

LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Letter of Offer is sent to you as a shareholder(s) of **Hindustan Powerplus Limited**. If you require any clarifications about the action to be taken, you should consult your stock broker or investment consultant or the Manager/ Registrar to the Offer. In case you have sold your shares, please hand over this Letter of Offer, the accompanying Form of Acceptance cum Acknowledgement, Form of Withdrawal and Transfer Deed to the member of the Stock Exchange through whom the said sale was effected.

CASH OFFER AT Rs. 32/- (Rupees Thirty two only) PER FULLY PAID UP EQUITY SHARE

[Pursuant to Reg 11 (1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto]

TO ACQUIRE

upto 19,779,914 fully paid up equity shares of face value Rs 10/- each representing 62.25% of the voting share capital
OF

Hindustan Powerplus Limited

having its registered office at
6-B, G.S.T. Road, St. Thomas Mount, Chennai 600016
Tel: 91-44-22342240, Fax: 91-44-22342243

BY

Caterpillar Commercial S.A.

having its registered office at
Avenue des Etats Unis, 1, B-6041, Charleroi (Gosselies), Belgium
Tel: (32) 71 252111, Fax: (32) 71 252956

ALONGWITH PERSON ACTING IN CONCERT

Caterpillar Inc.

having its registered office at
Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware (USA)
Tel: (1 - 800) 6773394 Fax: (1 - 302) 6555049

ATTENTION:

- The Offer is subject to receipt by Acquirer of:
 - Approval of Foreign Investment Promotion Board ("FIPB") or any other appropriate authority of Government of India
 - Approval of the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999
- If there is any upward revision in the Offer price by Acquirer till the last date of revision viz. March 31, 2003 or withdrawal of the Offer, the same would be informed by way of Public Announcement in the same newspapers where the original Public Announcement had appeared. The Acquirer would pay such revised price for all the Shares tendered anytime during the Offer and accepted under the Offer
- Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer shall have the option to withdraw acceptance tendered by them upto three working days prior to the date of closure of the offer viz. April 7, 2003.
- This Letter of Offer, Form of Acceptance cum Acknowledgement and Form of Withdrawal would also be available on SEBI's website www.sebi.gov.in from the Offer opening date viz. March 12, 2003.

THE PROCEDURE FOR ACCEPTANCE OF THIS OFFER IS SET OUT IN SECTION 9.

FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT AND FORM OF WITHDRAWAL ARE ENCLOSED WITH THIS LETTER OF OFFER

MANAGER TO THE OFFER



DSP Merrill Lynch Limited
10th Floor, Mafatlal Center, Nariman Point
Mumbai 400 021
Tel: (91-22) 5632 8000
Fax: (91-22) 2204 8518
Email: hpl_openoffer@in.ml.com
Contact Person: Ajay Pancholi

REGISTRAR TO THE OFFER



Karvy Consultants Limited
46, Avenue 4, Street No 1, Banjara Hills
Hyderabad 500 034
Tel: (91-40) 2331 2454
Fax: (91-40) 2331 1968
Email: murali@karvy.com
Contact Person: Muralikrishna

OFFER OPENS ON : MARCH 12, 2003

OFFER CLOSSES ON : APRIL 10, 2003

SCHEDULE OF THE MAJOR ACTIVITIES OF THE OFFER:

Activity	Latest Date
Public Announcement Date	Thursday, February 6, 2003
Specified Date (for the purpose of determining the names of Shareholders to whom the Letter of Offer will be posted)	Friday, February 28, 2003
Date by which Letter of Offer to be dispatched to shareholders	Thursday, March 6, 2003
Date of opening of the Offer	Wednesday, March 12, 2003
Last date for revising the Offer Price	Monday, March 31, 2003
Last date for withdrawing acceptance from the Offer	Monday, April 7, 2003
Date of closing of the Offer	Thursday, April 10, 2003
Date of communicating rejection/ acceptance and payment of consideration for accepted tenders	Saturday, May 10, 2003

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(1) DEFINITIONS

Acquirer	Caterpillar Commercial S.A.
bn	billion
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services Limited
DP	Depository Participant
DSPML	DSP Merrill Lynch Limited
Eligible Persons for the Offer	All owners (registered or unregistered) of Shares of Hindustan Powerplus Limited, (except the Acquirer and Person acting in concert) anytime before the closure of the Offer
FEMA	Foreign Exchange Management Act, 1999
Form of Acceptance	Form of Acceptance cum Acknowledgement
HPL	Hindustan Powerplus Limited
Letter of Offer	Offer Document
Manager/ Manager to the Offer	DSP Merrill Lynch Limited
mn	million
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
Offer	Offer for acquisition of 19,779,914 fully paid up equity shares of face value of Rs.10/- each representing 62.25% of the voting share capital of Hindustan Powerplus Limited at a price of Rs. 32/- per fully paid up equity share
Offer Price	Rs. 32/- (Rupees Thirty two only) per fully paid up equity share of Rs.10/- each
Person(s) Acting in Concert/ PAC	Caterpillar Inc.
Public Announcement (PA)	Announcement of the Offer by Caterpillar Commercial S.A. on February 6, 2003
RBI	Reserve Bank of India
Registrar/ Registrar to the Offer	Karvy Consultants 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 and subsequent amendments thereto
Share(s)	Fully paid up equity shares of face value of Rs.10 each of Hindustan Powerplus Limited
Specified Date	February 28, 2003
Target Company	Hindustan Powerplus Limited

(2) DISCLAIMER CLAUSE

It is to be distinctly understood that filing of 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 Target Company to take an informed decision with regard to the Offer. SEBI does not take any responsibility either for financial soundness of Acquirer, or of PAC, or of Target Company, whose 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 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 Acquirer duly discharges its responsibility adequately. In this behalf, and towards this purpose, the Manager - DSP Merrill Lynch Limited has submitted a due diligence certificate dated

February 6, 2003 to SEBI in accordance with the SEBI (SAST) Regulations. The filing of the Letter of Offer does not, however, absolve 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

1. Caterpillar Commercial S.A., a company registered under the laws of Belgium alongwith its holding company Caterpillar Inc., registered under the laws of Delaware (USA), as PAC within the meaning of Regulation 2(1)(e) of SEBI (SAST) Regulations, is making a voluntary offer to the public shareholders of Target Company to acquire upto 19,779,914 fully paid up equity shares of Rs. 10/- each representing 62.25 % of the paid up equity share capital and being the balance outstanding equity share capital of Target Company at a price of Rs. 32/- (Rupees Thirty two only) per Share payable in cash.
2. No other person is acting in concert with the Acquirer for the purpose of this Offer.
3. Acquirer holds 11,995,200 (37.75%) equity shares in Target Company as on the date of Public Announcement. PAC does not hold any Shares in Target Company.
4. Acquirer has equal ownership and management control over the Target Company with the Indian promoters
5. Neither the Acquirer nor the PAC has acquired any Shares of Target Company during the period of 12 months prior to the date of this Public Announcement.
6. The Offer to the shareholders of Target Company is to consolidate holdings and is made in accordance with Regulation 11(1) of SEBI (SAST) Regulations.
7. None of Acquirer, PAC and Target Company has been prohibited by SEBI from dealing in securities, in terms of direction issued u/s 11B of SEBI Act 1992.

