LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as an equity shareholder(s) of Schlafhorst Engineering (India) Limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager to the Offer or the Registrar to the Offer. In case you have sold your shares in Schlafhorst Engineering (India) Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the purchaser of the shares or the member of stock exchange through whom the sale was effected.

CASH OFFER

[Pursuant to Regulations 10 and 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto]

BY

OC Oerlikon Corporation AG, Pfäffikon ("**Acquirer**" or "**Oerlikon**")

Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach). SWITZERLAND

Tel. No.: +41 58 360 9696; Fax: +41 58 360 9196

and

W. Reiners Verwaltungs GmbH, Germany ("**WRV**" or "**Person Acting in Concert**" or "**PAC**")

Blumbergerstrasse 143-145, 41061 Mönchengladbach. GERMANY

Tel: +49 (0) 2161 282816; Fax +49 (0) 2161 283636

for

the acquisition of upto 3,879,040 fully paid-up equity shares representing 20% of the paid-up equity share capital

of

Schlafhorst Engineering (India) Limited ("**Target Company**" or "**SEIL**")

Chandrapura Village, Tal. Halol - 389 350 Dist. Panchmahal, Gujarat. INDIA

Tel: +91 2676 221870; Fax: +91 2676 220887

at

Rs. 15 (Rupees fifteen only) per fully paid-up Equity Share of face value of Rs. 10 each (the "Offer Price") payable in cash

ATTENTION:

a) The PAC has obtained approval from the RBI for opening Escrow Account, Rupee Payments Account and acquiring shares tendered under the Open Offer in accordance with the SEBI SAST Regulations. Specific approval of the RBI needs to be obtained by the OCB in the event that any OCB shareholder tenders its shares in the Open Offer. No specific approval from RBI is required in case shares are tendered by NRI shareholders. As of the date of this Letter of Offer, no other statutory approval is required.

b) Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer, shall have the option to withdraw their acceptance on or before Friday, July 20, 2007, i.e., 3 (three) working days prior to the date of closure of the Offer i.e. Wednesday, July 25, 2007.

c) If there is any upward revision in the Offer Price by the Acquirer prior to or on the last date for revising the Offer Price viz., Monday, July 16, 2007, you will be informed by way of another Public Announcement in the newspapers in which the first Public Announcement was published. The Acquirer shall pay such revised price for all shares validly tendered any time during the Offer and accepted under the Offer.

d) The Offer is not conditional on any minimum level of acceptance by the shareholders.

e) If there is a competitive bid :

1. **The public offers under all the subsisting bids shall close on the same date.**
2. **As the offer price can not be revised during 7 working days prior to the closing date of the Offer, 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.**

f) No competitive bid has been announced till the date of this Letter of Offer.

g) Form of Acceptance-cum-Acknowledgement and Form of Withdrawal are enclosed with this Letter of Offer.

h) A copy of the Public Announcement, this Letter of Offer including Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will also be available on SEBI's website (www.sebi.gov.in) from the Offer opening date viz., Friday, July 6, 2007. A copy of the Form of Acceptance may also be obtained from the Registrar to the Offer commencing on the date of the dispatch of the Letter of Offer.

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
ICICI Securities Primary Dealership Limited	
ICICI Securities Primary Dealership Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, INDIA Tel: +91 22 2288 2460, Fax: +91 22 2282 6580 Contact Person: Mayank Lunawat E-mail: mayank_lunawat@isecltd.com	**Sharepro Services (India) Pvt. Ltd.** Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai – 400 099, INDIA Tel: +91-22-28215168/69; Fax: +91-22-28375646 Contact person: V Kumaresan Email: kumaresh@shareproservices.com
OFFER OPENS: FRIDAY, JULY 6, 2007	**OFFER CLOSES: WEDNESDAY, JULY 25, 2007**

SCHEDULE OF MAJOR ACTIVITIES OF THE OFFER

	Activity	Original Schedule	Revised Schedule
1	Public Announcement Date	Friday, February 9, 2007	Friday, February 9, 2007
2	Specified date*	Tuesday, March 6, 2007	Tuesday, March 6, 2007
3	Last date for announcement of a competitive bid	Friday, March 2, 2007	Friday, March 2, 2007
4	Date by which Letter of Offer will be dispatched to shareholders	Friday, March 23, 2007	Monday, July 2, 2007
5	Offer Opening Date	Friday, March 30, 2007	Friday, July 6, 2007
6	Last date for revising the Offer Price / number of Shares	Friday, April 6, 2007	Monday, July 16, 2007
7	Last date for withdrawing acceptance from the Offer	Thursday, April 12, 2007	Friday, July 20, 2007
8	Date of Closure of the Offer	Wednesday, April 18, 2007	Wednesday, July 25, 2007
9	Date by which acceptance / rejection under the Offer would be intimated and the corresponding payment for the acquired shares and / or the unaccepted shares/share certificates will be credited / dispatched.	Thursday, May 3, 2007	Thursday, August 9, 2007

** Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer will be sent except the Acquirer and the PAC.*

RISK FACTORS

The risk factors set forth below pertain to the Offer and are not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for analyzing all the risks with respect to their participation in the Offer.

1. The Offer involves an offer to acquire up to 20% of fully paid-up equity share capital of SEIL from the Eligible Persons for the Offer. In the case of oversubscription in the Offer, as per the Regulations, acceptance would be determined on a proportionate basis and hence there is no certainty that all the Shares tendered by the shareholders in the Offer will be accepted.
2. In the event that either (a) a statutory and regulatory approval is not received in a timely manner, (b) there is any litigation leading to a stay of the Offer, or (c) SEBI instructing the Acquirer not to proceed with the Offer, then the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to the shareholders of SEIL whose Shares have been accepted in the Offer as well as the return of the Shares not accepted by the Acquirer may be delayed. In case of delay, due to non-receipt of the statutory approvals, as per Regulation 22(12) of the Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence or failure to diligently pursue on the part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, as may be specified by SEBI.
3. Shareholders should note that after the last date of withdrawal i.e Friday, July 20, 2007, the shareholders who have lodged the Shares would not be able to withdraw them even if the acceptance of Shares under the Offer and dispatch of consideration gets delayed. The tendered shares and documents would be held by the Registrar to the Offer, till such time as the process of acceptance of tenders and the payment of consideration is completed.
4. The Offer is subject to the receipt of statutory and regulatory approvals by the Acquirer under the Offer. The Acquirer may not be able to proceed with the Offer in the event the approvals are not received in terms of Regulation 27 of the Regulations. Delay, if any, in the receipt of these approvals may delay completion of the Offer. Any approval as may be required for acquiring shares from the shares held by NRI tendered in the Offer shall not be covered under the provisions of Regulation 27.
5. The Shares tendered in the Offer will be held in trust by the Registrar to the Offer until the completion of the Offer formalities. During such period, there may be fluctuations in the market price of the equity shares (equity) of SEIL. Accordingly, Acquirer and the PAC make no assurance with respect to the market price of the Shares both during the Offer Period and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by any shareholder of SEIL on whether to participate or not to participate in the Offer.

Risk involved in associating with the Acquirer

6. The Acquirer makes no assurance with respect to the future financial performance of the Target Company.
7. The pending litigations against the Acquirer have been mentioned in para 4.13 of this Letter of Offer. These litigations will not impact the Open Offer and / or the Acquirer's and PAC's ability to meet their obligations under the Offer.

CURRENCY OF PRESENTATION

In this Letter of Offer, certain financial details contained herein are denominated in U. S. Dollars ("USD" or "U.S. Dollars", the legal currency of the United States of America). The Rupee equivalent quoted for USD is calculated in accordance with the RBI Reference rates as of February 5, 2007, namely 1 USD = Rs. 44.11 (*Source: www.rbi.org.in*). Similarly, certain financial details contained herein are denominated in Swiss Francs ("CHF", the legal currency of Switzerland). The Rupee equivalent quoted for CHF is calculated in accordance with the Bloomberg Reference rates as of February 5, 2007, namely 1 CHF = Rs. 35.25 (*Source: Bloomberg*). Also, certain financial details contained herein are denominated in Euro ("Euro", the currency of 13 European Union member states). The Rupee equivalent quoted for Euro is calculated in accordance with the RBI Reference rates as of February 5, 2007, namely 1 Euro = Rs. 57.04 (*Source: www.rbi.org.in*).

In this Letter of Offer, any discrepancy in any table between the total and sums of the amount listed are due to rounding.

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DEFINITIONS

1	Acquirer / Oerlikon	OC Oerlikon Corporation AG, Pfäffikon
2	BIFR	Board for Industrial & Financial Reconstruction
3	BSE	Bombay Stock Exchange Limited, Mumbai, India
4	CDSL	Central Depository Services (India) Limited
5	CHF	Swiss Francs, the legal currency of Switzerland
6	Eligible Persons	All owners of Equity Shares, registered or unregistered of Schlafhorst Engineering (India) Limited other than the Acquirer and Person Acting in Concert, who own Equity Shares at any time prior to the closure of the Offer
7	Equity Shares or Shares	Fully paid-up Equity Shares of Rs. 10 each of Schlafhorst Engineering (India) Limited
8	EURO	Euro, the currency of 13 European Union member states
9	FEMA	Foreign Exchange Management Act, 1999
10	Foreign Escrow Agent	Deutsche Bank, Konstanz, Germany
11	Form of Acceptance	Form of Acceptance-cum-Acknowledgement
12	Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 and subsequent amendments thereto
13	IDBI	Industrial Development Bank of India
14	IFRS	International Financial Reporting Standards
15	Income-tax Act	Income Tax Act, 1961 of India
16	Indian GAAP	Generally Accepted Accounting Principles in India
17	Manager / Manager to the Offer / ICICI Securities	ICICI Securities Primary Dealership Limited
18	NSDL	National Securities Depositories Limited
19	NRI	Non Resident Indian
20	NSE	The National Stock Exchange, Mumbai
21	OCB	Overseas Corporate Body
22	Offer	Cash offer being made by the Acquirer to the Shareholders of the Target Company to acquire up to 3,879,040 fully paid-up equity shares
23	Offer Price	Rs. 15 per Equity Share of Schlafhorst Engineering (India) Limited
24	Person Acting in Concert / WRV	W. Reiners Verwaltungs GmbH, Germany
25	Public Announcement	Announcement of the Offer made by Acquirer and Person Acting in Concert on Friday February 9, 2007
26	RBI	Reserve Bank of India
27	Registrar/ Registrar to the Offer	Sharepro Services (India) Pvt. Ltd.
28	Rs.	Indian Rupees, the legal currency of India
29	SEBI	Securities and Exchange Board of India
30	SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, and subsequent amendments thereto
31	SEIL / the Company/ Target Company	Schlafhorst Engineering (India) Limited
32	Shareholders	Shareholders of Schlafhorst Engineering (India) Limited
33	Specified Date	Tuesday, March 6, 2007
34	USD	U.S. Dollars, the legal currency of the United States of America
35	US GAAP	Generally Accepted Accounting Principles in the United States of America

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 SCHLAFHORST ENGINEERING (INDIA) LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER, THE PAC 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 THIS 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, ICICI SECURITIES PRIMARY DEALERSHIP LIMITED, THE MANAGER TO THE OFFER, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 23, 2007 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) 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.

The Acquirer, PAC and the Manager to the Offer accept no responsibility for statements made otherwise than in the Letter of Offer or in the Public Announcements or in any advertisement or other announcement issued by, or at the instance of the Acquirer, PAC or the Manager to the Offer, and any person placing reliance on any other source of information for purpose of this Offer or in relation thereto would be doing so entirely at its own risk.

2 DETAILS OF THE OFFER

2.1 Background of the Offer

2.1.1 The Offer is a mandatory open offer under Regulations 10 and 12 of the SEBI (SAST) Regulations for substantial acquisition and change in control.

2.1.2 This offer (the "**Offer**" or "**Open Offer**") is being made by OC Oerlikon Corporation AG, Pfäffikon, a company incorporated under the laws of Switzerland, with registered office at Churerstrasse 120, 8808 Pfäffikon SZ, (Community of Freienbach), Switzerland ("**Oerlikon**" or "**Acquirer**") and W. Reiners Verwaltungs GmbH, a company incorporated under the laws of Germany, having its registered office at Blumbergerstrasse 143-145, 41061 Mönchengladbach, Germany ("**WRV**" or "**PAC**") to the equity shareholders of Schlafhorst Engineering (India) Limited ("**SEIL**" or the "**Target Company**").

2.1.3 On September 6, 2006, Oerlikon published a pre-announcement (the "**Swiss Public Announcement**") for its public tender offer for all publicly held shares of Saurer AG. Saurer AG, a listed company incorporated under the laws of Switzerland, with registered office in Arbon, Switzerland ("**Saurer**"), indirectly owns 100% shares in WRV, which in turn holds 53.78% of the total issued and paid up share capital of the Target Company. Prior to and after the Swiss Public Announcement, Oerlikon acquired shares and options to purchase shares in Saurer outside the public tender offer. Effective September 13, 2006 Oerlikon held approximately 24% in shares and approx. 26% in options for the purchase of shares in Saurer. The options did not grant Oerlikon any voting rights. On October 11, 2006, Oerlikon sold the options to purchase shares in Saurer back to the issuing banks and purchased the shares in Saurer underlying the options. Effective October 17, 2006, after the settlement of these transactions, Oerlikon held approximately 44% in shares in Saurer.

2.1.4 In connection with the public tender offer of Oerlikon for all publicly held registered shares of Saurer, Oerlikon and Saurer entered into a transaction agreement, dated October 13, 2006, regarding an increase of the offer price and the recommendation to the shareholders of Saurer to accept the public tender offer. Under the agreement, the parties agreed that Oerlikon would increase its offer price to CHF 135 and notify the Swiss Takeover Board, the market and the SWX Swiss Exchange on October 16, 2006. In return, on October 17, 2006, the board of directors of Saurer was obliged to issue a press release in which it qualified the increased offer price as fair and stated its intention to recommend to the shareholders of Saurer to accept the offer, subject to a recommendation of the Swiss Takeover Board ordering a higher offer price. Also, Saurer committed itself to support the public tender offer and to refrain from any acts that could have a negative impact on the success of the offer. The agreement was concluded under the condition that both board of directors would consent to the agreement and inform the other party until October 16, 2006. This condition was met, and the agreement became effective on October 16, 2006. The agreement is governed by Swiss law. Saurer AG is not listed in India.

2.1.5 The formal offer prospectus was published on October 18, 2006. Subsequent to the publication of this prospectus, Oerlikon purchased additional shares outside the public tender offer. After the settlement of these purchases on November 3, 2006, Oerlikon held 50.2% of the share capital of Saurer. The offer period of the public tender offer in Switzerland, which had opened on November 6, 2006, ended on January 4, 2007 (end of the additional offer period under Swiss law). The settlement of the offer took place on January 10, 2007 on which date the shares tendered in the offer were delivered to Oerlikon and the offer price of CHF 135 was paid by Oerlikon to the shareholders who had tendered their shares. After the settlement of the public tender offer, Oerlikon held, and as of the date of the PA holds, approximately 99% of the share capital and voting rights in Saurer. On February 13, 2007, Oerlikon was registered in the share register of Saurer with all the shares in Saurer which it holds; such registration entitles Oerlikon to exercise its voting rights at the shareholders' meeting of Saurer, e.g. to elect new members to the board of directors of Saurer.

2.1.6 Oerlikon entered into separate agreements, which became effective on January 1, 2007, (the **"Agreements"**) with each of the current members of the board of directors of Saurer (the **"Members"**). Oerlikon and the Members agreed on a delegation of the management control to Oerlikon for the period until Oerlikon could formally control the Company by appointing new members to the board of directors. The Members agreed to act according to the orders and instructions of Oerlikon, provided that such orders and instructions are in compliance with the law and the interests of Saurer.

2.1.7 Accordingly, this Offer is being made as a result of the above-mentioned global acquisition of Saurer by Oerlikon, resulting in the indirect acquisition of SEIL by Oerlikon.

2.1.8 No action has been taken against the Acquirer, the PAC, and the Target Company or its promoters / directors under the Securities Exchange Board of India Act, 1992 ("SEBI Act") or any of the regulations made under the SEBI Act. The Acquirer, the PAC, and the Target Company or its promoters / directors have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act or any of the regulations made under the SEBI Act.

2.1.9 Subsequent to the global acquisition of Saurer by Oerlikon, the employment relationships of Mr Josef Steiger and Mr. C.U. Mai, directors nominated by WRV, with the Saurer Group were terminated. As a consequence, they voluntarily resigned from the board of directors of SEIL at the meeting of the board held on April 19, 2007. WRV as the holding company of SEIL had the power to nominate on the board of SEIL and the original directors of WRV made nominations of Mr. Bjoern Bajan, Dr. Dirk Burger and Mr. Uwe Krueger who were appointed as additional directors of the SEIL with effect from April 19, 2007. On May 24, 2007, Mr. Bjoern Bajan and Mr. Uwe Krueger withdrew their intention to be appointed to the board of directors at the upcoming AGM of SEIL. The 25th AGM of the Target Company was held on June 4, 2007, where the shareholders of the Target Company approved the appointment of Dr. Dirk Burger with effect from April 19, 2007, as a director on the board of directors. There is no other change currently proposed by the Acquirer to the composition of the board of directors of SEIL after the Offer.

2.1.10 There is no specific agreement or arrangement for the acquisition of shares of or change in control of the Target Company. The change in control has occurred pursuant to a global acquisition of Saurer AG by Oerlikon, resulting in the indirect acquisition of the Target Company by Oerlikon.

2.2 Details of the Offer

2.2.1 The Public Announcement for the Open Offer were made in all editions of the following newspapers in accordance with Regulation 15(1) of the SEBI (SAST) Regulations:

Newspaper	Language	Edition	Date of publication
Financial Express	English	All India	February, February 9, 2007
Free Press Journal	English	All India	February, February 9, 2007
Navshakti	Marathi	Maharashtra	February, February 9, 2007
Jansatta	Hindi	All India	Saturday, February 10, 2007
Financial Express (Gujarati)	Gujarati	Gujarat	Saturday, February 10, 2007

2.2.2 A copy of the Public Announcement for the Open Offer is also available on the SEBI website at www.sebi.gov.in

2.2.3 The Acquirer and the PAC are making an Open Offer to acquire up to 3,879,040 Equity Shares of the face value of Rs. 10 each, representing in aggregate 20% of the paid-up equity share capital of Target Company in terms of Regulation 21(1) of the SEBI (SAST) Regulations, at a price of Rs. 15 per share payable in cash subject to the terms and conditions mentioned hereinafter.

2.2.4 There are no partly paid-up shares of SEIL.

2.2.5 This is not a competitive bid and there has been no competitive bid as of the date of this Letter of Offer.

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

2.2.7 The PAC will acquire all the Equity Shares of the Target Company that are validly tendered as per terms of the Offer upto a maximum of 3,879,040 shares.

2.2.8 In the event the Equity Shares tendered in the Offer by the Shareholders of SEIL are more than the Equity Shares to be acquired under the Offer, the acquisition of Equity Shares from each Shareholder will be as per provisions of Regulation 21(6) of the SEBI (SAST) Regulations on a proportionate basis, irrespective of whether the Equity Shares are held in physical or dematerialised form.

2.2.9 For the purpose of this open offer, no other companies of the Oerlikon group except for WRV are "Persons Acting in Concert" within the meaning of Regulation 2(1)(e)(1) of the SEBI (SAST) Regulations. Saurer and SB Holdings Inc., which is a Saurer Group Company, are not undertaking any activity for the Open Offer.

