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 Vaibhav Gems Limited. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or the Manager to the Offer/ Registrar to the Offer. In case you have recently sold your Equity Shares in Vaibhav Gems Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance, Form of Withdrawal and Transfer Deed to the member of the stock exchange through whom the sale was effected.

CASH OFFER

by

Cortland Investment Ltd.

"Acquirer"

C/o. Republic of Mauritius, with its registered office located at 10 Frere Felix de Valois Street, Port Louis, Mauritius
Tel. No. 230 202-3000, Fax No. 230 212-5265

to acquire up to 55,17,575 fully paid up Equity Shares of Rs. 10/- each, representing 20% of the issued and paid-up voting capital at the expiry of 15 days after the date of closure of the offer of

Vaibhav Gems Limited ("VGL" OR "TARGET COMPANY")

Registered office: K-6B, Fateh Tiba Adarsh Nagar Jaipur – 302 004 Rajasthan

Tel: 91-141-2601020 Fax: 91-141-2603228

at a price of Rs. 279/- (Rupees Two Hundred and Seventy Nine Only) per Equity Share (the "Offer Price")

The Offer is being made pursuant to and in compliance with Regulation 10 and Regulation 12. In the facts and circumstances of the case, as detailed in para 3.1 (v) of this Letter of Offer, the Acquirer has certain rights, which may be within the definition of "Control" in terms of Regulation 2 (1)(c) of the SEBI (SAST) Regulation. Hence, though the Acquirer is neither in management control of Target Company nor does the Acquirer intend to acquire management control of Target Company, the Offer is also deemed to be made under Regulation 12 of the SEBI (SAST) Regulations.

The Offer is not subject to a minimum level of acceptance by the shareholders of Target Company.

The FIPB, vide their letter dated February 2, 2006, addressed to the Acquirer has clarified that the preferential allotment of 75,27,273 Equity Shares of Target Company to the Acquirer and the acquisition of 20% of the equity share capital of Target Company following the preferential allotment, from the existing shareholders of Target Company through an open offer, fall under the General Permission route of the RBI subject to the provisions of Press Note 1 (2005 Series) and hence no separate approval of the FIPB is required for the preferential allotment and the open offer. RBI vide their letter dated March 24, 2006 has given an approval for opening and operating of the Indian Escrow Account and Special Escrow Account in India for the purpose of acquiring an equity stake in the Target Company. The Acquirer has also received the approval from the RBI vide their letter dated April 4, 2006 for acquiring 55,17,575 Equity Shares from the existing shareholders of the Target Company. In case of a delay in the receipt of any statutory approval(s), SEBI has the power to grant an extension of time to the Acquirer for payment of consideration to the tendering shareholders, subject to the Acquirer 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 a delay occurs on account of willful default or neglect or inaction or non-action by the Acquirer in obtaining the requisite approvals, Regulation 22(13) of the SEBI (SAST) Regulations will become applicable.

Shareholders who accept the Offer by tendering the requisite documents, in terms of the Public Announcement/ Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of closure of the Offer, in terms of Regulations 22 (5A) of the SEBI (SAST) Regulations. (i.e. Wednesday, July 12, 2006).

The Acquirer can revise the Offer Price upwards up to 7 (seven) working days prior to the date of closure of the Offer (i.e. Thursday, July 6, 2006). If there is any upward revision in the Offer Price by the Acquirer till the last date for revising the Offer Price i.e. Thursday, July 6, 2006, or if the Offer is withdrawn, the same would be communicated by a public announcement in the same newspapers in which the Public Announcement appeared. The Acquirer would pay such revised Offer Price for all the Equity Shares validly tendered any time during the Offer and accepted under the Offer.

If there is a competitive bid(s) :

- **The public offers under all the subsisting bids shall close on the same date;**
- **As the Offer Price cannot be revised during 7 (seven) working days prior to the closing date of the offers/ bids, it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.**

A copy of the Public Announcement and the Letter of Offer (including Form of Acceptance and Form of Withdrawal) is also available on SEBI's website (www.sebi.gov.in).

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
JM Morgan Stanley Private Limited 141, Maker Chamber III, Nariman Point, Mumbai - 400 021. Phone : 91 (0) 22 5630 3030 Fax : 91 (0)22 2204 7185 Email : kushal.doshi@jmmorganstanley.com **Contact Person: Mr. Kushal Doshi**	**Karvy Computershare Private Limited** Karvy House, 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034, India Phone : 91 (0)40 2331 2454 Fax : 91 (0)40 2331 1968 Email : vglopenoffer@karvy.com **Contact Person : Mr. Murali Krishna**
OFFER OPENS ON : MONDAY, JUNE 26, 2006	**OFFER CLOSES ON : SATURDAY JULY 15, 2006**

The table below summarizes the schedule of activities :

No.	Activity	Day/ Date (Original)	Day/Date (Revised)
1.	Public Announcement (PA) Date	Tuesday, February 21, 2006	Tuesday, February 21, 2006
2.	Specified Date	Friday, February 24, 2006	Friday, February 24, 2006
3.	Last date for a competitive bid	Tuesday, March 14, 2006	Tuesday, March 14, 2006
4.	Date by which the Letter of Offer is to be dispatched to shareholders	Tuesday, April 4, 2006	Wednesday, June 21, 2006
5.	Date of opening of the Offer	Thursday, April 13, 2006	Monday, June 26, 2006
6.	Last date for revising the Offer Price/ number of Equity Shares	Thursday, April 20, 2006	Thursday, July 6, 2006
7.	Last date for Shareholders for withdrawing their acceptance of the Offer	Wednesday, April 26, 2006	Wednesday, July 12, 2006
8.	Date of closure of the Offer	Tuesday, May 2, 2006	Saturday, July 15, 2006
9.	Last date of communicating rejection/ acceptance and payment of consideration for applications accepted and for dispatch of share certificates for the rejected shares or for credit of unaccepted demat shares	Wednesday, May 17, 2006	Monday, July 31, 2006

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 Target Company or its subsidiaries 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 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.

Risks related to the proposed Offer

In the event that either (a) a regulatory approval is not received in a timely manner, (b) there is any litigation leading to a stay on the Offer, or (c) SEBI instructs 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 Target Company whose Equity Shares have been accepted in the Offer as well as the return of the Equity Shares not accepted by the Acquirer may be delayed. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to wilful default or negligence on 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.

The Offer is subject to the receipt of approval from the RBI, under FEMA, required for acquisition by the Acquirer of the Equity Shares tendered under the Offer, opening of the escrow account and for other related matters. The Acquirer has already made an application to the RBI on March 3, 2006. RBI vide their letters dated March 24, 2006 and April 4, 2006 has approved the opening and operating of the Indian Escrow Account and Special Account and the acquisition of 55,17,575 Equity Shares from the existing shareholders of the Target Company respectively. In terms of Regulation 27 of SEBI (SAST) Regulations, the Acquirer may not be able to proceed with the Offer in the event the approvals indicated above are not received. Delay, if any, in the receipt of these approvals may delay completion of the Offer.

The Equity Shares tendered in the Offer will be held in trust by the Registrar to the Offer till the completion of the Offer formalities, and the shareholders will not be able to trade such Equity Shares. During such period there may be fluctuations in the market price of the Equity Shares of Target Company. Accordingly, the Acquirer makes no assurance with respect to the market price of the Equity Shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by any shareholder of Target Company on whether or not to participate in the Offer.

A Share Subscription Agreement dated February 16, 2006 and a Shareholders Agreement dated February 16, 2006 were entered into amongst (a) Target Company; (b) the Acquirer; and (c) the Promoters. The Shareholders Agreement sets out the rights and obligations of the Acquirer, the Promoters and Target Company, in relation to the management and operations of Target Company and its subsidiaries, including certain affirmative voting rights granted to the Acquirer on certain matters of Target Company and its subsidiaries. By virtue of their post Offer shareholding and certain rights afforded to the Acquirer primarily to protect their investment in Target Company, the Acquirer may have the ability to influence the outcome of certain board and shareholder resolutions. For details please refer para 3.1 of this Letter of Offer.

Risks related to the Acquirer

The Acquirer makes no assurance with respect to the financial performance of Target Company or any of its subsidiaries.

The Acquirer has not conducted any activities or operations from the date of its incorporation i.e. September 20, 2005, to the period ending December 31, 2005 and therefore has not earned any major income till the date hereof.

Note: Please refer to the “Definitions” section for the definition of various terms used above

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1. DEFINITIONS

Term	Description
Acquirer / CIL	Cortland Investment Ltd.
BSE	The Bombay Stock Exchange Limited.
CDSL	Central Depositary Services (India) Limited.
DP	Depository Participant.
Equity Share(s)	Fully paid up equity share(s) of Target Company of the face value of Rs. 10/- each.
Overseas Escrow Account	Escrow account under the name and title of "HSBC Account Cortland Escrow Account" with HSBC, Mauritius established in accordance with Regulation 28 of the SEBI (SAST) Regulations by the Acquirer.
Escrow Agent	HSBC with its office at Hong Kong Bank Building, 52/60 Mahatma Gandhi Road, Mumbai – 400 001.
Overseas Bank Agreement	Agreement dated February 17, 2006 entered into amongst the Acquirer, JM Morgan Stanley Private Limited and HSBC Mauritius.
Escrow Amount	Rs.3,039.40 Lacs which is the amount required under Regulation 28(2) of the SEBI (SAST) Regulations i.e., 25% for the first Rs. 100 crores of consideration payable under the Offer (assuming full acceptance) and 10% thereafter on the balance of the consideration payable under the Offer.
Expanded Capital Base	The issued and paid-up equity voting capital of Target Company at the expiry of 15 days after the date of closure of the Offer.
FEMA	Foreign Exchange Management Act, 1999.
FIPB	Foreign Investment Promotion Board.
Form of Acceptance	Form of Acceptance-cum-Acknowledgement.
GDRs	Global Depository Receipts.
HSBC, Mauritius	HSBC Mauritius Offshore Banking Unit N.A., a banking company having a branch at 5th Floor Les Cascades building, Edith Cavell Street, Port Louis, Mauritius.
Letter of Offer	Letter of Offer dated June 17, 2006.
Manager to the Offer / JMMS	JM Morgan Stanley Private Limited.
NSE	National Stock Exchange Limited.
Offer	The offer for the acquisition of 55,17,575 fully paid up Equity Shares representing 20% of the Expanded Capital Base, at the Offer Price.
Offer Price	Rs. 279/- (Rupees Two Hundred and Seventy Nine Only) per Equity Share.
Preferential Issue	Issuance and allotment, on a preferential basis, of 75,27,273 Equity Shares for cash at a price of Rs. 276.80/- (including premium of Rs. 266.80/-) per Equity Share aggregating Rs. 208,35,49,166 (Rupees Two Hundred Eight Crore Thirty Five Lacs Forty Nine Thousand One Hundred Sixty Seven Only) on February 16, 2006 in accordance with the SEBI Guidelines.
Promoters	The Promoters of Target Company consisting of Mr. Sunil Agrawal and associates.

Term	Description
Public Announcement	Announcement of the Offer by the Acquirer, made by the Manager to the Offer on behalf of the Acquirer in the February 21, 2006 editions of Financial Express (All editions), Jansatta (All editions), Sakal (Mumbai) and Pratahkal (Jaipur) and any corrigendum issued in continuation thereto.
RBI	Reserve Bank of India.
Registrar to the Offer	Karvy Computershare Private Limited.
SEBI	Securities and Exchange Board of India.
SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the subsequent amendments thereto.
Share Subscription Agreement	Agreement dated February 16, 2006 between the Acquirer, the Promoters and Target Company.
Shareholders Agreement	Agreement dated February 16, 2006 between the Acquirer, the Promoters and Target Company.
Specified Date	Friday, February 24, 2006.
Target Company or VGL	Vaibhav Gems Limited.
US$	US Dollars.

CURRENCY OF PRESENTATION

In this Letter of Offer, all references to “US$” are to the US Dollar. Certain financial details contained herein are denominated in US Dollars. Unless otherwise stated, the Rupee equivalent quoted in each case is calculated in accordance the RBI Reference rates as on February 17, 2006, namely 1 US$ = Rs. 44.460 (Source: www.rbi.org.in). Such conversions are for convenience purposes only.

In this Letter of Offer, any discrepancies in any table between the total and sum of amounts listed are due to rounding off.

2. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE 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 LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (SAST) REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF VAIBHAV GEMS LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER OR THE TARGET COMPANY WHOSE EQUITY SHARES ARE 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 THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, JM MORGAN STANLEY PRIVATE LIMITED, THE MANAGER TO THE OFFER, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED MARCH 7, 2006 TO SEBI IN ACCORDANCE WITH THE SEBI (SAST) REGULATIONS. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

3. DETAILS OF THE OFFER

3.1 Background of the Offer

i) On February 16, 2006, the Board of Directors of Target Company issued and allotted, on preferential basis, 75,27,273 Equity Shares for cash, at a price of Rs. 276.80/- (Rupees Two Hundred Seventy Six and Paise Eighty Only) which includes a premium of Rs. 266.80/- (Rupees Two Hundred and Sixty Six and Paise Eighty Only) per Equity Share, aggregating Rs. 208,35,49,166 (Rupees Two Hundred Eight Crore Thirty Five Lacs Forty Nine Thousand One Hundred Sixty Six Only) to the Acquirer in accordance with Chapter XIII of the SEBI Guidelines.

ii) The Preferential Issue was duly authorised by a resolution passed by the Board of Directors of Target Company at its meeting held on December 1, 2005 (the “Board Meeting”) and by the special resolution under Section 81(1A) of the Companies Act, 1956 and other applicable provisions, passed by the shareholders of Target Company at the Extraordinary General Meeting held on December 30, 2005 authorising the Board of Directors of Target Company to issue and allot the abovementioned Equity Shares to the Acquirer. The Equity Shares allotted under the Preferential Issue are proposed to be listed on the BSE and NSE, and will be subject to “lock-in” as per the Guidelines. The listing applications have been made to BSE and NSE and their approvals are awaited.

iii) On receipt of in-principle listing approvals from BSE on January 25, 2006 and NSE on February 6, 2006 and pursuant to the receipt of the subscription money from the Acquirer, the Board of Directors of Target Company allotted 75,27,273 Equity Shares to the Acquirer on February 16, 2006.

iv) Simultaneously, with the allotment of the Equity Shares consequent to the Preferential Issue referred to in paragraph 3.1(i) above, the Share Subscription Agreement and Shareholders Agreement were entered into. The Shareholders Agreement sets out the rights and obligations of the Acquirer, the Promoters and Target Company, in relation to the management and operations of Target Company and its subsidiaries.

v) The following are a summary of the main terms of the Shareholders Agreement and the Share Subscription Agreement:-

(a) The Acquirer has the right to appoint its nominees on the Board of Directors of Target Company and its subsidiaries in accordance with the terms of the Shareholders Agreement, which include that so long as the Acquirer holds Equity Shares or securities convertible into Equity Shares aggregating not less than 13,79,393 Equity Shares, the Acquirer will have the right to appoint at least one (1) nominee to the Board of Directors of Target Company as a non-rotational Director. The Acquirer would have a similar right to elect nominees on the Board of Directors of each of the subsidiaries of Target Company.

(b) The Acquirer also has rights whereby certain matters of Target Company and its subsidiaries require the prior approval of its representative, such as (i) further issuance of shares, whether in form of public issue or preferential allotment etc.; (ii) raising of debt that would increase the aggregate gross debt to equity ratio beyond 1.5:1; (iii) transactions involving Target Company and its subsidiaries relating to mergers, demergers, spin-offs, amalgamations, consolidations, divestment or sale of assets (including but not limited to a lease or exchange), capital expenditures or acquisition of assets or businesses, creation of joint ventures / partnerships, creation or investment in subsidiaries etc.

(c) The Acquirer has the right to participate in any fresh offering of Equity Shares or securities convertible into Equity Shares that may be undertaken by Target Company, pro rata to its then existing shareholding in Target Company.

(d) The Acquirer may transfer the Equity Shares or securities convertible into Equity Shares held it, to its affiliates without any restrictions of any nature whatsoever.

(e) In the event that the Promoters proposes to transfer all or part of the Equity Shares or securities convertible into Equity Shares that may be held by them, whether directly or indirectly, to a third party, the Acquirer shall have tag-along rights, exercisable at its sole discretion, to participate in such transfer.

(f) Further, the Shareholders Agreement provides for the rights and obligations of the Parties (as defined in the Shareholders Agreement) in relation to *inter-se* rights and obligations including non-compete related obligations.

For any further information about the Shareholders Agreement and the Share Subscription Agreement please refer to the copies of the said document, which would be part of the “Material Document for inspection” during the Offer period.

vi) The Offer to the shareholders of Target Company is being made pursuant to and in compliance with Regulation 10 and Regulation 12 of the SEBI (SAST) Regulations. Further, in terms of the Share Subscription Agreement and the Shareholders Agreement, the Acquirer has certain rights including as enumerated in Clause (v) above, which could be within the meaning of definition of “Control” in terms of Regulation 2 (1)(c) of the SEBI (SAST) Regulations. The aforesaid rights afforded to the Acquirer are primarily available to protect its investment in Target Company. Hence, though the Acquirer is neither in management control of Target Company nor does the Acquirer intends to acquire management control of Target Company, the offer is also deemed to be made under Regulation 12 of the SEBI (SAST) Regulations.

vii) Target Company has been promoted by the Promoters and the Promoters currently own Equity Shares and securities convertible into Equity Shares representing in the aggregate 38.78% of the Expanded Capital Base. Furthermore, pursuant to the terms of the Shareholders Agreement and the Share Subscription Agreement, they are and will continue to be in control and management of Target Company.

viii) The Acquirer and Target Company have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of, or any other regulations made under the Securities and Exchange Board of India Act, 1992.

ix) Upon completion of the Preferential Issue and the Offer, the Acquirer will appoint such number of directors, who shall be non-rotational directors, on the board of directors of Target Company as is proportionate with its shareholding in Target Company from the date on which all the formalities relating to the Offer are completed in accordance with the SEBI (SAST) Regulations.

3.2 Details of the Proposed Offer

i) The Public Announcement announcing the Offer as per Regulation 15(1) of the SEBI (SAST) Regulations was made in the following newspapers :

Newspaper	Language	Editions	Date
Financial Express	English	All	February 21, 2006
Jansatta	Hindi	All	February 21, 2006
Sakal	Marathi	Mumbai	February 21, 2006
Pratahkal	Hindi	Jaipur	February 21, 2006

A copy of the Public Announcement would be available on the SEBI website at http://www.sebi.gov.in/.

Any decision for an upward revision in the Offer Price by the Acquirer till the last date of revision i.e. Thursday, July 6, 2006, or withdrawal of the Offer would be communicated by way of a public announcement in the same newspapers in which the Public Announcement had appeared. In case of an upward revision in the Offer Price, the Acquirer would pay such revised price for all the Equity Shares validly tendered any time during the Offer and accepted under the Offer.

ii) The Offer is being made by the Acquirer to the equity shareholders (other than Acquirer, Promoters and GDR's held by the Promoters) of Target Company to acquire upto 55,17,575 Equity Shares, representing 20% of the Expanded Capital Base, at the Offer Price, which shall be payable in cash in terms of Regulation 20 and 21 of the SEBI (SAST) Regulations. The Offer is in accordance with the SEBI (SAST) Regulations, consequent to the Preferential Issue and execution of the Share Subscription Agreement and Shareholders Agreement amongst the Acquirer, the Promoters and Target Company.

iii) The Offer is for the Equity Shares and there are no partly paid up equity shares issued by Target Company.

iv) If there is a competitive bid :

- The public offers under all the subsisting bids shall close on the same date.
- As the Offer Price cannot be revised during 7 (seven) working days prior to the closure of the Offer/ bids, it would, therefore, be in the interest of the shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.

v) Other than the 75,27,273 Equity Shares issued to the Acquirer pursuant to the Preferential Issue, the Acquirer does not hold any Equity Shares in Target Company as of the date of this Letter of Offer. No Equity Shares have been acquired by the Acquirer from the date of the Public Announcement till the date of this Letter of Offer.

vi) Subject to the receipt of regulatory approvals as set out in Clauses 7.1 and 7.2 of the Public Announcement, and other terms and conditions as set out in the Public Announcement and paragraphs 8 (f) and (g) of this Letter of Offer to be sent to the public shareholders of Target Company, the Acquirer will acquire Equity Shares tendered pursuant to the Offer.

vii) During the Offer period, the Acquirer may purchase additional Equity Shares or GDRs of the Target Company in accordance with the SEBI (SAST) Regulations.

viii) The Offer is not a conditional offer and is not subject to a minimum level of acceptance by the shareholders of Target Company. Accordingly, the Acquirer will accept all Equity Shares tendered by the shareholders of Target Company pursuant to the Offer at the Offer Price subject to the Offer size not being exceeded. In case the number of Equity Shares received in the Offer exceeds the size, the acceptance will be made on a proportionate basis.

ix) There have been no competitive bids from the date of the Public Announcement to the date of this Letter of Offer.

3.3 Object of the Offer and Future Plans

i) The Acquirer has made an investment in Target Company through the Preferential Issue, which was subject to the conditions precedent set forth in the Share Subscription Agreement. The Offer is being made by reason of acquisition of Equity Shares pursuant to the Preferential Issue and the execution of the Share Subscription Agreement and Shareholders Agreement between the Acquirer, the Promoters and Target Company. The Offer is being made in accordance with Regulation 10 and Regulation 12 of the SEBI (SAST) Regulations, although the Acquirer is not in management control of Target Company and does not intend to acquire management control of Target Company.

ii) The Acquirer does not have any plans to dispose of or otherwise encumber any assets of Target Company in the next 2 (two) years, except in the ordinary course of business of Target Company and except to the extent required for the purpose of restructuring and/or rationalization of assets, investments, liabilities or otherwise of Target Company for commercial reasons and operational efficiencies and which if done, will be subject to receipt of approval from the Board of Directors or shareholders of Target Company.

iii) The Acquirer undertakes that it shall not sell, dispose of or otherwise encumber any substantial asset of Target Company except with the prior approval of the shareholders of Target Company to the extent required by applicable laws.

iv) Subject to the provisions of SEBI (SAST) Regulations and other applicable law, the Acquirer intends to have its nominee directors appointed to the Board of Directors of Target Company upon the completion of the Offer.

4. BACKGROUND OF THE ACQUIRER

4.1 Cortland Investment Ltd (“CIL”/ “Acquirer”)

a) The Acquirer is a company incorporated on September 20, 2005 under the laws of the Republic of Mauritius, with its registered office located at 10 Frere Felix de Valois Street, Port Louis, Mauritius. Tel. No. +230 202-3000, Fax No. +230 212-5265. The paid-up capital of the Acquirer as on February 17, 2006 is US$ 54,330,002 (equivalent to Rs. 24,155.12 lacs).

b) The shareholders of the Acquirer as of the date of the Public Announcement are the following private equity funds :

i. Warburg Pincus Private Equity IX, L.P. (a Delaware limited partnership) - 99.9998%

ii. WP IX Finance L.P. (a Delaware limited partnership) – 0.0002%

c) The Acquirer was incorporated with an aim to conduct investment activities in developed and developing economies in Asia and Africa, including but not limited to India, China, Singapore, Indonesia, etc.

d) The Acquirer has not made any investments since its incorporation on September 20, 2005 except for the investment in Target Company by way of subscription to the Preferential Issue.

e) The Board of Directors of the Acquirer as on the date of the Public Announcement were as follows:

Name	Title	Date of Appointment	Qualification	Experience	Mailing Address
Mr. Uday Kumar Gujadhur	Director	September 20, 2005	Certified Accountant (United Kingdom)	Mr. Gujadhur is the Chief Executive Officer and director of Multiconsult. He is fellow of the Association of Chartered Certified Accountants. Mr. Gujadhur has over 20 years of professional experience in the fields of auditing, taxation, consulting and offshore business. Locally, he has been involved in advising firms seeking listing on the Mauritius Stock Exchange. Mr. Gujadhur has been setting up global business companies and funds for a number of years.	10 Frere Felix de Valois Street, Port Louis, Mauritius.

Mr. Louis Emmanuel Ng Cheong Tin	Director	September 20, 2005	F.C.A. (U.K)	Mr Ng Cheong Tin is a fellow member of the Institute of Chartered Accountants of England and Wales. He has more than 30 years of professional experience in the fields of auditing, taxation, consulting, and offshore business. He has been a senior partner of De Chazal Du Mée since 1985 to 2004.He was appointed partner of De Chazal Du Mée in 1978 and has been a Director of Muticonsult, the off shore management subsidiary since 1992 and its chairman since 2004.He is actively involved in the business development and marketing of Multiconsult. At Multiconsult amongst other Mr Ng Cheong Tin acts as director to several companies including funds.	10 Frere Felix de Valois Street, Port Louis, Mauritius
Mr. Timothy Curt	Director	September 20, 2005	Master of Science Taxation from Pace University Bachelor of Science-Accounting from University of Connecticut, Licensed CPA Connecticut and New York	Mr. Curt is a Managing Director and the Treasurer of Warburg Pincus LLC. Mr. Curt has, 20 years of professional experience in financial management, financial reporting, and management of worldwide accounting and tax matters for global private equity investments and commercial in companies. He is responsible for financial management and accounting matters for the private equity investment manager with more than $14 billion (equivalent to Rs. 6,190,800 lacs) of capital under management. Before joining Warburg Pincus, Mr. Curt was a Partner of Ernst & Young LLP and his experience includes serving as tax service co ordinator and tax advisor to two very active merchant banking groups and was actively involved in due diligence and the early development of efficient and creative structures for domestic and international acquisitions in diverse industries.	10 Frere Felix de Valois Street, Port Louis, Mauritius
Ms. Tara Kerley	Director	September 20, 2005	Bachelor of Science from the New York State University at Plattsburgh and licensed Certified Public Accountant of the State of New York.	Ms. Kerley started in the New York Office of Warburg Pincus on November 28, 1999 as Tax Director. Ms. Kerley has 10 years of experience in the field of accounting, of which 5 years was spent in public accounting and 5 years currently in private accounting. She was recently promoted to the Vice President and is responsible for coordinating the accounting and tax administration for several Warburg Pincus entities.Before joining Warburg Pincus, Ms Kerley was a Tax Manager at Pricewaterhouse Coopers from 1995 -1999, specializing in Financial Services Clients.	10 Frere Felix de Valois Street, Port Louis, Mauritius

f) None of the above directors of the Acquirer are on the Board of Directors of Target Company.

g) None of the directors of the Acquirer have acquired any Equity Shares of Target Company during the 12 (twelve) months preceding the date of the Public Announcement.

h) Key audited financials of the Acquirer, as per the report issued by Ernst & Young, Mauritius, statutory auditors of the Acquirer are as follows :

Income Statement	**Period from September 20, 2005 to December 31, 2005**	
	US $	**Rs.**
Income		
Interest	4	177.84
Expenses		
Licence fee	425	18,895.50
Secretarial fee	283	12,582.18
Professional fee	340	15,116.40
Set up costs	2,330	1,03,591.80
Accountancy fee	750	33,345.00
Audit fees	850	37,791.00
Nominee shareholders fee	200	8,892.00
	5,178	2,30,213.88
Loss before taxation	(5,174)	(2,30,036.04)
Taxation	–	
Loss for the period	(5,174)	(2,30,036.04)

Balance Sheet	**As on December 31, 2005**	
	US$	**Rs.**
Assets		
Current assets		
Trade and other receivables	2,884	128,223.00
Cash at bank	3,544	157,566.00
Total assets	6,428	285,789.00
Equity and Liabilities		
Equity		
Share capital	10,002	444,689.00
Revenue deficit	(5,174)	(230,036.00)
Shareholders’ interest	4,828	214,653.00
Current liabilities		
Trade and other payables	1,600	71,136.00
Total equity and liabilities	6,428	285,789.00

Other Financial Data	Period from September 20, 2005 to December 31, 2005	
	US$	Rs.
Dividend (%)	Not Meaningful	Not Meaningful
Earnings per share ("EPS")	(0.52)	(23.12)
Return on Net Worth	Not Meaningful	Not Meaningful
Book Value per share	0.48	21.34

Notes :

(1) EPS = Profit (Loss) for the period / No. of shares outstanding

(2) Return on Net Worth = Profit (Loss) for the period / Shareholders interest at the end of the period

(3) Book Value per share = Shareholders interest at the end of the period / No. of shares outstanding

(4) Shareholders interest at the end of the period = Share Capital + Retained Profits (Deficits)

i) The significant accounting policies of the Acquirer, as per the audited financial statements for the period from September 20, 2005 to December 20, 2005, are as follows:

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standard Interpretations Committee (SIC) of the IASB. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates and differences in exchange are accounted for in the income statement.

