	8.85%	9235748	12.10%	15995748	20.95%
Sub-total 2(a)	-	-	13488457	17.66%	18471496	24.19%	31959953	41.86%
(b). PACs with the Acquirers								
Mr. J. Nrupender Rao	1571968	2.06%	-	-	-	-	1571968	2.06%
M/s Excel Engineering Ltd	3589054	4.70%	-	-	-	-	3589054	4.70%
Mrs. J. Rajyalakshmi	1693100	2.22%	-	-	-	-	1693100	2.22%
Mr. J. Aditya N. Rao	1532870	2.01%	-	-	-	-	1532870	2.01%
Mrs. Ch. Arathi	1281079	1.68%	-	-	-	-	1281079	1.68%

Shareholders' category	Shareholding & voting rights prior to the agreement / acquisition and offer *		Shares /voting rights agreed to be acquired which triggered off the Regulations. *		Shares/voting rights to be acquired in open offer (Assuming Full acceptances) *		Share holding / voting rights after the acquisition and offer. i.e. *	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares
Mrs. Avanthi Rao	537060	0.70%	-	-	-	-	537060	0.70%
Mr. Vijay Chandra Puljal	547140	0.72%	-	-	-	-	547140	0.72%
Mrs. P. Jayanthi	657660	0.86%	-	-	-	-	657660	0.86%
Ms. P. Bhavana	988799	1.29%	-	-	-	-	988799	1.29%
Ms. P. Kalpana	715081	0.94%	-	-	-	-	715081	0.94%
Mr. Ch. Sridhar	696000	0.91%	-	-	-	-	696000	0.91%
M/s Pennar Chemicals Ltd	300000	0.39%	-	-	-	-	300000	0.39%
Mr. Ch. Anantha Reddy	660700	0.87%	-	-	-	-	660700	0.87%
Mr. P. Bhaskara Rao	300000	0.39%	-	-	-	-	300000	0.39%
Mrs. P. Anasuya	200000	0.26%	-	-	-	-	200000	0.26%
Mr. J. Nrupender Rao (Partner M/s JNR Associates)	107400	0.14%	-	-	-	-	107400	0.14%
Mr. Puljal Vijay Chandra (Partner M/s Vivekananda Enterprises)	114154	0.15%	-	-	-	-	114154	0.15%
Sub-total 2(b)	15492065	20.29%	-	-	-	-	15492065	20.29%
Total 2(a+b)	15,492,065	20.29%	13,488,457	17.66%	18,471,496	24.19%	47,452,018	62.14%
(3) Parties to agreement other than(1) (a) & (2)	-	-	-	-	-	-	-	-
(4) Public (other than parties to agreement, acquirers & PACs)								
(a) Fis / MFs / FIIs / Banks, SFIs (indicate names)								
ICICI Bank Ltd	14640100	19.17%	-	-	-	-	14640100	19.17%
IDBI Limited	13488457	17.66%	-	-	-13488457	-17.66%	-	-
IFCI Limited	1808360	2.37%	-	-	-	-	1808360	2.37%
Life Insurance Corporation of India Ltd	1254332	1.64%	-	-	-	-	1254332	1.64%
The New India Assurance Company Ltd	255482	0.33%	-	-	-	-	255482	0.33%
The Oriental Insurance Co. Ltd	158076	0.21%	-	-	-	-	158076	0.21%
Uco Bank	118000	0.15%	-	-	-	-	118000	0.15%
United India Insurance Co. Ltd	94500	0.12%	-	-	-	-	94500	0.12%
National Insurance Co. Ltd	75375	0.10%	-	-	-	-	75375	0.10%
State Bank of India	1900	0.00%	-	-	-	-	1900	0.00%
Vijaya Bank	400	0.00%	-	-	-	-	400	0.00%
Bank of India	100	0.00%	-	-	-	-	100	0.00%
Bank of Baroda	100	0.00%	-	-	-	-	100	0.00%
Sub-total (a)	31895182	41.77%	-	-	-	-	18406725	24.11%
(b) Others There are 26325 shareholders in the public category	28970232	37.94%	-	-	-18471496	-24.19%	10498736	13.75%
Total (4)(a+b)	**60865414**	**79.71%**	**-**	**-**	**-18471496**	**-24.19%**	**28905461**	**37.86%**
GRAND TOTAL (1+2+3+4)	**76,357,479**	**100%**	**-**	**-**	**-31959953**	**-41.86%**	**76,357,479**	**100%**

* The Acquisition of the equity shares by the Acquirers from IDBI has triggered the Open Offer.

5.15.2 In respect of the voting capital of the target company taking into consideration the outstanding warrants entitled to conversion in to equity shares in the Financial Year 2005-2006:-

Shareholders' category	Shareholding & voting rights prior to the agreement / acquisition and offer *		Shares /voting rights agreed to be acquired which triggered off the Regulations. *		Shares/voting rights to be acquired in open offer (Assuming Full acceptances) *		Share holding / voting rights after the acquisition and offer. i.e. *	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares
(1) Promoter gp.								
a. Parties to agreement, if any	-	-	-	-	-	-	-	-
b. Promoters other than (a) above	-	-	-	-	-	-	-	-
c. PACs with Promoters	-	-	-	-	-	-	-	-
Total 1(a+b+c)	-	-	-	-	-	-	-	-
(2) Acquirers								
(a) Main Acquirer								
Thapati Trading Private Limited	-	-	6728457	7.29%	9235748	10.00%	15964205	17.29%
Palguna Consultants Private Limited	-	-	6760000	7.32%	9235748	10.00%	15995748	17.32%
Sub-total 2(a)	-	-	13488457	14.60%	18471496	20.00%	31959953	34.60%
(b). PACs with the Acquirers								
Mr. J. Nrupender Rao	2071968	2.24%	-	-	-	-	2071968	2.24%
M/s Excel Engineering Ltd	4989054	5.40%	-	-	-	-	4989054	5.40%
Mrs. J. Rajyalakshmi	4193100	4.54%	-	-	-	-	4193100	4.54%
Mr. J. Aditya N. Rao	4932870	5.34%	-	-	-	-	4932870	5.34%
Mrs. Ch. Arathi	2281079	2.47%	-	-	-	-	2281079	2.47%
Mrs. Avanthi Rao	1537060	1.66%	-	-	-	-	1537060	1.66%
Mr. Vijay Chandra Puljal	747140	0.81%	-	-	-	-	747140	0.81%
Mrs. P. Jayanthi	1157660	1.25%	-	-	-	-	1157660	1.25%
Ms. P. Bhavana	1488799	1.61%	-	-	-	-	1488799	1.61%
Ms. P. Kalpana	1215081	1.32%	-	-	-	-	1215081	1.32%
Mr. Ch. Sridhar	1696000	1.84%	-	-	-	-	1696000	1.84%
M/s Pennar Chemicals Ltd	1900000	2.06%	-	-	-	-	1900000	2.06%
Mr. Ch. Anantha Reddy	1091900	1.18%	-	-	-	-	1091900	1.18%
Mr. P. Bhaskara Rao	600000	0.65%	-	-	-	-	600000	0.65%
Mrs. P. Anasuya	400000	0.43%	-	-	-	-	400000	0.43%
Mr. J. Nrupender Rao (Partner M/s JNR Associates)	107400	0.12%	-	-	-	-	107400	0.12%
Mr. Puljal Vijay Chandra (Partner M/s Vivekananda Enterprises)	114154	0.12%	-	-	-	-	114154	0.12%
Sub-total 2(b)	30523265	33.05%	-	-	-	-	30523265	33.05%
Total 2(a+b)	**30,523,265**	**33.05%**	**13,488,457**	**14.60%**	**18,471,496**	**20.00%**	**62,483,218**	**67.65%**