2.2.10 The Acquirer and the PAC have not acquired any Equity Shares of the Target Company after the date of Public Announcement and up to the date of Letter of Offer through open market purchases or otherwise.

3 OBJECTS OF THE OFFER

3.1 This Offer is being made as a result of global acquisition of Saurer AG by Oerlikon, resulting in indirect acquisition of SEIL by Oerlikon, in accordance with Regulations 10 and 12 read with other applicable provisions of the SEBI (SAST) Regulations. The Acquirer & PAC intend to review from time to time SEIL's business affairs and financial position. Based on such evaluation and review, as well as general economic and industry conditions existing at the time, the Acquirer & PAC may consider from time to time, various alternative courses of action.

3.2 Except to the extent that may be required (i) in the ordinary course of business of the Target Company, and/or, (ii) for the purposes of restructuring, rationalising and/or streamlining various operations, assets, liabilities, investments, businesses or otherwise of the Target Company, the Acquirer and the PAC currently do not intend to sell, dispose of or otherwise encumber any assets of the Target Company in the succeeding two years.

3.3 Further, except with the prior approval of Shareholders of SEIL, to the extent required by the SEBI (SAST) Regulations and applicable laws, the Acquirer and the PAC undertake not to sell, dispose off or otherwise encumber any substantial assets of SEIL.

3.4 The Acquirer and the PAC are in a similar line of business / operations as the Target Company. No significant impact is expected on the Acquirer's and PAC's business and operations as a result of an increase in its equity stake in the Target Company.

4 BACKGROUND OF THE ACQUIRER

4.1 Oerlikon is a Swiss stock company with registered office at Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach), Switzerland. Oerlikon was incorporated under the name Oerlikon-Bührle Holding AG (with registered office in Zurich) on May 1973 and changed its name to Unaxis Holding AG in May 2000. On September 12, 2006 (date of entry into the Commercial Register), the Acquirer changed its name from Unaxis Holding AG to OC Oerlikon Corporation AG, Pfäffikon.

4.2 The following are details of all previous name changes in the history of Oerlikon.

Date	Event
May 24, 1973	Incorporated under the name Oerlikon-Bührle Holding AG
May 9, 2000	Oerlikon-Bührle Holding AG changed its name to Unaxis Holding AG
Sept 12, 2006	Unaxis Holding AG changed its name to OC Oerlikon Corporation AG, Pfäffikon

4.3 Registered and Corporate office -

OC Oerlikon Corporation AG, Pfäffikon
Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach), Switzerland.
Tel. No.: +41 58 360 96 96; Fax: +41 58 360 91 96
Website: www.oerlikon.com

4.4 Oerlikon is an enterprise in the field of thin layer, vacuum and precision technology. Relying on these core competences, Oerlikon manufactures production systems as well as components and provides services for high-tech products. The main activities comprise the coating of tools and components (Coating Services), systems for the creation of vacuums and extraction of processing gases (Vacuum Solutions), manufacturing systems for data storage (Data Storage Solutions), optical components (Optics), space technology (Space Technology) as well as industrial facilities for solar modules (Solar). Oerlikon also utilizes its core competences as supplier of semiconductor technology (Semiconductor Equipment).

4.5 Oerlikon has a long history. In 1906, the Schweizerische Werkzeugmaschinenfabrik Oerlikon ("SWO") was founded in Zurich-Oerlikon, Switzerland, and acquired the machine tools division of Maschinenfabrik Oerlikon. In 1924, Emil Georg Bührle was sent to Oerlikon by the new owners. Soon afterwards, SWO acquired all patents and manufacturing license from the Maschinenbau AG in the neighboring Zurich-Seebach. From now on, the SWO produced weapons and ammunition of all kinds which soon became the main pillar of the company. In 1936, Emil Georg Bührle became the sole owner of SWO. The company was renamed into Oerlikon Bührle & Co. In 1939, Bührle founded the Pilatus Flugzeugwerke in Stans, Switzerland, today a very important and independent manufacturer of multi-purpose and training aircrafts. In 1944, Bührle took over the company Contraves, a company for applied research in the field of antiaircraft. Two years later, Bührle incorporated a company in Balzers (Principality of Liechtenstein) which was dedicated to the industrialization of the sparsely researched thin film technology. Approximately ten years later, Balzers expanded its business towards vacuum technology. In 1973, Oerlikon-Bührle Holding AG, the legal predecessor of OC Oerlikon Corporation AG, Pfäffikon, today's ultimate parent company of the Oerlikon group, was founded in Zurich. In 1990, the recapitalization of the highly indebted Oerlikon-Bührle Holding was initiated. Regardless of the successful branches in the portfolio, the armament section and the shoe manufacturer Bally became the hot spots of the group. In the late nineties, the decision to divest the conglomerate was taken: Oerlikon Contraves Defence, Bally, Pilatus and the Oerlikon Bührle Immobilien were sold. Starting in 2000, the corporation was orientated towards High Tech and changed its legal name to Unaxis Holding AG ("Unaxis"). As a consequence of its stronger focus on Information Technology, Unaxis acquired 57 % of the shares in ESEC Holding S.A:, Switzerland, one of the world's leading manufacturers of chip assembly machines and solutions. In November 2000, the former Instrumentation Divison of Unaxis was listed as Inficon Holding Inc., both on the main segment of the SWX Swiss Exchange and on the Nasdaq. The sale of Pilatus Aircraft Company in 2001 to a group of Swiss investors and the divestiture of Leybold Optics Division, specialized in coating systems for optical components, concluded the transformation of the former Oerlikon-Bührle conglomerate. In 2004, ESEC Holding SA, Switzerland, was merged into Unaxis. At the Unaxis extraordinary general meeting held on June 28, 2005, a new board of directors was elected by a wide majority of shareholders in response to the motion of Victory Industriebeteiligung AG, Vienna, which is still the largest shareholder of Oerlikon today. Under the leadership of this reconstituted board of directors and a new management team, the steps necessary for a turnaround at Unaxis were immediately initiated. In 2006, Unaxis changed its name into Oerlikon. At the end of 2006, Oerlikon launched a public tender offer for Saurer which was successful.

4.6 The registered shares of Oerlikon are listed on the SWX Swiss Exchange and traded on the pan-European virt-x platform. (Security number: 81682, Ticker symbol: OERL). The closing price of Oerlikon on the SWX Swiss Exchange on February 5, 2007 was CHF 684 (Source: www.swx.com)

4.7 No person or persons acting individually or in concert, directly or indirectly, hold(s) more than 50% of the share capital and voting rights of Oerlikon. As of February 1, 2007, by far the largest shareholder of Oerlikon is Victory

Industriebeteiligung AG, Vienna, which holds 34.12 % of the share capital and voting rights of Oerlikon. As of February 1, 2007, the shareholders of Oerlikon holding more than 5% of the voting rights of Oerlikon are as follows:-

S.No.	Name of Shareholder	Number of Shares	% of holding
1.	Victory Industriebeteiligung AG, Vienna	4,824,863	34.12 %
2.	Zürcher Kantonalbank, Zurich	2,506,601	17.72 %
3.	Renova Industries Ltd., Nassau	1,950,000	13.79 %
4.	Merrill Lynch Capital Markets AG, Zurich and other companies of the Merrill Lynch Group	1,275,436	9.02 %

Source: Notification by the shareholders to Oerlikon and the SWX Swiss Exchange pursuant to Swiss Stock Exchange Regulations.

4.8 Selected financial data from Oerlikon's consolidated financial statements is provided below:

Year ending December 31

Profit & Loss Statement	CHF Mn. 2004	CHF Mn. 2005	CHF Mn. 2006	Rs. Lakhs 2004	Rs. Lakhs 2005	Rs. Lakhs 2006
Total Sales	1,850	1,605	2,291	6,52,107	5,65,746	8,07,378
Cost of Sales	1,398	1,105	1,517	4,92,781	3,89,501	5,34,868
Gross Profit	453	500	773	1,59,678	1,76,245	2,72,510
Other Expenses	782	534	444	2,75,647	1,88,230	1,56,506
Earning Before Interest and Tax	(329)	(34)	329	(1,15,969)	(11,985)	1,16,004
Other Income / (Expenses)	(17)	73	(26)	(5,992)	25,732	(9,165)
Profit Before Tax	(346)	40	303	(1,21,962)	14,100	1,06,840
Provision for Tax	(26)	(21)	1	9,165	7,402	352
Profit After Tax	(372)	18	302	(1,31,126)	6,345	1,06,487
Less minority interest	6	2	2	2,115	705	705
Profit After Tax less minority interest	**(379)**	**16**	**300**	**(1,33,594)**	**5,640**	**1,05,782**

As at December 31

Balance Sheet Statement	CHF Mn. 2004	CHF Mn. 2005	CHF Mn. 2006	Rs. Lakhs 2004	Rs. Lakhs 2005	Rs. Lakhs 2006
Sources of funds						
Paid up share capital	283	283	283	99,755	99,755	99,755
Treasury Shares	(42)	(244)	(183)	(14,805)	(86,008)	(64,506)
Reserves & Retained Earnings	975	1,000	1,382	3,43,678	3,52,490	4,87,141
Net worth	1,215	1,039	1,482	4,28,275	3,66,237	5,22,390
Minority Interest	6	7	24	2,115	2,467	8,460
Non Current Liabilities	410	393	1,128	1,44,521	1,38,529	3,97,609
Current Liabilities	779	544	3,400	2,74,590	1,91,755	11,98,466
Total	**2,411**	**1,983**	**6,034**	**8,49,853**	**6,98,988**	**21,26,925**
Uses of funds						
Non Current Assets	940	907	3,544	3,31,341	3,19,708	12,49,225
Current assets	1,471	1,076	2,490	5,18,513	3,79,279	877,700
Total	**2,411**	**1,983**	**6,034**	**8,49,853**	**6,98,988**	**21,26,925**

Year ending December 31

Other Financial Data	CHF 2004	CHF 2005	CHF 2006	Rs. 2004	Rs. 2005	Rs. 2006
Dividend (%)	0%	0%	0%	0%	0%	0%
Earning Per Share	(26.3)	1.3	23.44	(927.0)	45.8	826.2
Return on Net worth	N.A.	1.5%	23.8%	N.A.	1.5%	23.8%
Book Value Per Share	85.9	73.5	104.7	3,029.2	2,590.8	3,691.8

(Source: Annual Reports of Oerlikon, Company)
1CHF = Rs.35.25

4.9 Significant Accounting Policies for the audited financial statements of the business year ending on December 31, 2006

Basis of preparation:

The consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon have been prepared in accordance with International Financial Reporting Standards (IFRS) and with Swiss company law. These accounting standards have been consistently applied in all periods represented herein. The consolidated financial statements were approved by the Board of Directors on March 22, 2007 and will be submitted to the annual general meeting of shareholders on May 8, 2007 for approval. All standards issued by the IASB and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. The consolidation was based on audited annual individual company accounts of the Group's subsidiaries, and prepared according to uniform Group accounting principles. The reporting currency of the Group is Swiss franc (CHF). All line item amounts in the consolidated financial statements are reflected in millions of Swiss francs and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus an addition of the amounts can result in rounding differences. All assets and liabilities have been determined in accordance with the historical cost principle, with the exception of derivative financial instruments and financial assets available for sale or held for trading purposes, which are stated at fair value.

Judgments, estimates and assumptions:

Preparation of the annual financial statements in accordance with IFRS requires that management makes estimates and assumptions that may have an impact on the level of the reported revenues, expenses, assets, liabilities and contingent liabilities at the time of accounting. These estimates and assumptions are constantly being revised. Depending on the issues involved, adjustment of such basic presumptions can have an effect on the current period as well as potentially on future periods. The estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable and justified. However, actual results can differ from these estimates. Moreover, application of the accounting principles can require management to make decisions that may have a material impact on the amounts reported in the annual financial statements. Above all, the assessment of business cases that involve complex structures or legal forms call for decisions on management's part. The most important accounting estimates are to be found in:

– Property, plant and equipment, goodwill and other intangible assets
– Provisions
– Pension plans
– Income taxes

Consolidation Principles

Method and scope of consolidation : December 31 is the uniform closing date for all companies included in the consolidated financial statements. All companies in which OC Oerlikon Corporation AG, Pfäffikon has either a direct or indirect interest exceeding 50 percent of the shareholders' voting rights and companies over which control is assured through contractual arrangements are consolidated. Using the full consolidation method the assets, liabilities, income and expenses of these consolidated subsidiaries are included in their entirety. Minority interests are recorded under equity in the consolidated financial statements. Group companies acquired or sold during the course of the financial year are included in or, respectively, eliminated from, the consolidated financial statements as of the date of purchase or sale. All consolidated investments held are shown in the organization chart at the end of this report.

Changes in scope of consolidation and group structure

Acquisition of the Saurer Group, Switzerland

The Saurer group was included in the consolidation as from November 1, 2006. As at December 31, 2006 Oerlikon Group held 85.9% of the shares of Saurer AG, Arbon. A liability has been recognized in respect of the outstanding shares to be acquired after the year-end under the terms of the public tender offer. This acquisition adds two new segments: Oerlikon Saurer Textile and Oerlikon Graziano Drive Systems. The Oerlikon Saurer Textile segment is a provider of yarn processing solutions for the textile industry - natural and synthetic fibers. The Oerlikon Graziano Drive Systems segment develops and manufactures transmission systems for motor vehicles.

Oerlikon Balzers Coating segment

Acquisition of Gold Star Coatings, USA

On May 1, 2006 Oerlikon Group acquired the assets and the PVD coating business of Gold Star Coatings.

Oerlikon Components segment, business unit Space

Acquisition of Snecma Moteurs, France

On January 23, 2006 Oerlikon Group acquired from the French Snecma Moteurs their business in developing and manufacturing high-precision machinery for use in spacecraft. Their main activity is manufacture of Solar Array Drive Mechanisms (SADM), a key component of energy provision for spacecraft.

Oerlikon Components segment, business unit Optics

Acquisition of Exitech Ltd., GB

On November 14, 2006 Oerlikon Group acquired the assets of Exitech Ltd. Exitech specializes in sale of nano and micro laser systems worldwide.

Acquisition of associated company

On June 13, 2006 Oerlikon Group acquired 21% of the shares of Novalux Inc., USA. Novalux specializes in development of semiconductor laser technology. With this contract Oerlikon acquired two non-exclusive worldwide trading licenses, and agreement was reached on joint future development of Novalux's solid state laser technology.

Business combinations and goodwill

The equity consolidation follows the purchase method. At the time of their initial consolidation the assets, liabilities and contingent liabilities of subsidiaries are restated to fair value. The difference between the purchase price and the equity of the acquired company at fair value is capitalized in the books of the subsidiary company. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing at the balance sheet date. Since January 1, 2005, capitalized goodwill may no longer be systematically amortized, but instead is tested annually for possible value impairment.

Translation of foreign currencies

Assets and liabilities of foreign subsidiaries are translated into Swiss francs at the exchange rate prevailing on the balance sheet date; income and expenses of foreign subsidiaries are translated into Swiss francs using average rates for the year. Differences resulting from the application of different exchange rates are added to or deducted from equity with no impact on the income statement. Exchange gains and losses as recorded in the individual company accounts of subsidiaries are included in the income statement. Excluded from this rule are specific long-term inter-company monetary items that form part of the net investment in a foreign subsidiary, whose exchange translation differences are also credited or charged directly to equity. In the year that a foreign company is divested, the cumulative translation differences recorded directly in equity are included in the income statement as part of the gain or loss on sales of investments.

Elimination of inter-company profits

Profits on inter-company sales not yet realized through sales to third parties, as well as profits on transfers of fixed assets and investments in subsidiaries, are eliminated.

Valuation principles

The group accounts are prepared on a historical cost basis, with the exception of monetary assets available for sale and certain financial assets and liabilities which are held at market values (in particular financial instruments).

Cash and cash equivalents are placed with various financial institutions with top-quality international ratings. Time deposits included therein mature in three months or less.

Receivables are valued at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases.

Financial instruments are recorded at fair value on their respective settlement dates. Exceptions to this are financial investments held to maturity as well as receivables, credits and financial liabilities, which are carried at amortized cost using the effective interest method. Gains and losses from changes in the fair value of financial investments available for sale are temporarily recorded in equity until such investments are sold or disposed of, at which time the gains or losses are transferred to the income statement. Any loss from value impairment is immediately recorded in the income statement.

Derivative financial instruments: Forward contracts and options are utilized systematically and mainly for the purpose of reducing business-related foreign currency and interest rate risks. These transactions are concluded with first-rate financial institutions and, as a general rule, have a term to maturity of up to 12 months. These derivative financial instruments are stated at fair values. If all requirements are fulfilled with regard to documentation, probability of occurrence, effectiveness and reliability of valuation, hedge accounting is applied in accordance with IAS 39, i. e. until the hedged underlying business transactions are accounted for, the unrealized profits and losses resulting from the valuation of derivative financial instruments at fair value are recorded in equity with no impact on the income statement.

Securities: These are assets of high price volatility. They are held at fair values, with their values adjusted as required through profit and loss. For the valuation of unquoted securities, standard methods are used, with value adjustment also through profit and loss.

Inventories: Inventories of raw materials, purchased components and trade merchandise are carried at the lower of cost or net realizably value, using FIFO and weighted average cost valuation methods. Self-made components, work in progress and finished goods are carried at production cost. This includes all related material and labor costs as well as a reasonable allocation of overhead. Recognizable reductions in value resulting from excess inventory, declines in replacement cost or sales price and the like are taken into account through appropriate write-downs of inventory items. Customer advances are credited proportionally to inventory.

Investments: Investments in associated companies (20 to 50 percent ownership of voting rights) are accounted for in accordance with IAS 28 (Accounting for Investments in Associates) using the equity method. The book value of the investment, initially its acquisition cost, is increased or reduced in response to the development in equity value of the associate, in proportion to the percentage held by OC Oerlikon Corporation AG, Pfäffikon. Unrealized changes in fair value of other investments (under 20 percent ownership of voting rights) that have been classified as available for sale are recorded in equity and transferred to financial income/ loss upon the sale or disposal of the given investment.

Property, plant and equipment: Fixed assets are recorded at historical purchase or production costs, less necessary depreciation. Components of PP&E that have a differing useful life are recorded separately and depreciated accordingly (component approach). Depreciation is calculated on a straight line basis according to the expected useful life of the asset, as follows:

- IT hardware 3–7 years
- Company cars 4–7 years
- Trucks and electrically powered vehicles 5–10 years
- Technical installations and machines 5–15 years

- Other operating and business equipment 3–15 years
- Central building installations 10–25 years
- Leasehold improvements Duration of the rental contract (max. 20 years) or, if shorter, individual useful life
- Plant and administrative buildings used in Group operations 20–60 years Estimated useful life and residual worth are examined annually. Fixed assets under financial lease agreements are treated identically to fixed assets owned. Non-operating properties available for sale are carried at the lower of their net book value or estimated net realizable value (less sale-related costs).

Intangible assets (excluding goodwill): Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized on a straight line basis over their useful lives, when the useful lives can be clearly determined. For example software over two to three years, development costs generally over five years. If the useful life cannot be determined, an annual impairment test of the intangible asset is conducted as at the balance sheet date.

