Public Announcement for the attention of the Shareholders of

SANGHI INDUSTRIES LIMITED

Registered Office: Sanghinagar P.O Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh 501511, India

CASH OFFER FOR ACQUISITION OF EQUITY SHARES FROM SHAREHOLDERS

*This public announcement ("**PA**") is being issued by YES BANK Limited ("**YBL**"), (hereinafter referred to as the "**Managers to the Offer**") on behalf of (a) Spinnaker Global Opportunity Fund Ltd, (b) Spinnaker Global Emerging Markets Fund Ltd and (c) Spinnaker Global Strategic Fund Ltd (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**"). This is not a competitive bid.*

1. Background of the Offer

The members of Sanghi Industries Limited ("**SIL**" or "**Company**" or "**Target Company**" or "**Issuer Company**") at their extraordinary general meeting held on November 30, 2005 ("**EGM**") passed a special resolution under Sections 81, 81(1A) and other applicable provisions of the Companies Act, 1956 (including any statutory amendment(s) or re-enactment thereof) ("**Companies Act**"), pursuant to the resolution passed by the board of directors of SIL ("**Board of Directors**" or the "**Board**") in their meeting held on October 31, 2005, authorizing the Board of Directors to issue and allot upto 3,00,00,000 equity shares of SIL ("**Equity Shares**") at a price of Rs. 18.50 per Equity Share for cash to the Acquirers viz., (a) upto 1,20,00,000 Equity Shares to Spinnaker Global Opportunity Fund Ltd; (b) upto 90,00,000 Equity Shares to Spinnaker Global Emerging Markets Fund Ltd; and (c) upto 90,00,000 Equity Shares to Spinnaker Global Strategic Fund Ltd subject to such terms, conditions and modifications as may be considered appropriate and approved by the Board of Directors, on a preferential allotment basis in accordance with the provisions of the memorandum of association of the Company ("**Memorandum**" or "**Memorandum of Association**"), articles of association of the Company ("**Articles**" or "**Articles of Association**"), the Companies Act, guidelines issued by the Reserve Bank of India ("**RBI**"), the Securities and Exchange Board of India ("**SEBI**"), the stock exchanges on which the Equity Shares of the Company are listed, the Government of India ("**GoI**") and such approvals, permissions, consents, sanctions as may be required.

October 31, 2005 was the "relevant date" for the purpose of determination of the minimum issue price pursuant to the preferential allotment as per Clause 13.1.1 of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended till date ("**SEBI DIP Guidelines**") i.e., 30 days prior to the date of the EGM. The average of the weekly high and low of the closing prices of the Equity Shares on the Hyderabad Stock Exchange ("**HSE**"), (a) for the 6 months ended on October 30, 2005 is 18.475 per share (rounded off to Rs.18.50 per share) and (b) for the 2 weeks ended on October 30, 2005 is Rs. 10.00 (Source: Trading details received from Hyderabad Stock Exchange Limited and the pricing certificate issued by M/s. Ankit & Company, Chartered Accountants, Hyderabad, the Statutory Auditors of the Company). Therefore, the issue price of Rs. 18.50 per Equity Share is not less than the higher of above mentioned (a) and (b).

The Board of Directors in a meeting held on January 6, 2006 have allotted 2,89,10,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 18.50 per Equity Share including premium of Rs. 8.50 per Equity Share for cash to the Acquirers viz., (a) 1,15,64,000 Equity Shares to Spinnaker Global Opportunity Fund Ltd; (b) 86,73,000 Equity Shares to Spinnaker Global Emerging Markets Fund Ltd and (c) 86,73,000 Equity Shares to Spinnaker Global Strategic Fund Ltd, aggregating to Rs. 53,48,35,000/-. The Equity Shares are locked-in for a period of one year from the date of the allotment of the Equity Shares. The above mentioned preferential allotment was made by SIL in accordance with the provisions of Chapter XIII of the SEBI DIP Guidelines.

An investment and shareholders agreement ("**IA**") dated January 6, 2006 was simultaneously entered into between (a) SIL in its capacity as the Issuer Company, (b) the Acquirers and (c) the promoters of SIL, namely, Mr. Ravi Sanghi, Mr. Anand Prakash Sanghi, Mr. Sudhir Sanghi (collectively referred to as the "**Promoters**").

SIL issued allotment advice to the Acquirers, duly signed by the Company Secretary to the effect that the specified number of equity shares have been allotted. However, these equity shares shall be physically allotted to Acquirers upon fulfillment of all obligations by the Acquirers under SEBI Takeover Regulations in terms of Regulation 23(6) of SEBI Takeover Regulations.

In accordance with the terms of the IA, the overall management and control of SIL will remain with the Promoters while the Acquirers will be significant financial investors with certain minority protection rights designed to enable them to preserve the value of their investment in SIL. Such rights include the right of the Acquirers to nominate a director for appointment on the Board of Directors, certain representations and warranties relating to the Company, so as to protect their rights in the investment made.