Shareholders' category	Shareholding & voting rights prior to the agreement / acquisition and offer *		Shares /voting rights agreed to be acquired which triggered off the Regulations. *		Shares/voting rights to be acquired in open offer (Assuming Full acceptances) *		Share holding / voting rights after the acquisition and offer. i.e. *	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares	No. of shares	% of Shares
(3) Parties to agreement other than(1) (a) & (2)	-	-	-	-	-	-	-	-
(4) Public (other than parties to agreement, acquirers & PACs)								
(a) Fis / MFs / FIIs / Banks, SFIs (indicate names)								
ICICI Bank Ltd	14640100	15.85%	-	-	-	-	14640100	15.85%
IDBI Limited	13488457	14.60%	-	-	-13488457	-14.60%	-	-
IFCI Limited	1808360	1.96%	-	-	-	-	1808360	1.96%
Life Insurance Corporation of India Ltd	1254332	1.36%	-	-	-	-	1254332	1.36%
The New India Assurance Company Ltd	255482	0.28%	-	-	-	-	255482	0.28%
The Oriental Insurance Co. Ltd	158076	0.17%	-	-	-	-	158076	0.17%
Uco Bank	118000	0.13%	-	-	-	-	118000	0.13%
United India Insurance Co. Ltd	94500	0.10%	-	-	-	-	94500	0.10%
National Insurance Co. Ltd	75375	0.08%	-	-	-	-	75375	0.08%
State Bank of India	1900	0.00%	-	-	-	-	1900	0.00%
Vijaya Bank	400	0.00%	-	-	-	-	400	0.00%
Bank of India	100	0.00%	-	-	-	-	100	0.00%
Bank of Baroda	100	0.00%	-	-	-	-	100	0.00%
Sub-total (a)	31895182	34.53%	-	-	-	-	18406725	19.93%
(b) Others There are 26325 shareholders in the public category	29939032	32.42%	-	-	-18471496	-20.00%	11467536	12.42%
Total (4)(a+b)	61834214	66.95%	-	-	-18471496	-20.00%	29874261	32.35%
GRAND TOTAL (1+2+3+4)	**92,357,479**	**100%**	**-**	**-**	**-31959953**	**-34.60%**	**92,357,479**	**100%**

5.16 The current Promoters / Promoters group has been in control of the Target Company since the time of initial listing of the Company. The status of compliance / non-compliance with the applicable provisions of the Regulations has been disclosed under paras 3.1.6 and 5.9 respectively.

5.17 As per the Annual Report for the year 2004 - 2005 the Target Company has complied with the requirement of Clause 49 of the listing agreement in respect of Corporate Governance.

5.18 The details of pending litigation are as under :-

In respect of Income Tax:-

1. For the Assessment year 1998-99 company has filed a return of income of Rs.NIL, but tax under Minimum Alternate Tax rules has been paid. The assessment has been done U/s.143(3) read with sec 147 of the Act with some disallowance of the expenses and with tax liability of Rs.19.45 Lacs. The company has appealed in the Commissioner of Income Tax ("CIT") (Appeals) against the order, as the same is pending.

2. For the Assessment year 1999-2000 company has filed a return of income of Rs.NIL and claimed the refund of the Tax Deducted at Source ("TDS") and the same was refunded. The assessment has been done U/s.143(3) read with sec 147 of the Act with some disallowance of the expenses and with tax liability of Rs.66.48 Lacs. The company has appealed in the CIT(Appeals) against the order, as the same is pending.
3. The erstwhile NSL Limited had filed the revised return for the Assessment year 1998-99 claiming some deductions and the same has been disallowed by the Assessing Officer and then by the CIT (Appeals). Company has preferred appeal and the same is pending with Income Tax Tribunal. The tax liability would be around 8.25 Lacs.
4. For the Assessment year 2003-04 in case of the erstwhile NSL Limited, there was levy of TDS on the interest on raw materials paid to overseas supplier. Company preferred an appeal with CIT (Appeals) and then with IT Tribunal. The tax liability would be around Rs.5.53 Lacs.

In respect of Customs Act:-

There are three cases on the Customs duty and interest on customs duty on the company for the liability of Rs. 270.14 Lacs. The appeals are pending with The Commissioner of Customs (Exports), The Commissioner of Customs (Appeals) and The Supreme Court of India. As informed by the company, these cases would be decided in the favour of the company.

In respect of Debt Recovery Tribunal: ("DRT") -

1. The corporate guarantee given to Central Bank of India by erstwhile NSL Limited to their associate concern Nagarjuna Coated Tubes Limited (NCTL) to secure the loans taken by NCTL. The matter for claim of Rs. 81 Lacs is pending for a long time.
2. Company has given corporate guarantee to SICOM Limited for the arrangement entered between Pennar Aluminum Company Limited (PALCO) and SICOM Limited for buy back of equity shares of PALCO. The SICOM Limited sold the shares in the market below the par value and incurred loss. The SICOM Limited has fled a suit in DRT on Company and liability would be Rs.264.90 Lacs.