Deferred taxation

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Revenue recognition

Interest income - as it accrues unless recoverability is in doubt.

Set-up costs

In view of the requirements of IAS 38- "Intangible Assets", set-up costs have been fully written off to the income statement.

Cash and cash equivalents

Cash comprises of cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Related parties

Related parties are individuals and companies where the individual or the company has the ability directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions or.

Financial instruments

Financial instruments carried on the balance sheet include trade and other receivables, cash at bank and creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Taxation

The company is a Category 1 Global Business Licence Company for the purpose of the Financial Services Development Act, 2001. The profit of the company, as adjusted for tax purposes, is subject to income tax at 15%.

It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius tax on its foreign source income.

Interest income from banks in Mauritius is exempt from tax and there is no tax on capital gains in Mauritius.

j) As per the report issued by the auditors, the Acquirer has no contingent liabilities for the period September 20, 2005 to December 31, 2006.

k) This being the first year of operations of the Acquirer, a comparison of results cannot be done.

l) The equity share capital of the Acquirer as on December 31, 2005 was US$ 10,002 (equivalent to Rs. 4.44 lacs). On February 10, 2006 the Acquirer received US$ 61,000,000 (equivalent to Rs. 27,120.60 lacs). On February 16, 2006 allotted 47,320,000 equity shares of US$ 1 each and on February 17, 2006 allotted an additional 7,000,000 equity shares of US$ 1 each, to the private equity funds operated by Warburg Pincus listed in Section 4.1(b). The Board of Directors of the Acquirer have authorised Acquirer to utilize the aforesaid monies towards the acquisition of 5,517,575 Shares which may be validly tendered in the Offer.

m) The Acquirer has complied with applicable provisions of Chapter II of the SEBI (SAST) Regulations.

4.2 Background of the Shareholders of the Acquirer

Two private equity funds are shareholders of the Acquirer; Warburg Pincus Private Equity IX, L.P. (a Delaware limited partnership) - 99.9998% and WP IX Finance L.P. (a Delaware limited partnership) – 0.0002%.

Both the shareholders of the Acquirer are private equity funds operated by Warburg Pincus (as defined herein below) and are organized as limited partnerships. The investors in such private equity funds are principally state and private pension funds, financial institutions, foundations and endowments and other institutional investors. These investors (known as limited partners) do not operate the private equity funds.

The private equity funds are operated by Warburg Pincus IX LLC, which is the general partner for the above private equity funds. In its role as general partner, Warburg Pincus IX LLC makes investment decisions and acts on behalf of the private equity funds. Warburg Pincus IX LLC is a New York based limited liability company which is majority owned and is controlled by its managing member Warburg Pincus Partners LLC. Warburg Pincus Partners LLC, also a New York based limited liability company, is majority owned and controlled by its managing member Warburg Pincus & Co. Warburg Pincus & Co. and the private equity funds have delegated certain management functions to Warburg Pincus LLC, which is a New York limited liability company. None of Warburg Pincus IX LLC, Warburg Pincus Partners LLC, Warburg Pincus & Co., Warburg Pincus LLC, or the Warburg Pincus private equity funds (who are shareholders of the Acquirer) are required to publicly disclose their financial results. As a result, their financial results are not included in this document.

Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX LLC and Warburg Pincus LLC are collectively referred to as “Warburg Pincus”. Warburg Pincus, which was founded in 1966, has 55 partners and more than 115 professionals in offices in New York, Menlo Park, London, Frankfurt, Hong Kong, Beijing, Seoul, Tokyo and Mumbai.

Warburg Pincus has been a leading private equity investor in the world since 1971. The firm currently has more than US$10 billion (“bn”) (equivalent to Rs. 44,46,000 lacs) under management, and significant equity capital available for investment in a range of industries including healthcare and life sciences, financial services and technologies, business services, energy, information and communication technology, media, manufacturing and real estate. Warburg Pincus is an experienced partner to entrepreneurs seeking to create and build durable companies with sustainable value. The firm has an active portfolio of about 125 companies. Throughout its 35-year history in private equity, Warburg Pincus has invested at all stages of a company’s life cycle, from founding start-ups and providing growth capital to leading restructurings, recapitalizations and buy-outs.

Since 1971, Warburg Pincus has sponsored eleven private equity investment funds with committed capital in excess of US $27 bn (equivalent to Rs. 120,04,200 lacs), as given below :

Fund Name	Size (US$ mn)	Size (Rs. Lacs)	Year
EMW Ventures, Inc.	41	18,228.60	1971
Warburg Pincus Associates L.P.	101	44,904.60	1980
Warburg Pincus Capital Partners, L.P.	341	1,51,608.60	1983
Warburg Pincus Capital Company, L.P.	1,175	5,22,405.00	1986
Warburg Pincus Investors, L.P.	1,775	7,89,165.00	1989
Warburg Pincus Ventures, L.P.	2,022	8,98,981.20	1994
Warburg Pincus Ventures International, L.P.	800	3,55,680.00	1997
Warburg Pincus Equity Partners, L.P.	5,000	22,23,000.00	1998
Warburg Pincus International Partners, L.P.	2,500	11,11,500.00	2000
Warburg Pincus Private Equity VIII, L.P.	5,300	23,56,380.00	2002
Warburg Pincus Private Equity IX, L.P.	8,000	35,56,800.00	2005

These private equity funds have invested approximately US$ 20 bn (equivalent to Rs. 88,92,000 lacs) in approximately 525 companies in more than 30 countries. Currently, approximately 71% of Warburg Pincus' investments around the world are invested in North America, 17% in Europe, 6% in Asia (excluding India) and 6% in India. Warburg Pincus currently has approximately US$ 500 million (equivalent to Rs. 2,22,300 lacs) invested in India and is one of the largest private equity investors in the country. Warburg Pincus' investments in India have included Bharti Tele-ventures Limited, Gujarat Ambuja Cements Limited, HDFC Limited, Kotak Mahindra Bank Limited, Max India Limited, Max Healthcare Institute Limited, Moser Baer India Limited, Nicholas Piramal India Limited and Sintex Industries Limited.

Warburg Pincus Private Equity IX, L.P. was incorporated on June 15, 2005. WP IX Finance L.P. was incorporated on August 1, 2005 as a wholly owned subsidiary of Warburg Pincus Private Equity IX, L.P. and it has net assets of approximately US $5,000 as of December 31, 2005.

The following are selected consolidated financial and investment data as of December 31, 2005 for Warburg Pincus Private Equity IX, L.P. and its wholly-owned subsidiaries, including WP IX Finance L.P. as derived from the audited financial statements and certified by the auditors of Warburg Pincus Private Equity IX, L.P:-

As on December 31	**Warburg Pincus IX L. P 2005**	
	US$ mn	**Rs. Lacs**
Financial Data		
Committed Capital (1)	8,000	35,56,800.00
Capital Available for Investment (2)	6,520	28,98,792.00
Investments (3)	1,121	498,396.60
Investment Data		
Number of Portfolio Companies (4)	9	
Avg Size of Investment per Portfolio Company (5)	125	55,575

(1) Total amount of funds pledged to a private equity fund by its investors. Such pledges are irrevocable commitments of the investors and may be drawn-down (in several instalments) by the general partner for the purposes of making investments in the portfolio of companies. The general partner has the flexibility to draw down the Committed Capital as and when required.

(2) Amount of funds available for investment by the private equity fund in current and future companies in the portfolio. This amount equals the Committed Capital less the amount of funds already drawn-down by the general partner for the purposes of making investments in the portfolio of companies.

(3) Total amount of funds invested by the private equity fund in the portfolio of companies.

(4) Number of companies in the portfolio in which the private equity fund has made investments, inclusive of investments in portfolio companies that have already been sold by the private equity fund.

(5) Investments divided by the Number of Portfolio Companies.

5. DISCLOSURE IN TERMS OF REGULATION 21(3)

As per the listing agreements with BSE and NSE, Target Company is required to maintain a minimum threshold of public shareholding for listing on a continuous basis, which shall be complied with.

6. BACKGROUND OF VAIBHAV GEMS LIMITED ("VGL" / "Target Company")

a) Vaibhav Gems Limited is a public limited company incorporated on May 8, 1989 under the Companies Act, 1956 with its registered office located at K-6B, Fateh Tiba Adarsh Nagar Jaipur – 302 004 Rajasthan Tel: +91-141-2601020 Fax: +91-141-2603228. Target Company was incorporated with the object of manufacturing and exporting colour gemstones, diamonds and jewellery.

b) One of the Promoters of Target Company was engaged in the business of manufacturing and trading of coloured gemstones through its partnership firm called Vaibhav Enterprises. Target Company was set up with a view to have a synergy with the existing business of the Promoters. Vaibhav Enterprises commenced operations in 1980 and was engaged in manufacturing and exporting of both precious and semi-precious coloured gemstones. Since its incorporation, the firm has attempted to adhere to the highest standard of quality in its product range. As recognition of its effort, it has been awarded the highest exporter award by Gems and Jewellery Export Promotion Council, sponsored by the Ministry of Commerce, Govt. of India, in Semi Precious category for 1984-1985, 1986-1987 and 1992-1993. Vaibhav Enterprises was taken over as a going concern by Target Company by an agreement dated July 1, 1994.

c) Target Company was predominantly engaged in the export of gemstones until 1996-1997, when it made a forward integration move and established a world-class jewellery manufacturing unit in Jaipur. This unit commenced designing, manufacturing and exporting gemstone studded gold jewellery. Encouraged by a very successful launch of its jewellery, in 1999-2000, Target Company expanded its capacity and set up a new 100% EOU at Export Promotion Industrial Park in Sitapura near Jaipur. Target Company's strength as an integrated jewellery manufacturing organization was further enhanced by the establishment of the new micro-weight gold chain manufacturing unit in 2004. The unit is highly sophisticated, and is one of its kind in this part of the world. VGL set up its own diamond-processing unit at Adarsh Nagar, Jaipur mainly for captive consumption in manufacturing jewellery for export.

d) Target Company moved ahead towards its forward integration by way of entering into the international retail market through its subsidiaries. Eleven jewellery stores under the brand name "GenoA Jewelers" have been set up in Alaska (U.S.A.), Cabo San Lucas (Mexico), Cozumel (Mexico), St. Thomas, St. Martin, and St. Kitts (U.S. Virgin Islands). VGL has also acquired following International Jewellery Manufacturing & Marketing Companies along with their subsidiaries:

1. STS Jewels Inc. USA
2. STS Gems Thai Ltd., Thailand
3. STS Creations Thai Ltd, Thailand
4. STS Gems Ltd. Hong Kong
5. STS Gems Japan Ltd., Japan

e) Target Company has a total of four manufacturing facilities as per details mentioned below:-

S.No.	Manufacturing Facilities	Address	Year of Commissioning	Products
1.	Color Gemstone Manufacturing	K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302004 (Rajasthan)	1989	Color Gemstones (Capacity of producing more than 2 millions Gemstones annually)
2.	Diamond Manufacturing	K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302004 (Rajasthan)	2005	Diamonds
3.	Jewellery Manufacturing	E-68, EPIP, Sitapura, Jaipur- 302022 (Rajasthan)	1999	Gold Studded Jewellery (Capacity of producing more than One millions pieces of jewellery annually)
4.	Chain Manufacturing	E-68, EPIP, Sitapura, Jaipur- 302022 (Rajasthan)	2004	Micro Weight Gold Chains (Capacity of producing more than 0.5 millions gold chains annually)

f) The share capital structure of Target Company as on the date of the Public Announcement is as follows:-

Particulars	No. of Equity Shares		Voting Rights	
	No. of Equity Shares	%	Voting Rights	%
Fully paid up Equity Shares	275,87,873	100	180,87,873	100
Partly paid up Equity Shares	-	-	-	-
Total paid up Equity Shares*	275,87,873	**100**	180,87,873	**100**

** 95,00,000 Equity Shares has been issued as underlying shares for 9,50,000 GDRs. Holder of these GDRs do not have any voting rights*

g) The share capital structure of Target Company since inception and the disclosure relating to the status of compliance with applicable provisions of SEBI (SAST) Regulations/ other applicable regulations under the SEBI Act 1992 and other statutory requirements as applicable, is given as under:

Date of allotment	No. of Equity Shares allotted	Face value per Equity Share (Rs.)	Cumulative paid up capital (Rs)	Mode of allotment	Identity of allottees (promoters / ex-promoters / others)	Status of compliance with SEBI (SAST) Regulations
08-May-89	70	10.00	700	Subscription	Initial Subscribers	Note 1
31-Mar-92	2,700	10.00	27,700	Private Placement	Promoters & others	Note 1
29-Jun-94	57,000	10.00	5,97,700	Private Placement	Promoters & others	Note 1
28-Nov-94	56,000	10.00	11,57,700	Private Placement	Promoters & others	Note 1
26-Dec-94	2,20,000	10.00	33,57,700	Private Placement	Promoters & others	Note 1
04-Oct-95	20,14,620	10.00	235,03,900	Bonus	Promoter & others	Note 1
12-Oct-96	29,29,910	10.00	52,803,000	Public Issue	Public / Promoters	Note 1
14-Dec-02	52,80,300	10.00	1056,06,000	Bonus	Public / Promoters	Note 1
25-Jan-06	31,75,000*	10.00	1373,56,000	Issue of GDR	Promoters & others	Note 1
27-Jan-06	63,25,000*	10.00	2006,06,000	Issue of GDR	Promoters & others	Note 1
16-Feb-06	75,27,273	10.00	2758,78,730	Preferential allotment	M/s Cortland Investment Ltd.	Note 1

Note 1 : All applicable laws, rules & regulations have been complied with including approvals from SEBI, RBI, Shareholders and any other authority if required, has been obtained.