Some of the critical clauses in the IA are (a) The Promoters have provided various representations and warranties and undertaken to indemnify the Acquirers in relation to the existence and due incorporation of the Company, its corporate records, assets, liabilities, etc, (b) So long as the Acquirers or their related entities hold Equity Shares equal to or more than 10% of total issued, subscribed and paid up Equity Share capital of SIL, they shall be entitled to collectively nominate for appointment one non retiring Director on the Board of Directors, (c) The Company is to obtain director's indemnity insurance for the Director nominated on the Board by the Acquirers, if and only to the extent such insurance policies are offered by insurers in India. (d) The Promoters are to indemnify the Acquirers, their respective officers, directors, employees and agents and the Director nominated on the Board by the Acquirers in relation to any loss suffered by such persons in relation to any inaccuracy in or breach of the representations, warranties, covenants or agreements made by the Promoters or any other conduct of the Promoters or SIL or its employees or agents as a result of which such persons are made a party to, or otherwise incur any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct, (e) In the event monies are being raised in any of the subsidiaries of the Company, the Acquirers will have the option to subscribe to such instruments to the extent of their shareholding in SIL, on mutually agreed terms being no less favourable than the terms on which the instruments are offered to any other investor, (f) The Company and the Promoters have undertaken that the Company shall not carry on any activity other than business of manufacture of cement, or other related or ancillary activities without the prior written consent of the Acquirers, (f) The Equity Share capital (including any fresh issuance of Equity Shares or instruments convertible into Equity Shares) shall for a period of 3 (three) years commencing from January 06, 2006 be capped at 23,90,00,000 Equity Shares. Any additional Equity Share capital shall rank *pari passu* with the existing issued Equity Shares, (g) The Company is to provide written notice of at least 7 (seven) business days of each meeting of its Board to each Director except with the prior consent of all the Directors, (h) Any expenditure incurred by the nominee of the Acquirers on the Board in connection with his appointment or directorship and travel and stay costs in attending Board or committee meetings shall be borne by SIL, (i) The Company is to convene a meeting of its Board and its shareholders to pass the appropriate resolutions to amend and adopt the Memorandum and Articles of Association to suitably reflect the terms of the IA on or before 60 days from January 6, 2006 and (k) In the event that, at any time after the date of the IA, the Acquirers' shareholding in the Company (including Equity Shares transferred by the Acquirers to their related entities) aggregates to less than 10% of the then existing total issued subscribed and paid up Equity Share capital of the Company, then the provisions of the IA shall thereupon terminate

2. The Offer

Prior to the preferential allotment, the paid up Equity Share capital of SIL was Rs. 1,75,00,00,000/- comprising of 17,50,00,000 Equity Shares of Rs. 10/- each. SIL allotted 2,89,10,000 Equity Shares of Rs. 10/- each to the Acquirers on January 6, 2006 by way of preferential allotment.

In view of the above, while determining 20.00% of the paid up Equity Share capital for the purpose of minimum public offer as above, paid up Equity Share capital of Rs. 2,17,97,90,000/- comprising of 21,79,79,000 Equity Shares of Rs. 10/- 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. There are no partly paid up Equity Shares in the books of SIL

Spinnaker Global Opportunity Fund Limited, Spinnaker Global Emerging Markets Fund Limited and Spinnaker Global Strategic Fund Limited presently hold, respectively 2,20,00,000 Equity Shares constituting 10.09% of the total paid up capital of SIL, 1,77,37,400 Equity Shares constituting 8.14% of the total paid up capital of SIL and 1,52,62,600 Equity Shares constituting 7.00% of the total paid up capital of SIL aggregating 5,50,00,000 Equity Shares representing 25.23% of the total paid up capital of SIL, pursuant to the preferential allotment. As the aggregate equity stake of the Acquirers in the post preferential allotment paid up Equity Share capital of SIL is 25.23% which is more than the stipulated limit of 15%, in compliance with Regulation 10 of the SEBI Takeover Regulations, the Acquirers are making an offer to the remaining equity shareholders of SIL to acquire 4,35,95,800 Equity Shares representing 20% of the post preferential allotment paid up Equity Share capital of SIL at a price of Rs. 18.50 per fully paid up Equity Share ("**Offer Price**") payable in cash ("**Offer**").

The Offer is not subject to any minimum level of acceptance and the Acquirers will be obliged to acquire upto a maximum of 4,35,95,800 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 SIL. Equity Shares that would be tendered in the valid form in terms of this open offer will be transferred in favour of Spinnaker Global Opportunity Fund Ltd, Spinnaker Global Emerging Markets Fund Ltd and Spinnaker Global Strategic Fund Ltd, proportionately.

The Acquirers have not acquired any Equity Shares during the 12 months period prior to the date of this PA except (a) 2,89,10,000 Equity Shares acquired by Acquirers by way of preferential allotment as per the details given above and (b) 2,60,90,000 Equity Shares which the Acquirers purchased from F.L. Smidth Limited and Fuller International Inc. on November 25, 2005 under negotiated deals for consideration of Rs. 10/- per equity share. Other than the above i.e., 5,50,00,000 Equity Shares of Rs. 10/- each, the Acquirers do not hold any Equity Shares as on the date of this PA

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 of the Target Company except (a) 2,89,10,000 Equity Shares acquired by Acquirers by way of preferential allotment as per the details given above and (b) 2,60,90,000 Equity Shares which the Acquirers purchased as per the details given above

The Equity Shares are presently listed and traded on Bombay Stock Exchange Limited ("**BSE**") and the **HSE**. The Equity Shares were also listed on the stock exchanges at Delhi, Chennai, Cochin, Kolkata and Ahmedabad. However, SIL, in view of the special resolution passed by its shareholders at the annual general meeting held on September 30, 2004, filed applications with these stock exchanges on October 13, 2004 seeking delisting and is in the process of complying with further requirements in this regard.