5.19 The Company has appointed Mr. P. V. Varaprasad, Company Secretary as the Compliance Officer. Shareholders / Investors may contact him at the following address :-

Pennar Industries Limited

1-10-75/1/1-6, 3rd Floor, Saptagiri Towers, S. P. Road, Begumpet, Hyderabad - 500 016. Phone No. (040) 27766781-85, Fax No. (040) 27768056 and email pilhyd@sancharnet.in

6. OFFER PRICE AND FINANCIAL ARRANGEMENTS

6.1 Justification of Offer price

6.1.1 The equity shares of the Company are listed on the stock exchanges at Hyderabad and Mumbai. The trading in the shares of the company was suspended by both the exchanges with effect from 8th August 2005 in view of the reorganization of the equity capital pursuant to the Scheme of Reconstruction and Arrangement (Scheme) approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad, The company has issued new share certificates in respect of the equity shares of the face value of Rs.5/- each to the shareholders in lieu of the cancelled old share certificates for equity shares of Rs.10/- each. The status of listing and trading permissions has been given in paras 5.6 & 5.7 on page 22 of this document.

The equity shares of the company are not traded under the permitted category on any exchange.

6.1.2 The annualized trading turnover during the preceding 6 calendar months prior to the month in which the P.A. is made in terms of number & % of total listed shares, in each stock exchange stated at 6.1.1 above, is as under.

Name of stock exchange(s)	Total no. of shares traded during the 6 calendar months prior to the month in which PA was made between June 2005 to November 2005*	Total No.of listed Shares *	Annualized Trading turnover(in terms of % to total listed shares) *
Hyderabad Stock Exchange	NIL	1,66,49,119	Not Applicable
Bombay Stock Exchange Limited	1,27,19,810	1,66,49,119	76.40%

(Source :- Hyderabad Stock Exchange and www.bseindia.com)

* The data is in respect of the Equity Shares of Rs.10/- each that were listed and traded during the 6 calendar months prior to the month in which the PA was made. The new equity shares of Rs.5/- each are yet to be listed. Although the old equity shares of the Target Company were frequently traded at Bombay Stock Exchange Limited as per the Regulation 20(4) as shown in the above table, the same are not being taken into consideration in view of the change in the capital structure pursuant to the scheme. The new equity shares are yet to be listed.

6.1.3 Since the new equity shares issued by the company pursuant to the Scheme are yet to be listed, the Offer Price of Rs.6.75 (Rupees Six and Paise Seventy five Only) per equity share is higher than the following prices :-

6.1.3.1 The acquisition price of Rs.6.50 per equity share of Rs.5/- each for the shares acquired by the Acquirers from IDBI.

6.1.3.2 The Acquirers are newly incorporated private limited companies and the only acquisition after there incorporation was from IDBI. In addition, the proposed acquisition of the shares of the company by them are the ones under the open offer.

The highest price paid by the PACs with the Acquirers for the shares acquired during the twenty six week period prior to the date of PA was Rs.5/- per share for 13,95,400 Equity shares of Rs 5/- each acquired through Preferential allotment pursuant to the scheme.

6.1.3.3 The average of the weekly high and low of the closing prices of the shares of the target company (prior to the reorganization of the equity capital pursuant to the Scheme) as quoted on the stock exchange where the shares of the company are most frequently traded during the twenty six weeks is as under :-

26 weeks weekly High/ low

Week no.	Week Ending	Closing High (Rs.)	Closing Low (Rs.)	Average (Rs.)	Volume
1	16.06.2005	10.32	9.82	10.07	4,69,298
2	23.06.2005	9.29	9.01	9.15	1,41,068
3	30.06.2005	9.19	8.74	8.97	1,40,495
4	07.07.2005	11.72	8.90	10.31	10,79,689
5	14.07.2005	16.50	12.50	14.50	46,84,183
6	21.07.2005	20.27	16.69	18.48	37,07,874
7	28.07.2005	19.92	17.14	18.53	15,70,573
8	04.08.2005	19.20	16.15	17.68	9,26,630
9 to 26	11.08.2005 to 08.12.2005	Trading in the equity shares of the company was suspended.			
				Total	**1,27,19,810**
			Average for Rs.10/- share	**13.46**	
			Average for Rs.5/- share	**6.73**	

Note :- Even if the equity shares are deemed to be frequently traded the Offer Price should be Rs.6.73 per equity share of Rs.5/- each.

6.1.3.4 The average of the daily high and low prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement is as under :-

2 weeks daily high/ low

Day No	Dates	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume
Not Listed					

Trading in the equity shares of the company has been suspended by the exchanges and the new equity shares are yet to be listed.

6.1.4 As the new equity shares issued consequent to the reorganization of the equity capital pursuant to the Scheme are yet to be listed on the exchanges, the parameters set out in clause (c) of Regulation 20(5) have also been considered based on the certified financial data for the period from 1st April 2005 to 31st October 2005 as under :-

(i) Return on Networth : Not Applicable (Negative Networth).

(ii) Book Value per share :- Negative Rs 6.98

(iii) EPS :- Rs 0.94 (Not annualized and not weighted)

(iv) The price earning ratio based on the offer price Rs 6.75 (Rupees Six and Paise Seventy five Only) works out to a multiple of 7.18

(v) Price earning ratio (based on the Offer Price of Rs.6.75 (Rupees Six and Paise Seventy five Only)) vis-à-vis the industry average of 4.30 (Source : Capital Market, December 5-18 2005).

6.1.5 Non Compete fee

6.1.5. No agreement has been entered in to for acquiring the equity shares / voting rights of the Target Company and hence the details relating to non compete fee are not applicable.

6.1.6 The offer price is the highest of the Acquisition price for the acquisition made by the acquirers from IDBI, the average stock market price as discussed under paras 6.1.3.2 and 6.1.3.4, the price paid by the Acquirers / PACs during the 12 months preceding the PA and based on the parameters referred to in clause (c) of Regulation 20(5) of the regulations and hence the Offer Price of Rs.6.75 (Rupees Six and Paise Seventy five Only) per equity share is justified.

6.1.7 The Acquirers and the PACs have not acquired any shares from the date of PA till the date of the Draft Letter of Offer. In case they acquire any shares up to 7 working days prior to the closure of the offer, then the offer price shall not be less than the highest price paid by them for such acquisition.

6.2 Financial arrangements :

6.2.1 The total amount of funds required to make the payment of consideration for the shares tendered during the open offer (assuming full acceptances) will be Rs.1246.83 lacs.