Impairment of assets: Assets are tested for potential impairment of value at least once per annum, to establish whether a value impairment is indicated. Should this be the case, possibly as a result of a triggering event, and regarding assets of significant value, an impairment test is carried out in order to determine if and to what extent an adjustment might be needed to reduce the asset to its value in use. The test uses estimates of future cash flows to be expected from use of the assets concerned, or from their possible sale, if such is intended. If a value adjustment is called for, the impairment loss is recorded against the assets concerned and charged to the income statement. In cases where a previously recorded impairment loss is no longer justified (with the exception of impairment losses on goodwill), it is reversed and credited to the income statement. Goodwill and other intangible assets with an indeterminate useful life are subjected to an annual impairment test as at the balance sheet date.

Discontinued operations and long-term assets held for sale: A business unit or segment is reclassified into “discontinued operations” if it is sold, or at an earlier date, if it fulfills the criteria for being classified as “held for sale”. Long term assets held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are booked to the income statement.

Provisions: Provisions are set up if the future outflow of resources is likely and reliably predictable for obligations arising from past events. In this regard, the “more likely than not” principle is applied. Other provisions represent uncertainties, for which a best estimate is made in arriving at the amount reserved. The value of provisions whose expected maturity exceeds one is discounted at normal market rates.

- Restructuring Provisions: Provisions are set up in cases where a detailed restructuring plan exists and the Group has informed those concerned, or the restructuring process has started.
- Onerous customer contracts: Provisions are set up when estimated costs to fulfill a contract exceed the related contract revenues. The difference between the two is calculated and provided against income in the current period. When accounts are prepared the related risks are reassessed systematically by all business units and all costs are adjusted as required. This reassessment is based on the so called “most likely outcome”, which uses assumptions regarding technical feasibility and timely realization of the projects and includes a quantification of the risks. The actual future obligation can vary from these estimates.
- Warranty Provisions: Provisions are set up for known customer claims and also for latent warranty exposure
- Product liability: Provisions are set up for known claims; latent exposure is not provided
- Employee Benefits: Provisions are set up in accordance with IAS 19. The interest component of pension costs for unfunded plans is shown as financial expense.

Contingent liabilities: These represent potential obligations whose impact depends on the occurrence of one or more future events which cannot be influenced. Contingent liabilities are also existing obligations which are not expected to result in a future outflow of benefits, or where the outflow of benefits can not reliably be quantified. IAS 37 states that such obligations should not be set up as liabilities on the balance sheet.

Participation plans: OC Oerlikon Corporation AG, Pfäffikon offers members of the Board of Directors and Executive Board, as well as senior managers, options to purchase shares of the company under various participation plans. The fair value is determined on the day such share-based remuneration is granted and charged to the income statement on a straight line basis until the option vests. The fair value is recorded as personnel expense, with a corresponding increase in equity (equity settlement), or as financial debt (cash settlement). The company holds treasury shares that were acquired in accordance with a share buyback program and may be used in the future for employee option plans and potential acquisitions. The acquisition cost of these treasury shares is deducted directly from equity.

Post-employment benefit plans: Oerlikon companies operate various plans for providing employees with post-employment benefits, which conform to local circumstances and practice in the countries concerned. These include defined benefit and defined contribution plans, under which benefits are provided through separate funds, insurance plans or unfunded arrangements. For defined benefit plans, the amount charged to the income statement consists of current service cost, which includes the normal cost of financing benefits in respect of future years of service, as well as net interest on the assets or obligations. Contributions to defined contribution pension schemes are charged to the income statement as incurred. For funded plans, plan assets are held separately from those of the group in independently administered funds. The group's liability to pay future post employment benefits is determined using the "projected unit credit method" in accordance with IAS 19 (revised), and is provided in the Group's balance sheet.

As from 2006, all actuarial gains and losses (and the related deferred income taxes) are recognized immediately in the balance sheet and reported as an equity movement in the statement of recognized income and expenses. The restatement of opening balances as at January 1, 2005 called for recognition of actuarial losses for defined benefit plans in the amount of CHF 38 million, increasing the provision for post-employment benefits and reducing equity. The related deferred taxes amounted to CHF 9 million. In the 2006 income statement a cost reduction of CHF 6 million was recorded (2005: CHF 6 million), with a deferred tax expense of CHF 3 million (2005: CHF 2 million). In accordance with IAS19 §58(b) the amount of net assets from pension plans recognized in the balance sheet may not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The effect of this limit in IAS19 §58(b) is also recorded as an equity movement in the statement of recognized income and expenses. Previously it was recorded in the income statement. Assets and liabilities shown in the balance sheet for defined-benefit pension plans are based on statistical and actuarial calculations. The present value of the future benefit obligation depends on assumptions concerning the discount rate used to arrive at the present value, future salary expectations and possible increases in social costs of employment. Other factors included in the calculation are statistical data for employee turnover and life expectancy. These actuarial assumptions can vary substantially from reality as a result of market forces (e.g. higher or lower turnover rates or life expectancy of employees, changes in the economic or regulatory environment etc.). Such variances could affect the assets and liabilities shown in the balance sheet for defined-benefit pension plans in future periods. Actuarial calculations are performed generally on an annual basis.

Financial Liabilities: The financial liabilities consist mainly of loans with floating interest rates. Bonds are valued at cost, whereby the difference between the nominal amount repayable on maturity and the fair value less transaction costs of the bond when issued is recognized over the life of the bond as additional interest expense.

Income statement

Sales of goods and services are recognized when the transaction occurs, when the amounts involved are reliably known and when it is considered likely that the related economic benefit will flow to Oerlikon Group.

Operating expenses are recognized as a charge to income as they are incurred.

Sales of goods: Sales of goods, after deduction of sales taxes and credits for returns and rebates, are recorded when the utility and risks of the sold goods have essentially transferred to the customer. In the business unit Oerlikon Solar (Oerlikon Balzers Coating segment) and the business unit Oerlikon Space (Oerlikon Components segment) revenue accruals for long-term manufacturing and services contracts are accomplished via the percentage of completion method. For Oerlikon Solar, the percentage of completion is determined on the basis of direct contract-related costs, after factoring out cost of materials. The Oerlikon Space business unit uses the milestone method.

Services rendered: Revenues from services that have been rendered are recorded on the income statement according to the level of completion at the balance sheet date.

Interest on financial debt: Interest expense is charged to the income statement without restriction. Borrowing costs of construction are not capitalized.

Research and development: Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. A new system for control of development costs has been introduced throughout

Oerlikon group, under which development costs may be recognized as assets when it can be shown that all IAS 38 criteria have been met. The cost thus capitalized comprises all costs directly attributable to the development process. After the development phase is complete the asset is amortized over its estimated useful life.

Taxes: Current-year income taxes are accrued on the basis of income reported locally for the financial year by the individual Group companies in keeping with the current-year taxation principle. The valuation of assets and liabilities pertaining to both current and deferred taxation calls for extensive use of judgement and estimation. The value of deferred tax assets deriving from tax losses carried forward is subject to annual review. Tax losses are only recognized as assets if they are expected to be realized within the next few years, by offset against taxable profits of group companies individually or in tax pools. In countries or companies where realization of the losses is not probable, no asset is recognized. Management believes that its estimates are appropriate and that uncertainties in the valuation of tax assets and liabilities have been appropriately addressed.

Wherever local company tax values differ from Group values (temporary differences), deferred taxes are determined and recorded by applying current effective local tax rates to the differences (liability method). Taxes on dividends from subsidiaries are only accrued when distributions are contemplated. In the case of goodwill, investments in subsidiaries, and other assets and liabilities which do not affect taxable profits, no deferred taxes are set up.

Earnings per share: Earnings per share (EPS) is based on the portion of consolidated net profit/loss attributable to equity holders of OC Oerlikon Corporation AG, Pfäffikon, divided by the weighted average number of shares outstanding during the reporting period. Fully diluted earnings per share takes into account additionally all potential equity securities that could have come into existence as the result of an exercise of option rights.

Financial risk management/financial instruments

Due to its international activities, the Group is faced with various financial risks, such as those associated with fluctuations in foreign exchange and interest rates. Management continuously monitors and steers such risks with the support of Corporate Treasury. As a fundamental rule, no speculative transactions are conducted in the areas of foreign exchange or interest rates.

Foreign exchange risks: The Group's consolidated financial statements are reported in Swiss francs. Due to its most significant markets, the Group is primarily exposed to price risks versus the US dollar and Euro. When the expenses and revenues of Group companies are incurred in differing or non-local currencies, the underlying business transactions are hedged on a centrally coordinated basis by means of commonly used financial instruments (see "Derivative financial instruments").

Liquidity risks: On the basis of a consolidated, rolling liquidity plan, Corporate Treasury determines the Group's required liquidity and is responsible for ensuring its availability as well as the centralized financing of Group companies.

Interest rate risks: Risks related to fluctuations in interest rates are monitored by Corporate Treasury and in certain instances hedged at the Group level.

Default risks: As a fundamental principle, the Group places funds only with first-rate domestic and foreign banking institutions. The credit or default risk associated with operating receivables is monitored locally by the individual Group companies (see "Receivables"). Generally, these risks are reduced by means of customer prepayments, letters of credit and other instruments.

Related-party transactions

Members of the Board of Directors or Executive Board, significant shareholders and companies or associated companies controlled by any of those individuals are deemed to be related parties**.**

4.10 Major Contingent Liabilities

	CHF Mn. 2004	CHF Mn. 2005	CHF Mn. 2006	Rs. Lakhs 2004	Rs. Lakhs 2005	Rs. Lakhs 2006
Performance guarantees/ guarantees of debt	2	2	8	705	705	2,820
Discounted notes receivable	2	3	8	705	1,057	2,820
TOTAL	**4**	**6**	**16**	**1,410**	**2,115**	**5,640**

1 CHF = Rs. 35.25

4.11 Reasons for fall / rise in income of Oerlikon:

Fiscal 2006 compared to Fiscal 2005:

The positive results in the 2006 business year were boosted in particular by Oerlikon Balzers Coating Services, Oerlikon Leybold Vacuum and Oerlikon Assembly Equipment, which had above-average development in their markets.

- Oerlikon Balzers Coating Services grew by 11 percent,
- Oerlikon Leybold Vacuum was also able to expand its business with a growth in sales of 12 percent,
- Another major contributor to sales was the Oerlikon Assembly Equipment business unit, which was able to increase its market share.
- In only its first year, Oerlikon Solar was able to post received orders worth hundreds of millions.

  Oerlikon Saurer Textile continued to expand its market position in the 2006 business year. Orders received rose by 37 percent (excluding acquisitions and currency effects 25 percent) to CHF 2.3 billion, and sales by 13 percent (excluding the above 3 percent) to CHF 2.0 billion. Orders on hand at year-end was at its highest ever level at CHF 825 million.

Fiscal 2005 compared to Fiscal 2004:

The sales for the business year 2005 amounted to CHF 1,605 Mn. The sales decline in the first half of 2005 led to an overall 13 % drop in 2005. This is mainly attributable to the following:

- The Data Storage business suffered sales decline due to uncertainty of the next generation of technology for storage device (Blu Ray or HD-DVD);
- The ESEC Semiconductors business was negatively affected by a down turn of market in the first half of 2005;
- The Optics business losing orders as customers (for DLP PRTV products) already built up inventory in 2004 and one of its major customers exiting the light engine business entirely.

Sales in second half year 2005 saw an increase compared to the first six months. The main drivers include a recovery of market condition (primarily affecting ESEC Semiconductors) and the launch of new products (mainly in the Wafer business).

4.12 Status of Corporate Governance:

A. Board of Directors

The basis for the organization and duties of the Board of Directors of Oerlikon is anchored in the Swiss Code of Obligations as well as in the Articles of Association of Oerlikon and its Rules of Organization.

B. Members of the Board of Directors

The Board comprises of four members (the Articles of Association permit a maximum of nine).

C. Composition of the Board of Directors

Name	**Position**	**Age**	**Elected Expires**	**Term**	**Executive/ Non-Executive**
Georg Stumpf	Chairman since Feb 1, 2006, previously Vice Chairman	33	2005	2008	Non- Executive
Vladimir Kuznetsov	Vice Chairman	46	2007	2010	Non- Executive
Dr. Hanno M. Baestlein	Member	44	2007	2010	Non- Executive
Günther Robol	Member	65	2005	2008	Non- Executive

D. Elections and terms of office

Board members are elected by the general meeting of shareholders for a term of three years. They may be reelected for a new three-year term of office prior to the expiration of their current term. The schedule of elections is set if possible in such a way that the term of office of about one-third of the members expires each year. Pursuant to the Rules of Organization, the mandate of Board members expires, notwithstanding the current term of office, at the next ordinary general meeting of shareholders after a given Board member reaches age 70.

E. Internal organizational structure

Allocation of tasks within the Board of Directors: The Board of Directors is the ultimate management body of the Group. It is empowered to rule on all matters not reserved by law, statutes or regulations for, or otherwise delegated to, some other corporate body. Implementation of the Board's resolutions is the responsibility of the Chief Executive Officer.

The Chairman of the Board of Directors presides over the Board and is the immediate superior of the Chief Executive Officer (CEO). The Chairman convokes, prepares and heads meetings of the Board. He also represents the corporation vis-à-vis shareholders, chairs the general meeting of shareholders and, in conjunction with the Audit and Finance Committee, supervises the internal audit. If the Chairman is prevented from performing his duties due to illness, accident or extended absence, then those duties are assumed by the Vice Chairman of the Board for the duration of any such absence or, should he also be unavailable, by some other member to be designated by the Board.

F. Committees of the Board of Directors

Two permanent committees exist to assist the Board of Directors or prepare for important decisions: the Audit Committee (AC) and the Human Resources Committee (HRC). Due to the limited size of the Board of Directors, the previous Corporate Development Committee has been dissolved. The related issues are addressed within the framework of normal meetings of the Board of Directors.

The membership of these committees is as follows:

Name	Audit Committee (AC)	Human Resource Committee (HRC)
Georg Stumpf	Member	Chair from Jan. 31, 2006
Vladimir Kuznetsov	Member	–
Günther Robol	Chair	Member
Hanno M. Baestlein	–	Member

G. Audit Committee (AC)

The AC comprises of at least three individuals, the majority of whom are non-executive, independent members of the Board of Directors. The majority of its members, including the Chairman of the committee, must be experienced in the fields of finance and accounting. The AC primarily advises the Board in the following areas:

- Internal and external audit
- Accounting and financial reporting
- Examination and approval of annual, mid-year and quarterly financial reports on behalf of the Board of Directors
- Corporate governance issues
- Internal control

H. Human Resources Committee (HRC)

The HRC comprises at least three individuals, the majority of whom are non-executive, independent members of the Board of Directors. The HRC primarily advises the Board in the following areas:

- Fundamental human resource issues in the corporation
- Personnel composition of the Board of Directors and key Corporate Functions
- Measures pertaining to management development
- Issues regarding compensation of Board members and senior management

I. Work methods of the Board of Directors and its committees

The Board of Directors meets at the invitation of its Chairman as often as business matters require, or at the request of one of its members. In addition, telephone conferences were also conducted.

The members of the committees, as well as their chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as Director. Those Board members who are not members of the committees are entitled to take part in committee meetings in an advisory capacity. As a general rule, members of the Executive Board and, as required, individual specialists also take part in such meetings in an advisory capacity. Minutes are kept of the meetings. The committees meet at the invitation of their respective chairmen as often as business matters require.

J. Definition of areas of responsibility

Pursuant to art. 17 Para. 3 of the Articles of Association, the Board of Directors has essentially delegated the business management of Oerlikon and of the Group as a whole to the Chief Executive Officer (CEO). The scope of tasks for which the Board bears responsibility essentially encompasses those inalienable and non-delegable tasks as defined by law. Among these are the overall management of Oerlikon and the Group as a whole, the determination of the company's strategic orientation, the appointment and dismissal of the CEO and other members of the Executive Board and heads of the business units, as well as the ultimate supervision of those individuals entrusted with managing and representing the company.

K. Compensation

The amount of remuneration for Board members is proposed by the Human Resources Committee and set by the Board of Directors.

Members of the Executive Board receive compensation composed of a fixed base salary plus a variable component generally amounting to about 30 percent of total remuneration if goals are met. The actual amount of the variable component is based on attainment of individual (30 percent) and financial (70 percent) goals, which are established in advance each year. The financial goals are based on operating profit. In addition, Executive Board members receive shares and/or options as a long-term bonus. The Human Resources Committee approves compensation plans for Executive Board members at the proposal of the CEO. On December 15, 2005, a stock option plan for the members of the Executive Board was approved.

L. General Meeting of Shareholders

The general meetings of shareholders of the last five years were held as follows:

Annual General Meeting	Date	Venue
Ordinary Annual General Meeting	May 20, 2003	Lucerne
Ordinary Annual General Meeting	June 1, 2004	Lucerne
Ordinary Annual General Meeting	April 26, 2005	Lucerne
Extraordinary General Meeting	June 28, 2005	Lucerne
Ordinary Annual General Meeting	May 23, 2006	Lucerne
Ordinary Annual General Meeting	May 8, 2007	Lucerne

4.13 **Pending Litigation matters:** There are no material litigation proceedings pending against Oerlikon as of December 31, 2006, except for the following:

- Four Oerlikon group companies, two with registered offices in Germany, and one each in Switzerland and the United States, have been joined by a Japanese electronic company (the "**Electronic Company**") in a trial pending before the Court of Common Pleas of Bucks County, Pennsylvania, USA, in December 2004. A U.S. medical diagnostic imaging company is seeking damages from the Electronic Company in excess of USD 2,000,000 plus punitive damages because of malfunctions of certain MRI machines supplied by the Electronic Company. The Electronic Company has joined the Oerlikon group companies in this trial alleging that the MRI machines malfunctions were caused by a defective part supplied by the Oerlikon group companies. The Electronic Company has asserted claims of breach of warranty, indemnification and contribution against these companies. The Oerlikon group companies deny the claims. As of the date hereof, no trial date has been set.

- In May 2006, a Taiwanese display company (the "**Display Company**") filed a claim in the courts of Hsinchu, Taiwan, against two Oerlikon group companies, one with registered office in Taiwan and the other with registered office in the Principality of Liechtenstein. The Display Company claims for redemption of the supplied installations and the repayment of the purchase price of CHF 16,490,000. The first hearing regarding the court's jurisdiction was on September 7, 2006. According to the statements in this hearing, the courts jurisdiction over the claim against the Oerlikon company in Principality of Liechtenstein seems to be unlikely. As of the date hereof, no further hearing date has been set. Oerlikon believes that it has meritorious defenses against this action, and will continue to defend it.

  The litigations proceedings pending against Oerlikon will not have an impact on the Open Offer or the ability of the Acquirer or PAC to meet their obligations under the offer.

4.14 Compliance Officer: Mr. Wolfgang R. Niggli, OC Oerlikon Corporation AG, Pfäffikon, Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach), Switzerland Phone: +41-58-3609642, Fax: +41-58-3609842, E-mail (direct): wolfgang.niggli@oerlikon.com

4.15 Details of any merger / demerger, spin off during last 3 years involving Oerlikon: Effective March 12, 2004, Esec Holding AG, Steinhausen, Switzerland, was merged into Oerlikon. The assets amounting to CHF 102,547,000 and the liabilities amounting to CHF 12,592,000 were acquired by Oerlikon by operation of law. As consideration for the merger, the shareholders' of Esec Holding AG received 972,345 fully paid-up registered shares with a nominal value of CHF 20 each of Oerlikon.