Based on the information available, the Equity Shares are deemed to be infrequently traded on the HSE as the annualised trading turnover based on the trading during 6 calendar months i.e., April 2005 to September 2005 is less than 5% of the total number of listed Equity Shares in terms of Explanation (i) to Regulation 20(5) of the SEBI Takeover Regulations. However, during this period the shares remained suspended on BSE due to non-compliance of Listing agreement.

The average of the weekly high and low of the closing prices of the Equity Shares for the 26 week period ended on October 30, 2005 i.e., the date preceding the date of the resolution of the Board of Directors, which authorized the preferential allotment is Rs. 18.475 (rounded off to Rs.18.48) per share as per Explanation (ii) to Regulation 20(11) of the SEBI Takeover Regulations. Equity Shares of the Company were not traded on HSE during the 2 weeks period ended on October 30, 2005.

The Offer Price of Rs. 18.50 per Equity Share is the highest of (a) the price at which preferential allotment of 2,89,10,000 Equity Shares was made by SIL to the Acquirers on January 6, 2006, i.e., Rs. 18.50 per Equity Share and (b) the price at which the Acquirers purchased 2,60,90,000 Equity Shares from F.L. Smidth Limited and Fuller International Inc., i.e., Rs. 10/- per Equity Share. In view of this, the Offer Price is justified in terms of Regulation 20(5) of the SEBI Takeover Regulations, applicable to companies whose shares are infrequently traded.

As the Equity Shares are deemed to be infrequently traded as per the details given above, so as to ascertain fair value of the equity shares of SIL, in terms of the provisions of Regulation 20(5) of SEBI Takeover Regulations, we have obtained a share valuation certificate dated January 09, 2006 from Mr. Dinesh C. Bangar, Partner, (Membership No. 36247), Dinesh Bangar & Co., Chartered Accountants, 114, Gauri Premises CHS Ltd., First Floor, Opp. Bank of Baroda, Navghar, Vasai East, Thane Dist 401210, an independent chartered accountant, keeping in view the decision of the Supreme Court of India in the case of *Hindustan Lever Employee Union v. Hindustan Lever Limited*, (1995) 83 Comp Case 30. The said valuation report, prepared on the basis of Net Asset Value, Profit Earning Capacity Value and Market Value method as per the erstwhile guidelines of the Controller of Capital Issues, certifies that the fair value of the Equity Shares based on the audited financial statements of SIL as on March 31, 2005 would be Rs. 7.82 per Equity Share.

As per the audited financial results of SIL for the year ended on March 31, 2005, the book value per Equity Share was Rs. 9.70, return on net worth was 1.17%, diluted earning per share was Rs. 0.11, Offer Price Earning Ratio ("**P/E**") is 168.18 and P/E multiple for the industry category i.e., "Cement – South India" as per the classification made by Capital Market Magazine" is 22.3 (Source: "Capital Market" December 19, 2005 – January 01, 2006).

In view of this, the Offer Price of Rs. 18.50 per Equity Share is justified in terms of Regulation 20(5) of the SEBI Takeover Regulations.

3. Information on the Acquirers i.e., Spinnaker Global Opportunity Fund Ltd, Spinnaker Global Emerging Markets Fund Ltd and Spinnaker Global Strategic Fund Ltd

Spinnaker Global Opportunity Fund Ltd is an open-end investment fund incorporated on January 23, 2001 with current assets under its management of approximately USD 1.59 billion. Spinnaker Global Emerging Markets Fund Ltd is an open-end investment fund incorporated on November 23, 2000 with current assets under its management of approximately USD 1.05 billion. Spinnaker Global Strategic Fund Ltd is an open-end investment fund incorporated on December 29, 2003 with current assets under its management of approximately USD 370 million. The aforesaid funds are widely held by many institutional investors around the world and do not belong to any group. All the three funds are domiciled in the British Virgin Islands.

The registered offices of above funds are situated at c/o Maples Finance BVI Limited, Sea Meadow House, P.O. Box 173, Road Town, Tortola, British Virgin Islands, Tel No: 00 1 284 494 3384, Fax No: 00 1 284 852 3097 whereas contact addresses for the above funds are c/o Spinnaker Capital CGR Ltd., Al Santos 1940 – 2o andar, 01418-200 Sao Paulo, SP, Brazil, Tel. No.: 00 5511 3253 2255, Fax No.: 00 5511 3284 4600.

These 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 the above mentioned funds are not listed on any stock exchange. The audited financial statements provided below reflect the position and operations of the Acquirers. (Conversion Rates: 1US$=Rs. 43.58 on December 31, 2004 and 1US$=Rs. 45.61 on December 31, 2003.Source: RBI web site)

Spinnaker Global Opportunity Fund Ltd: For the year ended December 31, 2004 (previous year's figures for the year ended December 31, 2003 are given in brackets): Total investment income Rs. 9,310.61 lakhs (Rs. 8,983.56 lakhs); Total income Rs. 64,685.30 lakhs (Rs.46,745.81 lakhs); Net profit Rs. 42,308.15 lakhs (Rs. 42,423.83 lakhs); Paid up share capital Rs. 10.77 lakhs (Rs. 11.62 lakhs); Reserves and surplus Rs. 326,660.15 lakhs (Rs. 287,036.17 lakhs); Net worth Rs. 326,670.92 lakhs (Rs. 287,047.79 lakhs) and Trading securities Rs. 341,254.85 lakhs (Rs. 273,183.68 lakhs).