6.2.2 The Acquirers have opened an escrow account with IDBI Bank, Commercial Bank SBU, Mahavir House, Basheerbagh Square, Hyderabad - 500 029 and have deposited a sum of Rs.282.18 lacs representing 25% of the total consideration payable under the offer. The acquirers have further deposited cheques under clearing for a sum of Rs. 30 lacs in the Escrow account on 16th February 2006 pursuant to the increase in the offer size due to consideration of all the outstanding warrants.

6.2.3 The Manager to the Offer, M/s Karvy Investor Services Limited have been empowered to operate the Escrow Account and a lien on the account has been marked in favour of the Manager to the Offer and they are empowered to realize the value of the escrow account.

6.2.4 The Acquirers and PACs have made adequate and firm financial resources to fulfill the obligations under the open offer. The sources of the funds required by the Acquirers for fulfilling their obligations under the offer are borrowings against its investments.

6.2.5 Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) vide Certificate dated 14th December 2005- have certified that the Acquirers have adequate financial resources for fulfilling all the obligations under the offer.

6.2.6 Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) vide Certificate dated 23rd January 2006. have certified that the net worth of M/s Thapati Trading Private Limited as on 14th December, 2005 was Rs. 442.58 lacs.

6.2.7 Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) vide Certificate dated 23rd January 2006. have certified that the net worth of M/s Palguna Consultants Private Limited as on 14th December, 2005 was Rs. 447.89 lacs.

6.2.8 Based on the certificate referred to above in para 6.2.5, the Merchant Bankers have satisfied themselves about the ability of the acquirer to implement the offer in accordance with the Regulations.

7. TERMS AND CONDITIONS OF THE OFFER

7.1 The Offer is being made in accordance with Regulation 11(1) and other applicable provisions of the Regulations and subsequent amendments for the purposes of substantial acquisition of equity shares and/or voting rights.

7.2 The Acquirers have made a public announcement on 14th December 2005 and a revised Public Announcement on 21st February 2006 (Tuesday) for the offer. The offer is made to all the shareholders of PIL (except Acquirers and PACs). The Letter of Offer is being mailed to those shareholders (except the Acquirers and PACs) whose name appear on the Register of Members of PIL and who are the beneficial owners of the equity shares at the close of business on the specified date i. e. January 12th, 2006, Thursday

7.3 The acceptance of the offer made by the Acquirers is entirely at the discretion of equity shareholders of Pennar Industries Limited (PIL) and each shareholder of PIL to whom this offer is made, is free to offer his shareholding in PIL, in whole or in part, while accepting the offer.

7.4 Any Equity Shares of PIL that are subject matter of litigation or are held in abeyance due to pending court cases, wherein the shareholders of PIL may be precluded from transferring the equity shares during pendency of the said litigation are liable to be rejected in case directions/orders to the contrary regarding these equity shares are not received together with the equity 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.

7.5 The Offer will open on March 8, 2006 Wednesday and close on March 27, 2006, Monday (both days inclusive).

7.6 Accidental omission to dispatch the Letter of offer or any further communication to any person to whom the Letter of offer is made or the non-receipt of the Letter of offer by any such person shall not invalidate the offer in any way.

7.7 The instructions, authorizations and provisions contained in the form of acceptance and form of withdrawal constitute an integral part of the terms of this offer.

7.8 The Letter of Offer together with the Form of Acceptance cum Acknowledgement and Form of Withdrawal will be mailed to the shareholders of PIL (except the Acquirer) whose names appear on the Register of Members of PIL and to the beneficial owners of the shares of PIL whose names appear on the beneficial records of the respective depositories at the close of the business on January 12th, 2006, Thursday (the Specified Date).

7.9 Shares that are subject to any charge, lien or encumbrance are liable to be rejected.

7.10 The acceptance of the Offer must be unconditional and should be sent in the attached Form of Acceptance along with the other documents duly filled in and signed by the applicant shareholder(s) which should be received by the Registrar to the Offer under “Procedure for Acceptance and Settlement” on or before March 27, 2006, Monday. If any change or modification is made in the Form of Acceptance, the same is liable to be rejected.

7.11 Acquirer will not be responsible in any manner for any loss of equity share certificate(s) and offer acceptance documents during transit and the equity shareholders of PIL are advised to adequately safeguard their interest in this regard.

7.12 As already mentioned elsewhere in the Letter of offer, the Offer is not subject to any minimum level of acceptance and the Acquirers will acquire all the paid-up equity shares of PIL that are validly tendered in terms of this Offer up to a maximum of 1,84,71,496 Equity Shares of Rs 5/- each. Thus, the Acquirers will proceed with the Offer even if it is unable to obtain acceptance to the full extent of the equity shares of PIL for which this Offer is made. In the event of the offer receiving a response of more than 100%, the Acquirers shall accept the shares on a proportionate basis as mentioned in paragraph 7.20.

7.13 The Acquirers reserve the right of upward revision of price at any time up to seven working days prior to the closure of the Offer, as per Regulation 26 of the Regulations. If there were any upward revision in the Offer Price before the last date of revision (i.e. March 16, 2006 Thursday) the same would be informed by way of Public Announcement in the newspapers mentioned in para 2.2.1 of the Letter of offer. Such revised Offer Price would be payable to all shareholders who tender their shares at any time during the Offer and which are accepted under the Offer.

7.14 Shareholders 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 Karvy Computershare Private Limited, “Karvy House”, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, either by hand delivery during normal business hours Monday to Friday 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. March 27, 2006, Monday in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance cum Acknowledgement.

7.15 Beneficial Owners and Shareholders holding shares in the dematerialized form, will be required to send their Form of Acceptance cum Acknowledgement to the Registrar to the Offer either by hand delivery during normal business hours or by Registered Post on or before the close of the offer i.e. March 27, 2006, Monday along with 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 favour of the Escrow Depository Account.

7.16 All owners of shares, registered or unregistered (except the Acquirer and Other Promoters), 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.

7.17 In case of non-receipt of the Letter of Offer, eligible persons may send their acceptance to the Registrar to the Offer, 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 the Registrar to the Offer on or before the close of the Offer, i.e. March 27, 2006, Monday.

7.18 The Registrar to the Offer will hold in trust the shares/share certificates, shares lying in credit of the special depository account, 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.

7.19 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. Shareholders whose shares are held in dematerialized form to the extent not accepted will be intimated by post for the non-acceptance.

7.20 In case the shares tendered in the offer by the shareholders of PIL 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 dematerialized form.