4.16 The Directors of Oerlikon and their addresses are as listed below:

Name of Director & Designation	Address	Qualifications and Experience	Date of appointment on the Board of Directors
Georg Stumpf Chairman	c/o Oerlikon Corporation AG, Pfäffikon Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach) Switzerland	Via his own company, Stumpf AG, Vienna, Austria, Mr. Stumpf has been successfully managing investment projects in Europe since 1995. Millenium Privatstiftung, Vienna, Austria, which was founded by Mr. Stumpf, is a 50 per cent owner of Victory Industriebeteiligung AG, the largest shareholder of Oerlikon. Mr. Stumpf has graduated from the Vienna University of Economics and Business Administration with a degree in business management.	June 28, 2005
Vladimir Kuznetsov Vice Chairman	c/o Oerlikon Corporation AG, Pfäffikon Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach) Switzerland	Mr. Kuznetsov joined the Renova Group in 2001 and became Chief Investment Officer and a member of the Executive Board of Renova Management AG, Zurich, in 2004. He was previously head of the Financial Markets Research Department at the Institute for Economics and International Relations (Moscow), in various managerial functions at Goldman Sachs, Moscow, and with Salomon Brothers, Moscow and London, and as from 1998 Director General of Financial Advisory Services, Moscow. Mr. Kuznetsov graduated from the Faculty of Economics at Moscow State University in 1984. In 1990, he received his Candidate of Sciences Diploma (PhD equivalent) in Securities Markets studies from the Institute of World Economy and International Relations (Moscow). In 1991, he received a Master of International	May 8, 2007

		Relations (Moscow). In 1991, he received a Master of International Affairs degree from the School of International and Public Affairs at Columbia University (New York).	
Günther Robol	c/o Oerlikon Corporation AG, Pfäffikon Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach) Switzerland	Mr. Robol is an independent management consultant who specializes in auditing, corporate finance and insolvency law. Prior to that, Mr. Robol headed the Austria affiliate of PricewaterhouseCoopers as the president of its management committee. Mr. Robol has a university degree in business management.	June 28, 2005
Dr. Hanno M. Baestlein	c/o Oerlikon Corporation AG, Pfäffikon Churerstrasse 120, 8808 Pfäffikon SZ (Community of Freienbach) Switzerland	Dr. Baestlein, is spokesman of the Executive Board of CONSTANTIA Packaging AG, Vienna, since April 2006. Educated as a banker he started his professional career at HOCHTIEF AG. Having been in different managerial positions he has been significantly involved as CEO of HOCHTIEF International in the internationalization of the corporation. In 2002 he moved as CFO and member of the Executive Board to Plus Europa. In June 2004 he has been appointed CFO of VA Technologie AG, Vienna/ Linz. Hanno Bästlein studied Business Administration and Economics at the University of Witten/Herdecke and graduated with a BA in Economics. He was subsequently a visiting scholar of the Rotary International Foundation at Stanford University. In 1997, he completed his PhD (Dr. rer. pol.) at the Albert-Ludwig University	May 8, 2007

4.17 None of the Directors of Oerlikon are on the Board of Directors of the Target Company

4.18 None of the directors of Oerlikon have acquired any Equity Shares of the Target Company in the twelve month period prior to the Public Announcement. Further, none of the directors of Oerlikon have acquired any Equity Shares of the Target Company since the date of the Public Announcement and upto the date of this Letter of Offer.

4.19 As Oerlikon does not hold any shares in the Target Company, provisions of Chapter II of the SEBI (SAST) Regulations are not applicable.

4.20 Information in respect of the companies promoted by the Oerlikon in India:

a. Oerlikon Balzers Coating India Limited

Sr.	Description	Details
a.	Name of Company	Oerlikon Balzers Coating India Limited (Formerly Balzers India Limited)
b.	Date of Incorporation	November 1, 1993
c.	Nature of Business	Coating services (Titanium nitride and wear resistant coatings on tools and wear parts)

		Financial Year Ended March 31		
		2004	**2005**	**2006**
d.	Equity capital, Reserves (excluding revaluation reserves) (Rs. Lakhs)	1,119	1,716	3,423
e.	Total Income (Rs. Lakhs)	1,752	2,561	3,837
f.	Profit After Tax (PAT) (Rs. Lakhs)	261	597	919
g.	Earnings Per Share (EPS) (Rs.)	5.43	12.41	16.57
h.	Net Asset Value (NAV) (Rs. Lakhs)	1,119	1,716	3,423
i.	Whether this is a sick Company.	No	No	No

b. Oerlikon Leybold Vaccum India Pvt. Ltd.

Sr.	Description	Details
a.	Name of Company	Oerlikon Leybold Vaccum India Pvt. Ltd. (Formerly Leybold Vacuum India Pvt. Ltd.)
b.	Date of Incorporation	January 17, 2005
c.	Nature of Business	Sales and Service - Leybold Vacuum Pumps
		Year Ended March 31, 2006
d.	Equity capital, Reserves (excluding revaluation reserves) (Rs. Lakhs)	22.12
e.	Total Income (Rs. Lakhs)	40.66
f.	Profit After Tax (PAT) (Rs. Lakhs)	2.12
g.	Earnings Per Share (EPS) (Rs.)	2.76
h.	Net Asset Value (NAV) (Rs. Lakhs)	22.12
i.	Whether this is a sick Company	No

5 BACKGROUND OF PERSON ACTING IN CONCERT

5.1 WRV was incorporated on November 11, 1977 as W. Barfuss GmbH under the laws of Germany.

5.2 On June 27, 1991 its name was changed to W. Reiners Verwaltungs GmbH.

5.3 Registered and corporate offices of WRV are as under-

Blumbergerstrasse 143-145,
41061 Mönchengladbach
Germany.
Tel: +49 (0) 2161 282816
Fax +49 (0) 2161 283636

5.4 WRV is an unlisted holding company and holds 10,431,019 Equity Shares representing 53.78% of the equity share capital of SEIL. WRV is a wholly owned subsidiary of SB Holdings Inc., Panama. The ultimate parent company of WRV is Saurer, which was acquired by Oerlikon pursuant to a public tender offer which was completed in January 2007 (see para 2.1 above). WRV does not have any other area of operations except that disclosed in this Letter of Offer.

5.5 Selected financial data from WRV's audited financial statements is provided below:

Year ending December 31

Profit & Loss Statement	EURO MN 2004	EURO MN 2005	EURO MN 2006	Rs. Lakhs 2004	Rs. Lakhs 2005	Rs. Lakhs 2006
Income from operations						
Other Income	0.04	0.66	0.01	23.42	377.04	7.50
Total Income	0.04	0.66	0.01	23.42	377.04	7.50
Total Expenditure	0.39	1.20	1.58	221.90	686.60	900.95
Profit Before Depreciation, Interest and Tax	(0.35)	(0.54)	(1.57)	(198.48)	(309.56)	(893.45)
Depreciation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Profit Before Tax	(0.35)	(0.54)	(1.57)	(198.48)	(309.56)	(893.45)
Provision for Tax	-	0.80	(0.60)	-	455.54	(341.87)
Profit After Tax	**(0.35)**	**(1.34)**	**(0.97)**	**(198.48)**	**(765.10)**	**(551.58)**

As at December 31

Balance Sheet Statement	EURO MN 2004	EURO MN 2005	EURO MN 2006	Rs. Lakhs 2004	Rs. Lakhs 2005	Rs. Lakhs 2006
Sources of funds						
Paid up equity share capital	38	38	38	21,873	21,873	21,873
Reserves and Surplus (excluding revaluation reserves)	104	102	101	59,085	58,320	57,769
Net worth	142	141	140	80,958	80,193	79,642
Total	**142**	**141**	**140**	**80,958**	**80,193**	**79,642**
Uses of funds				-	-	-
Investments	192	192	192	109,575	109,552	109,552
Net current assets	(50)	(51)	(52)	(28,617)	(29,358)	(29,910)
Total	**142**	**141**	**140**	**80,958**	**80,193**	**79,642**

Year ending December 31

Other Financial Data	EURO 2004	EURO 2005	EURO 2006	Rs. 2004	Rs. 2005	Rs. 2006
Dividend (%)	Nil	Nil	Nil	Nil	Nil	Nil
Earning Per Share*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Return on Net worth	-0.3%	-0.9%	-0.7%	-0.3%	-0.9%	-0.7%
Book Value Per Share*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(Source: Annual Reports of WRV, Company)

1 EURO= 57.04

* Since WRV is incorporated as a GmbH entity under the laws of Germany, the share capital is not divided into shares. Hence per share data is not applicable.

5.6 Significant Accounting Policies

- The financial fixed assets are valued at acquisition costs minus value adjustments.
- The trade receivables against associated companies are taken at par value minus individual value adjustments.
- The other assets are taken at par value and are as in the previous year receivable within one year.
- The reserves take into account recognizable liabilities with the values of expected claims.
- The liabilities are accounted for at their repayable amount and are as in the previous year repayable within one year.
- Receivables and liabilities in foreign currency are converted on the basis of the recognition-of-loss principle at the exchange rate prevailing on the date of their origin or at the lower or higher exchange rate on the accounts closing date.

5.7 There are no major contingent liabilities of WRV.

5.8 The main reason for the fluctuation in the net result after tax is the variable interest rate in connection with the inter-company loan payable. In 2006 there is additionally a tax credit as a result of a change in tax legislation in Germany.

5.9 The Directors of WRV and their addresses are as listed below:

Name of Director & Designation	Residential Address	Qualifications and Experience	Date of appointment on the Board of Directors
James Ronald DAWSON, Director	Dammstrasse 10 8708 Maennedorf Switzerland	Master of Arts, Chartered Accountant Head of Group Reporting, Saurer Management AG, Winterthur, Switzerland; Consolidation Accountant Zellweger Luwa AG, Uster, Switzerland; Senior Audit Manager Coopers & Lybrand, Zurich, Switzerland	September 13, 2003
Frank SCHAEFER, Director	Wiesentalweg 2 8280 Kreuzlingen Switzerland	Bachelor of Commerce Financial Accountant, Saurer Management, Winterthur, Switzerland; Participation controller, Schlafhorst AG, Mönchengladbach, Germany; Distribution controller, Celesio AG, Stuttgart, Germany;	October 23, 2006
Adrian BOUTELLIER, Director	Tränkebachstrasse 49 8712 Stäfa Switzerland	Bachelor of Business Administration Senior Vice President – Head of Corporate Treasury, OC Oerlikon Management AG, Pfäffikon, Switzerland Audit & Business Advisory Services PricewaterhouseCoopers, Zurich, Switzerland Securities and Foreign Exchange Trader Neue Aargauer Bank, Brugg, Switzerland	May 23, 2007

5.10 None of the Directors of WRV are on the Board of Directors of the Target Company.

5.11 None of the directors of WRV have acquired any Equity Shares of the Target Company in the twelve month period prior to the Public Announcement. Further, none of the directors of WRV have acquired any Equity Shares of the Target Company since the date of the Public Announcement and upto the date of this Letter of Offer.

5.12 With the exception of a delay in compliance with the provisions of Chapter II of the SEBI (SAST) Regulations in the year 2000, WRV has complied with applicable provisions of Chapter II of the SEBI (SAST) Regulations within the time specified in SEBI (SAST) Regulations. The relevant details in this regard have been submitted to SEBI. SEBI may initiate suitable action against WRV at a later stage.

5.13 Information in respect of companies promoted by WRV in India:

5.13.1 Zinser Textiles Systems Private Limited

Sr.	Description	Details		
a.	Name of Company	Zinser Textiles Systems Pvt. Ltd.		
b.	Date of Incorporation	September 13, 2002		
c.	Nature of Business	Textiles Manufacturing Systems		
		Financial Year Ended 31st March		
		2004	**2005**	**2006**
d.	Equity capital (Rs. Lakhs)	195	455	455
e.	Profit & Loss Account Debit Balance (Rs. Lakhs)	(366)	(404)	(323)
f.	Total Income (Rs. Lakhs)	389	1616	2221
g.	Profit After Tax (PAT) (Rs. Lakhs)	(248)	(38)	81
h.	Earnings Per Share (EPS) (Rs.)	(12.74)	(0.94)	1.78
i.	Net Asset Value (NAV) [Book value per share] (Rs.)	(8.77)	1.12	2.91
i.	Whether this is a sick Company	No	No	No

5.13.2 Saurer India Private Limited

Sr.	Description	Details		
a.	Name of Company	Saurer India Private Limited		
b.	Date of Incorporation	January 19, 1994		
c.	Nature of Business	Sale, services & assembly of components for textiles machinery.		
		Financial Year Ended 31st March		
		2004	**2005**	**2006**
d.	Equity capital, Reserves (excluding revaluation reserves) (Rs. Lakhs)	1370	1873	2626
e.	Total Income (Rs. Lakhs)	1764	2710	3239
f.	Profit After Tax (PAT) (Rs. Lakhs)	241	504	752
g.	Earnings Per Share (EPS) (Rs.)	4.19	8.79	13.11
h.	Net Asset Value (NAV) [Book value per share] (Rs.)	23.87	32.66	45.78
i.	Whether this is a sick Company.	No	No	No

5.14 Relationship between Acquirer and the PAC

WRV is a wholly owned subsidiary of SB Holdings Inc., Panama. The ultimate parent company of WRV is Saurer, which was acquired by Oerlikon pursuant to a public tender offer which was completed in January 2007 (see para 2.1 above).

5.15 Future plans/strategies of the Acquirer & PAC with regard to the Target Company

The Acquirer & PAC intend to review from time to time SEIL's business affairs and financial position. Based on such evaluation and review, as well as general economic and industry conditions existing at the time, the Acquirer & PAC may consider from time to time, various alternative courses of action.

6. DISCLOSURE IN TERMS OF REGULATION 21(2)

6.1 WRV holds 53.78% of the share capital of SEIL. Assuming full acceptances of the Offer, the public shareholding in SEIL would not be reduced below the minimum level required under the Listing Agreement.

7. BACKGROUND OF THE TARGET COMPANY

7.1 Schlafhorst Engineering (India) Ltd (SEIL) was incorporated in Maharashtra on June 3, 1981 as Padmatex Engineering Private Ltd. On June 3, 1982, the name of the Company was changed to Padmatex Engineering Ltd.

On October 10, 1994, name of the Company was changed to Schlafhorst Engineering (India) Ltd. consequent upon the enhancement on February 3, 1994 of promoter's shareholding to 51%. SEIL is in the business of manufacture of draw frame textile machinery, which is used as a spinning preparatory machine by the textile mills.

7.2 On February 1, 1996, the Registered Office of the Company was shifted to Vadodara, Gujarat from Maharashtra by a Resolution passed by the shareholders on May 5, 1995 and as confirmed by the Company Law Board on November 23, 1995. On July 1, 2005, the Registered office of the Company was shifted to its Works at Halol, Gujarat by a resolution passed by the shareholders on April 21, 2005. The registered Office, Corporate Office & Works are now located at Chandrapura Village, Tal. Halol - 389 350 Dist. Panchmahals, Gujarat. Tel. No. +91-2676-221870/ 222772/ 222773, Fax No. +91-2676-220887 E-mail: seil@satyam.net.in, seilhalol@satyam.net.in

7.3 SEIL was promoted by Mafatlal Industries Ltd. in technical and financial collaboration with Reiners Verwaltungs GmbH, Germany (WRV), a Saurer group company for the manufacture of textile machinery namely Automatic Cone Winding machine and set up its plant at Halol, Panchmahal district, Gujarat and commenced commercial production in the last quarter of 1983. In 1984, it acquired a running plant situated in Vadodara to enable it to increases its manufacturing capacity to meet the growing demand for textile machinery. In 1985 a new product, Zinser Germany design high speed draw, was introduced in its product range. During 1990, SEIL entered into a technical collaboration with Reifenhauser GmbH, Germany for the manufacture of sophisticated plastic processing machinery viz. extruders and extrusion systems. On November 14, 1990, SEIL issued 584,000 equity shares of Rs.10 each at par to Reifenhauser as part of the collaboration agreement. However, on January 1, 1995, the collaboration agreement was terminated by mutual consent as the plastic processing machinery business was not compatible with the core business strategy and long term goals of SEIL under the new management of WRV. On February 1982, SEIL formed a subsidiary company, Gujarat Textronics Ltd (GTL), for the manufacture of electronic equipments namely yarn clearer, spindle electronics, bobbin weft feelers, counter, and auto-Ls as its captive unit. On account of discontinuation of autoconer production by SEIL in 1997, the operation of GTL was discontinued and in November, 2006 an application was made to the Registrar of Companies to remove its name as a defunct company under Section 560 of the Companies Act, 1956. Since 1993, SEIL's operations started deteriorating on account of high cost of production (interest and personnel cost), competition from multinational players with high-tech models and superior features and the loss of export market. autoconer production was therefore discontinued in December, 1997 and the capacity was redeployed for job work. The net worth of the Company was completely eroded as on December 31, 1998 and a reference was made to the Board for Industrial and Financial Reconstruction (BIFR) on July 30, 1999. BIFR at the hearing held on March 24, 2000, declared SEIL as a sick industrial company in terms of section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) by its order dated April 4, 2000 and ICICI Bank was appointed as the Operating Agency. A rehabilitation scheme placed before the BIFR was approved by it on August 16, 2005. In accordance with the approved scheme, SEIL's Vadodara plant consisting of land, buildings and certain old machineries were sold through a committee chaired by Mr PK Banerji, the Special Director appointed by the BIFR and SEIL paid off all outstanding loans, dues to the workmen retired under the voluntary retirement scheme and other statutory dues.

On November 18, 2006, SEIL made an application to BIFR for deregistration as its net worth turned positive.

As the Company has ceased to be a 'sick industrial company' within the meaning of section (3)(1)(o) of SICA, BIFR by its order dated May 17, 2007 (case no 318/99) discharged the company from the provisions of SICA/BIFR with effect from 17th May, 2007. BIFR also discharged Mr. P. K. Banerji as a Special Director with effect from that date.

7.4 SEIL presently is in the business of manufacturing and supplying to spinning mills in India, high speed non auto-leveller draw frame as per Zinser's (Germany) old design. The assembly of draw frame is done at its works at Halol with the in house machined and fabricated parts and some imported and locally procured components. Spare capacity on its sheet metal machinery is used to do job work of engineering goods. SEIL is also carrying out trading business of imported textile machinery parts sourced mainly from its collaborators.

7.5 WRV, a Saurer Group Company, holds 53.78% of the share capital of SEIL. Subsequent to the global acquisition of Saurer, Oerlikon has indirectly acquired SEIL.

7.6 The manufacturing unit of SEIL is situated at Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahal, Gujarat, India.