Spinnaker Global Emerging Markets Fund Ltd: For the year ended December 31, 2004 (previous year's figures for the year ended December 31, 2003 are given in brackets): Total investment income Rs. 13,407.61 lakhs (Rs. 9,530.30 lakhs); Total income Rs. 92,207.33 lakhs (Rs. 36,598.22 lakhs); Net profit Rs. 67,651.53 lakhs (Rs. 33,188.31 lakhs); Paid up share capital Rs. 7.75 lakhs (Rs. 5.92 lakhs); Reserves and surplus Rs. 365,038.60 lakhs (Rs. 256,314.52 lakhs); Net worth Rs. 365,046.34 lakhs (Rs. 256,320.43 lakhs) and Trading securities Rs. 323,860.17 lakhs (Rs. 233,857.73 lakhs).

Spinnaker Global Strategic Fund Ltd: For the period from the date of incorporation i.e., December 29, 2003 to December 31, 2004: Total investment income Rs. 2,200.53 lakhs; Total income Rs. 7,968.75 lakhs; Net profit Rs. 4,606.89 lakhs; Paid up share capital Rs. 3.30 lakhs; Reserves and surplus Rs. 62,921.98 lakhs; Net worth Rs. 62,925.28 lakhs and Trading securities: Rs. 61,565.68 lakhs.

4. Information on the Target Company: Sanghi Industries Limited (SIL)

SIL is a public limited company that was incorporated on June 14, 1985 under the Companies Act as Sanghi Leathers Private Limited. The name of the Company was changed to Sanghi Industries Private Limited on September 18, 1992 and thereafter, pursuant to a special resolution passed by the Company on September 26, 1992, and fresh certificate of incorporation consequent to change of name issued on October 28, 1992, the name of the Company was changed to Sanghi Industries Limited. The registered office of the Company is situated in the State of Andhra Pradesh at Sanghinagar, P.O. Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh 501511, India. The administrative office of the Company is situated at President House, First Floor, Opp. C.N. Vidhyalaya, Ambawadi Circle, Ahmedabad 380006 and its plant is located at Sanghipuram, Village Motiber, Abdasa Taluk, Kutch District, Gujarat 370655. Besides this, the Company has offices at Hyderabad and Mumbai. The Company doesnot have any subsidiaries.

The Company is promoted by the Promoters of Sanghi Group. The Company was originally incorporated by Shri Ravi Sanghi and Shri Sudhir Sanghi as subscribers to the Memorandum of Association of the Company. The Company started its activities in 1985 with the manufacture of PVC Foam Leather Cloth and commenced commercial production of cement in October 2003 and is presently engaged in the manufacture of cement and clinker.

Prior to the preferential allotment of Equity Shares to the Acquirers and promoters of the Company, the paid up Equity Share capital of SIL was Rs. 1,75,00,00,000/- comprising of 17,50,00,000 Equity Shares of Rs. 10/- each. SIL allotted 2,89,10,000 Equity Shares of Rs. 10/- each to the Acquirers on January 6, 2006 by way of preferential allotment. Further, Rs. 14,06,90,000/- lying in the books of SIL as share application money, comprising Rs. 10,25,00,000/- received from the associates of the promoter group of the Company and Rs. 3,81,90,000/- received from Aequitas Financial Services Limited, a company incorporated in India and having its registered office at Omerkhan Diara, Koheda Village, Ranga Reddy District, Andhra Pradesh is being converted into 1,40,69,000 Equity Shares. Thus, as on the date of this PA, the issued and paid up Equity Share capital of SIL is Rs. 2,17,97,90,000/- comprising 21,79,79,000 Equity Shares of Rs. 10/- each. There are no partly paid up Equity Shares and no calls in arrears. Details of the listing status of the Equity Shares are given in paragraph number 2 above.

As per the audited accounts of the Company for the year ended March 31, 2005, (previous year's figures for the year ended March 31, 2004 are given in brackets) SIL registered total sales of Rs. 37,769.84 lakhs (Rs. 16,906.30 lakhs) and Net profit after tax of Rs. 507.41 lakhs (-ve Rs. 714.88 lakhs). The paid up Equity Share capital was Rs. 17,500.00 lakhs (Rs. 17,500.00 lakhs) whereas preference share capital consisting of Optionally Convertible Cumulative Participating Preference Shares was Rs. 25,911.47 lakhs (Rs. 25,911.46 lakhs). Further, the Company had received share application money of Rs. 1,409.06 lakhs (Rs. 1,409.06 lakhs). The Company had in its books, secured loans aggregating to Rs. 95,901.25 lakhs (Rs. 93,721.95 lakhs), net fixed assets of Rs. 1,38,825.71 lakhs (Rs. 1,40,654.18 lakhs), net current assets of Rs. 540.35 lakhs (-ve Rs. 3,718.66 lakhs), miscellaneous expenditure of Rs. 1,318.49 lakhs (Rs. 1,062.31 lakhs) and debit balance of profit & loss account of Rs. 37.23 lakhs (Rs. 544.64 lakhs). The Company registered diluted **EPS** of Rs. 0.11 (-ve Rs. 0.41) and book value ("**BV**") of Rs. 9.70 (Rs.9.64) and return on net worth ("**RONW**") of 1.17% (-ve 1.65%). For the purpose of determination of EPS, BV and RONW ratios used are (a) EPS = Profit After Tax/Number of Shares and (b) BV = Net worth/Number of shares and (c) RONW = Profit After Tax/Net worth*100. Further Optionally Convertible Cumulative Participating Preference Shares are treated as equity shares.