7.21 Eligible persons to the Offer may also download a copy of the Letter of Offer and Form of Acceptance cum Acknowledgement, which will be available on SEBI's website at http://www.sebi.gov.in from the offer opening Date i.e. March 8, 2006 Wednesday and apply in the same.

7.22 Shareholders who have sent their shares for demat need to ensure that the process of getting shares demated is completed well in time so that the credit in the Escrow Depository Account should be received on or before the date of closure of the Offer, i.e. March 27, 2006, Monday else the application would be rejected.

7.23 Procedure for withdrawal of application

i) In accordance with Regulation 22(5A) of the SEBI (SAST) Regulations 1997, shareholders shall have the option to withdraw acceptances tendered up to three working days (i.e.March 22, 2006 Wednesday) prior to the Offer Closing Date i.e. March 27, 2006, Monday

ii) Shareholders who wish to withdraw their shares from the Offer will be required to send the Form of Withdrawal duly completed & signed along with the requisite documents.

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

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

So as to reach the Registrar to the Offer either by hand delivery or by registered post on or before March 22, 2006, Wednesday.

7.24 **Shares subject to Lock in**

The Acquirers shall acquire all the shares tendered by the shareholders even if they are subjected to lock in period. However, these shares shall continue to be under lock in for the residual period in the hands of the acquirers. The event in which these shares may be rejected/returned is in case of invalid applications and/ or the shares being rejected due to proportionate acceptance.

7.25 **Eligibility for accepting the offer**

This offer is made to all the Shareholders who are the holders of fully paid up equity shares (Except Acquirers) whose names appear in the register of shareholders on January 12th, 2006, Thursday being the specified date and also to those persons who own the fully paid up shares of PIL any time prior to the closure of the offer, but are not the registered shareholders. All equity shares of the Target Company irrespective of whether they are listed or unlisted shall be considered for basis of acceptance.

7.26 **Statutory approvals**

a. The Offer is not subject to receipt by Acquirers of approval of term lending banks/financial institutions of the target company for the proposed acquisition.

b. Approval from Reserve Bank of India ("RBI") for acquiring equity shares from the NRI Shareholders and FIPB for acquiring equity shares from the Foreign Shareholders is required, if any.

c. To the knowledge of the Acquirers, 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 Acquirers will not proceed with the Offer.

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

e. In case of delay in receipt of statutory approval, SEBI has power to grant extension of time to Acquirers for payment of consideration to shareholders, subject to Acquirers 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 in obtaining the requisite approval, Regulation 22(13) of SEBI (SAST) Regulations will also become applicable.

f. The Acquirers will not proceed with the offer in the event of the statutory approval indicated above is refused in terms of Regulation 27 of SEBI (SAST) Regulations.

g. In case approvals from RBI and FIPB for making payments to the NRIs and Foreign Nationals are unduly delayed, the Acquirers reserve the right to proceed with payment to the resident shareholders whose shares have been accepted by the Acquirers 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.

7.27 **"If there is competitive bid:**

i. The public offers under all the subsisting bids shall close on the same date.

ii. 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"

8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF THE OFFER.

8.1 The Shareholders of PIL, who wish to avail themselves of this offer should forward the under mentioned documents by hand delivery or by registered post to the Registrars to the Offer at their office address mentioned on the first page of the Letter of offer so as to reach the Registrar on or before March 27, 2006, Monday (the Offer Closure Date) on their working days (Monday to Saturday) between 10.00 AM and 5.00 PM on any working day. In case of dematerialized shares, the Registrar is not bound to accept those offers, which have not yet being credited to the depository account opened for this purpose on the closure of the offer.

a) For Equity Shares held in dematerialized form:

i) Form of acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository.

ii) Photocopy of the delivery instruction in "off-market" mode or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the relevant Depository Participant (DP).

iii) For each delivery instruction, the beneficial owner should submit separate Form of Acceptance.

iv) The details of the special depository account opened by the Manager named are as under:-

DP Name	KARVY STOCK BROKING LIMITED
DP ID	IN 300394
Beneficiary ID	15912766
Name of Account	**"PIL - Escrow Account - Open Offer"**

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

In case of non-receipt of the aforesaid documents, but receipt of the shares in the Special Depository Escrow Account, the Acquirer may deem the Offer to have been accepted by the Shareholder.

Shareholders should ensure that the credit for the delivered shares should be received in the Special Depository Escrow Account on or before the Closure of the Offer (i.e. March 27, 2006, Monday).

b) For Equity Shares held in Physical form.

Registered Shareholders should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by sole/first shareholder whose names appear on the share certificate(s) (In case of joint holdings) in the same order in which their names appear in the Register of Members.
- Original Share Certificate(s).
- Valid Share Transfer deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures lodged with PIL and duly witnessed at the appropriate place, preferably, by a Notary or Bank Manager or Member of Stock Exchange under their seal of office and membership number. The Transfer Deed should be left blank except for the signatures as mentioned above. A blank Share Transfer Deed is enclosed along with the Letter of offer.

Unregistered Shareholders should enclose:

- Form of acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein by the person accepting the Offer.
- Original share certificate(s)
- Valid share transfer form(s) as received from market
- Original contract note issued by the Broker through whom the shares were acquired.

It may be noted that if the specimen signature(s) of the acceptor differs with the specimen signature(s) recorded with PIL or if they are not in the same order, such shares are liable to be rejected under this Offer.

Non-Residents if any, should also enclose a copy of permission received from RBI for the shares held by them in PIL.

Neither the share certificate(s) nor transfer deed(s) nor the form of acceptance should be sent to the Acquirer or the Target Company or Manager to the Offer. The same should be sent to the Registrar to the Offer only.

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 (i) (a) Persons who hold shares of PIL but who are not registered shareholders are also eligible to participate in the offer. Such unregistered shareholders or eligible shareholders who did not receive the Letter of Offer may send their consent to the Registrar to the Offer, on a plain paper stating their Name, Address, No. of shares held, Distinctive Nos., Folio No., Number of Shares offered. Alternatively such shareholders if they so desire may apply on the form of acceptance cum acknowledgement obtained from the SEBI web site www.sebi.gov.in. The application on plain paper or on the form of acceptance should be tendered along with the original share certificates and valid share transfer deeds duly executed and witnessed as explained at 8.1 above. Shareholders whose shares have been sent for transfer but have not yet been received back by them should tender their applications as above along with documents to prove their title to the shares offered for acceptance, such as original brokers contract note, along with duly executed and witnessed transfer deed(s). The applications/ documents should be sent by registered post to the Registrars to the Offer as mentioned at 8.1 above and not to the Acquirer or to PIL or Sellers or to the Merchant Banker to the Offer. No indemnity is required from unregistered shareholders.