3.2 Details of the Offer

1. The Public Announcement dated February 6, 2003 was made in the following newspapers, in accordance with Regulation 15 of the SEBI (SAST) Regulations:

PUBLICATION	EDITION
Economic Times	All editions
Hindu	All editions
Business Line	All editions
Dinamani	All editions
Navbharat Times	All editions
Maharashtra Times	All editions

The Public Announcement is also available at the SEBI website www.sebi.gov.in

2. The Offer is pursuant to the decision of Acquirer on February 3, 2003 to consolidate its holding in the Target Company. The Public Announcement is in compliance with Regulation 14(1) of SEBI (SAST) Regulations.
3. The Offer to shareholders of Target Company is to acquire from them upto 19,779,914 equity shares of Target Company representing 62.25% of the voting share capital of Target Company, at a price of Rs. 32/- per share payable in cash
4. Acquirer will acquire all the Shares pursuant to the Offer.
5. The Shares will be acquired by Acquirer, free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights declared.
6. The Offer is not conditional on any minimum level of acceptance and is for the balance outstanding equity share capital of Target Company.

3.3 Object of the Offer

Global emission standards are changing rapidly worldwide, including India. Caterpillar Inc. is committed to comply with changing standards. This implies upgradation of technology and significant commitment of resources at HPL, which affect shareholders' returns. In order to provide public shareholders an opportunity to make an appropriate choice, Acquirer has decided to make this Offer.

4 BACKGROUND OF THE ACQUIRER AND PAC

4.1 Information on Caterpillar Commercial S.A. (Acquirer)

1. Caterpillar Commercial S.A. is a company incorporated under the laws of Belgium with its Registered Office at Avenue des Etats Unis, 1, B-6041, Charleroi (Gosselies), Belgium.
2. Acquirer is owned 99% by Caterpillar Inc. and 1% by Caterpillar Overseas S.A. Its main business activities consist of hose assembly, fabrication, fluid analysis, information services and cooling & sound design centre.
3. Acquirer has complied with applicable provisions of Chapter II of SEBI (SAST) Regulations within the specified time.
4. The Board of Directors of Acquirer as on February 6, 2003 was as under:

Name of the Director	Designation	Residential / Mailing Address
Vito H. Baumgartner	Chairman	14, Chemin de la molliete CH 1254 Jussy Switzerland
Giles A. Parsons	Director	9C, Plateau de Frontenex CH 1208 Geneva Switzerland
Gerard R. Vittecoq	Managing Director	248, Route de Cortenzaz F74380 Cranves-Sales France

None of the directors of Acquirer is on the Board of Target Company.

5. The key financials of Acquirer:

Profit & Loss Statement

For	Nov'99	Nov'99	Nov'00	Nov'00	Nov'01	Nov'01	Nov'02	Nov'02
	12 Months		12 Months		12 Months		12 Months	
	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Unaudited)</i>	
	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>
Income from Operations	0.4	21	1.2	62	23.1	1189	25.0	1287
Other Income	0.1	5	16.8	865	0.5	26	0.7	36
Total Income	0.5	26	18.0	927	23.6	1,215	25.7	1,323
Total Expense	(0.3)	(15)	(0.9)	(47)	(20.7)	(1,066)	(22.4)	(1,153)
PBDIT	0.2	11	17.1	880	2.9	149	3.3	170
Depreciation	–	–	(0.1)	(5)	(0.2)	(10)	(0.2)	(10)
Interest	–	–	(0.1)	(5)	(1.5)	(77)	(1.3)	(67)
Profit Before Tax	0.2	11	16.9	870	1.2	62	1.8	93
Tax	(0.3)	(16)	(0.4)	(21)	(0.5)	(26)	(0.7)	(36)
Profit / (Loss) After Tax	(0.1)	(5)	16.5	849	0.7	36	1.1	57

Balance Sheet

As on	Nov'99	Nov'99	Nov'00	Nov'00	Nov'01	Nov'01	Nov'02	Nov'02
	12 Months		12 Months		12 Months		12 Months	
	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Unaudited)</i>	
	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>	<i>Euro mn</i>	<i>Rs. mn</i>
Sources of funds								
Paid-up Share Capital	205.4	10,574	205.4	10,574	205.4	10,574	205.4	10,574
Reserves (excluding revaluation reserves)	165.9	8,541	163.9	8,438	164.6	8,474	165.6	8,525
Net Worth	371.3	19,115	369.3	19,012	370.0	19,048	371.0	19,099
Secured Loans	–	–	–	–	–	–	–	–
Unsecured Loans	–	–	–	–	–	–	–	–
Total Sources of Funds	371.3	19,115	369.3	19,012	370.0	19,048	371.0	19,099
Uses of funds								
Net Fixed Assets	–	–	0.8	41	1.2	62	1.1	57
Investments	370.8	19,089	370.9	19,094	403.1	20,752	403.1	20,752
Net Current Assets	0.5	26	(2.4)	(123)	(34.3)	(1766)	(33.2)	(1710)
Misc. Expenditure Not Written Off	–	–	–	–	–	–	–	–
Total Uses of Funds	371.3	19,115	369.3	19,012	370.0	19,048	371.0	19,099

Other Financial Data

For	Nov'99	Nov'99	Nov'00	Nov'00	Nov'01	Nov'01	Nov'02	Nov'02
	12 Months		12 Months		12 Months		12 Months	
	(Audited)		(Audited)		(Audited)		(Unaudited)	
	Euro	Rs.	Euro	Rs.	Euro	Rs.	Euro	Rs.
Dividend (%)	–	–	9%	9%	–	–	–	–
Earning per Share – EPS	–	–	37.3	1,920	1.5	77	2.4	124
Book Value per Share	839.2	43,202	834.6	42,965	836.1	43,042	838.5	43,166
Return on Net Worth – RONW (%)	–	–	4.5%	4.5%	0.2%	0.2%	0.3%	0.3%

Source: Audited Annual Reports for the year ended November 30, 1999, 2000, 2001 and Unaudited financials for the year ended November 30, 2002.