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

Substantial acquisition of shares and voting rights without change in control and management, in order to facilitate the rehabilitation of the Company, is the reason and rationale for the acquisition of the abovementioned equity stake in the paid-up equity share capital of SIL by the Acquirers in accordance with Regulation 10 of the Takeover Regulations.

The Company has been faced with financial difficulties over the past few years due to delay in the implementation of cement project. Due to foregoing reasons, SIL was unable to service its debt repayment obligations. Consequently, the Company has been driven to restructure its outstanding debt. The Company has been engaged in negotiations with its lenders for restructuring of the Company's outstanding debt under the aegis of the Corporate Debt Restructuring Scheme of the Reserve Bank of India notified under circular number DBOD No. BP.BC. 68/21.04.114/2002-03. The restructuring package and the terms thereof ("**CDR Scheme**") were approved by the Corporate Debt Restructuring Cell.

The Acquirers in light of the sound fundamentals of the Company, believe that the Company is poised for strong growth in the future and have agreed to subscribe to Equity Shares to facilitate the restructuring process currently being undertaken by it. Consequently, the Acquirers agreed to subscribe to 2,89,10,000 Equity Shares of the Company at a price of Rs. 18.50 per Equity Share aggregating to 53,48,35,000/- which constitutes 13.26% of the paid up capital of the Company. Pursuant to such subscription, management and control of the Company will continue to vest with the present promoters of the Company, namely Mr. Ravi Sanghi, Mr. Anand Prakash Sanghi and Mr. Sudhir Sanghi. The Acquirers are merely financial investors and such acquisition will not result in a change in control of the Company.

The Acquirers are not in control of the management of the Company and cannot act so as to dispose of or otherwise encumber assets of the Company. Management control will continue to vest with the promoters of the Company who will make decisions regarding the future course of the Company.

Since the investment by the Acquirers in the paid-up Equity Share capital of SIL is in the nature of a financial investment in the ordinary course of business, and management control is retained by the promoters of the Company, the Acquirers do not have any plans to dispose of or otherwise encumber any assets of SIL in the next two years

6. Statutory Approvals & Conditions of the Offer

The Offer is subject to receipt of the following statutory and regulatory approvals, and clearances:

Pursuant to the press release dated September 29, 2004 issued by the Ministry of Finance, Government of India and AP (Dir Series) Circular No. 16 dated October 4, 2004, approval is required from Foreign Investment Promotion Board ("**FIPB**")/ Secretariat of Industrial Assistance ("**SIA**"), the RBI/any other appropriate authority of the Government of India ("**GOI**"), if any, by the Acquirers for acquisition/transfer of Equity Shares that are tendered in the open offer by resident shareholders of the Company, i.e., individuals and institutions, overseas corporate bodies, foreign institutional investors etc and the Acquirers shall make requisite application to the FIPB and the RBI seeking their approval in this regard.

Presently, the Acquirers have opened a cash escrow account abroad and as per RBI requirements and rules, requisite application shall be filed by the Acquirers with the Regional Office of the RBI for their requisite permission (a) to open and fund the cash escrow account in India/transfer of funds from the aforesaid offshore escrow account in terms of the provisions of SEBI Takeover Regulations and (b) to open a special account in India for the purpose of releasing payment of purchase consideration to eligible shareholders, as per RBI requirements and rules.

In case of delay in receipt of statutory approvals, as explained above, beyond Wednesday - April 12, 2006, SEBI has power to grant extension of time to the Acquirers for payment of purchase consideration to eligible shareholders of the Company, subject to the Acquirers agreeing to pay interest at the rate of 10% p.a. or 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

No approvals from banks/financial institutions are required for the Offer.

As on date no other statutory/other approvals other than those indicated above are required for the Offer. If any other statutory approvals are required, the Offer would be subject to such approvals. The Acquirers will have a right, in terms of Regulation 27(1)(b) of the SEBI Takeover Regulations, not to proceed with the offer in the event that statutory approvals indicated above are not received/refused.

7. Delisting Provision

The minimum public shareholding required for continuous listing of the Equity Shares of SIL is 25% (twenty five) of the total issued Equity Share capital. Pursuant to this Offer, there will be no violation of Clause 40A of the listing agreement of SIL with the stock exchanges on which its Equity Shares are listed and the Equity Shares will continue to be listed as the public shareholding of SIL is not expected to fall to a level below the limit for continuous listing specified in the listing agreement. Regulations 21(3) and 21(4) of the SEBI Takeover Regulations and the disclosure of an option thereunder are consequently not applicable to the Offer.