(b) It may be noted that if the specimen signature(s) of the Transferor differs with the specimen signature(s) recorded with PIL are not in the same order, such shares are liable to be rejected under this Offer even if the Offer has been accepted by a bonafide owner of such untransferred shares.

(c) Non-Residents if any should also enclose copy of permission received from RBI for the shares held by them in PIL and No Objection Certificate/Tax Clearance Certificate from the Income-Tax Authorities under Income Tax Act, 1961, indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. In case the aforesaid No Objection Certificate/Tax Clearance Certificate is not submitted, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the category of the shareholder, on the entire consideration amount payable to such shareholders.

(d) Payment of consideration will be made by crossed account payee cheques/demand drafts and sent by registered post to those shareholders whose share certificates and other documents are found in order and accepted by the Acquirer. All cheques/demand drafts will be drawn in the name of the First Holder in case of Joint Registered holders. In case of unregistered owner of the shares, payments will be made by crossed account payee cheque/demand draft in the name of the person specified by such unregistered owner. Such unregistered owners may at their own option provide details of their Bank accounts in the Form of Acceptance and Authority/plain paper application.

(e) The Shareholders should also provide all relevant documents, which are necessary to ensure transferability of the shares in respect of which the application is being sent. Such documents may include, but are not limited to:

1. duly attested death certificate and succession certificate (in case of single shareholder) in case of the original shareholder is deceased.
2. duly attested Power of Attorney if any person apart from the shareholder has signed the application form and/or transfer deed(s).
3. In case of Companies, the necessary corporate authorizations (including Board Resolutions).
4. any other relevant documents

8.2 (ii) If the aggregate of the valid response to the Offer exceeds 1,67,21,496 fully paid up equity shares of Rs 5/- each , then the acquirers shall accept the offers received on a proportionate basis in accordance with Regulation 21(6) of the Regulations. The Acquisition of shares from a shareholder shall not be less than the minimum marketable lot or the entire holding if it is less than marketable lot.

8.2 (iii) Barring unforeseen circumstances and factors beyond their control, the acquirers intend to complete all formalities pertaining to the purchase of the shares, including payment of consideration to the shareholders who have accepted the Offer, within 15 days from the date of closure of this Offer. In case of delay in receipt of RBI approval for accepting shares from Non Resident shareholders, SEBI has the power to grant extension of time for the purpose of making payments subject to the acquirer agreeing to pay interest to the shareholders for delay beyond 15 days, as may be specified by the SEBI.

8.2 (iv) In case of acceptance on proportionate basis or in cases where acceptances are rejected, the unaccepted/rejected share certificates, transfer deeds and other documents, if any, will be returned by registered post to the shareholders/ unregistered owners.

8.2 (v) The Manager to the Offer will hold in trust the share certificates, on behalf of shareholders/unregistered owners of shares of PIL who have accepted the Offer, till the acquirer completes the offer obligations in terms of the Regulations.

9. MATERIAL DOCUMENTS FOR INSPECTION

Copies of the following Material documents will be available during the offer period for inspection at the office of Karvy Investor Services Limited, “Karvy House”, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 between 10 a.m. up to 1 p.m. and 2 p.m. to 5 p.m. on any working day.

1. Copy of the Certificate of Incorporation and Memorandum and Articles of Association of Pennar Industries Limited.
2. Copy of the Certificate of Incorporation and Memorandum and Articles of Association of Thapati Trading Private Limited
3. Copy of the Certificate of Incorporation and Memorandum and Articles of Association of Palguna Consultants Private Limited
4. Copy of the MOU between Acquirers and M/s. Karvy Investor Services Limited, Manager to the Offer.
5. Copy of the Certificate issued by Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) dated 14th December 2005 certifying that the Acquirers have adequate financial resources for fulfilling all the obligations under the offer.
6. Copy of the Certificate issued by Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) dated 23rd January 2006 certifying that the net worth of M/s Thapati Trading Private Limited as on 14.12.2005 was Rs.442.58 lacs.
7. Copy of the Certificate issued by Mr. C. V. Koteswara Rao, Partner, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Flat no. 222, Amrutha Ville Apartments, Left Wing, Opp.Yashoda Hospital, Rajbhvan Road, Somajiguda, Hyderabad-500 082 (phone no.040-23394982/23394985, fax no.040-23430633, Membership No.28353) dated 23rd January 2006 certifying that the net worth of M/s Palguna Consultants Private Limited as on 14.12.2005 was Rs.447.89 lacs.
8. Copy of the Audited Accounts of Pennar Industries Limited for the period ended. June 30th, 2003, for the 9 month period ended March 31, 2004, year ended March 31, 2005, and the certified Financial statements for the period from April 1st, 2005 to October 31, 2005.
9. Copy of the letter from IDBI Bank Ltd., Basheerbagh Branch, Hyderabad dated 10//12/2005 & 12/12/2005 confirming the amount kept in the Escrow account and lien marked in favour of the Merchant Banker to the Offer.
10. Published copy of the Public Announcement which appeared on 14th December 2005 and of the Revised Public Announcement dated 17th February 2006.
11. Copy of the letter dated January 6, 2006 from the Bombay Stock Exchange granting Listing and Trading Permission in respect of some of the Equity and Preference Shares.
12. Copy of SEBI Letter No.CFD/DCR/AG/58172/06 dated January 18, 2006 in terms of provision to Regulation 18(2).
13. A copy of the agreement entered into with M/s Karvy Stock Broking Limited for opening of a special depository account for the purpose of the Offer.

10. RESPONSIBILITY STATEMENT

The Board of Directors of the Acquirers accept full responsibility for the information contained in the Letter of offer and Form of Acceptance and also for the obligations of the Acquirers laid down in the Regulations and any subsequent amendments made thereto. The Board of Directors of the Acquirers shall be jointly and severally responsible for ensuring compliance with the Regulations. All information contained in this document is as on the date of the Public Announcement, unless stated otherwise.