Note 2 : * These Equity Shares have been issued as underlying shares for GDR. One GDR is equal to 10 Equity Shares. Holder of these GDRs do not have any voting rights. Out of these Equity Shares, 63,25,000 Equity Shares are underlying Equity Shares for 6,32,500 GDRs held by the Promoters.

h) The Equity Shares are currently listed on the BSE and NSE. The GDRs are listed on the Luxembourg Stock Exchange.

i) The Target Company does not have any listed subsidiary in India.

j) The Target Company has been in compliance with listing requirements in the manner set out in para (l) below. The trading in the Equity Shares was suspended from June 17, 2000 at BSE on grounds of non-compliance with Clauses 15 and 16 of the Listing Agreement, since notice of closure of transfer books of Target Company was not considered adequate. On production of sufficient proof of compliance, the exchange resumed trading in Equity Shares w.e.f July 3, 2000. Target Company is in compliance with the listing agreement as on the date of the Letter of Offer and no punitive action has been initiated against Target Company by the stock exchanges where its Equity Shares are listed.

k) There are no partly paid up equity shares carrying voting rights nor outstanding convertibles nor any stock options as on the date of this Letter of Offer based on public information. The Company has issued 9,50,000 GDRs representing 9,500,000 (Nine Million Five Hundred Thousand) Equity Shares in accordance with the provisions of all applicable laws.

l) The Target Company has made disclosures under the provisions of Chapter II of the SEBI (SAST) Regulations under the SEBI Regularisation Scheme, 2002 up to financial year 2001-02. Thereafter, the Target Company has been in compliance with the provisions of Chapter II of the SEBI (SAST) Regulations.

m) The Board of Directors of Target Company as on the date of the Public Announcement is as follows:

Name	Title	Date of Appointment	Residential Address	Qualification	Experience
Mr. Sunil Agrawal	Chairman	08-May-89	200 Riverside Bldg. #35A, New York 10069	MBA in Marketing	A first generation entrepreneur who established Vaibhav Enterprises in 1980 for trading in gemstones. He has traveled widely and gained immense knowledge in the field of gemstones and jewellery and has brought all of it to bear on the success of the Company. He has represented the Company at all major trade shows and jewellery fairs internationally. He is the pioneer in commercialisation of various popular gemstones, such as Tanzanite, etc.
Mr. Rahimullah	Managing Director	25-Jan-99	722, Mohalla Patetan, Ghat Gate, Jaipur	Graduate	He began his career at the age of 18 in the family business of emerald manufacture and export. He has considerable experience and knowledge in the field of gemstones. He has traveled extensively in Africa, Europe and the Far East for sourcing of rough stones and has 30 years of industrial expertise. His dedication and visionary acumen have been instrumental in the impressive growth of Target Company.
Mr. Ikramullah	Executive Director	16-May-01	722, Mohalla Patetan, Ghat Gate, Jaipur	Graduate	He has extensive experience in the gemstones industry through his family business and also as a result of his extensive global exposure. He personally oversees the gemstones manufacturing activities of the Company.
Mr. Anandi Lal Roongta	Director	12-Dec-95	55, Sangram Colony, Mahaveer Marg, Jaipur	Indian Administrative Service (“IAS”)(Retd.)	A retired IAS officer, he has served the Government of Rajasthan, Government of India and various Public Sector Units. He has held various prestigious positions like Managing Director, Rajasthan Finance Corporation, Chairman-cum-Managing Director, Rajasthan State Industrial Development and Investment Corporation Limited, Industry Advisor to the State Government of Rajasthan.
Mr. M.L. Mehta	Director	25-Jan-04	5, Keshav Vihar, Gopal Road, Jaipur - 302018	IAS (Retd.)	He is a retired IAS officer and a renowned public administrator, social activist and human resource developer. A gold medallist Post Graduate in Physics from the University of Rajasthan, he is a P.G. Diploma Holder in urbanization from University of London with merit and a Graduate from National Defence college, New Delhi. He has served in senior government positions such as Chief Secretary of the Government of Rajasthan, Additional Secretary of Ministry of Home Affairs, the Secretary, Director of National Bank for

Name	Title	Date of Appointment	Residential Address	Qualification	Experience
					Agriculture And Rural Development (NABARD). He has won prestigious awards like Indira Gandhi Priyadarshni Vriksha Mitra Award (1986), Acharya Jai Mal Gyan Award (1988) and Mewar Gaurav Award (1994). Presently he is on the Board of Directors of Prasar Bharti, New Delhi and Vice Chairman of Northern Regional Local Board of RBI.
Mr. Nirmal Kumar Bardiya	Director	10-Jul-01	Umaid Bhawan, 1507, Bara Gangaur Ka Rasta, Jaipur - 302003	Graduate	One of the most renowned jewellers of Jaipur with vast experience in manufacture of coloured gemstones. He has been associated with the Company since the year 2001. He specialises in high volume gemstones and beads and is known as one of the leading player in this segment internationally.
Mr. S. S. Bhandari	Director	25-Jan-04	P-7, Tilak Marg, C-Scheme, Jaipur - 302005	Chartered Accountant	He is a senior Chartered Accountant of Rajasthan and a senior partner of M/s S.Bhandari & Company, Chartered Accountants. Besides handling audit assignments in various renowned companies and financial institutions, he is a management consultant to various companies in the areas of banking and tax assignments, corporate restructuring, amalgamation and mergers. He occupies prestigious position on various committees of the Institute of Chartered Accountants of India and is a non-executive director of the Central Bank of India.
Mr. Sanjeev Agrawal	Director	08-May-89	32, White Lodge Close, Isleworth Middlesex, TWT 6th, UK	Commerce Graduate	He is engaged in export of building stones to Far East Asia, USA, Canada and Europe. He has traveled extensively across America and Europe and possesses in-depth understanding of the market dynamics of these geographies.
Mr. Suresh Punjabi	Director	02-Nov-95	83, RiverView Avenue, Cliffsid Park, NJ - 07010	Graduate	He established his business of trading in gems in Hong Kong. He is a widely traveled person to most of the prominent gemstone mines and is well known by his name in the international gemstone trade circle. He has in-depth knowledge of the gemstone industry and its supply chain. He has specialised knowledge of high-end jewellery market.

In terms of the Shareholders Agreement, upon completion of the Offer, the Acquirer will have the right to appoint such number of directors, who shall be non-rotational directors, on the Board of Directors of Target Company as is proportionate with its shareholding in Target Company. Further, so long as the Acquirer holds Equity Shares or securities convertible into Equity Shares aggregating not less than 13,79,393 Equity Shares, the Acquirer will have the right to appoint at least one (1) nominee to the Board of Directors of Target Company as a non-rotational Director.

n) There have been no spin-offs or mergers involving Target Company over the last three years. Target Company has acquired the following companies along with their subsidiaries over the last three years:

1 Jewel Gem USA Inc.

2. Genoa Jewelers Ltd.

3. STS Jewels Inc. USA

4. STS Gems Thai Ltd, Thailand

5. STS Creations Thai Ltd.

6. STS Gems Ltd. Hong Kong

7. STS Gems Japan Ltd., Japan

o) The brief audited financials of Target Company for the years ended March 31, 2003, 2004 and 2005 and unaudited financials for the Nine Months ended December 31, 2005 as certified by B.Khosla & CO., Chartered Accountants are as under :

Profit and Loss Statement

(in Rs. lacs)

	Year ended March 31,			**Nine Months ended December 31,**
	2003	**2004**	**2005**	**2005**
Income from operations	1,0060.0	1,3178.5	1,6771.2	16879.8
Other Income	41.8	14.2	108.6	42.1
Total Income	1,0101.8	1,3192.7	16879.8	16921.9
Total Expenditure.	9315.9	1,2024.6	15086.0	14710.5
Profit Before Depreciation Interest and Tax	**785.9**	**1168.1**	**1793.8**	**2211.4**
Depreciation	71.0	79.9	122.9	117.4
Interest	108.1	124.9	163.6	177.7
Profit Before Tax	**606.8**	**963.3**	**1507.3**	**1916.3**
Provision for Tax	30.0	8.0	0.3	10.0
Net Deferred Tax Charge / (Credit) for the year	(0.9)	0.1	(12.2)	42.7
Profit After Tax	**577.7**	**955.2**	**1519.2**	**1863.6**

Balance Sheet **(Rs. in Lacs)**

	As on March 31.		
	2003	**2004**	**2005**
Sources of funds			
Paid up share capital	1056.0	1056.0	1056.0
Reserves and Surplus (excluding revaluation reserves)	3411.3	4128.1	5337.1
Networth	4467.3	5184.1	6393.1
Secured loans	1645.7	1695.8	2837.0
Unsecured loans	26.6		
Deferred tax Liablility	7.9	8.0	
Total	*6147.7*	*6887.9*	*9230.1*
Uses of funds			
Net fixed assets	516.2	863.1	*1015.8*
Investments	59.0	53.1	556.1
Net current assets	5567.8	5971.7	7654.1
Deferred Tax Assets			4.1
Total miscellaneous expenditure not written off	4.7		
Total	*6147.7*	*6887.9*	*9230.1*

Other Financial Data

	As on March 31.		
	2003	**2004**	**2005**
Dividend (%)	16%	20%	25%
Earning Per Share (Rs.)	5.54	9.04	14.30
Return on Networth	12.93%	18.43%	23.76%
Book Value Per Share	42.26	49.09	60.54

p) Reasons for the fall/ rise in the total income and profit after tax:

<u>Year ended March 31, 2005 compared to Year ended March 31, 2004</u>

Income from operations grew by approximately 27% from Rs. 1,3178.5 lacs for the year ended March 31, 2004 to Rs. 1,6771.2 lacs for the year ended March 31, 2005 primarily due to growing proportion of studded jewellery and increasing utilization of Target Company's gemstones production. Other income stood at Rs. 108.6 lacs for March 31, 2005, as compared to Rs 14.2 lacs for the year ended March 31, 2004. Profit Before Depreciation Interest and Tax increased by 53.56% to Rs.1793.8 lacs for the year ended March 31, 2005, up from Rs. 1168.1 lacs for the year ended March 31, 2004. Interest expenditure increased from Rs. 124.9 lacs to Rs. 163.6 lacs. Depreciation was at Rs. 122.9 lacs compared to Rs. 79.9 lacs for the corresponding period in the previous year. The higher charge was on account of Depreciation on assets acquired during the year. Target Company's total tax liability for the year ended March 31, 2005 was Rs.0.3 lacs and a deferred tax credit of Rs. 11.2 lacs. As a result of the above, Target Company recorded a Profit After Tax of Rs.1519.2 lacs as against Rs.955.2 lacs for the previous year, reflecting an increase of approximately 59%.