8. Funding Arrangement

The total funds required for the acquisition of 4,35,95,800 Equity Shares in the Offer assuming full acceptance at Rs. 18.50 per Equity share amount to Rs. 80,65,22,300/-. Acquirers have opened 3 offshore cash escrow accounts with HSBC Custody Services (Guernsey) Limited, PO Box 208, Arnold House, St. Julians Aveneue, St. Peter Port, Guernsey, GY1 3NF (hereinafter referred to as "HSBC") under the name and style of "Spinnaker Global Strategic Fund Ltd – Sanghi Industries – Offshore Escrow Account", "Spinnaker Global Opportunity Fund Ltd – Sanghi Industries – Offshore Escrow Account" and "Spinnaker Global Emerging Markets Fund Ltd – Sanghi Industries – Offshore Escrow Account" bearing Nos. 59743066, 59743082 and 59743058 and deposited US$ 1,370,393.57, US$ 1,827,191.45 and US$ 1,370,393.57 respectively aggregating to US$ 4,567,978.59 equivalent to Rs. 20,16,76,254.75 (Rupees Twenty Crores Sixteen Lakhs Seventy Six Thousand Two Hundred Fifty Four and Paise Seventy Five only) at an exchange rate of Rs. 44.15 per US$ [Exchange Rate as on January 12, 2006] being more than 25% of the total purchase consideration payable under the Offer assuming full acceptance at the aforesaid offer price. Acquirers have confirmed that the funds lying in the above mentioned offshore cash escrow account will be utilized exclusively for the purpose of the Offer. Further, HSBC has marked a lien on the funds lying in the aforesaid cash escrow account in favour of the Managers to the Offer.

As soon as requisite approval is obtained from the RBI for opening and operating an escrow account in India, the Acquirers will open a cash escrow account with a scheduled commercial bank in India as per the provisions of the SEBI Takeover Regulations and upon the instructions of the Managers to the Offer, transfer the funds lying in the above mentioned offshore cash escrow account to the said domestic cash escrow account and Managers to the Offer will be duly authorised to operate the domestic cash escrow account in compliance with Regulation 28 of the SEBI Takeover Regulations. The Acquirers have undertaken to mark a lien thereon in favour of the Managers to the Offer.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, P. O. Box 1283, George's Quay, Dublin 2, Irland; Tel No: 00 353 0 1 678 9999, Fax No: 00 353 0 1 704 8600 have certified vide their letter dated January 03, 2006 that Acquirers have adequate financial resources to finance the above mentioned acquisition of 4,35,95,800 Equity Shares to the extent of their obligations of the Offer.

In view of above, the Managers to the Offer are 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 are 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

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 at all times, to discharge their offer obligations irrespective of fluctuations in the exchange rate.

9. Other Terms of the Offer

The Letter of Offer ("**LOF**") with Form of Acceptance cum Acknowledgement ("**Acceptance Form**") will be mailed to the shareholders of SIL (except parties to the IA i.e., (a) the Acquirers and (b) the Promoters, as defined therein) whose names appear on the Register of Members of SIL and beneficial owners of the Equity Shares, whose names appear as beneficiaries on the records of the respective depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business hours on Saturday- January 14, 2006 ("**Specified Date**").

CIL Securities Ltd., having its offices at 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad 500001 is acting as the Registrar to the Offer ("**Registrar**") and has opened a special depository account under the name and style of "Sanghi Industries Ltd – Spinnaker – Open Offer – Escrow Demat Account". The Depository Participant ID is 13500 [registered with CDSL] and Client ID is 1201350000042253. ISIN Number is INE 999 B 01013.

Shareholders of SIL having their depository account with NSDL have to use inter-depository delivery instruction slip for the purpose of crediting their Equity Shares in favour of the special depository account with CDSL.

Beneficiary owners (holders of shares in dematerialised form) who wish to tender their Equity Shares will be required to send their Acceptance Form along with a photocopy of the delivery instruction slip in "off-market" mode or counterfoil of the delivery instruction slip in "off-market" mode, duly acknowledged by the depository participant in favour of the special depository account, to the Registrar in accordance with the instructions to be specified in the LOF.

Shareholders of SIL holding Equity Shares in physical form and who wish to tender their Equity Shares will be required to send the Acceptance Form, original share certificate/s and transfer deed/s, duly signed, to the Registrar on or before the closure of the Offer in accordance with the instructions to be specified in the LOF.

The equity shareholders of SIL who wish to avail of the Offer will be required to deliver the Acceptance Form with relevant documents to the Registrar on all days (excluding holidays and Sundays) at the collection centres mentioned below, in accordance with the instructions to be specified in the LOF and in the Acceptance Form.

The collection centres mentioned below would remain open on Monday to Friday from 10.00 am to 1.00 pm and from 2.00 pm to 4.00 pm and on Saturdays from 10.00 am to 1.00 pm.

Address of the Collection Centre	Contact Person	Mode of delivery	Phone/Fax/Email
215, Raghava Ratna Towers, Chirag Ali Lane, Abids Hyderabad – 500 001	Mr.D.Chandra shekar	Hand Delivery / Regd.Post /Courier	Phone: 040 2320 3155 / 5566 1277 Fax : 040 55661267 Mobile.9885524718 Email.cilsec@rediffmail.com
20, Great Western Building, 130/132, II Floor, Shahid Bhagat Singh Marg, Opp: Lions Gate, Mumbai - 400 023.	Mr.Gulab Maheshwari	Hand Delivery / Regd.Post / Courier	Phone: 022 2288 5177/2288 5178 Fax: 022-22885178 E-mail: gulab_maheshwari@yahoo.com Mobile: 9322598681
P-14, Sahadev Marg 'C' Scheme Jaipur - 302 006	Mr. Mohit Somani	Hand Delivery / Regd.Post / Courier	Phone : 0141 5112495/5112497 Fax : 0141-2382801 / 3960806 Email : vfinsec@yahoo.com
Lakhotia Complex, D.No.39-17-4, Sivanandam Street, Opp.Kalanjali, M.G.Road, Labbipet, Vijayawada – 520 010	Mr. Giri	Hand Delivery / Regd.Post / Courier	Phone: 0866-5516042/5516043 Mobile : 9849592557

All owners (registered or unregistered) of shares of SIL (except parties to the IA i.e., (a) the Acquirers and (b) the Promoters, as defined herein) who own/hold Equity Shares at any time before the date of closure of the Offer are eligible to participate in the Offer.