[1Euro = Rs.51.48, Source: www.rbi.org.in, February 4, 2003]

4.2 Information on Caterpillar Inc. (PAC)

1. Caterpillar Inc., (PAC) is registered as a Public Company under the laws of Delaware (USA) with its Registered Office at Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware.
2. PAC is engaged in three principal lines of business :
 - i) Machinery - design, manufacture, marketing of construction, mining and forestry machinery; and related parts.
 - ii) Engines - design, manufacture and marketing of engines for Cat machines, on-highway trucks and locomotives; marine, petroleum, construction, industrial and other applications; electric power generation systems; and related parts.
 - iii) Financial Products - financing to customers and dealers for the purchase and lease of Caterpillar and non-competitive related equipment, as well as financing for Caterpillar sales to dealers. Also provides various forms of insurance to customers and dealers to help support the purchase and lease of Caterpillar equipment.
3. PAC is 68% owned by institutions and banks. The shares of PAC are listed on the New York, Pacific and Chicago Stock Exchanges in the United States, and on stock exchanges in Belgium, France, Germany, Great Britain and Switzerland.
4. As the PAC does not hold any share in the Target Company, the reporting requirements under SEBI (SAST) Regulations are not applicable to PAC.
5. The Board of Directors of Caterpillar Inc. as on February 6, 2003 was as under:

Name of the Director	Designation	Residential / Mailing Address
Glen A. Barton	Chairman & CEO	100 N.E. Adams Street, Peoria, IL 61629-7210.
Lilyan H. Affinito	Director	870 U.N. Plaza, Apt. 17E, New York, NY 10017.
W. Frank Blount	Director	1040 Stovall Boulevard, N.E. Atlanta, GA 30319.
Dr. John R. Brazil	Director	Trinity University, 715 Stadium Drive, San Antonio, TX 78212.
John T. Dillon	Director	International Paper, International Paper Plaza, 400 Atlanta Street, Stamford, CT 06921.
Eugene V. Fife	Director	Vawter Capital, Managing Partner, Zero Court Square, Charlottesville, VA 22902.
Gail D. Fosler	Director	The Conference Board, 845 Third Avenue, New York, NY 10022-6679.

Name of the Director	Designation	Residential / Mailing Address
Juan Gallardo T.	Director	Grupo Embotelladoras Unidas, S.A. de C.V. Monte Caucazo 915, 4th Floor, Col. Lomas de Chapultepec, 11000 Mexico City, Mexico.
David R. Goode	Director	Norfolk Southern Corporation, Three Commercial Place, Norfolk, VA 23510-2191.
Peter A. Magowan	Director	San Francisco Giants, Pacific Bell Park, 24 Willie Mays Plaza, San Francisco, CA 94107.
William A. Osborn	Director	Northern Trust Corporation, 50 South LaSalle Street, Chicago, IL 60675.
Gordon R. Parker	Director	10101 E. Dry Creek Road, Englewood, CO 80112.
Lord Charles D. Powell	Director	Sagitta Asset Management Limited, Berkeley Square House, 4 th Floor Berkeley Square, London W1X 5PN, England.
Joshua I. Smith	Director	Coaching Group, LLC, 600 14 th Street, N.W., Suite 800, Washington, DC 20005-2004.

None of the directors of PAC is on the Board of Target Company.

6. The key financials of PAC:

Profit & Loss Statement

For	Dec'99	Dec'99	Dec'00	Dec'00	Dec'01	Dec'01	Dec'02	Dec'02
	12 Months		12 Months		12 Months		12 Months	
	(Audited)		(Audited)		(Audited)		(Unaudited)	
	US\$ mn	Rs. bn	US\$ mn	Rs. bn	US\$ mn	Rs. bn	US\$ mn	Rs. bn
Income from Operations	19,702	942	20,175	964	20,450	977	20,152	963
Other Income	196	9	83	4	143	7	74	3
Total Income	19,898	951	20,258	968	20,593	984	20,226	966
Total Expenses	(17,263)	(825)	(17,416)	832	(17,970)	859	(17,613)	842
PBDIT	2,635	126	2,842	136	2,623	125	2,613	125
Depreciation & Amortization	(945)	(45)	(1,022)	(49)	(1,169)	(55)	(1,220)	(58)
Interest (excluding interest on financial products)	(269)	(13)	(292)	(14)	(285)	(14)	(279)	(13)
PBT	1,421	68	1,528	73	1,169	56	1,114	53
Tax	(455)	(22)	(447)	(22)	(367)	(18)	(312)	15
Profit of Consolidated Companies	966	46	1,081	51	802	38	802	38
Profit / (Loss) of Unconsolidated Affiliated Companies	(20)	(1)	(28)	(1)	3	0.1	(4)	(0.1)
PAT	946	45	1,053	50	805	38	798	38

Balance Sheet

As on	Dec'99	Dec'99	Dec'00	Dec'00	Dec'01	Dec'01	Dec'02	Dec'02
	12 Months		12 Months		12 Months		12 Months	
	(Audited)		(Audited)		(Audited)		(Unaudited)	
	US\$ mn	Rs. bn	US\$ mn	Rs. bn	US\$ mn	Rs. bn	US\$ mn	Rs. bn
Sources of Funds								
Paid-up Share Capital	1,045	50	1,048	50	1,043	50	1,034	49
Reserves (excluding revaluation reserves)	4,420	212	4,552	217	4,568	218	4,438	212
Net Worth	5,465	262	5,600	267	5,611	268	5,472	261
Loan Funds	9,928	474	11,334	542	11,291	539	11,596	554
Term Liabilities	3,064	146	2,962	142	3,479	167	4,439	213
Total Sources of Funds	18,457	882	19,896	951	20,381	974	21,507	1,028
Uses of Funds								
Net Fixed Assets (including Goodwill & Intangibles)	6,744	322	7,095	339	8,274	395	8,729	417
Investments	553	26	551	26	787	38	747	36
Net Current Assets ⁽¹⁾	3,556	170	3,953	189	3,124	149	3,284	157
Other Assets	7,604	364	8,297	397	8,196	392	8,747	418
Misc. Expenditure Not Written Off	–	–	–	–	–	–	–	–
Total Uses of Funds	18,457	882	19,896	951	20,381	974	21,507	1,028

Other Financial Data

For	Nov'99	Nov'99	Nov'00	Nov'00	Nov'01	Nov'01	Nov'02	Nov'02
	12 Months		12 Months		12 Months		12 Months	
	(Audited)		(Audited)		(Audited)		(Unaudited)	
	US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.
Dividend (%)	43.4%		44.5%		45.7%		46.6%	
Earning per Share – EPS ⁽²⁾	2.7	129.0	3.0	143.3	2.4	114.7	2.3	109.9
Book Value per Share	15.4	735.8	16.3	778.8	16.3	778.8	15.9	759.7
Return on Net Worth – RONW (%)	17.3%		18.8%		14.3%		14.6%	

(1) Net Current Assets is net of long term loans payable within one year

(2) Assuming no dilution

Source: Audited Annual Reports for CY 1999, 2000, 2001 and Unaudited financials for CY 2002.

[1US\$ (US Dollar) = Rs. 47.78, Source: www.rbi.org.in, February 4, 2003]

4.3 Disclosure Regarding Acquirer's Future Plans for Target Company

Acquirer does not have any plans to dispose of or otherwise encumber any asset of Target Company in the next 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. Target Company's future policy of disposal of its existing business/assets, if any, will be decided by its Board of Directors in accordance with the applicable laws & regulations.

Further, Acquirer undertakes that in the next two years it shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company.

5. DELISTING OPTION

If pursuant to this Offer and / or acquisition of shares from the open market or through negotiation or otherwise during the Offer period, the public shareholding (i.e. other than that of the Acquirer) falls to 10% or below of the voting capital of Target Company, then Acquirer shall comply with the provisions of SEBI (Delisting of Securities) Guidelines, 2003.

