PUBLIC ANNOUNCEMENT FOR THE ATTENTION OF THE SHAREHOLDERS OF
PENNAR INDUSTRIES LIMITED (“PIL”)

Registered Office: 1-10-75/1/1-6, 3rd Floor, Saptagiri Towers, S.P. Road, Begumpet, Hyderabad- 500 016, India.

CASH OFFER OF RS. 14.75 PER SHARE FOR ACQUISITION OF UPTO 2,52,95,496 EQUITY SHARES FROM THE SHAREHOLDERS / BENEFICIAL OWNERS (“OFFER”)

This Public Announcement (“**PA**”) is being issued by YES BANK Limited (“**YBL**”), [hereinafter referred to as the “**Manager to the Offer**”] on behalf of (a) Eight Capital Master Fund Ltd, (“Eight Capital”) and (b) Spinnaker Global Opportunity Fund Ltd (“**Spinnaker GO Fund**”), Spinnaker Global Emerging Markets Fund Ltd (“**Spinnaker GEM Fund**”) and Spinnaker Global Strategic Fund Ltd (“Spinnaker GS Fund”) [collectively referred to as “**Spinnaker Funds**”] [Eight Capital and Spinnaker Funds are hereinafter referred to as the “**Acquirers**”], pursuant to and in compliance with among others, Regulation 10 of Chapter III of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the “**SEBI Takeover Regulations**” or the “**Regulations**”). No other person / individual / entity is acting in concert with the Acquirers for the purposes of this Offer. This is not a competitive bid. This Offer is not pursuant to any global acquisition resulting in an indirect acquisition of equity shares of Pennar Industries Limited.

1. The Offer

The Debentures Committee of the Board of Directors of PIL at the meeting held on July 21, 2006 approved the allotment of (a) 50,32,700 Part A Convertible Debentures of Rs. 100/- each and (b) 72,07,300 Part B Convertible Debentures of Rs. 100/- each [Part A and Part B Convertible Debentures are hereinafter referred to as the “**Debentures**”] to the Acquirers in terms of Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended (the “**SEBI DIP Guidelines**”) as per the details given below. PIL issued the Debentures on July 27, 2006.

Part A Convertible Debentures: (i) Eight Capital 12,84,902 Debentures, (ii) Spinnaker GO Fund 12,70,447 Debentures, (iii) Spinnaker GEM Fund 19,05,641 Debentures and (iv) Spinnaker GS Fund 5,71,710 Debentures.

Part B Convertible Debentures: (i) Eight Capital 18,40,098 Debentures, (ii) Spinnaker GO Fund 15,55,203 Debentures, (iii) Spinnaker GEM Fund 24,23,979 Debentures and (iv) Spinnaker GS Fund 13,88,020 Debentures.

The Company allotted these Debentures pursuant to a special resolution passed by the Members of the Company, in accordance with section 81(1A) of the Companies Act in the Extraordinary General Meeting held on March 27, 2006, which was convened by a resolution passed by the Directors in their meeting held on March 3, 2006 and in accordance with the provisions of the Memorandum and Articles of Association of the Company, Listing Agreement, applicable provisions of the Companies Act, guidelines issued by Reserve Bank of India (“**RBI**”), SEBI and all other concerned statutory and other authorities to the extent necessary. The company obtained In-principle approval from The Bombay Stock Exchange Limited (“**BSE**”) for the issue vide their letter dated July 20, 2006. The Debentures were locked-in for a period of one year from the date of the allotment as per Clause 13.3.1 (c) of SEBI DIP Guidelines i.e. upto July 26, 2007.

50,32,700 Part A Convertible Debentures were to be converted into 3,41,20,000 equity shares of Rs. 5/- each [Eight Capital 87,11,200 equity shares and Spinnaker Funds 2,54,08,800 equity shares] at a conversion price of Rs. 14.75 per share i.e. at a premium of Rs. 9.75 per share, within a period of 18 months from the date of allotment of July 27, 2006 i.e by January 26, 2008. February 25, 2006, being the date falling 30 days prior to the date of the Extraordinary General Meeting was the “Relevant Date” for the purpose of determination of the minimum conversion price at which the Debentures were to be converted into equity shares as per Clause 13.1.1 of SEBI DIP Guidelines. The average of the weekly high and low of the closing prices of the equity shares of PIL on BSE as per the certificate dated March 1, 2006 issued by Rambabu & Co., Chartered Accountants, Hyderabad, Statutory Auditors of PIL was: (a) for the 6 months [Trading in the equity shares of PIL remained suspended, due to the below mentioned Scheme, during the period from August 8, 2005 to January 9, 2006] ended on February 24, 2006 i.e. the day preceding the relevant date, was Rs. 14.71 per share and (b) for the 2 weeks ended on February 24, 2006 i.e. the day preceding the relevant date, was Rs. 12.98 per share. Therefore, the conversion price of Rs. 14.75 per share is not less than the higher of above mentioned (a) and (b). Equity shares of PIL were listed on BSE and the Hyderabad Stock Exchange Limited (“**HSE**”) but the equity shares were most frequently traded on BSE during the period of 6 months preceding the relevant date whereas the equity shares were not frequently traded on HSE during the said period.

