

LETTER OF OFFER
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer (LOO) is sent to you as equity shareholder(s) of Kapashi Commercial Limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or Keynote Corporate Services Ltd.(Manager to the Offer). In case you have sold your shares in the Company, please hand over this LOO and the accompanying Form of Acceptance cum acknowledgment and Transfer Deed to the Member of Stock Exchange through whom the said sale was effected.

VOLUNTARY CASH OFFER AT A PRICE OF RS. 22/- (RUPEES TWENTY TWO ONLY) PER EQUITY SHARE
[Pursuant to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto]

TO ACQUIRE

from existing equity shareholders upto 2,93,100 equity shares of Rs. 10/- each representing 29.31% of the voting share capital of

KAPASHI COMMERCIAL LIMITED

having its registered office at 'NISHUVI', 4th Floor, 75, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

Tel: (044) 2497 3526 Fax: (044) 2495 0465

By

SHRI SEVANTILAL S. KAPASHI, SHRI PARESH S. KAPASHI

both residing at 703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006

Tel: (044) 2362 8746

Alongwith

SHRI INDUBHAI S. KAPASHI & SHRI NIMISH I. KAPASHI

both residing at 503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006

Tel: (044) 2363 5008

Approval of RBI will be required for transfer of equity shares received from NRI shareholders. Other than this as on the date no approvals, statutory or otherwise, are required under the Companies Act 1956, Monopolies and Restrictive Trade Practices Act, 1969, the Foreign Exchange Management Act. 1999 and /or any other applicable laws and from any bank and/ or financial institutions for the said acquisition.

The shareholders shall have the option to withdraw acceptance tendered by them upto three working days prior to the date of closure of the offer i.e. 11/03/2004.

In case of any upward revision/withdrawal of the offer, the Public Announcement for the same would be made in the same newspapers where the original Public Announcement has appeared. The last date for such upward revision, if any, is 04/03/2004. Acquirers will pay the same price for all equity shares tendered during the offer period.

Equity Shareholders may note that if there is a competitive bid,

- **The public offers under all the subsisting bids shall close on the same date.**
- **As the offer price can not be revised during 7 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 & Letter of Offer (including form of acceptance cum acknowledgement and form of withdrawal) is also available at the website of SEBI www.sebi.gov.in

Manager to the Offer

KEYNOTE

CORPORATE SERVICES LTD.

307, Regent Chambers,

Nariman Point, Mumbai-400 021.

Tel: 022 - 22025230 Fax: 022- 22835467

e-mail:Keynote @ vsnl.com

SEBI Regn: INM000003606

AMBI Regn No.: AMBI/040

Name of the Contact Person: Ms. Sangya Mishr

Activity	Date	Day
Public Announcement (PA) Date	19/12/2003	Friday
Last date for competitive bid	09/01/2004	Friday
Specified Date	17/01/2004	Saturday
Date by which Letter of Offer will be despatched to the shareholders	31/01/2004	Saturday
Offer Opening Date	16/02/2004	Monday
Last date for revising the offer price / number of shares	04/03/2004	Thursday
Last Date for withdrawal of acceptance by the shareholders	11/03/2004	Thursday
Offer Closing Date	16/03/2004	Tuesday
Date by which the rejection, if any, would be intimated	30/03/2004	Tuesday
Date by which payment of consideration for the accepted applications would be made	14/04/2004	Wednesday

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DEFINITIONS

Acquirers	:	Shri Sevantilal S. Kapashi , Shri Paresh S. Kapashi ,Shri Indubhai S. Kapashi & Shri Nimish I. Kapashi
Date of Public Announcement	:	19/12/2003
Letter of Offer/LOO	:	This Letter of Offer dated 23/01/2004
Persons Eligible to participate in the Offer	:	Equity shareholders of Kapashi Commercial Ltd. (other than 'Acquirers' and 'other Persons in the promoter group') whose names appear on the Register of the Members of Kapashi Commercial Ltd. at the close of business hours on 17/01/2004 (the " Specified Date ") and also to those persons who own the shares at any time prior to the closure of the offer, but are not the registered equity shareholders.
SEBI	:	Securities and Exchange Board of India
Specified Date	:	17/01/2004, Saturday
The Regulations / SEBI (SAST) Regulations 1997	:	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof.
Target Company or KCL	:	Kapashi Commercial Ltd.
Manager to the Offer/ Merchant Banker	:	Keynote Corporate Services Ltd.
Book Value per share/BV	:	[(Share Capital + Reserves (net of revaluation reserves) - (Miscellaneous expenses to the extent not written off)]/No. of equity shares