6. BACKGROUND OF HINDUSTAN POWERPLUS LIMITED

1. Hindustan Powerplus Limited was incorporated on October 18, 1988. It is a public limited company having its registered office at 6-B, G.S.T. Road, St. Thomas Mount, Chennai 600016.
2. Target Company is engaged in the business of manufacture of Internal Combustion Diesel Engines and Generating sets.
3. Share Capital Structure of Target Company is as under:-

Paid up Equity Shares of Target Company	No. of Shares	% of Shares
Fully paid up equity shares	31,775,114	100
Total paid up equity shares	31,775,114	100
Total voting rights	31,775,114	100

4. There were neither any partly paid up equity shares nor outstanding convertible instruments as on date of the Public Announcement i.e. February 6, 2003.
5. Target Company has complied with applicable provisions of Chapter II of SEBI (SAST) Regulations within the specified time
6. The equity Shares of Target Company are listed on MSE and BSE.
7. Target Company is in compliance with the listing agreement and no punitive action has been initiated against the Company by the stock exchanges where its shares are listed.
8. There has been no merger/ de-merger, spin off in the last three years involving Target Company.
9. The Board of Directors of Target Company as on February 6, 2003 were as under:

Name	Designation	Date of Appointment	Residential/ Mailing Address
Mr. Chandrakant Birla	Chairman	18.10.1988	8/9, Alipore Road, Calcutta 700027.
Mr. Stuart L Levenick	Vice Chairman	21.01.2002	SBS Tower, 10-1, Yoga, 4-Chome, Setagaya-ku, Tokyo.
Mr. John Joseph Nichols	Director	21.01.2002	SBS Tower, 10-1, Yoga, 4-Chome, Setagaya-ku, Tokyo.
Mr. Duane E DeVore	Managing Director	01.04.2002	100/1 Ramagondana Halli, Whitefield Road, Bangalore 560066.
Mr. A. Sankara Narayanan	Director	18.11.1991	10, First Avenue, Harrington Road, Chennai 600031.
Mr. Pramod Chandra Agarwala	Director	18.10.1988	233, Lower Circular Road, Calcutta 700020.
Mr. Ashish Makhija	Director	28.08.2002	707 Suneja Towers II, 12 District Centre, Janakpuri, New Delhi 110058.
Mr. V Ramakrishnan	Director	28.08.2002	9/2 First Cross Street, Seethamma Colony, Alwarpet Chennai 600018.
Mr. R. Raghavan	Director	28.08.2002	No.47 (Old 19) Moosa Street, T Nagar Chennai 600017.
Mr. R. Ram Mohan	Alternate Director	02.05.2002	586 23 rd Cross, Bansankari II Stage, Bangalore 560070.
Mr. Robert Clayton Thompson	Alternate Director	02.05.2002	7, Tractor Road Jurung, Singapore.

Mr. Stuart L Levenick, Mr. John Joseph Nichols, Mr. Duane E DeVore, Mr. R. Ram Mohan and Mr. Robert Clayton Thompson represent the Acquirer.

10. Key financials of Target Company:

Profit & loss Statement (In Rs mn)

Financial Period Ending	Mar'00 12 Months	Mar'01 12 Months	Mar'02 12 Months
	Audited	Audited	Audited
Net Sales / Income from Operations	1576	1502	1575
Other Income	97	110	59
Total Income	1673	1612	1634
Total Expenditure	(1509)	(1429)	(1487)
Profit before Interest, Depreciation and Tax	164	183	147
Interest	(41)	(27)	(8)
Depreciation	(32)	(33)	(39)
Profit before Tax	91	123	101
Tax provision	(29)	(46)	(36)
Profit after tax	62	77	65

Balance Sheet (In Rs mn)

As on	Mar'00 12 Months	Mar'01 12 Months	Mar'02 12 Months
	Audited	Audited	Audited
Sources of funds			
Paid up share capital	318	318	318
Reserves & Surplus (excluding revaluation reserves)	602	662	674
Net Worth	920	980	992
Secured loans	90	77	82
Unsecured loans	150	—	—
Deferred Tax Liability	—	—	34
Total Source of Funds	1160	1057	1108
Uses of funds			
Net Fixed Assets	285	275	269
Investments	—	—	—
Net Current Assets	868	777	835
Misc. Expenditure not Written Off	7	5	4
Total Uses of Funds	1160	1057	1108

Other Financial Data

For	Mar'00 12 Months	Mar'01 12 Months	Mar'02 12 Months
	Audited	Audited	Audited
Dividend (%)	—	5%	5%
Earning per share – EPS (Rs.)	1.96	2.42	2.03
Return on Net worth – RONW (%)	6.8%	7.9%	6.5%
Book value per share (Rs.)	28.74	30.67	31.11

Source: Audited Annual Reports and financial results as published in the newspapers

Note:

- $EPS = \text{Profit After Tax} / \text{Total no. of shares outstanding}$
- $\text{Return on Net Worth} = \text{Profit after tax} / \text{Net Worth}$
- $\text{Book Value per share} = \text{Net Worth} / \text{No. of shares outstanding}$
- $\text{Net Worth} = \text{Paid-up Share Capital} + \text{Reserves \& Surplus} - \text{Miscellaneous Expenditure not written off}$

Profit & loss Statement (In Rs mn) (Unaudited)

Financial Period Ending	December '02 9 Months
Net Sales / Income from Operations	1113
Other Income	42
Total Income	1155
Total Expenditure	(1078)
Profit before Interest, Depreciation and Tax	77
Interest	(1)
Depreciation	(26)
Profit before Tax	50
Tax provision	(20)
Profit after tax	30

Source: Unaudited financial results as published in the newspapers

11. Shareholding pattern of Target Company as on February 6, 2003 and expected Post Offer shareholding pattern assuming full acceptance is detailed below:-

Shareholders' category	Shareholding & Voting rights prior to the agreement/ acquisition and Offer (A)	Shares/ Voting rights agreed to be acquired which triggered off the SEBI (SAST) Regulations 1997 (B)	Shares/ Voting rights acquired after the date of public announcement (C)	Shares/ Voting rights to be acquired in the open Offer (Assuming full acceptances) (D)	Shareholding/ Voting rights after the acquisition and Offer (A)+(B)+(C)+ (D) = (E)
1) Promoter Group					
a) Acquirer	11,995,200 (37.75%)	—	—	19,779,914 (62.25%)	31,775,114 (100%)
b) PAC	—				
c) Co-promoters*	11,997,234 (37.76%)				
2) Public (other than 1 above)					
a) FIs / MFs / FIIIs / Banks	401,200 (1.26%)				
b) Others	7,381,480 (23.23%)				
Total (2) (a)+(b)	77,82,680 (24.49%)				
Grand Total (1+2)	31,775,114 (100.00%)				31,775,114 (100.00%)

* Co Promoters are also eligible to participate in the offer

As of January 31, 2003, the Target Company has a total of 15,125 shareholders, including 15,079 shareholders under 2(b) above.