For Thapati Trading Private Limited, Palguna Consultants Private Limited, Mr. J. Nrupender Rao, Mr. P. Bhaskara Rao, Mrs. J Rajyalakshmi, Mr. J Aditya N Rao, Mrs. Avanti Rao, Mrs. Ch. Arathi, Mr. Ch Sridhar, M/s J N R Associates, Mrs. P Anasuya, Mr Ch Ananth Reddy, Pennar Chemicals Ltd, Exel Engineering Ltd., Mr. Vijay Chandra Puljal, Mrs. P Jayanthi, Ms. P Bhavana, Ms. P Kalpana and M/s Vivekananda Enterprises.

Sd/-

(P. BAHASKARA RAO)

Place: Hyderabad

Date : 22nd February 2006

M/s Thapati Trading Private Limited and M/s Palguna Consultants Private Limited vide Board Resolutions have authorized their Director, Mr. P. Bhaskara Rao to sign this Letter of Offer. Mr. J. Nrupender Rao has also authorized Mr. P. Bhaskara Rao vide a Power of Attorney to sign this Letter of Offer on his behalf.

Attached: Form of Acceptance - cum- Acknowledgement.

Form of Withdrawal

Transfer deed for Shareholders holding shares in physical form.

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FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT

From: Date:

To
Karvy Computershare Private Limited,
(Unit : PIL Open Offer)
"Karvy House",
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034.

Dear Sirs,

Sub: Open offer for Acquisition of up to 1,84,21,496 Equity Shares of Rs.5/- each of Pennar Industries Limited representing up to 20% of its total voting rights at an Offer Price of Rs.6.75 (Rupees Six and Paise Seventy five Only) per fully paid up equity share by M/s. Thapati Trading Private Limited and Palguna Consultants Private Limited ("Acquirers").

I/We refer to the Letter of Offer dated 22nd February 2006 for acquiring the Equity Shares held by me/us in Pennar Industries Limited. I/We, have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein. I/We also understand and accept that my/our acceptance of the Offer will become a fully valid and binding contract between me/us and you, only upon fulfillment of all the conditions mentioned in the Letter of Offer. I/We, hereby irrevocably and unconditionally accept the Offer and enclose the original Share Certificate(s) and duly signed Transfer Deed(s) in respect of my/our shares, as detailed below (please enclose additional sheet if required).

Sr. No.	Certificate No.		Distinctive No(s)		No. of Shares
	From	To	From	To	
Total number of equity shares to be tendered					

I/We confirm that the equity shares of Pennar Industries Limited which are being tendered by me/us under this offer, are free from liens, charges and encumbrances of any kind whatsoever. I/We note and understand that the original share certificate(s) and valid share transfer deeds will be held in trust for me/us by the Registrar to the Offer until the time the Acquirers gives the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the acquirers will pay the purchase consideration only after the verification of the documents and signatures. I/We authorize the Acquirers 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 Acquirers to return to me/us equity share Certificate(s) in respect of which the Offer is not found valid/not accepted, specifying the reasons thereof and in the case of dematerialized shares, to the extent no accepted will be released to my depository account at my sole risk. I/We or my/our legal heirs/legal representatives do not have any claim over the same and my/our acceptance under the said Offer cannot be disputed upon. I/We authorize the Acquirers or its Merchant Banker or Registrars to the Offer to send by UCP/Registered Post the draft/pay order, in settlement of the amount to the sole/first holder at the address mentioned below

<u>If the shares are in Dematerialized form</u>

I/We hold shares in Dematerialized Form, accept the Offer and enclosed photocopy of the delivery instruction duly acknowledged by DP in respect of my equity shares as detailed below:

DP's Name & ID	
Client ID	
Name of Beneficiary	
No. of shares	

I/We have done an off market transaction for crediting the shares to the Special DP Account for which necessary instructions have been given to my DP. I/We note and understand that the shares would lie in the "Escrow Depository A/c. for the open offer made by the Acquirers" with Karvy Stock Broking Limited as Depository Participant in Depository Account No. 15912766 with DP ID No.IN 300394 until the time the Acquirers makes payment of purchase consideration as mentioned in the Letter of Offer.

Yours faithfully,

Signed and Delivered

Full Name(s) of the Holders	Address	Signature(s)
First/ Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Note: In case of joint holdings all must sign. A Corporation must affix its common seal.

Place: Date:

So as to avoid fraudulent encashment in transit, the shareholders may provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly.

Name of the Bank & Branch ______________________ *Account Number* ______________________

Savings/Current/(others; please specify)

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Acknowledgement slip

Received from Mr./Ms.______________________ Folio No.______________________

Number of certificates Enclosed______________________Certificate Numbers______________________

Total number of shares Enclosed______________________

Stamp of collection Centre Signature of Official Date of Receipt

Note All future correspondence. if any, should be addressed to the Registrars to the Offer

INSTRUCTIONS

For Shareholders holding shares in Dematerialized form

a. Shareholders having their beneficiary account in Central Depository Services Limited have to use inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account with NSDL.

b. Ensure that their shares are credited in favour of the special depository account, before the closure of the Offer.

c. Shareholders should enclose the following:

   i) Form of Acceptance duly completed and signed.

   ii) A photocopy of the Delivery instruction in “Off Market” mode or counterfoil of Delivery Instruction in “Off Market” mode, duly acknowledged by the DP.

   iii) For each Delivery Instruction the Beneficial Owner should submit a separate form of Acceptance.

Shareholders holding Physical shares should enclose

a. Form of Acceptance duly completed and signed.

b. Original Share Certificate(s)

c. Valid Share Transfer Deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signature lodged with Pennar Industries Limited , and duly witnessed.

Unregistered owners should enclose

a. Form of Acceptance duly completed and signed.

b. Original Share Certificate(s)

c. Brokers contract note in original

d. Transfer deed(s) executed by the registered holders of the shares.

NRIs/OCBs/Foreign shareholders should submit

a. The previous RBI approvals (Specific or general) that they would have obtained for acquiring shares of Pennar Industries Limited.

b. No Objection Certificate/Tax clearance Certificate, indicating the amount of tax to be deducted by Acquirer before remitting the consideration, from the Income-Tax Authorities under the Income Tax Act, 1961.

Other Documents as necessary

a. Duly attested death certificate and succession certificate (in case of single shareholder) if the original shareholder is deceased.

b. Duly Attested Power of attorney if any person apart from the shareholder has signed the application form and / or transfer deed(s).

c. No Objection Certificate from the chargeholder/lender, if the shares in respect of which the application is sent, are under any charge, lien or encumbrance.

d. In case of companies, the necessary corporate authorization (including Board Resolutions)

e. Any other relevant documentation.