As per the provisions of the Debenture Subscription Agreement dated July 21, 2006 entered into between Eight Capital, Spinnaker Funds and PIL (“**DSA**”), in the event the Acquirers did not exercise their option of conversion within the stipulated period of 18 months from the date of allotment, Part A Convertible Debentures would automatically stand converted into equity shares at the price of Rs. 14.75 per share upon the expiry of 18 months from the date of allotment of July 27, 2006 i.e by January 27, 2008. Acquirers are only financial investors.

Spinnaker Funds partly exercised their conversion option on December 24, 2007 i.e. Spinnaker GS Fund with respect to 4,24,210 Part A Convertible Debentures and Spinnaker GEM Fund with respect to 19,05,641 Part A Convertible Debentures and accordingly PIL **issued** 1,57,95,600 equity shares [Spinnaker GS Fund - 28,76,000 equity shares and Spinnaker GEM Fund – 1,29,19,600 equity shares] on December 27, 2007 which represented 14.60% of the expanded paid up equity share capital of PIL. PIL is in the process of completing the requisite formalities for listing of these 1,57,95,600 equity shares on BSE. Paid up equity share capital of PIL, upon conversion of these Debentures, stood at Rs. 54,07,65,395/- represented by 108,153,079 equity shares of Rs. 5/- each. Remaining 27,02,849 Part A Convertible Debentures will be converted into 1,83,24,400 equity shares by PIL on January 26, 2008 in terms of the provisions of DSA. Paid up equity share capital of PIL, upon said conversion will be Rs. 63,23,87,395/- represented by 12,64,77,479 equity shares of Rs. 5/- each and the Acquirers will hold 26% in the paid up equity share capital of PIL.

The Acquirers had the option to convert the 72,07,300 Part B Convertible Debentures allotted to them under the DSA into 1,44,14,600 equity shares of Rs. 5/- each [Eight Capital 36,80,196 equity shares and Spinnaker Funds 1,07,34,404 equity shares] at a conversion price of Rs. 50.00 per share i.e. at a premium of Rs. 45.00 per share, within a period of 16 months from the date of allotment of July 27, 2006 i.e. by January 26, 2008. However, as per the provisions of the DSA, in the event the Acquirers do not exercise their option of conversion within the stipulated period of 16 months from the date of allotment, the Company shall be bound to redeem these Part B Convertible Debentures on the expiry of 18 months from the date of allotment of July 27, 2006. The company also had an option to redeem them earlier before the conversion of the Convertible Debentures into equity shares. The Acquirers did not exercise their option to convert the Part B Convertible Debentures into equity shares so far, nor do they intend to exercise their option hereafter.

Accordingly, PIL has redeemed 36,07,300 Part B Convertible Debentures as on January 17, 2008. Remaining 36,00,000 Part B Convertible Debentures will be redeemed by PIL before January 26, 2008 in terms of the provisions of DSA. Being redemption, there is no change in the paid up equity share capital of PIL upon redemption and therefore the Acquirers will continue to hold 26% in the paid up equity share capital of PIL as per the details given above.

The Acquirers have not acquired directly or through any person, any equity shares in PIL during the twelve months preceding the date of this PA except as per the details given above. The Acquirers have not acquired any equity shares during the last 26 weeks period prior to the date of this PA by way of (a) allotment in public issue or (b) allotment in rights issue or (c) preferential allotment except as per the details given above. As per the details given above, as on the date of this PA, the Acquirers hold 1,57,95,600 equity shares of PIL (Spinnaker GS Fund - 28,76,000 equity shares and Spinnaker GEM Fund - 1,29,19,600 equity shares) representing 14.60% of the fully paid up equity share capital of PIL. Remaining 27,02,849 Part A Convertible Debentures will be converted into 1,83,24,400 equity shares by PIL on January 26, 2008. Paid up equity share capital of PIL, upon said conversion will be Rs. 63,23,87,395/- represented by 12,64,77,479 equity shares of Rs. 5/- each and the Acquirers will hold 26% in the expanded paid up equity share capital of PIL.