7. OFFER PRICE AND FINANCIAL ARRANGEMENTS

7.1 Justification of Offer Price

1. Equity shares of Target Company are listed on MSE and BSE.
2. The annualized trading turnover during the preceding six months ending January 31, 2003 in each of the Stock Exchanges is detailed below:

Name of Stock Exchange	Total number of shares traded during the preceding six calendar months ending January 31, 2003	Total number of listed shares	Annualised trading turnover (in terms of % of total listed shares)	Trading Status in terms of SEBI (SAST) Regulations
MSE	N.A.	31,775,114	N.A.	Infrequently Traded
BSE	862,276	31,775,114	5.4%	Frequently Traded

(Source: Bloomberg)

3. The Offer Price of Rs. 32/- (Rupees Thirty two only) per fully paid up equity share is justified in terms of Regulation 20(4) of the SEBI (SAST) Regulations as it is the highest of the following:-
 - a. Negotiated Price Not Applicable
 - b. Highest Price paid by Acquirer/ PAC for any acquisition including by way of allotment in a Public or Rights or Preferential issue during the 26 weeks prior to the date of Public Announcement Not Applicable
 - c. The average of weekly high and low of the closing prices of the shares of Target Company during the twenty six weeks preceding the date of public announcement on BSE

Week #	End Date	High (Rs)	Low (Rs)	Average (Rs)	Volume
1	14-August-2002	23.5	22.8	23.1	27,340
2	21-August 2002	22.3	21.6	21.9	10,720
3	28-August-2002	22.0	21.4	21.7	7,270
4	04-September-2002	21.3	19.7	20.5	24,995
5	11-September-2002	20.6	19.8	20.2	14,040
6	18-September-2002	23.1	19.7	21.4	78,435
7	25-September-2002	23.1	20.6	21.9	39,210
8	02-October-2002	21.5	19.2	20.3	5,590
9	09-October-2002	20.7	19.2	20.0	16,761
10	16-October-2002	20.1	20.0	20.1	4,625
11	23-October-2002	19.9	18.8	19.3	14,669
12	30-October-2002	18.8	18.3	18.5	13,050
13	06-November-2002	18.9	18.2	18.6	7,433
14	13-November-2002	19.0	18.0	18.5	9,454
15	20-November-2002	18.8	17.9	18.3	13,069
16	27-November-2002	20.6	19.4	20.0	20,747
17	04-December-2002	22.1	20.1	21.1	52,262
18	11-December-2002	22.0	20.0	21.0	41,187
19	18-December-2002	20.2	19.5	19.8	14,919
20	25-December-2002	23.2	19.6	21.4	141,277
21	01-January-2003	23.2	22.4	22.8	56,592
22	08-January-2003	22.5	21.6	22.1	28,215
23	15-January-2003	22.2	21.5	21.8	53,197
24	22-January-2003	23.1	22.0	22.5	48,948
25	29-January-2003	23.9	22.4	23.1	64,376
26	05-February-2003	24.4	23.5	23.9	53,952
				26 Weeks Average	20.9

- d. The average of daily high and low of the shares of Target Company during the two weeks preceding the date of public announcement on BSE

Day #	End Date	High (Rs)	Low (Rs)	Average (Rs)	Volume
1	23-January-2003	23.2	22.3	22.8	10,812
2	24-January-2003	23.8	22.0	22.9	16,048
3	27-January-2003	23.1	22.2	22.6	15,080
4	28-January-2003	24.5	23.1	23.8	15,885
5	29-January-2003	24.6	23.1	23.8	6,551
6	30-January-2003	23.5	23.1	23.3	4,100
7	31-January-2003	24.5	21.8	23.1	22,500
8	03-February-2003	24.6	23.8	24.2	3,250
9	04-February-2003	24.0	23.1	23.6	14,502
10	05-February-2003	24.3	23.3	23.8	9,550
2 Weeks Average				23.4	

4. The Offer Price of Rs. 32/- (Rupees Thirty two only) per fully paid up equity share is justified in terms of Regulation 20(5) of the SEBI (SAST) Regulations as it is the highest of the following:-

- | | |
|---|--|
| a. Negotiated Price | Not Applicable |
| b. Highest Price paid by Acquirer/ PAC for any acquisition including by way of a lotment in a Public or Rights or Preferential issue during the 26 weeks prior to the date of Public Announcement | Not Applicable |
| c. Other parameters | (Based on audited financials for 12 months ended March 31, 2002)
(annualized) |
| i. Return on Networth (%) | 6.5% |
| ii. Book Value per Share (Rs.) | Rs 31.11 |
| iii. Earning per Share (Rs.) | Rs 2.03 |
| iv. Price to Earnings Ratio (based on the Offer price) | 15.76x |
| v. Industry PE Ratio ⁽¹⁾ | 9.8x |

1. Source: Capital Market Vol. XVII/24 February 16, 2003, Industry: Engines

5. In the opinion of the Manager to the Offer and Acquirer, the Offer Price is justified.
6. If Acquirer or PAC acquires shares after the date of Public Announcement upto 7 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

- The total fund requirement for the acquisition of upto 19,779,914 equity Shares held by public shareholders in Target Company at Rs. 32/- per Share is Rs. 63,29,57,248 (Rupees Sixty three crores twenty nine lakhs fifty seven thousand two hundred and forty eight only). PAC, the 99% holding company of Acquirer, has approved vide letter dated February 3, 2003 to make available requisite funds to Acquirer to meet the obligation under Regulation 29 of SEBI (SAST) Regulations. The Manager to the Offer is satisfied about the ability of Acquirer to implement the Offer in accordance with SEBI (SAST) Regulations as firm financial arrangements are in place to fulfill the obligations under the SEBI (SAST) Regulations.
- In accordance with Regulation 28 of the SEBI (SAST) Regulations, Acquirer has created an Escrow Account in the form of a Bank Guarantee, issued by Citibank valid till September 30, 2003, in favor of DSPML – the Manager to the Offer, for an amount of Rs. 16,00,00,000/- (Rupees Sixteen crores only), being in excess of 25% of the total consideration.

Further, Acquirer has also made a cash deposit of US\$140,000 (US\$ One hundred forty thousand only) (Rs. 66,89,200/- (Rupees Sixty six lakhs eighty nine thousand two hundred only)) 1\$=Rs. 47.78, Source: www.rbi.org.in, February 4, 2003), being in excess of 1% of the maximum purchase consideration payable under this Offer, in a bank escrow account with Citibank, London. DSPML has been empowered to operate the escrow account in accordance with the SEBI (SAST) Regulations. An amount equal to 1% of the maximum purchase consideration payable under this Offer would be transferred from the aforesaid Bank Account to Citibank, Bangalore after the requisite approval has been obtained from RBI for opening and operating the Escrow Account in India.

8 TERMS AND CONDITIONS OF OFFER

8.1 Statutory Approvals & Conditions of the Offer

1. The Offer is subject to receipt by Acquirer of: -
 - i) Approval of Foreign Investment Promotion Board ("FIPB") or any other appropriate authority of Government of India.
 - ii) Approval of the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999 ("FEMA")

Besides the above, as on the date of the Public Announcement, no other statutory approvals are required to acquire the Shares tendered pursuant to this Offer. Acquirer will not proceed with the Offer in the event the statutory approval indicated above are refused in terms of Regulation 27 of SEBI (SAST) Regulations.