Year ended March 31, 2004 compared to Year ended March 31, 2003

Income from operations grew by approximately 31% from Rs. 1,0060.0 lacs for the year ended March 31, 2003 to Rs. 1,3178.5 lacs for the year ended March 31, 2004 primarily due to growing proportion of studded jewellery and increasing exports of studded gold jewellery. Other income stood at Rs. 14.2 lacs compared to Rs. 41.8 lacs in the previous period. Profit Before Depreciation Interest and Tax increased by 48.63% to Rs.1168.1 lacs for the year ended March 31, 2004 from Rs. 785.9 lacs for the year ended March 31, 2003. Interest expenditure increased from Rs. 108.1 lacs to Rs. 124.9 lacs. Depreciation was at Rs. 79.9 lacs compared to Rs. 71.0 lacs for the corresponding period in the previous year. The higher charge was on account of Depreciation on certain assets acquired during the year. Target Company's total tax liability for the year ended March 31, 2004 was Rs. 8.1 lacs from Rs. 29.1 lacs for the year ended March 31, 2003. As a result of the above, Target Company recorded a Profit After Tax of Rs. 955.2 lacs as against Rs. 577.7 lacs for the previous year, reflecting an increase of approximately 65%.

q) Shareholding pattern of Target Company prior and after the Preferential Issue (Stage – I) and prior and after the Offer (Stage-II – Assuming Full Acceptance) are given below:

Stage – I

Particulars	**Shareholding & voting rights prior to the Preferential Issue and Offer**		**Shares/ voting rights acquired in the Preferential Issue which triggered off the Regulations**		**Shares/ voting rights held after the Preference Issue but before the Offer**	
	(A)		**(B)**		**C = A + B**	
	No.	**%**	**No.**	**%**	**No.**	**%**
(1) Promoter group						
a. Indian Promoter	2,803,429	13.97%	-	-	2,803,429	10.16%
b. Foreign Promoter	1,568,340	7.82%	-	-	1,568,340	5.68%
Su-total 1 (a+b)	***4,371,769***	***21.79%***	***-***	***-***	***4,371,769***	***15.85%***
(2) Acquirer (CIL)	0	0.00%	7,527,273	100.00%	7,527,273	27.28%
Sub-total 2	***0***	***0.00%***	***7,527,273***	***100.00%***	***7,527,273***	***27.28%***
(3) Public (Other than 1 & 2)						
a. FIs/ MF/ FIIs/ Banks/ SFIs/ OCBs	*3,396,655*	16.93%			*3,396,655*	12.31%
b. Others	*2,792,176*	13.92%			*2,792,176*	10.12%
c. Bank of New York (custodian of Equity Shares representing GDRs)[(1)]						
c.1) Held by Others	3,175,000	15.83%			3,175,000	11.51%
c.2) Held by Promoters	6,325,000	31.53%			6,325,000	22.93%
Sub Total 3.c	9,500,000	47.36%			9,500,000	34.44%
Sub-total 3 (a+b+c)	***15,688,831***	***78.21%***			***15,688,831***	***56.87%***
Grand Total (1+2+3)	**20,060,600**	**100.00%**	**7,527,273**	**100.00%**	**27,587,873**	**100.00%**

[(1)] These Equity Shares have been issued as underlying Equity Shares for 9,50,000 GDRs. There are 10 Equity Shares underlying one GDR. GDR holders do not have any voting rights. Out of these Equity Shares, 63,25,000 Equity Shares are underlying Equity Shares for 6,32,500 GDRs held by the Promoters.

Stage – II

Particulars	Shares/ voting rights held after the Preference Issue but before the Offer		Shares/ voting rights to be acquired in the Offer (Assuming full acceptances)		Shareholding/ voting rights after the Preference Issue and the Offer (Assuming full acceptances)	
	C = A + B		(D)		E = C + D	
	No.	%	No.	%	No.	%
(1) Promoter group						
a. Indian Promoter	2,803,429	10.16%			2,803,429	10.16%
b. Foreign Promoter	1,568,340	5.68%			1,568,340	5.68%
Total 1 (a+b)	***4,371,769***	***15.85%***			**4,371,769**	**15.85%**
(2) Acquirers						
a. Acquirer (CIL)	7,527,273	27.28%	5,517,575	20.00%	13,044,848	47.28%
Total 2	***7,527,273***	***27.28%***	***5,517,575***	***20.00%***	***13,044,848***	**47.28%**
(3) Public (Other than 1 & 2)						
a. FIs/ MF/ FIIs/ Banks/ SFIs/ OCBs						
a.1) Financial Institutions	-	0.00%				
a.2) Insurance Companies	-	0.00%				
a.3) Banks	61,747	0.22%				
a.4) Mutual Funds & UTI	-	0.00%				
a.5) FIIs						
• FID Funds (Mauritius) Ltd	920,361	3.34%				
• BSMA Limited	831,471	3.01%				
• Lloyd George Investment Management (Bermuda)Limited A/C L G Asian Plus Limited	450,000	1.63%	**(5,517,575)**	**(20.00%)**	**10,171,256[1]**	**36.87%**
• Goldman Sachs Investments (Mauritius) I Ltd	335,000	1.22%				
• Other FIIs (below 1% holding)	718,264	2.60%				
a.6) OCB's/ NRIs	79,812	0.29%				
Sub Total 3.a.	***3,396,655***	***12.31%***				
b. Others	*2,792,176*	*10.12%*				
Sub Total 3.a. + b	**6,188,831**	**22.43%**				
c. Bank of New York (custodian of Equity Shares representing GDRs)[2]						
c.1) Held by Others [4]	3,175,000	11.51%				
c.2) Held by Promoters [5]	6,325,000	22.93%				
Sub Total 3.c	**9,500,000**	**34.44%**				
Total 3 (a+b+c)	**6,188,831**	**22.43%**				
Grand Total (1+2+3)	**27,587,873**	**100.00%**			**27,587,873**	**100.00%**

Notes :

(1) *Remaining holding after deducting the 5,517,575 shares.*

(2) *These Equity Shares have been issued as underlying Equity Shares for 950,000 GDRs. There are 10 Equity Shares underlying One GDR. GDR holders do not have any voting rights.*

(3) *The above Shareholding pattern is based on the assumption that holding of all classes except Preferential Issue to Cortland Investment Ltd. shall remain the same.*

(4) *The Letter of Offer will be sent to the Custodian (Bank of New York) of the Equity Shares representing the GDRs. In case holders of GDRs(other than the Promoters) want to tender Equity Shares, please refer to the para 9 on "Procedure for Acceptance, withdrawal and Settlement".*

(5) *Promoters holding GDRs will not be allowed to participate in the offer and accordingly, instructions will be sent to the Custodian (Bank of New York) of the Equity Shares representing the GDRs. In terms of Regulation 3 (2) of the SEBI SAST Regulation nothing contained in Chapter III of the Regulations shall apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into shares carrying voting rights. Further the GDR do not have any voting rights.*

The Promoter Group has confirmed the following :

- in the event the Offer receives acceptances such that the voting rights of the Promoters and the Acquirer will exceed 55% of the total voting rights of the Company or the maximum limit of aggregate Promoter and Acquirer voting rights as may be allowed in terms of SEBI (SAST) Regulations as applicable at that point of time, the Promoters shall not convert any GDRs held by them into Equity Shares other than in accordance with Regulation 11 of the SEBI (SAST) Regulations.
- in the event the Offer receives acceptances such that the combined voting rights of the Promoters and the Acquirer is lower than 55% of the total voting rights of the Company or the maximum limit of aggregate Promoter and Acquirer voting rights as may be allowed in terms of SEBI (SAST) Regulations as applicable at that point of time, the Promoters shall at their option, convert GDRs held by them into Equity Shares in accordance with Regulation 11 of the SEBI (SAST) Regulations.
- until conversion of the GDRs into Equity Shares as set out above, they will not exercise voting rights in relation to the Equity Shares underlying the GDRs.

r) Target Company has complied with applicable provisions of SEBI (SAST) Regulations and other applicable regulations under the SEBI Act, 1992 relating to the changes in the shareholding of the Promoters as detailed below. The following table details the change in the shareholding of the Promoters of Target Company since 1997-98, i.e., the year in which the SEBI (SAST) Regulations came into force:

s) Changes in shareholding of Promoters since April 1997 to March 2003 and as reported under SEBI Regularisation Scheme 2002.

Year	Name	No. of Shares acquired	No. of Shares Sold	Face Value of Shares
1997-98	Reengus Exim (P) Ltd.	9,500	-	Rs. 10/- each
1997-98	STP Exim (P) Ltd.	32,500	-	Rs. 10/- each
1998-99	Rahimullah	2,800	-	Rs. 10/- each
1999-2000	Shefali Agrawal	700	-	Rs. 10/- each
1999-2000	STS Holding Ltd.	11,500	-	Rs. 10/- each
2000-01	Sheela Agrawal	-	4,300	Rs. 10/- each
2001-02	Kusum Bardiya	33,000	-	Rs. 10/- each
2001-02	Rahimullah	47,000	-	Rs. 10/- each
2001-02	Ikramullah	43,900	-	Rs. 10/- each
2001-02	Reengus Exim (P) Ltd.	16,600	-	Rs. 10/- each
2001-02	STP Exim (P) Ltd.	25,300	-	Rs. 10/- each
2001-02	STS Holding Ltd.	12,000	-	Rs. 10/- each
2002-03	Suresh Punjabi	20,900	-	Rs. 10/- each
2002-03	Kusum Bardiya	25,200	-	Rs. 10/- each
2002-03	Reengus Exim (P) Ltd.	201,500	-	Rs. 10/- each
2002-03	STP Exim (P) Ltd.		23,610	Rs. 10/- each
2002-03	STS Holding Ltd.	12,500	-	Rs. 10/- each

Changes in shareholding of Promoters Since April 2003 as reported to Stock Exchanges under SEBI (SAST) Regulations.

Date	Name	No. of Shares acquired	No. of Shares Sold	Face Value of Shares
3-Mar-05	Nirmal Kumar Bardiya	-	255,132	Rs. 10/- each
3-Mar-05	Kusum Bardiya	-	25,200	Rs. 10/- each
3-Mar-05	Brett Plastics (P) Ltd.	280,332	-	Rs. 10/- each
26-May-05	Brett Plastics (P) Ltd.	-	1,700,000	Rs. 10/- each
9-Jun-05	Reengus Exim (P) Ltd.	-	500,000	Rs. 10/- each
9-Jun-05	STP Exim (P) Ltd.	-	200,000	Rs. 10/- each
13-Jun-05	STP Exim (P) Ltd.	-	365,000	Rs. 10/- each

Provisions of SEBI (SAST) regulations were complied in the manner set forth herein when abovementioned changes in shareholding of Promoters took place.

Target Company is in full compliance with clause 49 of the listing agreement on corporate governance. The details of corporate governance for the company are as follows:-

The Board of Directors comprises of an appropriate mix of executive and non-executive directors. The board of directors comprises of 9 directors which includes 2 executive directors. There are 7 non-executive directors out of which 5 directors are independent directors.

The audit committee consists of 5 directors who all are non-executive directors. The chairman of the committee is Mr. S.S. Bhandari who is one of the senior most Chartered Accountants of Rajasthan.

The remuneration committee consists of 4 directors – all non-executive and independent and is headed by Shri M.L. Mehta, Independent Director.

The shareholders' /investors' grievance committee comprises of 2 executive directors and 2 non-executive directors and is headed by Shri Anandi Lal Roongta, Independent Director.

Auditors Certificate on Corporate Governance: The auditors have certified for the year ended 31st March 2005, that in their opinion and to the best of their information and explanation given to them, and representations made by the Directors and management, Target Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned listing agreement

t) Contingent Liabilities as on March 31, 2005 for Target Company are as follows:

(in Rs. lacs)

S. No.	Particulars	As on March 31, 2005 (Rs. Lacs)
1.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	65.00
2.	Outstanding Guarantees furnished to Banks including in respect of Letters of Credit	68.09
3.	Guarantee to Bank in respect of credit facilities extended to third party	716.78
4.	Income Tax Demands (paid under protest) against the Company not acknowledged as debts and not provided for, in respect of which Company has preferred appeals	155.57
5.	ESI Demand paid under protest by the Company	0.59
	Total Contingent Liabilities	**1,006.04**

u) The details of the pending litigation for Target Company are as follows:

- Target Company has filed a civil suit against M/s Mohan Finvest Private Limited for recovery of a loan of Rs. 10 lacs along with interest. The matter is pending with the civil court at Jaipur.

- An appeal was filed before the High Court, Chandigarh against the order of Session Judge, Gurgaon, for replacement of bank guarantee of Rs.54 lacs given by Target Company for release of stolen colored gemstones with the corporate guarantee of Target Company and the collateral security of the immovable properties. The case is pending before the Hon'ble High Court of Chandigarh.

v) The compliance officer of Target Company is Mr. Ashish Jain, Company Secretary. He can be contacted at E-68, EPIP, Sitapura, Jaipur-302022, Rajasthan Tel: +91-141-2770648 Fax: +91-141-2770510/ E-Mail: ashishj@vaibhavgems.com

7. OFFER PRICE & FINANCIAL ARRANGEMENTS

7.1 Justification of Offer Price

a) The Equity Shares are currently listed on the BSE and NSE.

b) The Equity Shares are frequently traded on the BSE and NSE within the meaning of explanation (i) to regulation 20(5) of the Regulations.