As the aggregate equity stake of the Acquirers in the paid up equity share capital of PIL, after the conversion of remaining Part A Convertible Debentures will be 26% which is more than the stipulated threshold of 15%, in compliance with Regulation 10 of SEBI Takeover Regulations, the Acquirers are hereby making a PA of the offer to acquire upto 2,52,95,496 equity shares of Rs. 5/- each, representing 20% of the voting rights in PIL, from the remaining equity shareholders of PIL, at a price of Rs. 14.75 per share (“**Offer Price**”) payable in cash subject to the terms and conditions mentioned hereinafter. Regulation 14(2) of the SEBI Takeover Regulations provides that in the case of an acquirer acquiring securities which when taken together with the voting rights if any already held by him or persons acting in concert with him would entitle him to voting rights exceeding the percentage specified in Regulation 10, the public announcement shall be made not later than 4 working days before he acquires voting rights on such securities upon conversion or exercise of option as the case may be and is accordingly made today.

Equity shares that would be tendered in the valid form in terms of this Offer will be transferred in favour of Eight Capital and Spinnaker Funds in the ratio of 25.55% : 74.45%.

As on the date of this PA, the paid up equity share capital of PIL is Rs. 54,07,65,395/- represented by 10,81,53,079 equity shares of Rs. 5/- each. Paid up equity share capital of PIL, upon the conversion of remaining Part A Convertible Debentures on January 26, 2008 will be Rs. 63,23,87,395/- represented by 12,64,77,479 equity shares of Rs. 5/- each. Therefore, while determining 20% of the paid up equity share capital for the purpose of minimum public offer, paid up equity share capital of Rs. 63,23,87,395/- comprising of 12,64,77,479 equity shares of Rs. 5/- each is considered in terms of Regulation 21(5) of SEBI Takeover Regulations which provides that for the purpose of determining minimum 20% of the voting capital of the Company, voting rights as at the expiration of 15 days after the closure of the proposed public offer shall be reckoned. The Offer is not conditional on any minimum level of acceptance and the Acquirers will be obliged to acquire all the equity shares tendered in response to the Offer, subject to a maximum of 2,52,95,496 equity shares that are tendered in the valid form in terms of this Offer subject to the terms and conditions mentioned in this PA and the Letter of Offer (“LOF”) to be mailed to the equity shareholders of PIL.

Acquirers may purchase additional shares of PIL from the open market or through negotiation or otherwise, after the date of this PA in accordance with Regulation 20(7) of Takeover Regulations and the details of such acquisition will be disclosed by the Acquirers within 24 hours of such acquisition to the Stock Exchanges where the equity shares of PIL are listed and to the Manager to the Offer in terms of Regulation 22(17) of Takeover Regulations.

YBL, the Manager to the Offer, does not hold any equity shares in PIL as on the date of this PA.

Due to the operation of Regulation 2(1)(e) of SEBI Takeover Regulations, there may be persons who could be deemed to be persons acting in concert. However, they are not acting in concert with the Acquirers for the purpose of this offer.

Besides the aforesaid Debentures, there are no outstanding partly paid up equity shares or any other instruments convertible into equity shares at a future date, in the books of PIL as on the date of this PA.

Mr. Ravi Chachra and Mr. Tarun Gandhi are on the board of PIL as representatives of Eight Capital and Spinnaker Funds. They were appointed as the directors on the Board of Directors of PIL on July 29, 2006 as per the provisions of the DSA. Therefore, they have recused themselves from all decisions of the board of PIL with regard to this offer and are not participating in any matters concerning or relating to the offer including any preparatory steps leading to the offer in terms of Regulation 22(9) of SEBI Takeover Regulations.

2. The Offer Price

The equity shares of PIL are presently listed and traded on BSE. The equity shares of PIL were also listed on HSE but SEBI has withdrawn the recognition of HSE with effect from August 29, 2007.

As on the date of this PA, the paid up equity share capital of PIL is Rs. 54,07,65,395/- comprising of 10,81,53,079 equity shares of Rs. 5/- each.