2. Acquirer has made an application to FIPB to obtain permission for the acquisition of shares.
3. Acquirer will make the requisite application to RBI to obtain permission under FEMA for the acquisition of shares.
4. In case of delay in receipt of statutory approval, SEBI has a power to grant extension of time to Acquirer for payment of consideration to shareholders, subject to Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by Acquirer in obtaining the requisite approval, Regulation 22(13) of SEBI (SAST) Regulations will also become applicable.
5. Shareholders, who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer shall have the option to withdraw acceptance tendered by them upto three working days prior to the date of closure of the offer, in terms of Regulation 22(5A) of SEBI (SAST) Regulations.

8.2 Others

1. Accidental omission to dispatch this Offer Document to any person to whom this Offer is made or the non-receipt or delayed receipt of this Offer Document by any such person will not invalidate this Offer in any way.
2. The Letter of Offer together with the Form of Acceptance cum Acknowledgement and Form of Withdrawal will be mailed to the shareholders of Target Company, whose names appear on the Register of Members of Target Company and owners of the shares of Target Company, whose names appear as beneficiaries on the records of the respective Depositories, at the close of business hours on February 28, 2003 (the "Specified Date"), except to the Acquirer and the PAC.
3. The Registrar to the Offer, M/s Karvy Consultants Limited, have opened a special depository account with CDSL styled "**KCL Escrow Account HPL Offer**". The details of the special depository account are as under:-

DP Name	M/s Karvy Consultants Limited
DP / Client ID	130144000010224

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

4. All owners (registered or unregistered) of Shares of Target Company, except Acquirer and PAC, anytime before the closure of the Offer are eligible to participate in the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer, on a plain paper stating acceptance of the Offer with Name, Address, No. of shares held, No. of shares offered, Distinctive Nos., Folio No., together with the original Share Certificate(s), valid transfer deed(s) and the original contract note issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners.

9. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF OFFER

1. Shareholders of Target Company, who wish to avail of this Offer are free to offer their shareholding in whole or part and should forward the under mentioned documents by registered post to the Registrar to the Offer at their office at **Karvy Consultants Limited, 46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034 Telephone No.: (040) 23312454, Fax no.: (040) 23311968 either by hand delivery on weekdays or by Registered Post, on or before** the close of the Offer, i.e. April 10, 2003 or at the Collection Centres, so as to reach the Registrar/ Collection Centres on or before the close of business hours i.e. 1600 hrs on April 10, 2003. **Shareholders are advised to ensure that the Form of Acceptance cum Acknowledgement and other documents are complete in all respects, otherwise the same is liable to be rejected. In the case of demat shares, the shareholders are advised to ensure that their shares are credited in favour of the special depository account before the closure of the Offer. The Form of Acceptance cum Acknowledgement of such demat shares, not credited in favour of the special depository account before the closure of the Offer, will be rejected.**

i. **For Equity shares held in physical form:-**

Registered Shareholders should enclose:-

Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.

- Original Share Certificate(s).
- Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with Target Company and duly witnessed at the appropriate place. A blank Share Transfer form is enclosed along with this Letter of Offer.

Unregistered owners should enclose:

- Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein.
- Original Share Certificate(s)
- Original broker contract note.
- Valid Share Transfer form(s) as received from the market.

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

ii. **For Equity shares held in demat form:-**

Beneficial owners should enclose

- Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (DP).
 - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.
 - For each Delivery Instruction, the beneficial owner should submit separate Form of Acceptance.
2. The share certificate(s), share transfer form(s) and the Form of Acceptance should be sent only to the Registrar to the Offer and not to the Manager to the Offer or Acquirer or PAC or Target Company.
 3. In case of non-receipt of the Letter of Offer, the eligible persons may send their consent, to the Registrar to the Offer, on a plain paper stating acceptance of the Offer with Name, Address, No. of Shares held, Distinctive Nos., Folio No., No. of shares offered, along with documents as mentioned above, so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. April 10, 2003 or in case of beneficial owners they may send their application in writing to the Registrar to the Offer, on or before the close of the Offer, i.e. April 10, 2003, on a plain paper stating acceptance of the Offer with Name, Address, No. of Shares held, No. of shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favour of the special depository account, or the eligible persons can write to the Manager to the Offer requesting for the Letter of Offer and Form of Acceptance cum Acknowledgement and fill up the same in accordance with the instructions given therein, so as to reach the Registrar to the Offer, on or before the close of the Offer, i.e. April 10, 2003. Unregistered owners should not sign the transfer deed and the transfer deed should be valid for transfer. Alternatively, the Letter of Offer and Form of Acceptance cum Acknowledgement will be available on SEBI's website: www.sebi.gov.in, from the date of opening of the Offer. The eligible persons can download the Form of Acceptance cum Acknowledgement from the SEBI's website and apply in the same.
 4. Shareholders who have sent their shares for dematerialization need to ensure that the process of getting shares dematerialized is completed well in time so that the credit in the Escrow Account should be received on or before the date of closure of the Offer i.e. April 10, 2003, else the application would be rejected.
 5. While tendering shares under the Offer, NRIs / OCBs / foreign shareholders will be required to submit the previous RBI Approvals (specific or general) that they would have obtained for acquiring shares of Target Company. **In case of previous RBI Approvals not being submitted, the Acquirer reserves the right to reject the shares.**

While tendering shares under the Offer, NRI / OCBs / foreign shareholders will be required to submit a Tax Clearance Certificate from the Income-Tax authorities, indicating the amount of tax to be deducted by the Acquirer under the Income-Tax Act, 1961 before remitting the consideration. In case the aforesaid Tax Clearance Certificate is not submitted, the Acquirer will arrange to deduct tax at the rate as may be applicable to the category of the shareholder under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder

6. In addition to the above mentioned address, the equity shareholders of the Target Company, who wish to avail of and accept the Offer can also deliver the Acceptance Form alongwith all the relevant documents at any of the collection centres below. All the centres mentioned herein below would be open as follows:

Monday to Saturday : 10.00 am to 7.00 pm

Address	Contact Person	Mode of Delivery	Phone No.	Fax
201/203, Shail, Opp. Madhusudan House, Near Navrangpura Telephone Exchange, Off. C G Road, Ahmedabad-380006	Mr. Aditya Gupta	Hand Delivery	(079) 26420422 / 26400527	(079) 26565551
TKN Complex, 51/2 Vani Vilas Road, Opp. National College, Basavannagudi, Bangalore-560004	Mr. Kishore / Mr. Malikarjun Swamy	Hand Delivery	(080) 6621184 / 1192	(080) 6621169
G1, Swathy Court, 22, Vijaya Raghava Road T Nagar, Chennai 600017	Mr. Alex Cherian	Hand Delivery	(044) 28153445 / 28151034	(044) 28153181
Karvy House, 46, Avenue 4, Street no-1, Banjara Hills, Hyderabad – 500 034	Ms. Anitha Mr. Nageshwar Rao	Hand Delivery / Registered Post	(040) 23312454 / 23320751-53	(040) 23311968
108-110, 1 st Flr, Anukampa Mansion- II, MI Road, Opp. Raymonds Showroom, Jaipur- 302 001	Mr. M B Maheshwari	Hand Delivery	(0141) 2375039 / 2363321	(0141) 2364660
49, Jatin Das Road, Kolkata –700029	Mr. Sujit Kundu	Hand Delivery	(033) 24647231 / 24644891	(033) 24644866
16/22, Bake House, Maharashtra Chamber of Commerce Lane, Opp. MSC Bank, Fort, Mumbai – 400 023	Ms. Varija Kotian	Hand Delivery	(022) 56382666	(022) 56331135
7, Andheri Industrial Estate Off. Veera Desai Road, Andheri (W), Mumbai 400053	Ms. Vishakha Shringarpure	Hand Delivery	(022) 26730799 / 26730843	(022) 26730152
105-108, Arunachal Building, 19, Barakhamba Road, Connaught Place, New Delhi – 110001	Mr. Michael George	Hand Delivery	(011) 23324401-5	(011) 23324621
1202/10, Viswas Bunglow, Off Ghole Road, Shivaji Nagar, Near Hotel Surya Pune – 411 004	Ms. Mrinalini Rokade / Ms. Vaishali	Hand Delivery	(020) 5530204 / 05	(020) 5533292
204, Star Chambers, Harihar Chowk, Dr. Rajendra Prasad Road, Rajkot – 360 001	Mr. Paresh Shah	Hand Delivery	(0281) 2239338 / 2239404	(0281) 2458937
M/7, Empire State Bldg, Ring Road, Nr. Udhana Darwaja, Surat- 395 002	Mr. Kirit Shah	Hand Delivery	(0261) 28357356 / 1976	(0261) 28368693
Sharad Apartment(Gr Flr), Opp. Rama Inn Hotel, Nr. Sayaji Gunj, Vadodara- 390 005	Mr. Rajan Patel	Hand Delivery	(0265) 2225469 / 70	(0265) 2363207

Applicants who cannot hand deliver their documents at the Collection Centers referred above, may send the same by Registered Post, at their own risk and cost, to the Registrar to the Offer at their address given below:

Karvy Consultants Limited, 46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034 Telephone No.: (040) 23312454, Fax no.: (040) 23311968

7. In terms of Regulation 22 (5A) of the SEBI (SAST) Regulations, shareholders desirous of withdrawing their acceptance tendered by them in the Offer, may do so upto three working days prior to the date of closure of the Offer. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centres mentioned above as per the mode of delivery indicated therein on or before April 7, 2003

The withdrawal option can be exercised by submitting the Form of withdrawal as enclosed with the Letter of Offer.

a Shareholders should enclose the following:-

i. For Equity Shares held in demat form: -

Beneficial owners should enclose

- Duly signed and completed Form of Withdrawal.
- Acknowledgement slip in original / Copy of the submitted Form of Acceptance cum Acknowledgement in case delivered by Registered A.D.
- 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.
- Acknowledgement slip in original/ Copy of the submitted Form of Acceptance cum Acknowledgement in case delivered by Registered A.D.
- 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.

iii Unregistered owners should enclose:

- Duly signed and completed Form of Withdrawal.
- Acknowledgement slip in original/ Copy of the submitted Form of Acceptance cum Acknowledgement in case delivered by Registered A.D.

In case of non-receipt of Form of withdrawal, the withdrawal option can be exercised by making a plain paper application alongwith the following details

- In case of physical shares: Name, Address, Distinctive Nos., Folio No., No. of Shares tendered and
- In case of dematerialised shares: Name, Address, No. of Shares offered DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favour of the special depository account.

b 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.

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

d The Form of Withdrawal should be sent only to the Registrar to the Offer.

e In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company.

f For equity shares held in physical form, partial withdrawal of tendered shares can be done only by registered shareholders and for equity shares held in demat form, partial withdrawal of tendered shares can be done by the beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance will stand revised to that effect.

- g Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
8. In case of delay in receipt of statutory approvals beyond May 10, 2003, interest will be payable for the delayed period in terms of Regulation 22(12) of SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by Acquirer in obtaining the requisite approvals, Regulation 22(13) of SEBI (SAST) Regulations will also become applicable.
 9. Payment of consideration will be made by crossed account payee cheque / demand draft and sent by registered post, to those shareholders/unregistered owners and at their own risk, whose shares/ share certificates and other documents are found in order and accepted by Acquirer. In case of joint registered holders, cheques /demand drafts will be drawn in the name of the sole/first named holder/unregistered owner and will be sent to him. **It is desirable that shareholders provide bank details in the Form of Acceptance cum Acknowledgment, so that same can be incorporated in the cheque / demand draft.**
 10. Unaccepted or withdrawn Share Certificate(s), transfer form(s) and other documents, if any, will be returned by Registered Post at the shareholders'/unregistered owners' sole risk to the sole/first named shareholder/unregistered owner. Unaccepted or withdrawn shares held in demat form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance cum Acknowledgement.
 11. The Registrar to the Offer will hold in trust the Share(s)/Share certificate(s), Shares lying in credit of the special depository account, Form of Acceptance cum Acknowledgement, if any, and the transfer form(s) on behalf of the shareholders/unregistered owner(s) of Target Company, who have accepted the Offer, till the cheques / drafts for the consideration and/or the unaccepted shares/ share certificates are despatched / returned.

10 DOCUMENTS FOR INSPECTION

The following material documents are available for inspection at the office of the Manager to the Offer DSP Merrill Lynch Limited from 10.30 a.m. to 1.00 p.m. on any day, except Saturdays, Sundays and Holidays, until the Offer closes:

1. Charter of the Acquirer and Bylaws of the PAC.
2. Annual Reports of Acquirer for the years ended November 30, 1999, 2000 and 2001 ; unaudited financial results for the year ended November 30, 2002
3. Annual Reports of PAC for the years ended December 31, 1999, 2000 and 2001 ; unaudited financial results for the year ended December 31, 2002
4. Memorandum and Articles of Association of Target Company
5. Annual Reports of Target Company for the years ending March 31, 2000, 2001 and March 31, 2002; published unaudited financial results for the 9-month period ended December 31, 2002
6. Bank Guarantee and Lien Letter in favor of Manager to the Offer, created for escrow account
7. Published copy of Public Announcement dated February 6, 2003
8. Letter dated February 3, 2003 confirming the arrangement of funds by PAC to Acquirer.
9. SEBI observation letter dated March 3, 2003.

11 DECLARATION BY ACQUIRER AND PAC

The Acquirer and PAC accept responsibility for the information contained in this Letter of Offer. The Acquirer and the PAC are jointly and severally responsible for fulfillment of their respective obligations under the SEBI (SAST) Regulations.

Caterpillar Commercial S.A.

&

Caterpillar Inc.

Sd/-

Duane E DeVore

Authorised Signatory

Place: Bangalore

Date : March 6, 2003

Encl.:

1. Form of Acceptance cum Acknowledgement
2. Form of Withdrawal
3. Transfer deed for shareholders holding 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)

FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT

FROM

OFFER	
OPENS ON	: MARCH 12, 2003
CLOSES ON	: APRIL 10, 2003

To, **Caterpillar Commercial S.A.**
C/o. Karvy Consultants Ltd.
46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034
Dear Sir,

Sub: Open Offer to acquire upto 19,779,914 fully paid up Equity Shares of Rs. 10/- each representing 62.25% of voting equity share capital and being the balance outstanding Equity Share Capital of Hindustan Powerplus Limited at a price of Rs. 32/- per Share ("Offer Price") along with Caterpillar Inc. payable in cash ("The Offer").