7.7 The share capital structure of the Target Company is as under

Paid up Equity Shares of SEIL	No. of Shares/ voting rights	% of Shares/ voting rights
Fully paid up equity shares	19,395,196	100 %
Partly paid up equity shares	-	-
Total paid up equity shares	19,395,196	100 %
Total voting rights in Target Company	19,395,196	100 %
Paid up Preference Shares of SEIL	**No. of Shares**	**% of Shares**
Fully paid up preference shares	12,400,000	100 %
Partly paid up preference shares	-	-
Total paid up preference shares	12,400,000	100 %
Total voting rights in Target Company	-	-

7.8 On October 28, 2004, SEIL allotted 12,400,000 - 4% Cumulative Redeemable Preference Shares (redeemable anytime after December 15, 2006, but before 20 years from the date of allotment, as the Directors of SEIL may decide) of Rs. 10 each aggregating to Rs. 124,000,000/- to Saurer GmbH & Co. KG (Saurer GmbH), by converting certain loan given by Saurer GmbH to SEIL. There are no outstanding convertible instruments (warrants/FCDs/ PCDs) of SEIL as on the date of Public Announcement. There are no partly paid up shares of SEIL as at the same

7.9 The build up of current equity share capital of SEIL is as follows:

Date of allotment	Number of shares issued	% of shares issued	Cumulative paid up capital (Rs.)	Face Value per share (Rs.)	Mode of allotment	Date on which fully paid up	Identity of allottees (promoters/ ex-promoters/ others)/ Reasons for allotment (Bonus, Swaps, etc.)	Status of compliance
June 17, 1981	2	0.00	20	10/-	Subscribers to the memorandum & directors	June 17, 1981	2 shares to subscribers to the memorandum of Association	Complied
March 29, 1982	5	0.00	70	10/-	Subscribers to the memorandum & directors	March 29, 1982	5 shares to subscribers to the memorandum of Association	Complied
December 7, 1983	1,999,993	10.31	20,000,000	10/-	Issued through prospectus	December 7, 1983	520,000 shares to WRV & 520,000 shares to Mafatlal Industries Ltd. 959,993 shares to Public	Complied
December 12, 1985	1,500,000	7.73	35,000,000	10/-	Rights Issue	December 12, 1985	1,500,000 shares to all the Existing Share Holders	Complied
October 31, 1986	1,200,000	6.19	47,000,000	10/-	Conversion of Debentures Issued on Right basis	October 31, 1986	1,200,000 shares to all the Existing Share Holders	Complied

October 31, 1986	1,200,000	6.19	47,000,000	10/-	Conversion of Debentures Issued on Right basis	October 31, 1986	1,200,000 shares to all the Existing Share Holders	Complied
November 21, 1986	156,951	0.81	48,569,510	10/-	Conversion of Debentures Issued on Right basis	November 21, 1986	156,951 shares to all the Existing Share Holders	Complied
June 23, 1987	400,000	2.06	52,569,510	10/-	Preferential Issue	June 23, 1987	400,000 shares to WRV	Complied
November 14, 1990	584,000	3.01	58,409,510	10/-	Preferential Issue	November 14, 1990	584,000 shares to Reifenhauser on Preferential Basis	Complied
November 7, 1992	2,336,380	12.05	81,773,310	10/-	Rights Issue	November 7, 1992	2,336,380 shares to all the Existing Share Holders	Complied
November 23, 1992	116,800	0.60	82,941,310	10/-	Rights Issue	November 23, 1992	116,800 shares to Employees	Complied
February 3, 1994	4,636,000	23.90	129,301,310	10/-	Preferential issue	February 3, 1994	4,636,000 shares to WRV on Preferential basis	Complied
September 19, 1996	6,465,065	33.33	193,951,960	10/-	Pref shares converted into Equ. Shares on 19.09.2002 on Right basis	September 19, 1996	6,465,065 Right Issue of fully convertible Preference Shares converted on 19.09.2002	Complied
Total	**19,395,196**	**100.00**	**193,951,960**					

7.10 No equity shares of SEIL are locked-in.

7.11 The Equity Shares of SEIL are listed on BSE. SEIL is in compliance with the listing requirements on the BSE, and no penal actions have been initiated by BSE against SEIL. The Company has been complying with the relevant listing requirements of these stock exchanges from time to time and there is no penal / punitive action taken by the stock exchanges against the Company.

7.12 With the exception of a delay in compliance with the provision of Chapter II of the SEBI (SAST) Regulations in the year 2000, SEIL has complied with applicable provisions of Chapter II of the SEBI (SAST) Regulations within the time specified in SEBI (SAST) Regulations. The relevant details in this regards have been submitted to SEBI. SEBI may initiate suitable action against SEIL at a later stage.

7.13 The details of Directors of SEIL are provided below:

S. No.	Name of the Director, Designation & Date of Appointment	Educational qualification	Experience	Residential Address
1	**Mr. Josef Steiger*** Chairman & Member Audit Committee. Chairman: Remuneration Committee & Shareholders' Grievance Committee 19.02.1996	1. Master's degree in Civil Engineering 2. Master's degree in Business Administration	Around 27 years of experience in various fields like Internal cost control, Relationship Manager, Managing Director, Head world wide sales & marketing in textile machinery, Consultant & finally as Group Vice President for International Cooperation of Saurer AG since 1995. Also Director in TEXParts - Singapore, & Heberlein Fibre Technology AG.	Alte Wollerauer Str 65 CH-8805 Richterswil Switzerland
2	**Mr. Atul Bhagwati** Director & Audit Committee Chairman Member Remuneration Committee 11.03.2004	Bachelor of Engineering (Mechanical & Electrical)	Industrialist since 1954 engaged in promotion & management of Companies. Chairman & Director of various Companies. Member / President & Chairman of Industry Associations & Chamber of Commerce.	"Nishant" Ground Floor 6, M.L. Dahanukar Marg Mumbai - 400 026
3	**Mr. Sanjay Asher** Director & Member Audit Committee & Remuneration Committee 11.03.2004	B.Com, LLB, Chartered Accountant, Solicitor	Equity Partner of M/s Crawford Bayley & Co., a law firm in Mumbai since Jan.2001. He was an Associate & Senior Associate in that firm from Dec.1989 till Dec.2000. before he was inducted as equity Partner. Senior Associate in Consultancy Co. since September 1986 till December 1989. Holding directorships of several large Corporations including Public Listed Companies and being Member of Audit Committee of Large Public Listed Cos.	32, Modi Street Fort Mumbai - 400 001

S. No.	Name of the Director, Designation & Date of Appointment	Educational qualification	Experience	Residential Address
4	**Mr. C. U. Mai*** Director 28.10.2004	Master Degree in Business Administration	Until January 31, 2007, Chief Financial Officer of the Saurer Textile group. Before working as Sr. Vice President in Zinser Zweigniederlassung der Saurer GmbH & Co. KG, and since February 2001 controlling Finance, Personnel, & legal affairs & CFO of Indian operations. Prior to that he was working as CFO & MD & Controller in various Companies since 1993.	Morkestr. 122 73092 Helningen Germany
5	**Mr. K.M. Thanawalla** Director & Member Remuneration Committee 28.10.2004	B.Com, Fellow of The Institute of Chartered Secretaries & Administrators, London. Associate of the Textile Institute, UK. Associate of the British Institute of Management.	Managing Director, Saurer India Pvt. Ltd. since 2004. Prior to that he held positions as Managing Director & Director in various Textile Engineering Companies since 1965. He is also on the Board of some Private Limited Companies in India.	Khatau Bunglow Ground Floor 6, Manav Mandir Road Mumbai - 400 006
6	**Mr. P.K. Banerji**** Special Director appointed by BIFR Member Audit Committee 30.09.2005	IAS retired.	Held various positions as Director, Jt. Secretary, Addl. Secretary, Special Secretary in various Dept. of Govt. of West Bengal & Govt. of India & held various other positions in the Govt. till he retired in August 2002. Also Director in few Indian Companies. He is a Padmashree awardee.	Flat No. D 42 DGS Apartment Plot No. 6, Sector 22 Dwaraka New Delhi 110 075
7	**Mr. CBK Pillai** Managing Director 04.12.1996	B.A., LLB, FCS	36 years of experience in various fields in Insurance, Finance, Legal & Corporate Management.	B-17 Saket Housing Colony, Near ST Mary School, GIDC - Tarsali Ring Road, Tarsali Vadodara - 390 010, Gujarat
8.	**Dr. Dirk Burger ***** Director 19.04.2007	Degree as certified merchant (Diplom-Kaufmann)	Oct. 2000 - Dec. 2006: CEO Saurer Twisting Systems, Managing Officer of Saurer Verwaltungs GmbH / Saurer GmbH & Co .KG, Mönchengladbach since Jan. 2007: CFO Oerlikon Textile, Managing Officer of Saurer Verwaltungs GmbH / Saurer GmbH & Co.KG, Mönchengladbach	Nikolaus-Lauxen-Strasse 10, 50259 Pulheim Germany

** Resigned w.e.f. April 19, 2007*

*** On May 17, 2007, BIFR has discharged Mr. PK Banerji as Special Director as SEIL has ceased to be Sick Company,*

**** Appointed w.e.f. April 19, 2007*

7.14 Dr. Dirk Burger and Mr. KM Thanawalla who are on the Board of Directors of SEIL are also the nominees of the promoters i.e. WRV and are employees of its group companies. They have recused themselves and have not participated in any matters concerning or relating to the Open Offer including any preparatory steps leading to the open offer.

7.15 There has not been any merger/demerger or spin off relating to SEIL during the last 3 years except winding up of its wholly owned subsidiary company Gujarat Textronics Ltd as a defunct company.

7.16 Selected financial data from SEIL's audited financial statements is provided below:

Year ending December 31

Profit & Loss Statement	**Rs. Lakhs 2004**	**Rs. Lakhs 2005**	**Rs. Lakhs 2006**
Income from operations	707	800	1,084
Other Income	83	144	1,686
Total Income	**790**	**944**	**2,770**
Operating Expenditure	594	722	1,656
Profit before depreciation, interest and tax	**196**	**222**	**1,114**
Depreciation	63	64	55
Interest	102	94	42
Profit before tax	**31**	**64**	**1,017**
Provision for tax	0	0	0
Profit after tax	**31**	**64**	**1,017**

As at December 31

Balance Sheet	**Rs. Lakhs 2004**	**Rs. Lakhs 2005**	**Rs. Lakhs 2006**
Sources of Funds			
Paid up share capital	1,940	1,940	1,940
Cumulative redeemable pref. shares	1,240	1,240	1,240
Total	3,180	3,180	3,180
Reserves and Surplus (excluding revaluation reserves)	393	393	393
Net Worth	282	701	1,396
Secured Loans	-	12	-
Unsecured Loans	603	560	-
Total	**4,406**	**4,375**	**3,803**
Uses of Funds			
Net Fixed Assets	503	489	420
Investments	71	71	-
Net Current Assets	311	383	988
Debit balance in P & L Account	3,244	3,180	2,163
Total	**4,406**	**4,375**	**3,803**

Year ending December 31

Other Financial Data	**2004**	**2005**	**2006**
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.16	0.33	5.24
Return on Net worth % (excluding CRPS)#	-3.4%	-7.6%	651.9%
Book Value Per Share (excluding CRPS)#	-4.70	-4.37	0.80

(Source: Annual Reports of SEIL, Company)

Return on Net Worth and Book Value per share have been considered after excluding the effect of cumulative redeemable preference shares.

Shah & Shah Associates, the Auditors to SEIL, have made certain qualifications in their Auditor's Report dated April 19, 2007 in respect of the audited financial statements for the year ending December 31, 2006 regarding preparation of accounts on a going concern basis and non disclosure of indebtedness to small scale undertakings.

7.17 The Primary reasons for fall/rise in Total Income and Profits after Tax are as follows:

The rise in operating income in 2004, 2005 & 2006 is mainly on account of increase in job work activities and sale of Draw Frames. The total income in 2006 includes income from sale of land & building in Vadodara sold to liquidate the outstanding loans, workmen dues under Voluntary Retirement Scheme (VRS) and sales tax liabilities.

7.18 The equity shareholding in the Target Company before the Offer (as of Thursday February 8, 2007) and after the Offer (assuming full acceptances in the Offer) is given in the table below:

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	
	(A)		(B)		(C)		(A)+(B)+(C)=(D)	
	No.	%	No.	%	No.	%	No.	%
(1) Promoter group								
a. Parties to agreement, if any	NIL	NIL	NA	NA	NIL	NIL	NIL	NIL
b. Promoters other than (a) above	NIL	NIL	NA	NA	NIL	NIL	NIL	NIL
Total 1(a+b)	NIL	NIL	NA	NA	NIL	NIL	NIL	NIL
(2) Acquirer & PAC								
1. Acquirer	NIL	NIL	NA	NA	NIL	NIL	NIL	NIL
2. PAC	10,431,019	53.78	NA	NA	3,879,040	20	14,310,059	73.78
Total 2(a+b)	10,431,019	53.78	NA	NA	3,879,040	20	14,310,059	73.78
(3) Parties to agreement other than(1) (a) & (2)	NIL	NIL	NA	NA	NIL	NIL	NIL	NIL
(4) Public (other than parties to agreement, acquirer & PACs)					*	*	*	*
a)								
Mutual Fund	103,620	0.53						
FII	3,100	0.02						
Bank	2,330	0.01						
Reifenhauser	584,000	3.01						
NRI	96,168	0.50						
Indian Bodies Corporate	1,430,870	7.38						
b)								
Indian Public	6,744,089	34.77						
Total number of Public . shareholders - 23,675								
Total (4)(a+b)	8,964,177	46.22			(3,879,040)	(20.00)	5,085,137	26.22
GRAND TOTAL (1+2+3+4)	19,395,196	100.00	NA	NA	-	-	19,395,196	100.00

Note *: *The entire 20% shares of the Target Company envisaged to be acquired by the Acquirer would be from the categories of the shareholders mentioned in 4(a) and 4(b) above and therefore the post offer holding of these shareholders are not ascertainable at this stage and would depend on the quantum of acceptance received from them.*

7.19 Details of the change in shareholding of the promoters in the Target Company is as under:

Sr. No.	Date of allotment	No.of shares of of Rs.10 each	Percentage	Mode of allotment	Status of compliance
1.	07.12.1983	520,000	2.68%	Preferential issue	Complied
2.	12.12.1985	312,000	1.61%	Rights issue	Complied
3.	23.06.1987	400,000	2.06%	Preferential issue	Complied
4.	07.11.1992	726,400	3.75%	Rights issue	Complied
5.	03.02.1994	4,636,000	23.90%	Preferential issue	Complied
6.	19.09.1996	3,836,619	19.78%	Rights issue	Complied
	TOTAL	**10,431,019**	**53.78%**		

7.20 Corporate Governance

SEIL has complied with the provisions of Corporate Governance. The following are the relevant details in this regard

Board of Directors:

The Board of Directors consists of five directors – one Managing Director, two nominee directors representing the promoter (WRV) and two non-executive independent directors.

Board Meetings:

During 2006, four meetings of the Board of Directors were held on January 31, 2006, on April 26, 2006, on July 26, 2006 and on October 31, 2006.

Composition of Board:

Name of the Director	Category	Attendance of Board Meetings	Attendance in last AGM	Directorship	Committee Member ship	Chairman
Mr. Josef Steiger*	Chairman,Non-Rotational, Promoter's Nominee	2	Yes	2	NIL	NIL
Mr. CBK Pillai	Managing Director, Rotational, Executive	4	Yes	NIL	NIL	NIL
Mr. AK Bhagwati	Independent, Rotational	3	Yes	11	NIL	NIL
Mr. Sanjay Asher	Independent, Rotational	1	NIL	34	-	-
Mr. CU Mai*	Promoter's, nominee, Rotational	1	NIL	4	-	-
Mr. KM Thanawalla	Promoter's nominee, Rotational	4	NIL	8	-	-
Mr. PK Banerji**	Independent, Appointed by BIFR	4	NIL	3	-	-
Dr. Dirk Burger***	Promoter's nominee	1	-	-	-	-

** Resigned w.e.f. April 19, 2007*

*** On May 17, 2007, BIFR has discharged Mr. PK Banerji as Special Director as SEIL has ceased to be Sick Company*

**** Appointed on April 19, 2007*

Audit Committee:

The Company has constituted an Audit Committee on 30th January 2001. The existing members of the committee are (i) Mr. A.K. Bhagwati (Chairman & Independent Director), and (ii) Mr. Sanjay Asher (Independent Director) with Mr. CBK Pillai as its Secretary.

The Audit Committee is vested with the power to examine all the aspects of the Company's business, recommend interaction with the Statutory Auditors and officers of the Company and other matters specified in Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee had its meetings on January 31, 2006, April 26, 2006, July 26, 2006 & October 31, 2006. These meetings were attended by Mr. A.K. Bhagwati (3 Meetings), Mr. Sanjay Asher (1 Meeting) & Mr. CBK Pillai (all meetings). Mr Josef Steiger who resigned on April 19, 2007 & Mr PK Banerji who ceased to be the director from May 17, 2007 attended two meetings and all meetings respectively in 2006.

Shareholders'/ Investors' Committee:

On 29th January, 2002 a Shareholders'/Investors' Grievance Committee headed by the Chairman of the Company was formed by the Board to review the status of investors' grievances and redressal mechanism and to suggest measures to improve the level of investor services.

Compensation And Remuneration Committee:

The Remuneration Committee consists of Mr. AK Bhagwati, Mr. Sanjay Asher & Mr. KM Thanawalla.

The Managing Director's remuneration is approved by the Remuneration Committee, the Board and the Shareholders. The special Director is paid sitting fees for attending Board & Committee meetings. Except these, none of the other directors draw any remuneration or expenses from the Company. Except as mentioned above no director has any material pecuniary relationship or transaction with the Company. None of the Directors is related to any other Director. The Managing Director is under a service contract for a period of three years commencing 1st January 2007 to 31st December 2009. His service is terminable by giving 6 months notice. There are no severance fees except as provided in Section 318 of the Companies Act, 1956. The Company has not introduced any stock option plan or scheme.

As the Managing Director's remuneration is decided by the Remuneration Committee, the Board and the Shareholders, based on qualification, experience and merit, and no remuneration was paid or is payable to any other director except sitting fee paid to the Special Director, no separate remuneration policy has been laid down. All the members of the remuneration committee last met on October 31, 2006 to approve the Managing Director's remuneration for the period 2007 to 2009.

General Body Meeting:

The previous 5 General Body Meetings were held as under :

Annual General Meeting	Date	Venue
21st Annual General Meeting	Friday, June 27, 2003	Registered Office
22nd Annual General Meeting	Thursday, May 06, 2004	Registered Office
23rd Annual General Meeting	Thursday, April 21, 2005	Registered Office
24th Annual General Meeting	Friday, June 16, 2006	Registered Office
25th Annual General Meeting	Monday, April 04, 2007	Registered Office

Disclosures:

1) The Company has not entered into any contract or transaction of material nature that may have a potential conflict with the interest of the Company with any of the directors or their relatives or promoters during the year. There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to Capital Markets during the last 3 years.

2) A.T.E. Marketing Pvt. Ltd. (ATEMPL) is the Selling Agent of the Company. The commission payable is 4% on net sales, which was also being paid to other selling agents in the past. Mr. A.K. Bhagwati, a Director of the Company is also a Director in ATEMPL.

3) The Company carries out fabrication job work of certain components for Zinser Textile Systems Pvt. Ltd. (ZTS). These job works are sought by the Company to utilize its surplus capacity. Some of the Directors of the Company namely Mr. AK Bhagwati, Mr.CU Mai, Mr. Sanjay Asher & Mr. KM Thanawalla are Directors in ZTS. Approval from the Central Government u/s 297 of the Companies Act has already been received for the purpose.

7.21 The following are the major litigations involving or against SEIL as on the date of PA:

Labour litigations

Sr. No.	Name of Person	Date of termination	Status of the case
1	Mr. DJ Modi Junior Officer Mr. GR Todkar Junior Officer Mr. DL Yadav Junior Officer Mr. JB More Junior Officer Mr. RD Solanki Asst. Officer	13.1.1996	Matter pending in Labour Court.
2	Mr. KK Solanki Workman	14.2.1995	Matter pending in Labour Court.
3	Mr. MB Pandya Junior Officer	13.1.1996	Matter pending in High Court.
4	Mr. KM Pawar Canteen Boy	02.8.1995	Matter pending in High Court.
5	Mr. KN Patel Junior Officer	30.11.1994	Matter pending in Labour Court.
6	Mr. JV Gandhi Junior Officer	11.4.1996	Matter pending in Labour Court.
7	Mr. NM Patel Clerk	10.3.1995	Matter pending in Labour Court.
8	Mr. BR Patel Driver	19.7.1999	Matter pending in Labour Court.