The annualized trading turnover based on the trading volume in the equity shares of PIL on BSE during September 2005 to February 2006 i.e. six months preceding the date of the board resolution which authorized the preferential allotment i.e. March 3, 2006 was 31.32% as during the said period [Trading in the equity shares of PIL remained suspended, due to a Scheme of Reconstruction and Arrangement, during the period from August 8, 2005 to January 9, 2006] 39,28,497 equity shares were traded on BSE [Source: Capitaline]. As the annualized trading turnover was more than 5% of the total number of listed equity shares on BSE, the equity shares were deemed to be frequently traded on BSE within the meaning of the Explanation (i) of Regulation 20(5) of the SEBI Takeover Regulations. Consequently, the minimum offer price to be computed for this Offer would be governed by Regulation 20(4) of the SEBI Takeover Regulations as per the following applicable parameters:

4 Parameters are (a) Negotiated price - Not Applicable, (b) Highest price paid by the Acquirers or the PACs for acquisition, if any, including by way of allotment in a public or rights or preferential issue during the twenty six week period prior to the date of this PA – Rs. 14.75 per share and (c) * Average of weekly high and low of the closing prices of PIL on the stock exchange where the equity shares of PIL are most frequently traded i.e. BSE, for the 26 weeks period ended on March 2, 2006 i.e. the day preceding the date of the board resolution which authorized the preferential allotment i.e. March 3, 2006 – Rs. 14.51 per share and (d) * Average of daily high and low prices of PIL on the stock exchange where the equity shares of PIL are most frequently traded i.e. BSE, for the 2 weeks period ended on March 2, 2006 i.e. the day preceding the date of the board resolution which authorized the preferential allotment i.e. March 3, 2006 – Rs. 11.81 per share.

* As per Explanation (ii) provided under Regulation 20(11) of the SEBI Takeover Regulations, where the public announcement of offer is pursuant to acquisition by way of preferential allotment, the average price under Clause (c) of sub regulation (4) [average of weekly high and low of the closing prices for the 26 weeks period and average of daily high and low prices for the 2 weeks period] shall be calculated with reference to 26 weeks and 2 weeks preceding the date of the board resolution which authorized the preferential allotment. PIL allotted the Debentures pursuant to a special resolution passed by the Members of PIL, in accordance with section 81(1A) of the Companies Act in the Extraordinary General Meeting held on March 27, 2006, which was convened by a resolution passed by the Directors in their meeting held on March 3, 2006. Therefore, average of weekly high and low of the closing prices for the 26 weeks period and average of daily high and low prices for the 2 weeks period are reckoned with reference to the date of the board resolution which authorized the preferential allotment i.e. March 3, 2006. As explained earlier, Spinnaker Funds partly exercised their conversion option on December 26, 2007 with respect to Part A Convertible Debentures and acquired the equity shares at the price of Rs. 14.75 per share and the remaining Part A Convertible Debentures will be converted into equity shares by PIL on January 26, 2008 at the price of Rs. 14.75 per share which would trigger Regulation 10 of the SEBI Takeover Regulations. Board resolution passed by the directors of PIL on March 3, 2006 authorized the preferential allotment of these Part A Convertible Debentures.

The Offer price of Rs. 14.75 per share is therefore justified in terms of Regulation 20(4) of the SEBI Takeover Regulations, applicable for companies whose shares are frequently traded, in view of this price being more than the highest of the above parameters.

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

This PA is being released, as per Regulation 15(1) of the SEBI Takeover Regulations, in Financial Express [English national daily – all editions], Janasatta [Hindi national daily – all editions] and Navshakti [Marathi regional language daily – Mumbai edition as the equity shares of PIL are most frequently traded on BSE] and Vaartha [Telugu regional language daily – Hyderabad edition as the registered office of PIL is situated in Hyderabad].

3. Information on the Acquirers

Eight Capital Master Fund Ltd (“Eight Capital”) and Spinnaker Funds viz Spinnaker Global Opportunity Fund Ltd, Spinnaker Global Emerging Markets Fund Ltd and Spinnaker Global Strategic Fund Ltd are the Acquirers.

No other person / individual / entity is acting in concert with the Acquirers (“**PAC**”) for the purposes of this Offer.

Eight Capital Master Fund Ltd was incorporated as a exempted company with limited liability on September 21, 2005 in the Cayman Islands under the Companies Law (2004 Revision). It has its registered office at M&C Corporate Services Limited, P.O. Box 309 CE 1, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. Mr. Ravi Chachra, Mr. Tony Stocks and Mr. Derek Buntain are on the board of Eight Capital. It does not belong to any group. Eight Capital Master Fund Ltd. focuses on investments into distressed assets in India. Mr. Ravi Chachra is the promoter and presently the person in control. He holds 0.5% in the paid up capital whereas 99.5% is held by financial institutions. Under Cayman law, Eight Capital Master Fund Ltd (the "Master Fund") is not required to be registered in order to carry on investment activities as the Master Fund is exempted from registering under the Law pursuant to an exemption set out in section 4(4) of the Mutual Funds Law (2003 Revision).

All investors are accredited Institutional Investors in the USA and Europe. There are no Indian nationals. It is not listed on any Stock Exchange. Eight Capital has not promoted any companies.