I/We refer to the Letter of Offer dated 6th March 2003, for acquiring the equity shares held by me/us in **Hindustan Powerplus Limited**.
I/We, the undersigned have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.
I/We, hold the following shares in physical form and accept the offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares as detailed below:

Ledger Folio No. _____ No. of Share Certificate(s) _____ No. of Shares _____

Sr. No	Certificate No.	Distinctive Nos.		No. of Shares
		From	To	
Total				

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

I/We confirm that the equity shares of **Hindustan Powerplus Limited** which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.
I/We note and understand that the original share certificate(s) and valid share transfer deed(s) will be held in trust for me/us by the Registrar to the Offer until the Acquirer makes payment of the purchase consideration as mentioned in the Letter of Offer.
I/We also note and understand that the Acquirer will pay the consideration only after verification of the documents and signatures.
I/We hold the following shares in Demat Form and accept the Offer and enclose a photocopy of the Depository Delivery Instruction(s) duly acknowledged by DP in respect of my/our equity shares as detailed below

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

I/We have done an off-market transaction for crediting the shares to the "**KCL Escrow Account HPL Offer**" whose particulars are,
DP Name - KARVY CONSULTANTS LTD. DP ID / Client ID - 130144000010224
I/We note and understand that the Shares would lie in the said A/c i.e. "**KCL Escrow Account HPL Offer**" until the Acquirer makes payment of the purchase consideration as mentioned in the Letter of Offer.
I/We authorise the Acquirer to accept the shares so offered, which they may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We further authorise the Acquirer to return to me/us, the equity share certificate(s) in respect of which the offer is not found valid/not accepted, specifying the reasons thereof and in the case of dematerialised shares, to the extent not accepted will be released to my Depository Account at my sole risk.
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 above.

The Permanent Account No. (PAN/GIR No.) allotted under the Income Tax Act 1961 is as under

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

So as to avoid fraudulent encashment in transit, the shareholder(s) holdings shares in physical form may provide details of bank account of the first/sole shareholder and the consideration payment will be drawn accordingly. For shares that are tendered in electronic form, the bank account details obtained from the beneficiary position download to be provided by the depositories will be considered and the consideration payment will be issued with the said bank particulars.

Name of the Bank	Account No.	Savings/Current/NRE/NRO/Others (please tick)
Address of the Branch		Pin

Yours faithfully,

Signed and delivered	FULL NAME(S)	SIGNATURE(S)
1 st Shareholder		
2 nd Shareholder		
3 rd Shareholder		

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

Place: _____ Date : _____(Tear Here) _____

Ack. Receipt

Caterpillar Commercial S.A.
C/o. Karvy Consultants Ltd., 46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034

Stamp of collection centre

Received from Mr./Ms./M/s. Form of Acceptance cum Acknowledgement

#..... Number of Share Certificates for.....shares/# Copy of the Delivery Instruction to (DP) for.....shares
Delete whichever is not applicable

INSTRUCTIONS

1. In the case of demat shares, the shareholders are advised to ensure that their shares are credited in favour of the special depository account, before the closure of the Offer. The Form of Acceptance cum Acknowledgement of such demat shares not credited in favour of the special depository account, before the closure of the Offer will be rejected.
 2. Shareholders should enclose the following:-
 - i. For Equity shares held in demat form:-

Beneficial owners should enclose

 - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (DP).
 - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.
 - For each Delivery Instruction, the beneficial owner should submit separate Form of Acceptance.
In case of non-receipt of the aforesaid documents, but receipt of the shares in the special depository account, the Offer shall be deemed to be accepted.
 - ii. For Equity shares held in physical form:-

Registered Shareholders should enclose:

 - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.
 - Original Share Certificate(s).
 - Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with Hindustan Powerplus Limited and duly witnessed at the appropriate place. A blank Share Transfer form is enclosed along with this Letter of Offer.
In case of registered shareholder, non-receipt of the aforesaid documents, but receipt of the share certificates along with the duly completed transfer form, the Offer shall be deemed to be accepted.

Unregistered owners should enclose:

 - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein.
 - Original Share Certificate(s).
 - Original broker contract note.
 - Valid Share Transfer form(s) as received from the market.
- The details of buyer should be left blank failing which the same will be invalid under the Offer. The details of the Acquirer as buyer will be filled by the Acquirer upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance.
3. The share certificate(s), share transfer form(s) and the Form of Acceptance should be sent **only** to the Registrar to the Offer and **not** to the Manager to the Offer or the Acquirer or **Hindustan Powerplus Limited**.
 4. Shareholders having their beneficiary account in NSDL have to use "INTER DEPOSITORY DELIVERY INSTRUCTION SLIP" for the purpose of crediting their shares in the favour of the special depository account with CDSL.
 5. Non resident shareholders should enclose a copy of the permission received from RBI for the equity shares held by them in Hindustan Powerplus Limited. If, the shares are held under General Permission of RBI the non resident shareholder should state that the shares are held under General Permission and whether on repatriable basis or non repatriable basis.
 6. Non resident shareholders should enclose No Objection certificate/ Tax Clearance certificate from the Income Tax Authorities under Income-Tax Act, 1961, indicating the tax to be deducted by the Acquirer before remittance of consideration otherwise tax will deducted at marginal rate as may be applicable to the category of the shareholder on the consideration payable by the Acquirer.

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

Karvy Consultants Limited,
(Unit : Hindustan Powerplus Limited)
46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034
Tel: (91-40) 23312454 Fax: (91-40) 23311968



INSTRUCTIONS

1. **Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at any of the Collection Centers mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal i.e. Monday, April 07, 2003.**
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.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction (TIFD) 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.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - 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 Hindustan Powerplus Limited and duly witnessed at the appropriate place.
 - iii. Unregistered owners should enclose:-
 - Duly signed and completed Form of Withdrawal.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
3. The withdrawal of Shares will be available only for the Share certificates/the Shares that have been received by the Registrar to the Offer/ Special Depository Escrow Account.
4. The intimation of returned Shares to the Shareholders will be at the address as per the records of the Target Company/ Depository as the case may be.
5. The Form of Withdrawal should be sent only to the Registrar to the Offer.
6. In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company. The facility of partial withdrawal is available only 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.
8. The Form of Withdrawal and other related documents should be submitted at any of the Collection Centers of Karvy Consultants Limited stated in Paragraph 9(6) of the Letter of Offer.
9. Applicants who cannot hand deliver their documents at the Collection Centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at **Karvy Consultants Limited, 46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034** so as to reach the Registrars on or before the last date of withdrawal i.e. Monday, April 07, 2003.

----- Tear along this line -----

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

Karvy Consultants Limited
(Unit : **Hindustan Powerplus Limited**)
46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034
Tel. : 040 - 2331 2454 / 2332 0251 Fax : 040 - 2331 2946