Others

1. A suit was filed by Paliwal Fibers (P) Ltd. Panipat (Paliwal) on 2nd September 2006 in the Court of LD. Civil Judge (Sr.Divn), Panipat against the Company claiming refund of an amount of Rs 50,000/- being the advance paid by it to the company which was forfeited by the company as Paliwal failed to take delivery of the machine which the company had manufactured and kept ready for delivery as per the order.
2. A suit was filed by Veena Die-Casters & Engineers Pvt. Ltd. Bombay in 1996 in the High Court of Judicature at Bombay claiming an amount of Rs 7,96,250/- towards development charges of certain toolings for the company, which it failed to execute in time.

7.22 Compliance Officer: Mr. CBK Pillai, Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol – 389 350, Dist. Panchmahals, Gujarat. Tel: +91-2676-221870, Fax No. +91-2676-220887, E-mail: seilhalol@satyam.net.in

8 OFFER PRICE

8.1 Justification of Offer Price

8.1.1 The Company's securities are listed on the Bombay Stock Exchange Limited, Mumbai. (Stock Code: 505358).

8.1.2 The equity shares are frequently traded on BSE within the meaning of explanation (i) to Regulation 20(5) of the SEBI (SAST) Regulations. The annualized trading turnover during the six months preceding the PA i.e February 9, 2007 and the Swiss Public Announcement i.e September 6, 2006 in each of the stock exchanges is detailed below:

Date	Name of Stock Exchange	Total no. of shares traded during the 6 calendar months ending Jan.31,2007	Total no. of listed shares as on February 8, 2007	Annualized Trading Turnover (in terms of % of total listed shares)	Trading Status in terms of SEBI (SAST) Regulations
Aug. 1, 2006 to Jan. 31, 2007	BSE	9,30,400	1,93,95,196	9.59%	Frequently Traded
Mar. 1, 2006 to Aug. 31, 2006	BSE	6,85,750	1,93,95,196	7.07%	Frequently Traded

8.1.3 The Offer Price of Rs. 15 per share is justified in terms of Regulations 20(4) and 20(12)** of the SEBI (SAST) Regulations being the highest of the following:-

(a)	The negotiated price	Not Applicable*
(b)	The highest price paid by the Acquirer and the PAC for acquisition of equity shares of the Target Company during the 26 week period prior to the date of the PA i.e. February 9, 2007	Not Applicable
(c)	The average of the weekly high and low of closing prices of the equity shares of the Target Company on BSE for the 26 weeks preceding the date of the PA i.e. February 9, 2007	Rs.9.91
(d)	The average of the daily high and low prices of the equity shares of the Target Company on BSE for the two weeks preceding the date of the PA i.e. February 9, 2007	Rs. 14.78
(e)	The highest price paid by the Acquirer and the PAC for acquisition during the 26 week period prior to the date of the Swiss Public Announcement. i.e. Wednesday, September 6, 2006	Not Applicable
(f)	The average of the weekly high and low of closing prices of the shares of the Target Company on BSE for the 26 weeks preceding the date of the Swiss Public Announcement. i.e. Wednesday, September 6, 2006	Rs. 8.81
(g)	The average of the daily high and low prices of the shares of the Target Company on BSE for the two weeks preceding the date of the Swiss Public Announcement. i.e. Wednesday, September 6, 2006	Rs. 10.40

** There has not been any negotiated price under any agreement for acquisition of shares of the Target Company by the Acquirer and the PAC.*

*** Regulation 20(12) of the SEBI (SAST) Regulations states that the offer price for indirect acquisition or control shall be determined with reference to the date of the public announcement for the parent company and the date of public announcement for acquisition of shares of the target company, whichever is higher, in accordance with Regulation 20(4) or 20(5).*

8.1.4 The price and volume data of the Target Company on BSE

For the 26 week period prior to the date of the PA i.e. February 9, 2007 is as under:

Week no.	Week ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the week
1	Thursday, February 08, 2007	16.25	14.05	15.15	387,250
2	Thursday, February 01, 2007	14.23	13.39	13.81	68,950
3	Thursday, January 25, 2007	13.56	11.73	12.65	53,150
4	Thursday, January 18, 2007	14.56	12.50	13.53	89,950
5	Thursday, January 11, 2007	13.30	12.39	12.85	99,550
6	Thursday, January 04, 2007	11.86	10.26	11.06	77,750
7	Thursday, December 28, 2006	10.58	9.15	9.87	33,800
8	Thursday, December 21, 2006	9.25	8.31	8.78	14,700

Week no.	Week ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the week
9	Thursday, December 14, 2006	9.36	8.46	8.91	25,350
10	Thursday, December 07, 2006	11.42	9.85	10.64	41,350
11	Thursday, November 30, 2006	10.37	8.55	9.46	37,550
12	Thursday, November 23, 2006	8.30	7.78	8.04	19,000
13	Thursday, November 16, 2006	8.34	7.65	8.00	13,800
14	Thursday, November 09, 2006	8.23	7.84	8.04	24,150
15	Thursday, November 02, 2006	8.94	8.12	8.53	15,800
16	Thursday, October 26, 2006	9.30	8.75	9.03	9,850
17	Wednesday, October 18, 2006	8.97	8.34	8.66	7,400
18	Thursday, October 12, 2006	8.99	8.62	8.81	28,200
19	Thursday, October 05, 2006	8.77	8.07	8.42	29,700
20	Thursday, September 28, 2006	8.15	7.69	7.92	25,800
21	Thursday, September 21, 2006	9.08	8.17	8.63	39,300
22	Thursday, September 14, 2006	9.50	9.02	9.26	31,050
23	Thursday, September 07, 2006	10.20	8.80	9.50	26,750
24	Thursday, August 31, 2006	11.31	10.27	10.79	35,150
25	Thursday, August 24, 2006	10.51	8.79	9.65	53,950
26	Thursday, August 17, 2006	8.38	7.25	7.82	20,250
	26 weeks' average			**9.91**	

For the two weeks preceding the date of the PA. i.e. February 9, 2007

Day No.	Dates	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the day
1	Thursday, February 08, 2007	17.06	15.70	16.38	213,100
2	Wednesday, February 07, 2007	16.25	16.25	16.25	9,750
3	Tuesday, February 06, 2007	15.48	15.48	15.48	29,100
4	Monday, February 05, 2007	14.75	14.75	14.75	57,900
5	Friday, February 02, 2007	14.05	13.03	13.54	77,400
6	Thursday, February 01, 2007	13.90	12.91	13.41	20,750
7	Wednesday, January 31, 2007	14.94	13.53	14.24	42,650
8	Monday, January 29, 2007	14.23	14.23	14.23	5,550
	2 weeks' average			**14.78**	

For the 26 weeks preceding the date of the Swiss Public Announcement.i.e. Wednesday, September 6, 2006

Week no.	Week ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the week
1	Tuesday, September 05, 2006	10.81	9.39	10.10	30,950
2	Tuesday, August 29, 2006	11.31	10.01	10.66	50,300
3	Tuesday, August 22, 2006	9.68	7.99	8.84	44,050
4	Monday, August 14, 2006	7.61	6.86	7.24	7,100
5	Tuesday, August 08, 2006	6.54	5.66	6.10	23,250

Week no.	Week ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the week
6	Tuesday, August 01, 2006	6.41	6.12	6.27	17,750
7	Tuesday, July 25, 2006	7.87	6.44	7.16	7,300
8	Tuesday, July 18, 2006	7.91	7.55	7.73	1,550
9	Tuesday, July 11, 2006	7.54	6.86	7.20	3,100
10	Tuesday, July 04, 2006	7.88	6.50	7.19	2,100
11	Tuesday, June 27, 2006	7.04	6.23	6.64	2,300
12	Tuesday, June 20, 2006	7.15	6.71	6.93	17,300
13	Tuesday, June 13, 2006	8.00	7.25	7.63	6,650
14	Tuesday, June 06, 2006	8.66	7.62	8.14	18,800
15	Tuesday, May 30, 2006	9.55	9.05	9.30	9,200
16	Tuesday, May 23, 2006	10.50	9.50	10.00	11,000
17	Tuesday, May 16, 2006	11.65	9.80	10.73	19,800
18	Tuesday, May 09, 2006	11.62	10.21	10.92	16,750
19	Tuesday, May 02, 2006	11.34	10.46	10.90	69,450
20	Tuesday, April 25, 2006	13.24	11.74	12.49	41,200
21	Tuesday, April 18, 2006	13.65	11.80	12.73	64,050
22	Monday, April 10, 2006	11.24	10.20	10.72	2,600
23	Tuesday, April 04, 2006	9.72	8.00	8.86	28,000
24	Tuesday, March 28, 2006	8.00	7.44	7.72	80,150
25	Tuesday, March 21, 2006	8.55	7.75	8.15	34,000
26	Tuesday, March 14, 2006	9.05	8.67	8.86	55,800
	26 weeks' average			**8.81**	

For the two weeks preceding the date of the Swiss Public Announcement. i.e. Wednesday, September 6, 2006

Day No.	Dates	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the day
1	Tuesday, September 05, 2006	9.75	9.38	9.57	2,700
2	Monday, September 04, 2006	10.71	9.81	10.26	12,350
3	Friday, September 01, 2006	10.20	9.76	9.98	4,550
4	Thursday, August 31, 2006	11.00	10.27	10.64	7,750
5	Wednesday, August 30, 2006	11.00	10.75	10.88	3,600
6	Tuesday, August 29, 2006	11.48	10.49	10.99	4,200
7	Monday, August 28, 2006	11.05	10.45	10.75	8,600
8	Friday, August 25, 2006	11.03	10.03	10.53	11,000
9	Thursday, August 24, 2006	10.51	10.47	10.49	5,800
10	Wednesday, August 23, 2006	10.16	9.60	9.88	20,700
	2 weeks' average			**10.40**	

8.1.5 In the opinion of the Manager to the Offer, Acquirer and the PAC, the Offer Price of Rs. 15 per fully paid-up equity share is justified in terms of Regulation 20(11).

8.1.6 If the Acquirer, PAC or any advisor, broker, or other financial institution acting as their agent acquires Equity Shares in the open market or through negotiation or otherwise, after the date of Public Announcement and until the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all acceptances received under the Offer. However, no acquisition will be made by the Acquirer, PAC or any advisor, broker, or other financial institution acting as their agent in the open market during the last seven working days prior to the Offer Closing Date.

8.1.7 Acquirer, PAC and any advisor, broker, or other financial institution acting as their agent shall not acquire, during the Offer Period, any Equity Shares in SEIL except in compliance with the SEBI (SAST) Regulations and the details of such acquisitions, including numbers, percentage, price, broker (if any), mode of acquisition and time of execution, shall be disclosed to the stock exchanges and to the Manager within 24 hours thereof, in terms of the Regulation 22(17). As per Regulation 22(17), the stock exchanges shall forthwith disseminate such information to the public.

8.2 No price was attributed to the Equity Shares of SEIL in the public tender offer made for acquisition of the equity shares of Saurer by the Acquirer. There was no non-compete agreement or payment of non-compete fee to any person by the Acquirer.

9 FINANCIAL ARRANGEMENTS

9.1 The total funding requirement for the acquisition of up to 38,79,040 equity shares held by shareholders in the Target Company at Rs. 15 per share is approximately Rs. 5.82 crores (Rupees Five Crore and Eighty Two lacs lacs) (the "**Maximum Consideration**").

9.2 Deutsche Bank, India (defined as DB-India in 9.3 below) has issued a bank guarantee on behalf of the Acquirer and the PAC in favour of ICICI Securities of Rs. 20 million which is in excess of 25% of the value of the total consideration payable under the Offer (assuming full acceptance). The said bank guarantee is duly discharged in favour of ICICI Securities. The bank guarantee is sought from Deutsche Bank and Deutsche Bank is not an associate of or group of the Acquirer or the PAC or the Target Company.

9.3 In addition, Oerlikon, WRV, ICICI Securities and Deutsche Bank a company incorporated in Frankfurt and having one of its offices at Bahnhofstrasse 1, 78462 Konstanz ("**Foreign Escrow Agent**") and one of its offices at Kodak House, 222 Dr.D.N.Road Fort, Mumbai 400 001, India ("**DB-India**"), have entered into an open offer escrow agreement, dated February 2, 2007 (the "**Escrow Agreement**") in accordance with Regulation 28 of the SEBI (SAST) Regulations. Pursuant to the Escrow Agreement, Oerlikon has made a cash deposit of Euro 20,000 (equivalent to Rs. 1,140,800) calculated in accordance with an exchange rate of 1 Euro = Rs. 57.04 *(source: www.rbi.org.in)* (which is in excess of 1% of the value of the total consideration payable under the Offer, assuming full acceptances), in an escrow account with the Foreign Escrow Agent (the "**Foreign Escrow Account**"). ICICI Securities has been duly authorised to realize the value of the aforesaid Foreign Escrow Account in terms of the SEBI (SAST) Regulations. Subsequent to approval obtained from RBI for opening and operating an escrow account in India, an amount of Rs. 5.82 crores (which is more than 100% of the consideration payable under the Open Offer) has been deposited to an escrow account with DB - India (the "**Indian Escrow Account**"). ICICI Securities has been duly authorised to realize the value of the aforesaid Indian Escrow Account in terms of the SEBI (SAST) Regulations.

9.4 M/s. Deutsche Bank AG, vide their letter dated January 31, 2007, have certified that WRV has adequate resources to meet the financial obligations under this Offer. In addition, M/s. V. N. Shah & Associates, Chartered Accountants (Membership No. 103235) located at 2nd Floor, Plot No. 112, Road No. 13, MIDC, Marol, Andheri (East), Mumbai 400 093, India (Tel: +91 22 5696 9441, Fax No. +91 22 2821 3656) vide their letter dated May 29, 2007, have certified that the Acquirer jointly with the PAC have adequate resources to meet the financial obligations under this Offer.

9.5 ICICI Securities, the Manager to the Offer confirms that it is satisfied about the ability of the Acquirer and the PAC to implement the Offer in accordance with the SEBI (SAST) Regulations as firm arrangements for funds and money for payment through verifiable means are in place to fulfill the Offer obligations.

10 STATUTORY APPROVALS

10.1 The PAC has obtained approval from the RBI for opening Escrow Account, Rupee Payments Account and acquiring shares tendered under the Open Offer in accordance with the SEBI SAST Regulations. Specific approval of the RBI needs to be obtained by the OCB in the event that any OCB shareholder tenders its shares in the Open Offer.

No specific approval from RBI is required in case shares are tendered by NRI shareholders. As of the date of this Letter of Offer, no other statutory approval is required

10.2 To the best of the knowledge of the Acquirer and the PAC, as on the date of this Letter of Offer Announcement, there are no other statutory approvals required to implement the Offer, other than those indicated above. If any other statutory approvals become applicable, the Offer would be subject to such statutory approvals. The Acquirer and the PAC, in terms of Regulation 27 of SEBI (SAST) Regulations, will have a right not to proceed with the Offer in the event the statutory approvals indicated above are refused.

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

10.4 To the best of the knowledge of the Acquirer and the PAC, as on the date of this Public Announcement, there are no approvals required from financial institutions / banks for the said Offer.

10.5 None of the Acquirer, the PAC or the Target Company has been prohibited by SEBI from dealing in securities, pursuant to any direction issued under Section 11B of the SEBI Act or under any of the regulations made under the SEBI Act.

11 TERMS AND CONDITIONS OF THE OFFER

11.1 The Letter of Offer together with the Form of Acceptance cum Acknowledgement will be mailed to the Shareholders of the Target Company (except the Acquirer and the PAC), whose names appear on the Register of Members of the Target Company and to the beneficial owners of the equity shares of the Target Company whose names appear on the beneficial records of the respective Depositories, in either case, at the close of business on Tuesday, March 6, 2007 (the "**Specified Date**").

11.2 All owners (registered or unregistered) of Shares of Target Company (except the Acquirer and the PAC) are eligible to participate in the Offer anytime before the closure of the Offer. Unregistered owners can also send their application in writing to the Registrar to the Offer in the mode mentioned below.

11.3 Shares that are subject to any charge, lien or encumbrance are liable to be rejected. Locked in shares, if any, can be tendered in the Open Offer subject to applicable laws including the continuation of the lock-in in the hands of the Acquirer. The Manager to the Offer will ensure that there is no discrimination in the acceptance between locked in and non-locked in shares. Shares that are subject to any other charge, lien or encumbrance are liable to be rejected.

11.4 Accidental omission to dispatch this Letter of Offer or any further communication to any person to whom this Letter of Offer is or should be made or the non-receipt of this Letter of Offer by any such person shall not invalidate the Offer in any way.

11.5 The instructions, authorisations and provisions contained in the Form of Acceptance and Form of Withdrawal constitute an integral part of the terms of this Offer.

11.6 The acceptance of the Offer made by the Acquirer and PAC is entirely at the discretion of the Shareholders of the Target Company. The Acquirer and PAC will not be responsible in any manner for any loss of equity share certificate(s) and offer acceptance documents during transit and the Shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

12 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

12.1 A letter of offer (the "**Letter of Offer**") specifying the detailed terms and conditions of the Offer, together with a form of acceptance-cum-acknowledgement (the "**Form of Acceptance-cum-Acknowledgement**") and form of withdrawal (the "**Form of Withdrawal**") will be mailed to the Shareholders (other than Acquirer and the PAC), whose names appear on the Register of members of SEIL and to the owner of the shares whose names appear as beneficiaries on the records of the respective depositories at the close of business hours on Tuesday, March 6, 2007 (the "**Specified Date**").

12.2 All Equity Shares validly tendered and accepted under the Offer, will be acquired by WRV, subject to the terms and conditions set out in this Letter of Offer. All necessary requirements for the valid transfer of the Equity Shares to WRV will be pre-conditions for acceptance of the tendered Equity Shares. The marketable lot of physical shares of the company is 50.

12.3 All Shareholders of SEIL (except the Acquirer and the PAC), whose names appear in the register of members of SEIL as of the Specified Date, i.e., Tuesday, March 6, 2007 and also persons who acquire any Equity Shares of SEIL at any time prior to the closing of the Offer, whether or not they are registered Shareholders, are eligible to participate in the Offer anytime before the closing of the Offer.

12.4 Shareholders who hold shares in the physical form and wish to tender the shares pursuant to the Offer shall be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and transfer deed(s) duly signed to Sharepro Services (India) Pvt. Ltd., Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400099, who are acting as the Registrar to the Offer (the "**Registrar to the Offer**"), either by hand delivery on weekdays during business hours (Mondays to Saturdays between 10.00 a.m. to 5.00 p.m.) or by registered post so that the same are received on or before the close of the Offer, i.e. by Wednesday, July 25, 2007, in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance-cum-Acknowledgement. The transfer deed should be left blank, excepting the signatures as mentioned above.

12.5 The Registrar to the Offer has opened a special depository account with Stock Holding Corporation of India Limited as the Depository Participant in National Securities Depository Limited ("**NSDL**"), styled "Sharepro Services Schlafhorst Engineering Open Offer Escrow A/c". The Depository Participant ("**DP**") ID is IN301330 and Beneficiary Client ID is 19968784. Shareholders holding their beneficiary account in Central Depository Services India Limited ("**CDSL**") will have to use an inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account with NSDL.