Unregistered owners can send their written applications to the Registrar, on a plain paper stating (a) the name, address, number of Equity Shares held, number of Equity Shares offered, distinctive numbers and folio number together with the original share certificate/s and valid transfer deeds in the case of Equity Shares held in physical form or (b) DP name, DP ID and client ID (collectively called "**Shareholding Details**") together with photocopy or counterfoil of the delivery instruction slip in "off-market" mode in the case of Equity Shares held in dematerialized form and (c) the original contract note issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners of Equity Shares.

In case of non-receipt of the LOF, the eligible persons/shareholders of SIL may send their consent to the Registrar, on a plain paper giving their Shareholding Details as above and submitting the documents as mentioned above so as to reach the Registrar on or before the date of closure of the Offer. Beneficial owners may send their written application on plain paper to the Registrar, giving their Shareholding Details as above along with beneficiary account number and either a photocopy or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the DP, in favour of the special depository account, so as to reach the Registrar, on or before the date of closure of the Offer. Such shareholders of SIL may also obtain a copy of Letter of Offer by writing to the Registrar to the Offer superscribing the envelope "SIL Open Offer".

The Equity Shares are traded compulsorily in dematerialised mode with effect from June 25, 2001 and the minimum marketable lot is one Equity Share.

Equity Shares, if any, that are the subject matter of litigation wherein the shareholder/s is/are/ may be precluded from transferring the Equity Shares during the pendency of the said litigation are liable to be rejected in case directions/orders from competent authority regarding these Equity Shares are not received together with the Equity Shares tendered under the Offer. The LOF, in such cases, would be forwarded to the concerned competent authority for further action at their end. In case the Equity Shares are in the name of tainted persons or the transfer of the Equity Shares was kept in abeyance due to the inclusion of the tainted persons as declared by the Special Custodian under the Special Act, such shares will not be accepted until the Equity Shares are cleared by the Special Court appointed for this purpose.

Shareholders of SIL who have sent their Equity Shares for dematerialization need to ensure that the process of getting the Equity Shares dematerialized is completed well in time so that the credit in the special depository account should be received on or before the date of closure of the Offer, else the application would be rejected.

Shareholders of SIL who have lodged Equity Shares for transfer may either download the Letter of Offer and Acceptance Form from the SEBI's site (www.sebi.gov.in) or request for the Acceptance Form from the Registrar to the Offer. The Acceptance Form, duly completed and signed in accordance with the instructions contained therein or an application in writing on a plain paper stating the name, address, number of Equity Shares held, number of Equity Shares offered, distinctive numbers and folio number shall be sent to the Registrar to the Offer along with the acknowledgement, if any, received from SIL for having lodged the Equity Shares for transfer. Shareholders of SIL who are attaching the acknowledgement are requested to direct SIL in writing to retain the share certificates for onward submission to the Registrar to the Offer.

The Registrar to the Offer will hold, in trust, the share certificates, Equity Shares lying to the credit of the special depository account, the Acceptance Form, if any and the transfer form/s on behalf of the shareholders of SIL who have accepted the Offer, till the cheques/drafts for the consideration and/or the unaccepted Equity Shares/share certificates are dispatched/returned.

In accordance with Regulation 22(5A) of the SEBI Takeover Regulations, shareholders of SIL who have tendered the requisite documents in terms of the PA and Letter of Offer shall have the option to withdraw acceptances tendered upto three working days prior to the date of closure of the Offer. The withdrawal option can be exercised by submitting the documents as per the instructions given below so as to reach the Registrar to the Offer at the collection centres mentioned above as per the mode of delivery indicated therein on or before Thursday – March 23, 2006.

The withdrawal option can be exercised on submitting (a) the form of withdrawal which will be sent to shareholders of SIL along with the Letter of Offer and (b) the copy of the acknowledgement received from the Registrar to the Offer while tendering the acceptances together with (a) name, address, distinctive numbers, folio number, and number of Equity Shares tendered in respect of Equity Shares held in the physical form and (b) name, address, number of Equity Shares tendered, DP name, DP ID, beneficiary account number i.e., client ID and photocopy of the delivery instruction in "off market" mode duly acknowledged by DP, in respect of dematerialized Equity Shares. In case of non-receipt of the form of withdrawal, the above withdrawal application can be made on a plain paper.

The consideration for Equity Shares accepted by the Acquirers will be paid by crossed account payee cheques/demand drafts. Such payments and documents i.e., share certificates etc. in case of unaccepted Equity Shares will be returned by registered post/speed post at the shareholders'/unregistered owners' sole risk. Consideration up to Rs.1500/- will be dispatched "Under Certificate of Posting". Equity Shares held in dematerialized form to the extent not accepted will be credited back to the account of the beneficial owner specified in the Acceptance Form. The payment of consideration for the accepted Equity Shares will be made by the Acquirers by cheque/demand draft to the shareholders of the accepted Equity Shares within 15 days from the date of closure of the Offer.