Name of the Stock Exchange	Total number of Equity Shares traded during the 6 calendar months prior to the month in which the public announcement was made	Total number of listed Equity Shares	Annualised trading turnover (in terms of % of total listed Equity Shares)	Trading Status in terms of SEBI (SAST) Regulations
BSE	67,47,014	105,60,600	128%	Frequently traded
NSE	58,46,471	105,60,600	111%	Frequently traded

(Source: BSE data from www.bseindia.com, NSE data from www.nseindia.com,)

Note: 75,27,273 Equity Shares allotted under the Preferential Issue to the Acquirer are proposed to be listed on the BSE and NSE. The listing applications have been made to BSE and NSE and their approvals are awaited.

c) Target Company has issued and allotted, on preferential basis, 75,27,273 Equity Shares constituting 27.28% of the Expanded Capital Base for cash, at a price of Rs. 276.80/- including a premium of Rs. 266.80/- per Equity Share on February 16, 2006, to the Acquirer as disclosed in para 3.1(i) hereinabove.

d) Other than the said Preferential Issue, the Acquirer has not acquired any Equity Shares including by way of allotment in a public or rights issue, if any, during the 26 weeks period prior to the date of the Board Meeting .

e) Other than the said Preferential Issue, the Acquirer has not acquired any Equity Shares in a preferential allotment during 12 months prior to the date of the Public Announcement. In addition, the Acquirer has not acquired any Equity Shares from the date of the Public Announcement up to the date of the Letter of Offer.

f) The weekly high and low of the closing prices of the Equity Shares, during the 26 weeks period prior to the date of the Board Meeting, on the stock exchange where the Equity Shares are most frequently traded, i.e. BSE are given below:

Week No.	Week starting	Weekly High	Weekly Low	Average	Weekly Volume
1	Thursday, June 2, 2005	219.60	204.50	212.05	5,55,960
2	Thursday, June 9, 2005	228.85	223.95	226.40	29,57,918
3	Thursday, June 16, 2005	247.60	223.50	235.55	25,24,441
4	Thursday, June 23, 2005	256.55	249.05	252.80	3,53,840
5	Thursday, June 30, 2005	255.25	243.35	249.30	2,03,791
6	Thursday, July 7, 2005	246.65	234.75	240.70	1,86,091
7	Thursday, July 14, 2005	251.05	238.65	244.85	92,858
8	Thursday, July 21, 2005	268.85	255.70	262.28	6,14,278
9	Thursday, July 28, 2005	260.00	251.55	255.78	2,23,025
10	Thursday, August 4, 2005	280.15	245.60	262.88	3,92,697
11	Thursday, August 11, 2005	284.40	284.50	289.45	1,77,481
12	Thursday, August 18, 2005	293.55	268.70	281.13	1,21,663
13	Thursday, August 25, 2005	287.30	276.05	281.68	1,49,469
14	Friday, September 1, 2005	283.50	269.00	276.25	43,248

Week No.	Week starting	Weekly High	Weekly Low	Average	Weekly Volume
15	Friday, September 8, 2005	291.80	273.75	282.78	1,23,012
16	Friday, September 15, 2005	292.05	277.45	284.75	1,98,582
17	Friday, September 22, 2005	265.75	249.75	257.75	95,077
18	Friday, September 29, 2005	260.25	250.05	255.15	45,732
19	Friday, October 6, 2005	252.00	246.55	249.28	28,134
20	Friday, October 13, 2005	256.15	242.10	249.13	23,018
21	Friday, October 20, 2005	261.60	231.70	246.65	29,789
22	Friday, October 27, 2005	268.05	249.10	258.58	19,429
23	Friday, November 3, 2005	269.65	265.10	267.38	11,888
24	Friday, November 10,2005	269.45	261.90	265.68	2,546
25	Friday, November 14, 2005	269.35	263.60	266.48	1,33,580
26	Friday, November 24, 2005	302.35	278.95	290.65	5,91,241
			Average	**259.43**	

The daily high and low of the prices of the Equity Shares during the 2 weeks period prior to the date of the Board Meeting on the stock exchange where the Equity Shares are most frequently traded, i.e. BSE are given below:

Day No.	Date	Daily High	Daily Low	Average	Daily Volume
1	Thursday, November 17, 2005	280.00	256.50	268.25	23,918
2	Friday, November 18, 2005	275.00	267.00	271.00	22,647
3	Monday, November 21, 2005	270.00	260.50	265.25	2,974
4	Tuesday, November 22, 2005	267.00	228.00	247.50	17,939
5	Wednesday, November 23, 2005	275.00	255.40	265.20	48,447
6	Thursday, November 24, 2005	286.00	262.00	274.00	97,370
7	Friday, November 25, 2005	286.00	275.10	280.55	44,185
8	Saturday, November 26, 2005	305.00	287.50	296.25	75,544
9	Monday, November 28, 2005	301.00	290.25	295.63	1,03,879
10	Tuesday, November 29, 2005	301.90	228.50	295.20	1,44,580
11	Wednesday, November 30, 2005	319.95	300.00	309.98	1,25,114
			Average	**278.98**	

g) In accordance with regulations 20(4) of the SEBI (SAST) Regulations, the Offer Price of Rs. 279 per Equity Share is the higher of the following:

i)	Negotiated Price under the agreement for acquisition of share or voting rights or deciding to acquire shares or voting rights.	Not Applicable
ii)	The highest Price paid by the Acquirer for acquisitions including by way of allotment in a public or rights or preferential issue during the 26 weeks prior to the date of the Board Meeting.	Rs.276.80
iii)	The highest of the average of the weekly high and low of the closing prices for the Equity Shares for the 26 week period and the average of the daily high and low prices of the Equity Shares during the 2 week period prior to the date of the Board Meeting, on the stock exchange where the shares of Target Company are most frequently traded, i.e. BSE.	Rs. 278.98

h) In view of the above, the Offer Price of Rs. 279 per Equity Share is justified as per Regulation 20 of the SEBI (SAST) Regulations. The Manager to the Offer does not hold any shares of Target Company as of the date hereof.

i) If the Acquirer acquires Equity Shares or GDRs issued by Target Company after the date of Public Announcement up to 7 (seven) working days prior to 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 the valid acceptances received under the Offer.

7.2 Financial Arrangements

i. The total fund requirement for the acquisition of 55,17,575 Equity Shares held by public shareholders in Target Company at Rs. 279 per share is Rs. 153,94,03,425 (Rupees One Hundred Fifty Three Crore Ninety Four Lacs Three Thousand Four Hundred Twenty Five Only). In accordance with Regulation 28 of the SEBI (SAST) Regulations, the Acquirer has made a cash deposit of US$ 7,000,000 (equivalent to Rs. 3,112.20 lacs) in the Overseas Escrow Account, 5th Floor Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius, in terms of the Cortland Banker Agreement and Overseas Bank Agreement. At an exchange rate of Rs. 44.46 per US$ (calculated in accordance with Section 1 above), the amount placed in Overseas Escrow Account is in excess of Rs.3,039.40 lacs (the “Escrow Amount “), which is the amount required under Regulation 28(2) of the SEBI (SAST) Regulations, i.e., 25% for the first Rs. 100 crores of consideration payable under the Offer (assuming full acceptance) and 10% thereafter on the balance of the consideration payable under the Offer. In the event of any shortfall in the Escrow Amount arising on account of exchange rate fluctuations, the Acquirer has undertaken to provide additional funds to ensure that the Overseas Escrow Account has adequate funds to discharge the Acquirer’s obligations under the Offer. The Manager to the Offer has been duly authorized to realize the value of the Overseas Escrow Account through Overseas Bank Agreement.

ii. The Acquirer, JMMS and HSBC, Hong Kong Bank Building, 52/60 Mahatma Gandhi Road, Mumbai – 400 001, India have entered into an Open Offer Escrow Agreement (the “Escrow Agreement”) in accordance with Regulation 28 of the SEBI (SAST) Regulations. After receiving RBI approval vide their letter dated March 24, 2006 funds have been transferred from the aforesaid Overseas Escrow Account to the Indian Escrow Account opened with HSBC in India (the “Indian Escrow Account”). JMMS has been duly authorized to realize the value of the aforesaid Indian Escrow Account in terms of the SEBI (SAST) Regulations.

iii. On the basis of confirmation given by Warburg Pincus Private Equity IX, L.P. (a Delaware limited partnership), the shareholder of the Acquirer, that it will provide necessary funds to the Acquirer for payment of the purchase consideration to the shareholders of the Company, Ernst & Young, Mauritius, the auditor of the Acquirer have certified vide their letter dated February 10, 2006 that the Acquirer has sufficient means and capability for the purpose of acquiring 55,17,575 Equity Shares in cash. Further, pursuant to the resolution of the Board of Directors of the Acquirer dated February 10, 2006, the Acquirer has sufficient means and capability to meet its obligation under the SEBI (SAST) Regulations. The relevant documents in relation to the above are being made available for inspection in terms of para 10(c) below.

iv. Based on the above, the Manager to the Offer is satisfied that the Acquirer has the financial resources to implement the Offer in accordance with the SEBI (SAST) Regulations.

8. TERMS AND CONDITIONS OF THE OFFER

a. This Letter of Offer together with the Form of Acceptance has been mailed to the Shareholders of Target Company whose names appear on the Register of Members of Target Company and to the beneficial owners of the Equity Shares of Target Company whose names appear on the beneficial records of the respective depositories at the close of business on Friday, February 24, 2006 (the "Specified Date").

b. All Equity Shares tendered and accepted under the Offer, will be acquired by the Acquirer, 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 the Acquirer will be pre-conditions for acceptance of the tendered Equity Shares. Besides the Equity Shares allotted by Target Company to the Acquirer consequent to the Preferential Issue, Target Company does not have any Equity Shares that are subject to lock-in.

c. All equity shareholders of Target Company (except the Acquirer, the Promoters and GDR's held by the Promoters), whose names appear in the register of members of Target Company as of February 24, 2006 and also persons (except the Acquirer, the Promoters and GDR's held by the Promoters), who acquire any Equity Shares of Target Company at any time prior to the closure of the Offer, whether or not they are registered shareholders, are eligible to participate in the Offer anytime before the closure of the Offer. Since the Offer is being made only to equity shareholders of the Company, the GDR holders are not entitled to participate in the Offer unless they have converted their GDRs into Equity Shares prior to the relevant date set forth above. However, the Promoters shall not be entitled to participate in the Offer even upon conversion into Equity Shares of any GDRs that they hold.

d. The acceptance of the Offer made by the Acquirer is entirely at the discretion of the shareholders of Target Company and each shareholder of Target Company to whom the Offer is being made, is free to offer his shareholding in Target Company, in whole or in part while accepting the Offer.

e. The Offer is subject to the receipt of approval from the RBI under FEMA for the acquisition of the Equity Shares tendered under the Offer and for opening of the escrow account. The Acquirer has already applied to the RBI on March 3, 2006 for its approval for the acquisition by the Acquirer of Equity Shares of Target Company constituting up to 20% of the Expanded Capital Base and for opening of the escrow account. RBI vide their letters dated March 24, 2006 and nos FE/CO/FID/20697/10.21.037/2005-06 and April 4, 2006 and nos FE/CO/FID/21357/10.21.037/2005-06 has given approval for opening and operation of the Escrow Account and Special Account and for acquiring 55,17,575 Equity Shares from the existing shareholders of the Target Company respectively

f. No statutory or regulatory approval other than the aforementioned approvals is required for the Acquirer to proceed with the Offer. If any other such approvals are required subsequently, the Offer would be subject to such additional approvals. The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27(b) of the SEBI (SAST) Regulations in the event the approvals indicated above are refused.

g. In case of delay in receipt of any statutory approval, SEBI has the power to grant an extension of the time required for payment of consideration under the Offer provided that the Acquirer agrees to pay interest in accordance with Regulation 22(12) of the SEBI (SAST) Regulations. If the delay occurs due to the wilful default or neglect or inaction or non-action on the part of the Acquirer in obtaining the requisite approvals, Regulation 22(13) of the SEBI (SAST) Regulations will become applicable. **The Acquirer will not proceed with the Offer in terms of Regulations 27 of the SEBI (SAST) Regulation in the event the statutory approvals indicated above are refused.**

h. In case RBI approval for acquisition of Equity Shares from non-resident shareholders is unduly delayed, the Acquirer reserves the right to proceed with payment to the resident shareholders whose Equity Shares have been accepted by the Acquirer in terms of the Offer, pending payment to the non-resident shareholders, subject to the entire amount payable to non-resident shareholders being kept in an Escrow Account whose value can be realised by the Manager to the Offer as per the SEBI (SAST) Regulations.

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

j. 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.

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

l. Barring unforeseen circumstances and factors beyond their control, the Acquirer intends to complete all formalities pertaining to the purchase of the Equity Shares, including dispatch payment of consideration to the shareholders who have accepted the Offer, by Monday, July 31, 2006.

m. The acceptance of the Offer made by the Acquirer is entirely at the discretion of the shareholders of Target Company. The Acquirer 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 Target Company are advised to adequately safeguard their interest in this regard.

n. As already mentioned elsewhere in para 3 under "Details of the Offer", the Offer is not subject to any minimum level of acceptance from the shareholders. The Offer is being made by the Acquirer to the public shareholders of Target Company to acquire up to 55,17,575 Equity Shares, representing 20% of the Expanded Capital Base. The Acquirer will proceed with the Offer even if it is unable to obtain acceptance to the full extent of the Equity Shares for which the Offer is made.

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

p. The Acquirer is permitted to revise the Offer Price upward any time up to seven working days prior to the date of the closure of the Offer (i.e. Thursday, July 6, 2006). If there is any upward revision in the Offer Price before the last date of revision (i.e. Thursday, July 6, 2006) or withdrawal of the Offer, the same would be informed by way of Public Announcement in the same newspapers where the original Public Announcement has appeared. Such revised Offer Price would be payable by the Acquirer to all shareholders who tender their Equity Shares at any time during the Offer and which are accepted under the Offer.

q. Shareholders who have sent their Equity Shares for dematerialization need to ensure that the process of getting Equity Shares dematerialized is completed well in time so that the credit in the Registrar's special depository account should be received on or before the date of closure of the offer, i.e. Saturday, July 15, 2006, else the application would be rejected.

r. The instructions, authorisations and provisions contained in the Form of Acceptance constitute an integral part of the terms of the Offer. The marketable lot for Equity Shares in demat form is 1 equity share.

9. PROCEDURE FOR ACCEPTANCE, WITHDRAWL AND SETTLEMENT

a. Shareholders of Target Company, who wish to avail the Offer should forward the under mentioned documents **by hand delivery or by registered post** to the Registrar to the Offer at the collection centers given below so as to reach the Registrar on or before the date of closure of the Offer (i.e., Saturday, July 15, 2006) on their working days during business hours indicated below. In the case of demat Equity Shares, the Registrar is not bound to accept Equity Shares which have not yet been credited to the Special Depository Account as on the date of closure of the Offer, i.e. Saturday, July 15, 2006.