The figures in the audited financial statements for the year ended December 31, 2006 (previous year's figures for the year ended December 31, 2005 are not available as the fund was incorporated only on September 21, 2005) provided below reflect the position and operations of Eight Capital.

Total investment income Rs. 708.72 lakhs ; Net income 1981.37 lakhs ; Liabilities (excluding net assets) Rs. 314.53 lakhs; Net assets (Net Worth) Rs. 12893.04 lakhs; and Total assets Rs. 13207.58 lakhs. Return on Net Worth is 15.37%. Since the Fund is not listed, the PE multiple cannot be computed. (Conversion Rates: 1USD = Rs. 44.23 on December 29, 2006 and 1USD = Rs. 45.07 on December 31, 2005. Source: RBI web site)

Spinnaker Funds

Spinnaker GO Fund is an open-end investment fund incorporated on January 23, 2001 with current assets under its management of approximately USD 2.70 billion. It has commitments of USD 2.77 billion.

Spinnaker GEM Fund is an open-end investment fund incorporated on November 23, 2000 with current assets under its management of approximately USD 2.16 billion. It has commitments of USD 2.30 billion.

Spinnaker GS Fund is an open-end investment fund incorporated on December 29, 2003 with current assets under its management of approximately USD 1.05 billion. It has commitments of USD 1.12 billion.

Spinnaker Funds are incorporated in the British Virgin Islands under the International Business Companies Act as International Business Companies and are domiciled in the British Virgin Islands. Spinnaker Funds are widely held by many institutional investors around the world and do not belong to any group.

The registered offices of Spinnaker Funds are situated at c/o Maples Finance BVI Limited, Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands whereas contact address is c/o Spinnaker Capital CGR Ltd., Al Santos 1940 – 2o andar, 01418-200 Sao Paulo, SP, Brazil.

Spinnaker Funds are independent investment funds managed by the same set of investment managers and the business of each of fund since inception has been investment in securities issued by corporates and sovereign issuers in Asia, Eastern Europe and Latin America. Mr. Affonso Pastore, Mr. Simon Ogus, Mr. Tamotsu Ogawa, Mr. Pedro Homem, Mr. Francis d'Souza, Mr. Claude Pomper, and Mr. Marcos Lederman are on the boards of some or all the Funds. Shares of Spinnaker Funds are not listed on any stock exchange. Spinnaker Funds have not promoted any companies.

The audited financial statements provided below reflect the position and operations of Spinnaker Funds. (Conversion Rates: 1USD = Rs. 44.23 on December 29, 2006 and 1USD = Rs. 45.07 on December 31, 2005 . Source: RBI web site)

Spinnaker GO Fund: For the year ended December 31, 2006 (previous year's figures for the year ended December 31, 2005 are given in brackets): Total investment income Rs.248850.26 lakhs (Rs. 145,675.07 lakhs); Increase from operations in net assets attributable to holders of redeemable participating shares (Net Profit) Rs. 166917.66 lakhs (Rs. 101,587.76 lakhs); Liabilities (excluding net assets attributable to holders of redeemable participating shares) Rs. 260883.28 lakhs (Rs. 240,673.89 lakhs); Net assets attributable to holders of redeemable participating shares (Net Worth) Rs. 1113138.80 lakhs (Rs. 763,393.23 lakhs); and Total liabilities and equity Rs. 1374022.09 lakhs (Rs. 1,004,067.11 lakhs). Return on Net Worth is 15.00 % (13.31%). Since the Fund is not listed, the PE multiple cannot be computed.

Spinnaker GEM Fund: For the year ended December 31, 2006 (previous year's figures for the year ended December 31, 2005 are given in brackets): Total investment income Rs. lakhs (Rs. 145,703.72 lakhs); Increase from operations in net assets attributable to holders of redeemable participating shares (Net Profit) Rs. 112993.52 lakhs (Rs. 103,449.57 lakhs); Liabilities (excluding net assets attributable to holders of redeemable participating shares) Rs. 127080.65 lakhs (Rs. 180,553.14 lakhs); Net assets attributable to holders of redeemable participating shares (Net Worth) Rs. 886726.17 lakhs (Rs. 481,365.09 lakhs); and Total liabilities and equity Rs. 1013806.81 lakhs (Rs. 661,918.23 lakhs). Return on Net Worth is 12.74% (21.49%). Since the Fund is not listed, the PE multiple cannot be computed.