12.6 Beneficial owners (holders of shares in dematerialised form) who wish to tender their shares will be required to send their Form of Acceptance-cum-Acknowledgement along with a photocopy of the delivery instructions in "off-market" mode or counterfoil of the delivery instructions in "off-market" mode, duly acknowledged by the DP, in favour of the above mentioned special depository account, to the Registrar to the Offer – Sharepro Services (India) Pvt Ltd., Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400099, either by hand delivery on weekdays during business hours (Mondays to Saturdays between 10.00 a.m. to 5.00 p.m.) or by registered post so as to reach on or before the close of the Offer, i.e. by Wednesday July 25, 2007, in accordance with the instructions specified in the Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. Beneficial owners should ensure that they credit their shares in favour of the aforementioned special depository account on or before the close of the Offer i.e. by Wednesday July 25, 2007.

12.7 Persons who own shares and whose names do not appear on the register of members of the Company on the Specified Date are also eligible to participate in this Offer. Unregistered owners of shares of the Target Company can send their applications in writing to the Registrar to the Offer on a plain paper stating the name, address, number of shares held, number of shares offered, distinctive numbers, folio numbers, together with the original share certificate(s), transfer deeds and the original contract note issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners.

12.8 Owners of shares who have sent their shares for transfer should enclose, Form of Acceptance-cum-Acknowledgement duly completed and signed, copy of the letter sent to the Target Company for transfer of shares and valid share transfer form(s). Shareholders who have sent their physical shares for dematerialisation need to ensure that the process of getting shares dematerialised is completed well in time so that the credit in the aforesaid special depository account is received on or before the date of close of the Offer, i.e. by Wednesday July 25, 2007, else the application will be rejected.

12.9 The shares and other relevant documents should not be sent to the Acquirer, the PAC, the Manager to the offer or the Target Company.

12.10 In case of non-receipt of the Letter of Offer, the eligible persons may (i) download the same from the SEBI website, (ii) obtain a copy of the same by writing to the Registrar to the Offer, or (iii) make an application to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares offered, along with the documents as mentioned above, so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. by Wednesday July 25, 2007 or in the case of beneficial owners, they may send the 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, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "off- market" mode or counterfoil of the delivery instruction in the "off-market" mode, duly acknowledged by the DP, in favour of the aforesaid special depository account, so as to reach the Registrar to the Offer, on or before the close of the Offer, i.e. by Wednesday July 25, 2007.

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

- duly attested death certificate and succession certificate/ probate/ letter of administration (in case of single Shareholder) if the original Shareholder is deceased;
- duly attested Power of Attorney if any person apart from the Shareholder has signed the application form and/or transfer deed(s);
- no objection certificates from the chargeholder/ lender, if the shares in respect of which the application is sent, are under any charge, lien or encumbrance;
- in case of companies, the necessary corporate authorisation (including Board Resolutions);
- any other relevant documentation.

12.12 In addition to the above mentioned address, all owners of shares of the Target Company, registered or unregistered, who wish to avail of and accept the Offer can also hand deliver the Form of Acceptance-cum-Acknowledgement along with all the relevant documents at any of the collection centres below in accordance with the procedure as set out in the Letter of Offer. All centres mentioned herein below would be open on all working days as follows:

Business hours: Mondays to Saturdays 10.00 a.m. to 5.00 p.m. The centres will be closed on Sundays and any other public holidays.

City	Contact Person	Address	Tel. No.	Fax No.	Mode of Delivery
Ahmedabad	Mr. Hitesh Mehta	C/o S S Enterprises, Above Avoji Showroom, Opp Tailor Point, Zaveri Varma Naka, Relief Road, Ahmedabad - 380022	+91-79- 65134328 / +91-9825465963	+91-79- 25601636	Registered post or hand delivery
Chennai	Mr. B Srinivas	C/o Skystock Financial 7/A Laxman Nagar, East Main Road, Chennai – 600082	+91-44-26712611	+91-44-26712611	Registered post or hand delivery
Kolkata	Mr. Bhaskar Biswas	C/o. Dynamic Financial Consultant, 196 A G Arabinda Sarani, Gouribari Kolkata – 700004	+91-33-25333706 / +91-9830050737	+91-33-28250087	Registered post or hand delivery
Mumbai	Mr. V Kumaresan	Sharepro Services (India) Pvt. Ltd., Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E) Mumbai - 400 099	+91-22-2821 5168/69	+91-22-28375646	Registered post or hand delivery
New Delhi	Mr. Sridhar	C/o. Sterling Services F-75 1st Floor Bhagat Singh Market, Near Gol Market, Delhi - 110001	+91-11-65058126 / +91-9313796360	+91-11-41561130	Registered post or hand delivery

12.13 The Registrar to the Offer will hold in trust the shares / share certificates, shares lying in the credit of the special depository account, Form of Acceptance-cum-Acknowledgement, if any, and the transfer form on behalf of the Shareholders of the Target Company until the Acquirer and PAC complete their obligations in accordance with the SEBI (SAST) Regulations.

12.14 Friday, July 6 2007 shall be the date of opening of the Offer and Wednesday July 25, 2007 shall be the closing date of the Offer.

12.15 The payment of consideration to those Shareholders whose shares or share certificates and / or other documents are found complete, valid and in order will be made by way of a crossed account payee cheque, demand draft or pay order. The decision regarding the acquisition (in full or part), or rejection of, the shares offered for sale by the Shareholders of the Target Company pursuant to the Offer and (i) any corresponding payment for the acquired shares and / or; (ii) share certificates for any rejected shares or shares withdrawn, will be communicated and despatched to the Shareholders by registered post or by ordinary post as the case may be, at the Shareholders' sole risk. Shares held in dematerialised form to the extent not acquired or shares withdrawn will be credited back to their beneficiary account with their respective depository participants as per the details furnished by their beneficial owners in the Form of Acceptance-cum-Acknowledgement.

12.16 Payment of consideration will be made by crossed account payee cheques/ demand drafts and sent by registered post and / or speed post in case of consideration amount exceeding Rs. 1,500/- (under Certificate of Posting otherwise) to those Shareholders whose share certificates and other documents are found in order and accepted by the Acquirer, at the Shareholders' sole risk. All cheques / demand drafts will be drawn in the name of the first holder, in case of joint registered holders.

12.17 Pursuant to Regulation 22(5A) of the SEBI (SAST) Regulations, Shareholders desirous of withdrawing their acceptances tendered by them in the Offer, may do so up to three working days prior to the date of closing of the Offer. The withdrawal option can be exercised by submitting the document as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before Friday, July 20, 2007.

- The withdrawal option can be exercised by submitting the Form of Withdrawal, as enclosed herewith.
- The Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at any of the collection centres mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal. i.e. Friday, July 20, 2007.
- Shareholders should enclose the following:

For Equity Shares held in demat form:

Beneficial owners should enclose:

- Duly signed and completed Form of Withdrawal.
- Copy of the Form of Acceptance/ Plain paper application submitted and the Acknowledgement slip.
- Photocopy of the delivery instruction slip in "Off-market" mode or counterfoil of the delivery instruction slip in "Offmarket" mode, duly acknowledged by the DP.

For Equity Shares held in physical form

(i) Registered Shareholders should enclose:

- Duly signed and completed Form of Withdrawal.
- Copy of the Form of Acceptance/ Plain paper application submitted and the Acknowledgement slip.
- In case of partial withdrawal, Valid Share Transfer form(s) duly signed as transferors by all registered Shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with RSIL and duly witnessed at the appropriate place.

(ii) Unregistered owners should enclose:

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

• The withdrawal of Equity Shares will be available only for the Share certificates/ Shares that have been received by the Registrar to the Offer or credited to the Depository Escrow Account.

• The intimation of returned Equity Shares to the Shareholders will be sent at the address as per the records of SEIL/ depository as the case may be.

• The physical shares withdrawn by shareholders would be returned by registered post.

• The Form of Withdrawal alongwith enclosure should be sent to the Registrar to the Offer only.

• In case of partial withdrawal of Equity 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 SEIL. The facility of partial withdrawal is available only to Registered Shareholders.

• Shareholders holding Equity Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.

12.18 The withdrawal option can be exercised by submitting the document as per the instructions mentioned above, so as to reach the Registrar to the Offer on or before three working days prior to the date of closure of the Offer. In case of non-receipt of the Form Of Withdrawal, the withdrawal option can be exercised by making an application on plain paper along with the following details:

a. In case of physical shares: Name, address, distinctive numbers, folio nos, number of shares tendered/ withdrawn.

b. In case of dematerialized shares: Name, address, number of shares tendered/withdrawn, DP name, DP ID, Beneficiary account no. and a photocopy of delivery instruction in “off market” mode or counterfoil of the delivery instruction in “off market” mode, duly acknowledged by the DP in favour of the Depository Escrow Account.

12.19 Any shares that are the subject matter of litigation or are held in abeyance due to pending court cases, such that the Shareholder(s) of the Target Company may be precluded from transferring the Shares during pendency of the said litigation are liable to be rejected unless directions / orders regarding the free transferability of such shares are received together with the shares tendered under the Offer prior to the date of closure of the Offer.

12.20 While tendering the shares under the Offer, NRIs/ OCBs/ foreign Shareholders will be required to submit the previous RBI Approvals (specific or general) that they would have obtained for acquiring the shares of the Target Company and a 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 to be deducted by the Acquirer before remitting the consideration. In case the previous RBI approvals are not submitted, the Acquirer reserves the right to reject such Shares tendered. In case the aforesaid No Objection Certificate/ Tax Clearance Certificate is not submitted, the Acquirer and PAC will deduct tax at the currently prevailing rate as advised by their tax advisors on the entire consideration amount payable to such NRI / OCB /Non-domestic companies / Other persons who are not resident in India.

12.21 In case the Shares offered in the Offer are more than the Shares to be acquired under the Offer, the acquisition of Shares from each Shareholder will be on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations.

12.22 Unaccepted share certificates, transfer forms and other documents, if any, will be returned by registered post at the Shareholder’s / unregistered owner’s sole risk to the sole / first Shareholder. Shares held in dematerialised form to the extent not accepted will be credited back to the beneficial owners’ depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement or otherwise.

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

	Activity	Original Schedule	Revised Schedule
1	Public Announcement Date	Friday, February 9, 2007	Friday, February 9, 2007
2	Specified date*	Tuesday, March 6, 2007	Tuesday, March 6, 2007
3	Last date for announcement of a competitive bid	Friday, March 2, 2007	Friday, March 2, 2007
4	Date by which Letter of Offer will be dispatched to shareholders	Friday, March 23, 2007	Monday, July 2, 2007
5	Offer Opening Date	Friday, March 30, 2007	Friday, July 6, 2007
6	Last date for revising the Offer Price / number of Shares	Friday, April 6, 2007	Monday, July 16, 2007
7	Last date for withdrawing acceptance from the Offer	Thursday, April 12, 2007	Friday, July 20, 2007
8	Date of Closure of the Offer	Wednesday, April 18, 2007	Wednesday, July 25, 2007
9	Date by which acceptance / rejection under the Offer would be intimated and the corresponding payment for the acquired shares and / or the unaccepted shares/share certificates will be credited / dispatched.	Thursday, May 3, 2007	Thursday, August 9, 2007

** Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer will be sent except the Acquirer and the PAC.*

13 TAX TO BE DEDUCTED AT SOURCE

13.1 As per the provisions of section 195(1) of the Income Tax Act, any person responsible for paying to a non-resident any sum chargeable to tax is required to deduct tax at source (including surcharge and education cess as applicable). Since the consideration payable under the Offer would be chargeable to capital gains under section 45 of the Income Tax Act or as business profits as the case may be, Acquirer will need to deduct tax at source (including surcharge and education cess) at the applicable tax rate on the gross consideration payable to the following categories of Shareholders, as given below:

a) Non-resident Indians: The Acquirer will deduct tax at source at the rate of 30% on the Offer Price in case of short-term capital gains or business profits, and at the rate of 10% on the Offer Price in case of long-term capital gains. In the event that the aforesaid amount of gross proceeds exceeds Rs.1,000,000/- the aforesaid rate will be increased by a surcharge of 10% of the tax. The amount so arrived at will be further increased by an education cess of 2% and secondary and higher education cess of 1% (collectively referred as cess of 3%) of the aggregate of the tax and surcharge to be deducted in all cases.

b) Overseas Corporate Bodies/ Non-domestic companies: The Acquirer will deduct tax at source (including cess and surcharge) at the rate of 42.23% (where the amount of gross proceeds exceeds Rs. 10,000,000) and at the rate of 41.2% (where the amount of gross proceeds is less than or equal to Rs. 10,000,000) on the Offer Price in the case of short-term capital gains or business profits, and at the rate of 10.5575% (where the amount of gross proceeds exceeds Rs. 10,000,000) and at the rate of 10.3% (where the amount of gross proceeds is less than or equal to Rs. 10,000,000) on the Offer Price in the case of long-term capital gains.

c) Foreign Institutional Investors ("FII"): As per the provisions of Section 196D (2) of the Income Tax Act, no deduction of tax at source shall be made from any income by way of capital gains arising from the transfer of securities referred to in section 115AD payable to a Foreign Institutional Investor as defined in section 115AD of the Income Tax Act. However the Acquirer will not deduct tax at source only if the Shares are held by the FII on investment/ capital account.

Tax will be deducted at source at 42.23% / 41.2% on the Offer Price if the Shares are held on trade account or if the FII fails to certify in the bid form ("the Bid Form") that the Shares are held by it on investment/capital account if the FII is a company. If the FII is a person other than a company, then tax will be deducted at the rate of 30% and will be further increased by a surcharge and education cess as indicated above viz., (i) in the case of an individual or an association of persons in the event the aforesaid amount exceeds Rs.1,000,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount of tax will be further increased by a cess of 3% of the aggregate of the tax and surcharge, if any (ii) in the case of a firm, in the event the aforesaid amount exceeds Rs.10,000,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount of tax will be further increased by a cess of 3% of the aggregate of the tax and surcharge, if any.

d) Other persons who are not resident in India: The Acquirer will deduct tax at source at the rate of 30% on the Offer Price in the case of short-term capital gains or business profits, and at the rate of 10% on the Offer Price in the case of long-term capital gains. In the case of individuals and association of persons, in the event that the aforesaid amount exceeds Rs.1,000,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount of tax will be further increased by a cess of 3% of the aggregate of the tax and surcharge, if any, in all cases. In the case of firms, in the event the aforesaid amount exceeds Rs.10,000,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount of tax will be further increased by a cess of 3% of the aggregate of the tax and surcharge, if any.

13.2 For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take the following actions based on the information submitted by the Shareholders.

13.2.1 The Shareholders should submit a certificate from a Chartered Accountant (along with proof such as demat account statement) certifying that the shares have been held for more than one year.

13.2.2 In the case of any ambiguity, incomplete or conflicting information or the information not being provided to the Acquirer, the capital gain shall be assumed to be short-term in nature.

13.3 In order to claim the benefit of computation of tax liability on the net capital gains (i.e. after reducing the cost of acquisition of shares), the shareholder should obtain a tax clearance certificate from the assessing officer certifying the net income chargeable to capital gains tax. Alternatively, the shareholders should submit the brokers note and the demat account statement in relation to such shares. In the absence of the above, tax would be deducted on the entire consideration paid to the shareholder.

13.4 In the event the aforementioned categories of shareholders require the Acquirer not to deduct tax or to deduct tax at a lower rate or on a lower amount for any other reason, they would need to obtain a certificate from the Income Tax authorities either under section 195(3) or under section 197 of the Income Tax Act, and submit the same to Acquirer while submitting the Bid Form. In the absence of any such certificate from the Income Tax authorities, the Acquirer will deduct tax as aforesaid, and a certificate in the prescribed form shall be issued to that effect.

13.5 No tax will be deducted at source for any other category of shareholders who are residents in India.

13.6 The aforementioned categories of shareholders should certify in the Form of Acceptance whether the equity shares are held by them on investment/capital account or on trade account.

13.7 The tax rates mentioned above are as per the provisions of the Income Tax Act, 1961. In the case of non residents, where the investor is a tax resident of a country which has entered into a Tax Treaty with India, it may be possible for the investor to avail the beneficial rate (if any) under the Tax Treaty. The tax rates may change from Treaty to Treaty. In order to claim the lower rate under the Tax Treaty, the shareholder should provide a certificate from the tax authorities from the country of his residence certifying that he is a resident of the specified foreign country.

Shareholders are advised to consult their tax advisors for the treatment that may be given by their respective Assessing Officers in their case, and the appropriate course of action that they should take. The Acquirer and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.

The tax rate and other provisions may undergo changes.

14 DOCUMENTS FOR INSPECTION

14.1 The following documents will be available for inspection to the Shareholders at ICICI Securities Primary Dealership Limited, ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, INDIA. Tel: +91 22 2288 2460, Fax: +91 22 2282 6580, between 10:00 a.m. and 4:00 p.m. on all working days except Saturdays until the Offer Closing Date (i.e. Wednesday July 25, 2007):

1. Copy of Extract from the Register of Commerce (equivalent to a Certificate of Incorporation) and Articles of Incorporation of Oerlikon.
2. Copy of Certificate of Incorporation, Memorandum and Articles of Association of WRV.
3. Copy of Certificate of Incorporation and Memorandum & Articles of Association of SEIL.
4. Copy of Audited Annual Reports of Oerlikon for the years ending December 31, 2004, 2005 and 2006.
5. Copy of Audited Financials of WRV for the years ending December 31, 2004, 2005 and 2006.
6. Copy of Annual Report of SEIL for the years ending December 31, 2004 and 2005 and 2006.
7. Copy of Escrow Agreement dated February 2, 2007 among Acquirer, PAC, Deutsche Bank and ICICI Securities and confirmation of cash deposit in DB India Escrow Account of Rs. 5.82 crores.
8. Copy of Board Resolutions of Oerlikon and WRV relating to the Offer.
9. Letter dated January 31, 2007 by M/s. Deutsche Bank AG regarding the adequacy of financial resources held by the Acquirer and the PAC to fulfill the Offer obligations.
10. Certificate dated May 29, 2007 from M/s. V. N. Shah & Associates, Chartered Accountants (Membership No. 103235), 2nd Floor, Plot No. 112, Road No. 13, MIDC, Marol, Andheri (East), Mumbai 400 093, India (Tel: +91 22 5696 9441 Fax: +91 22 2821 3656) stating that that the Acquirer jointly with the PAC have adequate resources to meet the financial obligations under this Offer.
11. Copy of Public Announcement made on Friday February 9, 2007, by Acquirer and PAC for acquiring upto 3,879,040 paid-up equity shares of SEIL.
12. SEBI Observation Letter dated June 22, 2007.
13. Copy of RBI Approval dated March 16, 2007 for acquiring shares under the Open Offer in accordance with SEBI (SAST) Regulations; opening escrow and special rupee account.
14. Copy of the agreement with Depository participant for opening a special depository Escrow account.
15. Copy of letter from Deutsche Bank confirming the amount kept in the escrow account and lien in favour of ICICI Securities.
16. Translated copy of the Transaction Agreement dated October 13, 2006 between OC Oerlikon Corporation AG, Pfäffikon and Saurer AG.

15 DECLARATION BY ACQUIRER AND PERSON ACTING IN CONCERT

The Acquirer and the PAC and their Directors accept full responsibility for the information contained in this Letter of Offer, Form of Acceptance and Form of Withdrawal.