For Equity Share held in physical form

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by sole/ first shareholders whose names appear on the share certificates (in case of joint holdings) in the same order in which their names appear in the Register of Members.
- Original Share Certificate(s)
- Valid share transfer deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures lodged with Target Company and duly witnessed at the appropriate place. It is preferred that the transferor's signature(s) is attested by a Notary or Bank Manager or Member of Stock Exchange under their seal of office and membership number. The transfer deed should be left blank, excepting the signatures as mentioned above.
- Documents mentioned in para 9 (e), for resident shareholders.
- Documents mentioned in para 9 (d) for NRI/ OCB/ FII shareholders.

For Equity Share held in demat form

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by sole/ all shareholders whose names (in case of joint holdings) in the same order in which their names appear in their beneficiary account. The Form of Acceptance has to be tendered by the beneficial holder of Equity Shares only.
- A photocopy of the Delivery Instruction Slip duly acknowledged by the Depository Participant ("DP") filled as per the instructions given hereunder:

- The Beneficial Owners who hold Equity Shares in demat form are required to execute a trade by tendering the Delivery Instruction for debiting their Beneficiary Account with the concerned DP and crediting the Special Depositary Account. The credit in the Special Depository Account should be received on or before 3 p.m as on the date of closure of the Offer, i.e. Saturday, July 15, 2006.
- The Delivery Instructions to be given to the DP should be in “Off-Market” mode only. For each Delivery Instruction the Beneficial Owner should submit a separate Form of Acceptance.
- The Registrar to the Offer, Karvy Computershare Private Limited, has opened a special depository account. Beneficial owners holding Equity Shares in the demat form, will be required to send their Form of Acceptance to the Registrar to the Offer either by hand delivery during normal business hours or by Registered Post on or before the close of the Offer, i.e. Saturday, July 15, 2006, along with a photocopy of the delivery instructions in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by the DP, in favour of “Karvy Computershare Private Limited - Open Offer for Shares of Target Company” filled in with details given below :

  Depository : National Securities Depository Limited (“NSDL”)

  DP Name : JM Morgan Stanley Financial Services Private Limited

  DP ID Number : IN302927

  Client ID Number : 10036616

  For Equity Shares which are tendered in electronic form, the bank account as obtained from the beneficiary position provided by the Depository will be considered and the warrants/ bank drafts will be issued with the said bank particulars. Shareholders having their beneficiary account in CDSL have to use inter-depository delivery instruction slip for the purpose of crediting their Equity Shares in favour of the special depository account with NSDL.
- Documents mentioned in para 9(e), for resident shareholders
- Documents mentioned in para 9(d), for NRI/ OCB/ FII shareholders
- In case of non-receipt of the aforesaid documents, but receipt of the Equity Shares in the Special Depository Escrow Account, the Acquirers may deem the Offer to have been accepted by the shareholder.

For GDR Holders

Holders of GDRs who wish to avail of this Offer should request withdrawal of the Equity Share/(s) underlying such GDRs from the depository in terms of the issuance of the GDRs. Holders of GDRs who wish to tender the Equity Shares underlying such GDRs, should also request the depository to instruct the custodian to transfer the Equity Shares underlying the GDRs in dematerialized form by submitting delivery instruction to the Registrar to the Offer. Further, if the Equity Shares underlying the GDRs are transferred in dematerialised form then the GDR holders should follow the procedure for tender of Equity Shares as indicated in the para titled “For Equity Shares held in demat form” above. Other terms of the Offer would apply *mutatis mutandis* to GDR holders as well. However, the Promoters shall not be entitled to participate in the Offer even upon conversion into Equity Shares of any GDRs that they hold.

The collection centres of the Registrar Karvy Computershare Private Limited for the purpose of the Offer are as follows:

Sr. No.	City	Address of collecting office	Contact Person	Telephone Number	Fax Number	Mode of Delivery
1	Mumbai	16/22, Bake House, Maharashtra Chamber of Commerce Lane, Kalaghoda, Fort, Mumbai – 400 023.	Ms. Nutan Shirke	+91 (22) 5638 2666	+91 (22) 5633 1135	Hand Delivery & Registered Post
2	Delhi	105-108, 1st Floor, Arunachal Building, 19 Barakhamba Road, Connaught Place, New Delhi 110 001.	Mr. Michael George	+91 (11) 2332 4401 / 2335 3835 / 981	+91 (11) 2332 4621	Hand Delivery

Sr. No.	City	Address of collecting office	Contact Person	Telephone Number	Fax Number	Mode of Delivery
3	Kolkata	49, Jatindas Road, Near Deshpriya Park, Kolkata 700 029	Mr. Sujit Kundu	+91 (33) 2464 4891 / 7231	+91 (33) 2464 4866 / 2463 4787	Hand Delivery
4	Jaipur	108-110, 1st Floor, Anukampa Mansion-II, MI Road, Opp: Raymonds Showroom, Jaipur: 302 001	Mr. Shiv Dhan Singh	+91 (141) 2375099, 2363321, 2375039	N A	Hand Delivery

Business Hours : Monday to Saturday : 10.00 a.m. to 3.00 p.m.
Holidays : Sundays and Bank Holidays

Applicants may send their documents only by Registered Post, at their own risk, if not hand delivered at the designated collection centers, to the Registrar at the addresses as mentioned hereinabove during business hours indicated above other than on holidays.

Please note that the Share Certificates/ Delivery Instruction Slip and other documents in relation to the acceptance of the Offer should not be sent to the Acquirer or Target Company. Such documents should NOT be sent to the Manager to the Offer

b. All owners of Equity Shares registered or unregistered, who own the Equity Shares at any time prior to the closure of the Offer are eligible to participate in the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer. They are required to submit, besides the documents as mentioned in para (a) above, other documents to prove their title to the Equity Shares offered for acceptance, such as a copy of the contract note issued by the broker through whom they acquired their Equity Shares on or before the close of the Offer, i.e. Saturday, July 15, 2006, transfer deed(s) executed by the registered holders of the Equity Shares in addition to the Form of Acceptance and share certificate(s). No indemnity is required from the unregistered owners. Unregistered owners, if they so desire, may also apply on the Form of Acceptance downloadable from SEBI's website (www.sebi.gov.in). Notwithstanding that the signature(s) of the transferor(s) have been witnessed as aforesaid, if the signature(s) of the transferor(s) differs from the specimen signature(s) recorded with Target Company or are not in the same order, such Equity Shares are liable to be rejected under the Offer even if the Offer has been accepted by a bona fide owner of such Equity Shares.

c. In case of non-receipt of the Letter of Offer, shareholders may send their acceptance of the Offer to the Registrar to the Offer, on a plain paper stating the Name, Address, Number of Equity Shares held, Distinctive Number., Folio Number, Number of Equity Shares offered, along with documents as mentioned above, so as to reach the Registrar to the Offer on or before the date of closure of the Offer (i.e. Saturday, July 15, 2006). No indemnity is required in this regard. Shareholders who have lodged their Equity Shares for transfer with Target Company must also send the acknowledgement, if any, received from Target Company towards such lodging of Equity Shares.

d. As per the provisions of Section 196 D(2) of the Income-tax Act, 1961, 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 of the Income-tax Act, 1961, payable to a Foreign Institutional Investor. While tendering Equity Shares under the Offer, NRI/ OCB/ foreign shareholders will be required to submit the previous FIPB and / or RBI approvals (specific or general), as applicable, that they would have obtained for acquiring Equity Shares of Target Company and a No Objection Certificate/ Tax Clearance Certificate from the Income-Tax authorities under the Income-tax Act, 1961, indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. In case the previous FIPB and / or RBI approvals, as applicable, are not submitted, Acquirer reserves the right to reject the Equity Shares. In case the aforesaid No Objection Certificate/ Tax Clearance Certificate is not submitted, the Acquirer will deduct tax at the currently prevailing rate of 41.82% in case of non-resident corporate shareholders 33.66% in case of non-resident partnership firms, and 30.60% in case of non-resident individual shareholders, non-resident trusts, non-resident Association of Persons and non-resident Body of Individuals on the entire consideration amount (offer price as well as interest thereon) if the amount paid is upto Rs.1,000,000 and at the rate of 33.66% if the amount paid exceeds Rs.1,000,000.

e. 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 Equity 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.

f. Payment of consideration will be made by crossed account payee cheques/ demand drafts and sent by registered post and /or courier 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. All cheques /demand drafts will be drawn in the name of the first holder, in case of joint registered holders.

In case of the extension of time for payment of consideration and payment of interest, please refer to para 8(g) hereinabove under “Terms and Conditions of the Offer”.

g. In case of physical Equity Shares, the Registrar to the Offer will hold in trust the share certificates, Form of Acceptance duly filled in and the transfer deed(s) on behalf of shareholders of Target Company who have accepted the Offer, till the cheques/ drafts for the consideration and/ or the share certificates are posted.

h. In case of demat Equity Shares, the Equity Shares would reside in the Special Depository Account as mentioned above. The Registrar to the Offer will debit the Special Depository Account to the extent of payment of consideration made by the Acquirer and give instructions for credit to the beneficial account of the Acquirer.

i. Barring unforeseen circumstances and factors beyond their control, the Acquirer intends to complete all formalities pertaining to the purchase of the Equity Shares, including dispatch of consideration to the shareholders who have accepted the Offer, by Saturday, July 15, 2006.

j. In case of physical Equity Shares, to the extent the Equity Shares are not accepted under the Offer, the rejected Share Certificates, transfer deeds and other documents, if any, will be returned by registered post by the Registrar to the Offer to the shareholders /unregistered owners. Subject to the necessary approval from RBI, for the physical Equity Shares accepted under the Offer, the Registrar shall take action for transferring the Equity Shares to Acquirer after the consideration cheques are released to the shareholders concerned.

k. The Equity Shares held in demat form to the extent not accepted under the Offer will be released to the Beneficial Owner’s Depository Account with the respective DP as per details furnished by the Beneficial Owner in the Form of Acceptance, at the sole risk of the Beneficial Owner. An intimation to that effect will be sent to the Beneficial Owner by Ordinary Post. Subject to the necessary approval from RBI, for the Equity Shares lying in the Special Depository Account, the Registrar shall take action for transferring the Equity Shares to Acquirer after the consideration cheques are released to the Beneficial Owners.

l. In terms of Regulation 22(5A) of the SEBI (SAST) Regulations, shareholders desirous of withdrawing their acceptances tendered in the Offer, can do so up to three working days prior to the date of Closure 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 Wednesday, July 12, 2006.

- 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 or above as per the mode of delivery indicated therein on or before the last date of withdrawal.
- 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 "Off-market" mode, duly acknowledged by the DP.

For Equity Shares held in physical form

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 Target Company and duly witnessed at the appropriate place.

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/ Equity Shares that have been received by the Registrar to the Offer or credited to the Special Depository Escrow Account.
- The intimation of returned Equity Shares to the shareholders will be sent at the address as per the records of Target Company/ Depository as the case may be.
- 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 Target Company. 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.
- 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:
  - In case of physical Equity Shares: name, address, Distinctive Nos., Certificate Numbers., Folio Number, number of Equity Shares tendered
  - In case of demateralised Equity Shares: name, address, number of Equity Shares tendered, DP name, DP ID, beneficiary account number and a photocopy of delivery instructions slip in "off market" mode or counterfoil of the delivery instruction slip in "off market" mode, duly acknowledged by the DP, in favour of the Special Depository Escrow Account.

10. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection to the shareholders of Target Company at its registered office at K-6B, Fateh Tiba Adarsh Nagar Jaipur – 302 004 Rajasthan Tel: +91 (141) 2601020 Fax: +91 (141) 2603228 between 11 a.m. and 4 p.m. on all working days except (Saturdays and Sundays) from the date of opening of the Offer till the date of closure of the Offer:

a. Certificate of Incorporation, Memorandum and Articles of Association of the Acquirer.

b. Certificate of Incorporation, Memorandum and Articles of Association of Target Company.

c. (i) Certificate dated February 8, 2006 from Ernst & Young Chartered Accountants, regarding the adequacy of financial resources with the Acquirer to fulfill the Offer obligation, (ii) Undertaking dated February 10, 2006 from Warburg Pincus Private Equity IX, L.P. to Cortland Investment Ltd and (iii) Extract of the resolution of the Board of Directors of the Acquirer dated February 10, 2006 confirming that the Acquirer has necessary funds for payment of the purchase consideration to Target Company's shareholders.

d. Copy of the Shareholders Agreement dated February 16, 2006 and the Share Subscription Agreement, dated February 16, 2006 entered into between the Acquirer, Promoters and Target Company.

e. Annual Reports containing the audited financials of Target Company for the accounting years ended March 31, 2003, March 31, 2004 and March 31, 2005 and unaudited financial results for nine months period ended December 31, 2005 , as certified by the adopted by the board of Target Company.

f. Report containing the unaudited financial statements of the Acquirer for the period September 20, 2005 (date of incorporation) to December 31, 2005 certified by Ernst & Young, Mauritius, Public Accountants.

g. Certificate regarding selected consolidated financial and investment data as of December 31, 2005 for Warburg Pincus Private Equity IX, L.P. and its wholly-owned subsidiaries, including WP IX Finance L.P. as derived from the audited financial statements and certified by the auditors of Warburg Pincus Private Equity IX, L.P.

h. (i) Copy of Cortland Banker Agreement dated February 17, 2006 between the Acquirer and JMMS, (ii) Copy of Overseas Bank Agreement dated February 17, 2006 as Appendix A, between the Acquirer, JMMS and HSBC, Mauritius & (iii) Copy of a certificate from HSBC, Mauritius, confirming the amount placed in escrow towards the proposed Offer.

i. Copy of Escrow Agreement dated April 21, 2006 between the Acquirer, JMMS and HSBC, Mumbai.

j. Copy of the Board Resolution of the Acquirer authorizing Mr. Uday Kumar Gujadhur to be the authorized signatory to the Letter of Offer.

k. Share price details of Target Company on BSE and NSE as obtained from their websites.

l. Published copies of Public Announcement made on February 21, 2006 by the Acquirer.

m. Copies of the applications/ clarifications/ approvals made to/ received from the FIPB and RBI.

n. A copy of the agreement entered into with the Depository participant for opening a special depository account for the purpose of the offer.

o. SEBI observation letter no. CFD/DCR/TO/AT/63540/06 dated March 28, 2006 and letter no. CFD/DCR/TO/AT/69026/06 dated June 12, 2006 in terms of proviso to Regulation 18 (2) of the SEBI (SAST) Regulations.