Spinnaker GS Fund: For the year ended December 31, 2006 (previous year's figures for the year ended December 31, 2005 are given in brackets): Total investment income Rs. 73177.66 lakhs (Rs. 36,819.76 lakhs); Increase from operations in net assets attributable to holders of redeemable participating shares (Net Profit) Rs. Lakhs 52189.91 (Rs. 26,833.33 lakhs); Liabilities (excluding net assets attributable to holders of redeemable participating shares) Rs. 37600.73 lakhs (Rs. 63,462.42 lakhs); Net assets attributable to holders of redeemable participating shares (Net Worth) Rs. 372435.46 lakhs (Rs. 174,052.47 lakhs); and Total liabilities and equity Rs. 410036.19 lakhs (Rs. 237,514.89 lakhs). Return on Net Worth is 14.01% (15.42%). Since the Fund is not listed, the PE multiple cannot be computed.

For the purpose of determination of RONW, ratio used is Net Profit / Net worth.

Relation between the Acquirers

Eight Capital and Spinnaker Funds are collectively referred to as the Acquirers only for the purposes of this Offer. No agreement was entered into between Eight Capital and Spinnaker Funds for acquisition of equity stake in PIL except the DSA and in the open offer except that it has been mutually decided by Eight Capital and Spinnaker Funds that the equity shares that would be tendered in the valid form in terms of this Offer will be transferred in favour of Eight Capital and Spinnaker Funds in the ratio of 25.55% : 74.45%.

4. Information on the Target Company - PIL

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

Pennar Industries Limited set up a Cold Rolled Steel Complex at Isnapur, Hyderabad with a capacity of 30000 MT pa in 1988. The capacity was expanded during 1996 to 60000 MT pa. 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 increase in the production capacity to 142000 TPA; and addition of new products – Cold Rolled Formed Profiles (CRFS), Pressed Components, Building components, and Road Safety Systems. The company also acquired the cold rolled formed sections plant at Tarapur from Tube Investments Company, Madras in 1999. PIL has four plants. (i) Pantancheru 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. (ii) Isnapur unit has facilities for the production of 52860 TPA of CRSS. (iii) Tarapur unit has capacity to produce 14000 TPA of CRFS. (iv) Chennai plant, which has been commissioned and shall be fully operational by April 2008, with a capacity of 30000 TPA, has facilities to produce Auto components, Building Components and Cold Roll Formed Steel Profiles.

The range of products manufactured by PIL includes (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 industrial segments like Automobiles -Bus / LCV segment, Electrostatic Precipitators, Building Systems and General engineering industries. In addition PIL also provides total solutions in the areas like Pre-engineered building systems, Metal Decking & Composite Roofing Sheets, Industrial Racking, Highway Safety Barrier Systems and Pre-fab shelters and (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.

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 Scheme provided for (a) Conversion of the old equity shares of Rs.10/- each into new equity 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 lakhs.

The net worth of the Company had been eroded as on June 30, 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 (“SICA”) and was registered as a sick company vide registration No.87/2003. In July 2007, the BIFR, New Delhi notified that the Company has been de-registered from the purview of the SICA as the Company's net worth turned positive during 2005-06.

As on the date of this PA, the paid up equity share capital of PIL is Rs. Rs. 54,07,65,395/- comprising of 10,81,53,079 equity shares of Rs. 5/- each and the equity shares are presently listed on BSE. Trading in the equity shares of PIL remained suspended, due to the above mentioned Scheme, during the period from August 8, 2005 to January 9, 2006. There are no partly paid up equity shares in the books of PIL as on the date of this PA. Further, besides the aforesaid Debentures, there are no other instruments convertible into equity shares at a future date, in the books of PIL as on the date of this PA.

As per the audited accounts of the Company for the year ended March 31, 2007, the financials of the Company are (a) Total Income Rs. 33,573.27 lakhs, (b) Total Expenditure Rs. 32086.21 lakhs, (c) Net profit Rs. 1,487.06 lakhs, (d) Paid up equity share capital Rs. 4617.87 lakhs, (e) Preference share capital Rs. 877.66 (f) Reserves and Surplus Rs. 8,368.57 lakhs, (g) Secured Loans 16,898.64 lakhs (h) Unsecured Loans of Rs. 1263.29 lakhs, (i) Deferred Tax Asset Rs. 3,395.92 lakhs, (j) Net Fixed Assets [including capital work in progress] Rs. 12944.30 lakhs, (k) Investments 14.70 lakhs, (l) Current Assets, Loans & Advances Rs. 14,562.73 lakhs, (m) Current Liabilities & Provisions Rs. 1,954.32 lakhs and (n) Debit balance in Profit & Loss account Rs.2905.76 lakhs. Relevant ratios are (i) EPS (not annualized) Rs. 1.61, (ii) BV Rs. 3.02 and (iii) RONW 53.32 %.