A schedule of some of the major activities in respect of the Offer is given below:

Activities	Days & Dates
Specified Date *	Saturday- January 14, 2006
Last date for Competitive Bid	Friday – February 3, 2006
Date by which letter of offer to be dispatched to shareholders	Monday – February 27, 2006
Date of Opening of the Offer	Thursday – March 9, 2006
Last date for revising the Offer Price / number of equity shares	Friday – March 17, 2006
Last date up to which shareholders may withdraw	Thursday – March 23, 2006
Date of Closure of the Offer	Tuesday – March 28, 2006
Date for communicating acceptance/rejection under the Offer and payment of consideration for applications accepted.	Wednesday – April 12, 2006

* Specified Date is only for the purpose of determining the names of shareholders of SIL as on such date to whom the letter of offer would be sent.

While tendering Equity Shares under the Offer, non resident shareholders (Non Resident Indians/Overseas Corporate Bodies/ Foreign Institutional Investors etc.) will be required to submit the previous RBI/GOI approvals, if any, which they would have obtained for acquiring the Equity Shares and No Objection Certificate/Tax Clearance Certificate from the income tax authorities under the Income Tax Act, 1961 indicating the rate at which the tax is required to be deducted by the Acquirers before remitting the consideration. In case previous approvals as explained above are not submitted, the Acquirers reserve the right to reject the Equity Shares tendered in the Offer. In case the aforesaid No Objection Certificate/Tax Clearance Certificate is not submitted, the Acquirers will deduct the tax at the current prevailing rates as applicable on the Offer Price and interest thereon if applicable.

In case of resident shareholders of SIL, the Acquirers will deduct the tax on the interest component exceeding Rs. 5,000/- at the current prevailing rates, as applicable, if applicable. If the resident shareholder of SIL requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, he will be required to submit No Objection Certificate from the income tax authorities or a self declaration in Form 15H as may be applicable indicating the rate at which tax is to be deducted by the Acquirers. Shareholders of SIL eligible to receive interest component exceeding Rs. 5,000/- would be required to submit their Permanent Account Number for income tax purposes. Clauses relating to payment of interest will become applicable only in the event of the Acquirers becoming liable to pay interest for delay in release of purchase consideration.

10. General

Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the PA/Letter of Offer, can withdraw the same upto three working days prior to the date of closure of the Offer.

The Acquirers can revise the Offer Price upwards upto 7 (seven) working days prior to the closure of the Offer and if there is any upward revision in the Offer Price upto 7 (seven) working days prior to the date of closure of the Offer, the same would be informed by way of a public announcement in the same newspapers where this PA appears and the revised price would be payable to all shareholders of SIL who have tendered their Equity Shares anytime during the Offer.

The Acquirers and the Target Company have not been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the Securities and Exchange Board of India Act ("**SEBI Act**") or under any other regulations made under the SEBI Act.

The Acquirers retain the option of acquiring Equity Shares of SIL outside this Offer, subject to the provisions of the SEBI Takeover Regulations.

If there is a competitive offer/bid, (i) the public offers under all the subsisting bids shall close on the same day and (ii) as the Offer Price cannot be revised during 7 (seven) working days prior to the date of closure of the Offer/bids, it would be in the interest of the shareholders of SIL to wait till the commencement of that period to know the final Offer Price of each offer/bid and tender their acceptance accordingly.

Pursuant to Regulation 13 of the SEBI Takeover Regulations, the Acquirers have appointed YES BANK Limited, Mumbai as Managers to the Offer and YBL does not hold any equity shares in the paid up Equity Share capital of SIL.

The Acquirers i.e., Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd. and the directors of Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd. accept full responsibility for the information contained in this PA and also for the obligations of the Acquirers as laid down in SEBI Takeover Regulations and subsequent amendments made thereof.

All financial data contained in this PA have been rounded off to the nearest lakhs except where stated otherwise.

SEBI web site

This PA would also be available on SEBI's website at www.sebi.gov.in. Eligible persons to the Offer may also download a copy of the Letter of Offer and Acceptance Form which will be available on SEBI's website from the date of opening of the Offer i.e., Thursday – March 9, 2006 and send their acceptances by filling in the same.

For further details, please refer to the Letter of Offer and Acceptance Form.

Registrars to the Offer

CIL Securities Ltd.,
214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad 500001.
Tel. No.: 91 40 2320 2465 / 3155, Fax No.: 91 40 2320 3028, E-mail: advisors@cilsecurities.com
SEBI Registration No.: INR 00000 2276, Contact Person: Mr. B M Maheshwari

Issued on behalf of the Acquirers i.e., Spinnaker Global Opportunity Fund Ltd., Spinnaker Global Emerging Markets Fund Ltd. and Spinnaker Global Strategic Fund Ltd., c/o Maples Finance BVI Limited, Sea Meadow House, P O Box 173, Road Town, Tortola, British Virgin Islands.

Issued by: Managers to the Offer

YES BANK Limited,
12th Floor, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400018.
Tel. No.: 91 22 5669 9068 / 9058, Fax No.: 91 22 2497 4158, E-mail: sanghi@yesbank.in,
SEBI Registration No.: MB / INM 0000 10874, Contact Person: Dhanraj Uchil / S Srividhya

Place: British Virgin Islands

Date: January 13, 2006

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