11. DECLARATION BY THE ACQUIRER

The Acquirer accepts responsibility for the information contained in this Letter of Offer and also for their obligations under the SEBI (SAST) Regulations. The Acquirer is responsible for its obligations in terms of the SEBI (SAST) Regulations.

All information contained in this document is as of the date of the Public Announcement, unless stated otherwise.

Mr. Uday Kumar Gujadhur, Director, has been authorized by the Acquirer to sign the Letter of Offer on their behalf.

For and on behalf of:

Cortland Investment Ltd

sd/-

Uday Kumar Gujadhur
(Authorised Signatory)

Place : Mauritius

Date : June 17, 2006

Encl. :

1) Form of Acceptance-cum-Acknowledgement

2) Form of Withdrawal

3) Transfer Deed for Shareholders holding Equity Shares in Physical Form

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
(Please send this Form with enclosures to the Registrars to the Offer at their address given overleaf.)

OFFER SCHEDULE
OPENS ON : Monday, June 26, 2006
CLOSES ON : Saturday, July 15, 2006

FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

From :

Folio No. / DP ID No. /Client ID No. :

Name :

Full Address: Status: Resident/ Non-Resident

Tel No: Fax No: E-mail:

To,

Cortland Investment Ltd,
10 Frere Felix de Valois Street,
Port Louis, Mauritius.
(Telephone No.: +230 202-3000
Fax No.: +230 212-5265).

Sub. : **Open Offer to purchase fully paid-up equity shares of Rs 10/- each of Vaibhav Gems Limited by Cortland Investment Ltd (hereinafter referred to as the "Acquirer")**

Dear Sir**,**

I/We refer to the Letter of Offer dated June 17, 2006 constituting an offer to acquire the Equity Shares held by me / us in Vaibhav Gems **Limited**. I/We the undersigned, have read the Letter of Offer and accept unconditionally its contents including the terms and conditions as mentioned therein.

For Equity Shares held In Physical Form :

I/We, accept the Offer and enclose the original share certificate(s) and duly signed valid Transfer Deed(s) in respect of my/our shares as detailed below :

Sr. No.	Certificate No.	Distinctive Nos		No. of Equity Shares
		From	To	
1				
2				
3				
4				
5				
	Total No. of Equity Shares			

(In case the space provided is inadequate, please attach a separate sheet with details and authenticate the same.)

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 pays the purchase consideration (including interest) as mentioned in the Draft Letter of Offer.

I/We have enclosed the following herewith :

- ☐ No Objection Certificate / Tax Clearance Certificate from Income Tax Authorities
- ☐ Self-declaration in Form 15G

Tear Here

Folio No. : ____________________ **Sr. No.**

ACKNOWLEDGEMENT SLIP FOR THE ACQUIRER

CORTLAND INVESTMENT LTD.

10 Frere Felix de Valois Street, Port Louis, Mauritius

Received from Mr./Ms ....

Address ....

Form of Acceptance-cum-Acknowledgement, # ________________________________ Number of Share Certificates for____________________________shares

Copy of Delivery instruction to (DP) for ____ shares

(Delete whatsoever is not applicable)

Signature of official and Date of Receipt	Stamp of Collection Centre

For Equity Shares held in Demat Form

I/We hold Equity Shares in demat form, accept the Offer and enclose a photocopy of the Delivery Instruction Slip duly acknowledged by the DP in respect of my/our Equity Shares as detailed below :

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

I/We have done an off market transaction for crediting the Equity Shares to the Escrow Account named “Karvy Computershare Private Limited – Open Offer for Shares of Target Company” with the following particulars :

Depository Participant Name: JM Morgan Stanley Financial Services Private Limited

DP ID No.: IN 302927 **Client ID No.:** 10036616

Shareholders having their beneficiary Account in CDSL have to use an inter–depository delivery instruction slip for the purpose of crediting their Equity Shares in favour of the Special Depositary Account with NSDL.

In case of non-receipt of the aforesaid documents, but receipt of the Equity Shares in the Special Depository Escrow Account, the Acquirer may deem the Offer to have been accepted by me/us.

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

For NRIs/OCBs/FIIs/Foreign Shareholders :

I/we have enclosed the following documents :

☐ No Objection Certificate / Tax Clearance Certificate from Income Tax Authorities.

☐ Previous RBI approvals for holding the shares of JVaibhav Gems Limited hereby tendered in the Offer.

For FII Shareholders :

I/We confirm that the Equity Shares of Vaibhav Gems Limited are held by me/us on ☐ Investment/Capital Account OR ☐ Trade Account. (☑ whichever is applicable in your case)

For NRIs/OCBs Shareholders :

(1) I/We confirm that the Equity Shares of Vaibhav Gems Limited are held by me/us on **o** Investment/Capital Account OR **o** Trade Account.

(2) I/We confirm that the Equity Shares of Vaibhav Gems Limited are held by me/us as **o** Long Term Capital Asset OR **o** Short Term Capital Asset. (þ whichever is applicable in your case)

I/We confirm that the Equity Shares of Vaibhav Gems 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 also note and understand that the Acquirer will pay the purchase consideration (including interest) only after verification of the documents and signatures, and obtaining necessary approvals, including approvals from the FIPB and the RBI as applicable.

I/We authorise the Acquirer 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 to the extent that the equity shares tendered by me/us are not acquired (in terms of and subject to the Letter of OfferWe further authorise the Acquirer to return to me/us, equity shares/share certificate(s) and in the case of dematerialised equity shares, to credit such equity shares to my/our depository account, in each case at my/our sole risk and without specifying the reasons thereof.

I/We authorise the Acquirer or the Manager to the Offer or the Registrar to the Offer to send by registered post, the draft / cheque in settlement of the amount, to the sole / first holder at the address mentioned below.

Yours faithfully,

Signed and Delivered :

	FULL NAMES	SIGNATURE(S)	PAN No.
First/Sole Shareholder			
Second Shareholder			
Third Shareholder			
Fourth Shareholder			

Address of First/Sole Shareholder ____

Place : Date :

Note : In case of joint holdings, all shareholders must sign. A body corporate must affix its company stamp. *So as to avoid fraudulent encashment in transit, the shareholder(s) holding shares in physical form should provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly. For equity shares that are tendered in electronic form, the bank account as obtained from the beneficiary position provided by the Depository will be considered and the warrants/ bank drafts will be issued with the said bank particulars.*

Name of the Bank ______________________________ Branch ______________________________

Account Number ____________________ Savings/Current/Others (please specify) ______________________________

— — — — — — — — — — — — — — — — — — — Tear Here — — — — — — — — — — — — — — — — — —

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

Karvy Computershare Private Limited,

Karvy House, 46 Avenue 4, Street No. 1,

Banjara Hills, Hyderabad 500 034

Phone : +91 40 2331 2454, Fax : +91 40 2331 1968

Email : vglopenoffer@karvy.com,

Contact Person : Mr. Murali Krishna

FORM OF WITHDRAWAL

To

Cortland Investment Ltd,

10 Frere Felix de Valois Street,
Port Louis, Mauritius.
(Telephone No.: +230 202-3000
Fax No.: +230 212-5265)

OFFER SCHEDULE
OPENS ON : Monday, June 26, 2006
CLOSES ON : Saturday, July 15, 2006
LAST DATE OF WITHDRAWAL : Wednesday, July 12, 2006

Dear Sir,

Sub. : Open Offer to purchase fully paid-up equity shares of Rs 10/- each of Vaibhav Gems Limited by Cortland Investment Ltd (hereinafter referred to as the "Acquirer")

I/We refer to the Letter of Offer dated June 17, 2006 for acquiring the Equity Shares held by me/us in **Vaibhav Gems Limited. I/We the undersigned have read the Letter of Offer and accept unconditionally its contents including the terms and conditions and procedures as mentioned therein.**

I/We have read the procedure for withdrawal of Equity Shares tendered by me/us in the Offer as mentioned in para 9.I. **of the Letter of Offer and unconditionally agree to the terms and conditions mentioned therein.**

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

I/We note that upon withdrawal of my/our Equity Shares from the Offer, no claim or liability shall lie against the Acquirer/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 below as per the mode of delivery indicated therein on or before the last date of withdrawal.

I/We note that the Acquirer/Manager to the Offer/Registrar to the Offer shall not be liable for any postal delay/loss in transit of the Equity Shares held in physical form and also for the non receipt of Equity 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 will return Original Share Certificate(s), Share Transfer Deed(s) and Equity Shares only on completion of verification of the documents, signatures carried out by Vaibhav Gems Limited and/ or their R & T Agents and beneficiary position data as available from the Depository from time to time, respectively.

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

Ledger Folio No.________________________No. of Share Certificate(s) ____________________ No. of Equity Shares _______________________

Sr. No.	Certificate No.	Distinctive Nos		No. of Equity Shares
		From	To	
	Tendered			
1				
2				
3				
	Withdrawn			
1				
2				
3				
	Total			

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

Tear Here

Folio No. : __________________ **Sr. No.**

ACKNOWLEDGEMENT SLIP FOR THE ACQUIRER

CORTLAND INVESTMENT LTD,

10 Frere Felix de Valois Street, Port Louis, Mauritius

Received from Mr./Ms ....

Address ....

Form of Acceptance-cum-Acknowledgement, # ________________________________ Number of Share

Certificates for___________________________shares

Copy of Delivery instruction to (DP) for ____ shares

(Delete whatsoever is not applicable)

Signature of official and Date of Receipt	Stamp of Collection Centre

I/We hold the following Equity Shares in dematerialised form and tendered the equity shares in the Offer and had done an off-market transaction for crediting the Equity Shares to the "Karvy Computershare Private Limited – Open Offer for Shares of Target Company" (Special Depositary Escrow Account) as per the following particulars :-

DP Name – JM Morgan Stanley Financial Services Private Limited.

Client ID – 10036616. **DP ID** – IN 302927.

Please find enclosed a photocopy of the Depository Delivery Instruction(s) duly acknowledged by DP.

The particulars of the account from which my/our equity shares have been tendered are as detailed below

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

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

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

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

Yours faithfully,

Signed and delivered	FULL NAME(S)	SIGNATURE(S)	Verified and Attested by us. Please affix the stamp of DP (in case of demat Shares) / Bank (in case of physical Shares)
1st Shareholder			
2nd Shareholder			
3rd Shareholder			

Note : In case of joint holders all must sign. In case of body corporate, stamp of the company should be affixed and necessary Board resolution should be attached.

Place: Date :

Tear Here

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

Karvy Computershare Private Limited,
Karvy House, 46 Avenue 4, Street No. 1,
Banjara Hills, Hyderabad 500 034
Phone : +91 40 2331 2454, Fax : +91 40 2331 1968
Email : vglopenoffer@karvy.com,
Contact Person : Mr. Murali Krishna

INSTRUCTIONS

1. **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 or below as per the mode of delivery indicated therein on or before the last date of withdrawal.**

2. Shareholders should enclose the following :-

   i. For Equity Shares held in demat form :

      Beneficial owners should enclose

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

   ii. For Equity Shares held in physical form :

      - Registered Shareholders should enclose
      - Duly signed and completed Form of Withdrawal
      - Copy of the Form of Acceptance cum Acknowledgement/ Plain paper application submitted and the Acknowledgement slip
      - 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 R&T Agent of Vaibhav Gems Limited and duly witnessed at the appropriate place.

   iii Unregistered owners should enclose :

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

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

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

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

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

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

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

Karvy Computershare Private Limited,
Karvy House, 46 Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad 500 034
Phone : +91 40 2331 2454
Fax : +91 40 2331 1968
Email : vglopenoffer@karvy.com,
Contact Person : Mr. Murali Krishna

Sr. No.	City	Address of collecting office	Contact Person	Telephone Number	Fax Number	Mode of Delivery
1	Mumbai	16/22, Bake House, Maharashtra Chamber of Commerce Lane, Kalaghoda, Fort, Mumbai – 400 023.	Ms. Nutan Shirke	+91 (22) 5638 2666	+91 (22) 5633 1135	Hand Delivery & Registered Post
2	Delhi	105-108, 1st Floor, Arunachal Building, 19 Barakhamba Road, Connaught Place, New Delhi 110 001.	Mr. Michael George	+91 (11) 2332 4401 / 2335 3835 / 981	+91 (11) 2332 4621	Hand Delivery
3	Kolkata	49, Jatindas Road, Near Deshpriya Park, Kolkata 700 029	Mr. Sujit Kundu	+91 (33) 2464 4891 / 7231	+91 (33) 2464 4866 / 2463 4787	Hand Delivery
4	Jaipur	108-110, 1st Floor, Anukampa Mansion-II, MI Road, Opp: Raymonds Showroom, Jaipur: 302 001	Mr. Shiv Dhan Singh	+91 (141) 2375099, 2363321, 2375039	N A	Hand Delivery

Business Hours : Monday to Saturday : 10.00 a.m. to 3.00 p.m.

Holidays : Sundays and Bank Holidays

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