For the purpose of determination of EPS, BV and RONW, ratios used are (a) EPS = Profit After Tax / Number of equity shares, (b) Net worth = Paid up equity share capital + Free Reserves – Debit balance in Profit & Loss account, (c) BV = Net worth / Number of Equity shares and (d) RONW = Profit After Tax/Net worth.

5. Reasons for the acquisition, rationale for the offer and future plans

Spinnaker Funds partly exercised their conversion option on December 24, 2007 with respect to Part A Convertible Debentures and accordingly PIL issued equity shares on December 27, 2007 which represented 14.60% of the expanded paid up equity share capital of PIL. Remaining Part A Convertible Debentures will be converted on January 26, 2008 and the Acquirers will hold 26% in the paid up equity share capital of PIL upon such conversion.

As the aggregate equity stake of the Acquirers in the paid up equity share capital of PIL, after the conversion of remaining Part A Convertible Debentures will be more than 15%, the Acquirers are hereby making a PA, in compliance with Regulation 10 of SEBI Takeover Regulations, the Acquirers are hereby making a PA of the offer not later than 4 working days before they acquire voting rights on such securities upon exercise of option.

Substantial acquisition of shares and voting rights without any change in control and management are the reasons and rationale for the acquisition of the above mentioned equity stake in the paid up equity share capital of PIL by the Acquirers as the Acquirers are only financial investors. Therefore, this Offer is being made in accordance with Regulation 10 of the SEBI Takeover Regulations.

The Acquirers, therefore, do not currently have any plans to dispose of or otherwise encumber any assets of PIL in the two years from the date of the closure of this Offer except in the ordinary course of business. Acquirers hereby undertake not to sell, dispose of or otherwise encumber any substantial asset of PIL except with the prior approval of the shareholders of PIL. The Board of Directors of PIL would take appropriate decisions in the aforesaid matters, as per the requirements of business and in line with opportunities or changes in the economic scenario, from time to time.

Present promoters, who will be in control of the management of the Company, will take decisions regarding the future course of the Company. The Acquirers do not have any intention to change the board of directors of PIL except in the ordinary course of business subject to applicable laws.

6. Statutory Approvals & Conditions of the Offer

Government of India reviewed the policy on Foreign Direct Investment (FDI) and vide Press Note No.4 (2006 Series) dated February 10, 2006 [issued by Ministry of Commerce & Industry, Department of Industrial Policy & Promotion] decided to allow, under automatic route, transfer of shares from residents to non residents where Takeover Regulations are attracted, including acquisition of shares in an existing company, but subject to sectoral FDI policy. Therefore, no approvals are required for the Acquirers from FIPB, (a) to acquire equity shares of PIL pursuant to conversion of Debentures and (b) to acquire equity shares from resident public shareholders of PIL pursuant to this Offer.

The equity shares that are tendered in the Offer, will be those held by resident shareholders and may be those held by non-resident Indians or persons resident outside India who are not non-resident Indians, including overseas corporate bodies, if any, holding equity shares in PIL who may be persons not covered by specific provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. The Offer is therefore subject to the receipt of the approval of the Reserve Bank of India (“**RBI**”) under the Foreign Exchange Management Act, 1999 and the rules and regulations made there under (“**FEMA**”) for the acquisition of equity shares by the Acquirers from the aforesaid category of shareholders under the Offer and other related matters. The Offer, along with any obligation in terms of the SEBI Takeover Regulations to make payment for, or purchase equity shares tendered and accepted, is subject to the receipt of approval from the Reserve Bank of India (“**RBI**”), under the FEMA.

RBI, vide A.P. (DIR Series) Circular No. 62 dated May 24, 2007 decided to permit the Authorised Dealers to open escrow account and special account on behalf of non resident acquirers without prior approval of RBI. Accordingly, the Acquirer has opened an escrow account with YES Bank Ltd [For details please refer to clause 8 of this PA].

In case of delay in receipt of statutory approvals, as explained above, SEBI has power to grant extension of time to the Acquirers for payment of purchase consideration to eligible shareholders of PIL, subject to the Acquirers agreeing to pay interest as directed by SEBI, for the delayed period in terms of Regulation 22(12) of the SEBI Takeover Regulations. If the delay occurs due to willful default of the Acquirers in obtaining requisite approvals, Regulation 22(13) of the SEBI Takeover Regulations will become applicable.