Note : All future correspondence, if any, should be addressed to the Registrars to the offer at the following address:

Karvy Computershare Private Limited
(Pennar Industries Limited)
‘Karvy House”, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500034.
Phone Nos. 040 - 23312454/23320751 Fax No. 040-23431551
Email:murali@karvy.com

FORM OF WITHDRAWAL

You have an 'OPTION TO WITHDRAW' the acceptance tendered in response to this offer any time up to three working days prior to the date of closure of offer i.e. on or before Wednesday, March 22, 2006. In case you wish to withdraw your acceptance please use this form.	**OFFER SCHEDULE** **OFFER OPENS ON : March 8, 2006 Wednesday** **LAST DATE OF WITHDRAWAL : March 22, 2006 Wednesday** **OFFER CLOSES ON : March 27, 2006, Monday**

From:

Tel No. Fax No.: E-mail:

To,
Karvy Computershare Private Limited
"Karvy House", 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034.

Sub : Open offer to acquire up to 1,84,71,496 equity shares of Rs. 5/- each representing up to 20% of the voting rights of Pennar Industries Limited by M/s. Thapati Trading Private Limited, and M/s. Palguna Consultants Private Limited ('Acquirers') in terms of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

Dear Sir,

I/We refer to the letter of offer dated 22nd February 2006 for acquiring the equity shares held by me/us in Pennar Industries Limited.

I/We have read the procedure for withdrawal of equity shares tendered by me/us in the Offer as mentioned in the Letter of Offer and unconditionally agree to the terms and conditions mentioned therein.

I/We hereby consent unconditionally and irrevocably to withdraw my/our Shares from the Offer and I/We further authorize the Acquirers to return to me/us, the tendered equity share certificate(s)/ share(s) at my/our sole risk.

I/We note that upon withdrawal of my/our Shares from the Offer, no claim or liability shall lie against the Acquirers/Manager to the Offer.

I/We note that this Form of Withdrawal should reach the Registrars to the Offer at the address mentioned in the Letter of Offer on or before the last date of withdrawal.

I/We note that the Acquirers/Registrar to the Offer/Manager to the Offer shall not be liable for any postal delay/loss in transit for the equity shares held in physical form and also for the non-receipt of equity shares held in the dematerialized form in the DP account due to inaccurate/incomplete particulars/instructions.

I/We also note and understand that the Acquirers will return the original share certificate(s), share transfer deed(s) and Shares only on completion of verification of the documents, signatures etc. and beneficiary position data as available from the Depository from time to time, respectively.

The particulars of the tendered Share(s) that I/We wish to withdraw are detailed below:

Ledger Folio No. ________________________________ No. of Equity Shares______________________________

Sr. No.	**Certificate No.**	**Distinctive No(s)**		**No. of Shares**
	Tendered	**From**	**To**	
Total number of equity shares				
	Withdrawn			

(In case of insufficient space, please use additional sheet and authenticate the same)

I/We hold the following equity shares in dematerialized form and tendered the Equity Shares in the Offer and had done an off-market transaction for crediting the Shares to the "PIL- Escrow Account - Open Offer" (Special Depository Escrow Account) as per the following particulars:

DP Name - Karvy Stock Broking Limited	**Client ID - 15912766**	**DP ID - IN 300394**

Please find enclosed a photocopy of the Depository Delivery Instruction(s) duly acknowledged by DP. The particulars of the account from which my/our equity shares have been tendered are as detailed below:

DP Name	**DP ID**	**Client ID**	**Name of Beneficiary**	**No. of Equity Shares**
Karvy Stock Broking Ltd.	IN 300394	15912766		

I/We note that the equity shares will be credited back only to that Depository Account, from which the equity shares have been tendered and necessary standing instructions have been issued in this regard.

In case of dematerialized equity shares, I/We confirm that the signatures of the beneficiary holders have been verified by the DP as per the records maintained at their end and the same has also been duly attested by them under their seal.

I/We confirm that the particulars given above are true and correct.

Yours faithfully,

Signed and Delivered by	Full Name(s) and Address	Signature(s)	Verified and attested (by DP in case of Demat Shares and by Bank in case of Physical Shares)
First/Sole Holder			
Joint Holder 1			
Joint Holder 2			

Note: Incase of joint holdings, all holders must sign. A corporation must affix its common seal.

Place:____________________ Date:________

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Folio No.		Sr. No.		**Karvy Computershare Private Ltd.** **Unit : PIL - Open Offer**	**Acknowledgement Slip**

Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 34

Received from Mr./Ms.		Signature of Official and Date of Receipt	Stamp of Registrar to the Offer
Address			
Form of withdrawal in respect of __________ Number of Share Certificates representing _________ number of shares.			

INSTRUCTIONS

1. The Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at the address mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal.

2. Shareholders should enclose the following:

   i. For Equity Shares held in demat form:

   - Duly signed and completed form of Withdrawal.
   - Copy of the form of acceptance-cum-Acknowledgement/Plain paper application submitted and the acknowledgement slip.

     Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-Market" mode, duly acknowledged by the DP.

   ii. For Equity Shares held in physical form:

   Duly signed and completed form of withdrawal.

   Copy of the form of acceptance-cum-acknowledgement/Plain paper application submitted and the Acknowledgement slip.

   Incase of partial withdrawal, Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holding(s) in the same order and as per specimen signatures registered with Pennar Industries Limited, and duly witnessed at the appropriate place.

   iii Un registered owners should enclose:

   - Duly signed and completed Form of withdrawal.
   - Copy of the Form of Acceptance-cum-acknowledgement/Plain paper application submitted and the Acknowledgement slip.

3. The withdrawal of Share will be available only for the Share Certificate/shares that have been received by the registrar to the Offer/special Depository Escrow Account.

4. The intimation of returned shares to the Shareholders will be at the address as per the records of the Target Company / Depository as the case may be.

5. The Form of Withdrawal along with enclosure should be sent only to the Registrar to the offer.

6. In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company. The facility of partial withdrawal is only available to registered shareholders.

7. Shareholders holding shares in dematerialized form are required to issue the necessary standing instruction for receipt of the credit in their DP Account.

Note : All future correspondence, if any, should be addressed to the Registrars to the offer at the following address:

Karvy Computershare Private Limited
(Pennar Industries Limited)
'Karvy House", 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500034.
Phone Nos. 040 - 23312454/23320751 Fax No. 040-23431551
Email:murali@karvy.com