The Acquirer and the PAC shall be, severally and jointly, responsible for ensuring compliance with the SEBI (SAST) Regulations and for its obligations laid down in the SEBI (SAST) Regulations. All information contained in this document is as of the date of the Public Announcement, unless stated otherwise.

Mr. Bjoern Bajan is authorized by the Acquirer to sign the Letter of Offer.

Mr. James Ronald Dawson and Frank Schaefer are authorized by the Person Acting in Concert to sign the Letter of Offer.

On behalf of Oerlikon	On behalf of W. Reiners Verwaltungs, GmbH	
sd/-	sd/-	sd/-
Bjoern Bajan	**James Ronald Dawson**	**Frank Schaefer**
Authorised Signatory	**Authorised Signatory**	**Authorised Signatory**

Date: June 29, 2007

Attached:

1. Form of Acceptance-cum-Acknowledgement

2. Form of Withdrawal

3. Transfer deed for shareholders holding shares in physical form

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

(Please send this Form with enclosures to Sharepro Services (India) Private Limited at any of the collection centres as mentioned in this Document)

SCHLAFHORST ENGINEERING (INDIA) LIMITED

OFFER OPENS ON	FRIDAY, JULY 6, 2007
LAST DATE OF WITHDRAWAL	FRIDAY, JULY 20, 2007
CLOSES ON	WEDNESDAY, JULY 25, 2007

From:

Folio No./DP ID No.__________Client ID No:___________

Name:______________________________________

Address: ___________________________________

____

Tel No.:______________________ Fax No.: ___________

E-mail:_____________________________________

☑	**Please tick shareholder status (for taxation / TDS purpose)**
	Person resident in India who is an Individual / HUF / Association of persons having an aggregate income upto Rs.1,00,000
	Person resident in India who is an Individual / HUF / Association of persons having an aggregate income exceeding Rs.1,00,000
	Person resident in India who is a partnership firm
	Person resident in India who is a domestic company
	Person resident outside India who is an Individual / Association of persons having aggregate income upto Rs.1,00,000
	Person resident outside India who is an Individual / Association of persons having aggregate income exceeding Rs.1,00,000
	Person resident outside India who is a partnership firm
	Person resident outside India who is a company
	Domestic venture capital fund and mutual fund which is a domestic company
	International venture capital fund which is a foreign company
	Non Resident Indians
	Foreign Institutional Investors
	Others (Please Specify)

To,

The Acquirer – OC Oerlikon Corporation AG, Pfäffikon
and the PAC - W. Reiners Verwaltungs GmbH
C/o. Sharepro Services (India) Private Limited,
Satam Industrial Estate, 3rd Floor,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai – 400099, India
Tel: +91-22-28215168 / 69; Fax: +91-22-28375646

Dear Sir/Madam,

Sub : Open Offer to acquire up to 38,79,040 fully paid-up equity shares of Rs. 10/- each representing 20% of paid-up equity share capital (as defined in the Letter of Offer) of Schlafhorst Engineering (India) Limited ('SEIL' or the 'Target Company') by OC Oerlikon Corporation AG, Pfäffikon and W. Reiners Verwaltungs, GmbH at a price of Rs. 15 (Rupees Fifteen only) per fully paid-up equity share, ('Offer Price') payable in cash.

I/We refer to the Letter of Offer dated July 2, 2007 for acquiring the Equity Shares held by me/us in Schlafhorst Engineering (India) Limited.

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

SHARES HELD IN PHYSICAL FORM

I/We, 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:

Sr. No.	Ledger Folio No.	Certificate No.	Distinctive Nos.		No. of Shares
			From	To	
Total No. of Equity Shares					

(Please attach additional sheets of paper and authenticate the same if the space is insufficient.)

SHARES HELD IN DEMATERIALISED FORM

I/We, holding shares in dematerialised form, accept the Offer and enclose a photocopy of the Delivery Instruction duly acknowledged by my/our DP in respect of my/our equity shares as detailed below:

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

I/We, have executed an off-market transaction for crediting the shares to the special depository account with Stock Holding Corporation of India Limited at NSDL styled **'Sharepro Services Schlafhorst Engineering Open Offer Escrow A/c'** whose particulars are:

DP Name: Stock Holding Corporation of India Limited	**DP ID**: IN301330	**Client ID:** 19968784	**ISIN No.** INE984B01015

(Shareholders having their beneficiary account with CDSL will have to use inter-depository slip for the purpose of crediting their shares in favour of the Special Depository Account with NSDL.)

Tear Here

ACKNOWLEDGEMENT RECEIPT **Schlafhorst Engineering (India) Limited - Open Offer** **Sr. No.**

(To be Filled in by the Shareholder)

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

Address ____

Physical shares: Folio No. ____________ / Demat shares: DP ID _____________ Client ID ___________

From of Acceptance with:

☐ Physical shares: No. of shares _____________; No. of certificates enclosed ______________

☐ Demat shares: Copy of delivery instruction for ________________ number of shares enclosed

(✓ Please tick whichever is applicable)

Signature of Official ____________________ Date of Receipt ______________________________

Stamp of Collection Centre

(Subject to verification) **P.T.O**

Enclosures (Please tick as appropriate, if applicable)

- ☐ Power of Attorney
- ☐ Corporate authorization in case of Companies, along with Board Resolution and Specimen Signatures of Authorised Signatories
- ☐ No Objection Certificate & Tax Clearance Certificate under Income-tax Act, 1961 for NRIs/OCBs/Foreign Shareholders as applicable
- ☐ Death Certificate/ Succession Certificate
- ☐ Others (please specify): ____

I/We, confirm that the equity shares of **Schlafhorst Engineering (India) Limited**, which are being tendered herewith by me/us under the 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 deed will be held in trust for me/us by the Registrar to the Offer until the time the Acquirer and PAC pays the purchase consideration as mentioned in the Letter of Offer.

I/We, also note and understand that the Acquirer and PAC will pay the purchase consideration only after verification of the documents and signatures.

I/We, authorise the Acquirer and PAC to send by registered post/speed post/UCP, the draft/warrant/cheque, in settlement of the amount to the sole/first holder at the address mentioned above.

I/We, note and understand that the Shares would lie in the Special Depository Account until the time the Acquirer and PAC makes payment of purchase consideration as mentioned in the Letter of Offer.

I/We, authorise the Acquirer and PAC to accept the shares so offered, which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We, further authorize the Acquirer and PAC to return to me/us, share certificate(s) in respect of which the offer is not found valid/not accepted. The Permanent Account No. (PAN/GIR No.) allotted under the Income-tax Act, 1961 is as under.

	1st Shareholder	2nd Shareholder	3rd Shareholder
PAN/GIR No.			
Ward No.			

So as to avoid fraudulent encashment in transit, shareholder(s) holding shares in physical form should provide details of bank account of the first/sole shareholder and the consideration draft/warrant/cheque will be drawn accordingly.

Name of the Bank ______________________________ Branch ____________________ City ______________

Account Number ____________________________ Savings/Current/Others (please specify) ________________

For equity shares that are tendered in electronic form, the bank account as contained from the beneficiary position provided by the depository will be considered and the draft/warrant/cheque will be issued with the said bank particulars.

For NRIs / OCBs / FIIs / Foreign Shareholders

I / We, have enclosed the following documents

- ☐ No objection certificate / Tax clearance certificate from the Income Tax Authorities
- ☐ RBI approvals for acquiring shares of Schlafhorst Engineering (India) Limited hereby tendered in the Offer
- ☐ Copy of Permanent Account Number / PAN Card

For FII Shareholders :

I / We, confirm that the equity shares of Schlafhorst Engineering (India) Limited are held by me / us on Investment / Capital Account or Trade Account (select whichever is applicable in your case)

In case the shares are held on trade account,kindly enclose a certificate stating that you are a tax resident of your country of residence / incorporation and that you do not have a permanent establishment in India in terms of the Double Taxation Avoidance Agreement (DTAA) entered into between India and your country of residence.

In order to avail the benefit of lower rate of tax deduction under the DTAA, if any, kindly enclose a certificate stating that you are a tax resident of your country of incorporation in terms of the DTAA entered into between India and your country of residence.

Yours faithfully,

Signed and Delivered

	Full name(s) of the shareholder	Signature(s)
First/Sole Shareholder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of the First / Sole Shareholder ____

(Note: In case of joint holdings, all holders must sign. In case of body corporate, the Company seal should be affixed)

Place: ______________________ Date: ______________________

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

Sharepro Services (India) Private Limited,
Unit : Schlafhorst Engineering (India) Limited
Satam Industrial Estate, 3rd Floor,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai – 400099, India
Tel: +91 22 28215168 / 69; Fax: +91 22 28375646

INSTRUCTIONS

1. In the case of demateralised shares, the shareholders are advised to ensure that their shares are credited in favour of the Special Depository Account, before the closure of the Offer i.e. 5.00 p.m. on Wednesday, July 25, 2007. The Form of Acceptance-cum-Acknowledgement of such demat shares not credited in favour of the Special Depository Account before the closure of the Offer will be rejected.
2. Shareholders should enclose the following:
   a. For Equity shares held in demat form:

      Beneficial owners should enclose-

      - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (**"DP"**);
      - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP as per the instruction in the Letter of Offer.

   b. For Equity shares held in physical form:

      Registered shareholders should enclose-

      - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates;
      - Original Share Certificate(s);
      - Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with Schlafhorst Engineering (India) Limited and duly witnessed at the appropriate place. A blank Share Transfer form is enclosed along with the Letter of Offer. Attestation, where required, (thumb impressions, signature difference, etc.) should be done.

        The details of buyer should be left blank failing which the same will be invalid under the Offer. The details of the PAC as buyer will be filled by the Acquirer and PAC upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance.

      Unregistered owners should enclose-

      - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein;
      - Original Share Certificate(s);
      - Original broker contract note;
      - Valid Share Transfer form(s) as received from the market leaving details of buyer blank. If the same is filled in then the Share(s) are liable to be rejected.
3. The share certificate(s), share transfer form(s) and the Form of Acceptance should be sent only to **Sharepro Services (India) Private Limited**, the Registrar to the Offer and not to ICICI Securities Primary Dealership Limited, the Manager to the Offer or the Acquirer, the PAC or The Target Company.
4. Shareholders having their beneficiary account in 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.
5. Non-resident shareholders should enclose a copy of the permission received from RBI for the equity shares held by them in Schlafhorst Engineering (India) Limited. If the shares are held under General Permission of RBI, the non resident shareholder should state that the shares are held under General Permission and whether on repatriable basis or non repatriable basis.
6. Non-resident shareholders should enclose No Objection Certificate/Tax Clearance Certificate from the Income Tax Authorities under Income Tax Act, 1961, indicating the tax to be deducted by the Acquirer and The PAC before remittance of consideration otherwise tax will be deducted at the maximum marginal rate as may be applicable to the category of the shareholder on the consideration payable by the Acquirer.
7. All the shareholders should provide all the relevant documents which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but not be limited to):

   (a) Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired

   (b) Duly attested power of attorney if any person apart from the shareholder has signed form of acceptance-cum-acknowledgement or transfer deed(s)

(c) No objection certificate from any lender, if the shares in respect of which the acceptance is sent, are under any charge, lien or encumbrance.

8. The Form of Acceptance-cum-Acknowledgement and other related documents should be submitted at any of the Collection Centers of **Sharepro Services (India) Private Limited** as mentioned below.

9. The Form of Acceptance-cum-Acknowledgement along with enclosure should be sent only to the Registrar to the Offer so as to reach the Registrar of the Offer at any of the collection centres below on all days (excluding Sundays and Public holidays) during the business hours i.e. (Mondays to Saturdays between 10.00 a.m. and 5.00 p.m.).

Collection Centres

S. No.	Collection Centre	Address of Collection Centre	Contact Person	Phone No.	Fax	Mode of delivery
1.	Ahmedabad	C/o. S S Enterprises, Above Avoji Showroom, Opp Tailor Point, Zaveri Varma Naka, Relief Road, Ahmedabad – 380022	Mr. Hitesh Mehta	+91-79- 65134328 / +91-9825465963	+91-79- 25601636	Registered post or hand delivery
2.	Chennai	C/o. Skystock Financial 7/A Laxman Nagar, East Main Road, Chennai - 600082	Mr. B. Srinivas	+91-44-26712611	+91-44-26712611	Registered post or hand delivery
3.	Kolkata	C/o. Dynamic Financial Consultant 196 A G Arabinda Sarani, Gouribari Kolkata - 700004	Mr. Bhaskar Biswas	+91-33-25333706 / +91-9830050737	+91-33-28250087	Registered post or hand delivery
4.	Mumbai	Sharepro Services (India) Pvt. Ltd., Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E) Mumbai - 400 099	Mr. V Kumaresan	+91-22-28215168/69	+91-22-28375646	Registered post or hand delivery
5.	New Delhi	C/o. Sterling Services F-75 1st Floor Bhagat Singh Market Near Gol Market New Delhi - 110001	Mr. Sridhar	+91-11-65058126 / +91-9313796360	+91-11-41561130	Registered post or hand delivery

Applicants who cannot hand deliver their documents at the Collection Centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at Sharepro Services (India) Private Limited, Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400099, India so as to reach the Registrar to the Offer on or before the last date of acceptance i.e. **July 25, 2007**.

FORM OF WITHDRAWAL
SCHLAFHORST ENGINEERING (INDIA) LIMITED

OFFER OPENS ON	FRIDAY, JULY 6, 2007
LAST DATE OF WITHDRAWAL	FRIDAY, JULY 20, 2007
CLOSES ON	WEDNESDAY, JULY 25, 2007

From:

Folio No./DP ID No.__________Client ID No:__________

Name:______________________________

Address: ______________________________

____

Tel No.:______________________ Fax No.: __________

E-mail:______________________________

To,
The Acquirer – OC Oerlikon Corporation AG, Pfäffikon
and the PAC - W. Reiners Verwaltungs GmbH
C/o. Sharepro Services (India) Private Limited,
Satam Industrial Estate, 3rd Floor,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai – 400099, India
Tel: +91-22-28215168 / 69; Fax: +91-22-28375646

Dear Sir/Madam,

Sub : Open Offer to acquire up to 38,79,040 fully paid-up equity shares of Rs. 10/- each representing 20% of paid-up equity share capital (as defined in the Letter of Offer) of Schlafhorst Engineering (India) Limited ('SEIL' or the 'Target Company') by OC Oerlikon Corporation AG, Pfäffikon and W. Reiners Verwaltungs, GmbH at a price of Rs. 15 (Rupees Fifteen only) per fully paid-up equity share, ('Offer Price') payable in cash.

I/We, refer to the Letter of Offer dated July 2, 2007 for acquiring the equity shares held by me/us in Schlafhorst Engineering (India) Limited.

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

I/We, hereby consent unconditionally and irrevocably to withdraw my/our shares from the Offer and I/we further authorise the Acquirer and the PAC 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 Acquirer/PAC/Manager to the Offer/Registrar to the Offer.

I/We, note that this Form of Withdrawal should reach the Registrar to the Offer at any of the collection centres mentioned in the Letter of Offer or as mentioned overleaf as per the mode of delivery indicated therein on or before the last date of withdrawal i.e. 5.00 on p.m. July 20, 2007.

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

I/We, also note and understand that the Acquirer and PAC will return the original share certificate(s), share transfer deed(s) and shares only on completion of verification of the documents, signatures and beneficiary position as available from the Depositories from time to time.

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ACKNOWLEDGEMENT RECEIPT **Schlafhorst Engineering (India) Limited - Open Offer** **Sr. No.**

(To be Filled in by the Shareholder)

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

Address ______________________________

Form of Withdrawal for ___________ Shares along with

☐ copy of depository instruction slip from DP ID ______________ Client ID ______________

☐ copy of acknowledgement slip issued when depositing dematerialised Shares

☐ copy of acknowledgement slip issued when depositing physical shares for withdrawing from the Offer made by the Acquirer.

(✓ Please tick whichever is applicable)

Signature of Official ____________________ Date of Receipt ______________________

Stamp of Collection Centre

(Subject to verification) **P.T.O**

The particulars of tendered original share certificate(s) and duly signed transfer deed(s) are detailed below:

Sr. No.	**Ledger Folio No.**	**Certificate No.**	**Distinctive Nos.**		**No. of Shares**
			From	**To**	
Total No. of Equity Shares					

(Please attach additional sheets of paper and authenticate the same if the space is insufficient.)

I/We, hold the following Shares in dematerialised form and had executed an off-market transaction for crediting the shares to the 'Sharepro Services **Schlafhorst Engineering Open Offer Escrow A/c'** as per the following particulars:-

Name of the Depository Participant	**Depository Identification No. (DP ID)**	**Client Identification No. (Beneficiary Client ID)**
Stock Holding Corporation of India Limited	IN301330	19968784

Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by DP. The particulars of the account from which my/our Shares have been tendered are as detailed below:-

Name of Depository Participant (DP)	DP Identification Number	Client Identification Number	Number of Shares	Name of Beneficiary

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

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

In case of dematerialised shares, I/we confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,

Signed and Delivered

	Full name(s) of the shareholder	Signature(s)
First/Sole Shareholder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of the First / Sole Shareholder ____

(Note: In case of joint holdings, all holders must sign. In case of body corporate, the Company seal should be affixed)

Place: ______________________ Date: ______________________

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

Sharepro Services (India) Private Limited,
Unit : Schlafhorst Engineering (India) Limited
Satam Industrial Estate, 3rd Floor,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai – 400099, India
Tel: +91 22 28215168 / 69; Fax: +91 22 28375646

INSTRUCTIONS

1. Shareholders desirous of withdrawing their acceptances tendered in the Offer can do so up to three working days prior to the close of the Offer, i.e. **July 25, 2007**.
2. The withdrawal option can be exercised by submitting the Form of Withdrawal, duly signed and completed, along with the copy of acknowledgement slip issued at the time of submission of the Form of Acceptance-cum-Acknowledgement.
3. The Form of Withdrawal along with enclosure(s) should be sent only to the Registrar to the Offer so as to reach the Registrar of the Offer at any of the collection centres below on all days (excluding Sundays and Public holidays) during the business hours i.e. (Mondays to Saturdays between 10.00 a.m. and 5.00 p.m.).

Collection Centres

S. No.	Collection Centre	Address of Collection Centre	Contact Person	Phone No.	Fax	Mode of delivery
1.	Ahmedabad	C/o. S S Enterprises, Above Avoji Showroom, Opp Tailor Point, Zaveri Varma Naka, Relief Road, Ahmedabad – 380022	Mr. Hitesh Mehta	+91-79- 65134328 / +91-9825465963	+91-79- 25601636	Registered post or hand delivery
2.	Chennai	C/o. Skystock Financial 7/A Laxman Nagar, East Main Road, Chennai - 600082	Mr. B. Srinivas	+91-44-26712611	+91-44-26712611	Registered post or hand delivery
3.	Kolkata	C/o. Dynamic Financial Consultant 196 A G Arabinda Sarani, Gouribari Kolkata - 700004	Mr. Bhaskar Biswas	+91-33-25333706 / +91-9830050737	+91-33-28250087	Registered post or hand delivery
4.	Mumbai	Sharepro Services (India) Pvt. Ltd., Satam Industrial Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (E) Mumbai - 400 099	Mr. V Kumaresan	+91-22-28215168/69	+91-22-28375646	Registered post or hand delivery
5.	New Delhi	C/o. Sterling Services F-75 1st Floor Bhagat Singh Market Near Gol Market New Delhi - 110001	Mr. Sridhar	+91-11-65058126 / +91-9313796360	+91-11-41561130	Registered post or hand delivery