To the best of the Acquirers' knowledge, (a) no approval from banks / financial institutions of PIL is required for the Acquirers to make this Offer and (b) other than the approvals mentioned aforesaid, no other statutory or regulatory approval is required for the Acquirers to proceed with the offer. If any other approvals are required or become applicable subsequently, the Offer would be subject to such approvals. The Acquirers will have a right not to proceed with the Offer in the event the statutory approvals are refused, in terms of Regulation 27(1)(b) of the Regulations.

7. Continuous Listing

The minimum public shareholding required for continuous listing of the equity shares of PIL is 25% (twenty five) of the total issued equity share capital. The Acquirers will hold 26% in the paid up equity share capital of PIL upon conversion of remaining Part A Convertible Debentures on January 26, 2008. As the Acquirers are only financial investors and the substantial acquisition of shares and voting rights without any change in control and management are the reasons and rationale for the acquisition of the above mentioned equity stake in the paid up equity share capital of PIL by the Acquirers, there will be no violation of Clause 40A of the listing agreement of PIL with the stock exchanges on which its equity shares are listed and the equity shares will continue to be listed pursuant to this offer. In view of above, post open offer, the public shareholding will not fall to a level below the minimum public holding required for continuous listing.

8. Funding Arrangement

The maximum purchase consideration payable by the Acquirers in case of full acceptance of this Offer would be Rs. 37,31,08,566/- for acquisition of 2,52,95,496 equity shares at the offer price of Rs. 14.75 per share.

The Acquirers have opened a cash escrow account with YES Bank Ltd, having their office at 9th Floor, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400018, in their capacity as the Escrow Banker, under the name and style of “Eight Capital – PIL - Open Offer Escrow Account” and bearing No. 000180200000449. Eight Capital remitted USD 6,10,985 equivalent to approximately Rs. 2,39,93,380.95 at an exchange rate of Rs. 39.27 per USD [RBI Reference Exchange Rate as on January 18, 2008. Source: rbi.org.in]. Spinnaker Funds remitted USD 17,93,971 equivalent to approximately Rs. 7,04,49,241.17 at an exchange rate of Rs. 39.27 per USD [RBI Reference Exchange Rate as on January 18, 2008. Source: rbi.org.in] thus aggregating to USD 24,04,956 equivalent to approximately Rs. 9,44,42,622.12 at an exchange rate of Rs. 39.27 per USD [RBI Reference Exchange Rate as on January 18, 2008. Source: rbi.org.in] being more than 25% of the total purchase consideration payable under the Offer assuming full acceptance at the aforesaid offer price in accordance with Regulation 28 of the SEBI Takeover Regulations.

Acquirers have confirmed that the funds lying in the above mentioned cash escrow account will be utilized exclusively for the purpose of the Offer. The Acquirers have authorized the Manager to the Offer to operate the cash escrow account in compliance with Regulation 28 of the SEBI Takeover Regulations. The Acquirers and the Escrow Banker have marked a lien on the a/c in favour of the Manager to the Offer. In the event of any short fall in the cash escrow amount arising on account of exchange rate fluctuations, the Acquirers have undertaken to provide additional funds to ensure that the escrow account has adequate funds to the extent of at least 25% of the total purchase consideration payable under the Offer, to discharge their offer obligations irrespective of fluctuations in the exchange rate.

Mr. Denis Montpetit, CA , Head of Fund Accounting, Dundee Leeds Management Services Ltd, having Principal Office at 129, Front Street, Hamilton, HM12 Bermuda, P. O. Box HM 1916, Hamilton HM HX, Bermuda, Tel No: 514 971 3179, Fax No: 514 448 2055, e-mail ID: dmontpetit@dundeeleeds.bm has certified, based on their calculation of Net Asset Value of Eight Capital, vide his letter dated January 18, 2008 that Eight Capital has adequate financial resources to finance the acquisition of equity shares to the extent of their obligations of the Offer.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137, Tel: 00 353 (0) 1 792 6000, Fax: 00 353 (0) 1 792 6200 have certified vide their letter dated January 21, 2008 that Spinnaker Funds have adequate financial resources to finance the acquisition of equity shares to the extent of their obligations of the Offer.

Firm arrangement for financial resources required to implement the offer is already in place. No borrowings from banks / financial institutions / foreign sources or otherwise is envisaged.

In view of above, the Manager to the Offer is satisfied that firm arrangements for financial resources required to implement the Offer i.e., funds and money for payment through verifiable means are in place to fulfill the obligations of the Acquirers under the Offer and is satisfied that the Acquirers have adequate resources to meet the financial requirements of the Offer and ability to implement the Offer in accordance with the SEBI Takeover Regulations.

9. Other Terms of the Offer

The LOF will be mailed to the shareholders of PIL [except the Acquirers and the Promoters of P