1. 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 REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE EQUITY SHAREHOLDERS OF KAPASHI COMMERCIAL LTD. TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRERS OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRERS DULY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER KEYNOTE CORPORATE SERVICES LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 26/12/2003 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

2. DETAILS OF THE OFFER

2.1 Background of the offer

Shri Sevantilal S. Kapashi, Shri Paresh S. Kapashi both residing at 703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006 alongwith Shri Indubhai S. Kapashi & Shri Nimish I. Kapashi both residing at 503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006 (hereinafter referred to as the ‘Acquirers’) are collectively holding 4,06,046 equity shares of Rs. 10/- each being 40.60% of the issued and paid up equity share capital of **KAPASHI COMMERCIAL LIMITED** (hereinafter referred to as ‘KCL’ or ‘Target Company’). The Acquirers are the part of the promoter group of KCL. The Acquirers alongwith the other persons in the promoter group are holding 6,06,846 equity shares of Rs.10/- each of KCL forming 60.68% of the paid up equity share capital of the KCL.

Promoters other than the acquirers holding 20.08% of the equity share capital of KCL would be deemed Persons Acting in Concert (PACs) for the purpose of this offer and they will not be eligible to participate in the offer.

2.2 Details Of The Proposed Offer

- a) The Acquirers have announced their intention to make a voluntary public offer to the existing equity shareholders of KCL at a price of Rs. 22/- per share through a public announcement which was published on 19/12/2003 in compliance with Regulation 15 of the Regulations in all editions of ‘Financial Express’ being English National Daily, ‘Jansatta’ being Hindi National Daily, ‘Tarun Bharat’ being Marathi Daily with wide circulation where registered office of KCL is located. A copy of the Public Announcement is also available on the SEBI website at www.sebi.gov.in.
- b) The Acquirers have announced a voluntary offer under the Regulations, to acquire by tender upto 2,93,100 equity shares of Rs.10/- each of KCL representing 29.31% of its paid up equity share capital from the remaining equity shareholders of KCL (other than the Acquirers and other persons in promoter group) on the terms and subject to the conditions set out in this Letter of Offer, at a price of Rs. 22/- (Rupees Twenty Two Only) per fully paid-up equity share (the “Offer Price”) payable in cash (the “Offer”). There are no partly paid-up shares of KCL.

- c) Pursuant to the offer the holding of the Acquirers and other persons in the promoter group would increase to 8,99,946 equity shares of Rs. 10/- each forming 89.99% of the paid-up capital of KCL.
- d) The offer is not subject to any minimum level of acceptance.
- e) The equity shares of KCL are listed on the Stock Exchange, Mumbai (BSE). The equity shares of the Company are infrequently traded on BSE in terms of explanation (i) to Regulation 20(5) of the Regulations. The offer price of Rs. 22/- per share, has been determined as per Regulation 20(5) of the Regulations.
- f) The Acquirers and other persons in the promoter group / KCL are not included in the list of persons / entities debarred from accessing the capital market under Section 11 B of the SEBI Act, 1992 and no action has been taken by SEBI against them under any other Regulation.
- g) The equity shares of KCL to be acquired, pursuant to the Offer, shall be free from all liens, charges and encumbrances and together with all rights attached thereto, including the rights to all dividends or other distributions hereinafter declared, made or paid.

3. BACKGROUND OF ACQUIRERS

Shri Sevantilal S. Kapashi

- a) Shri Sevantilal S. Kapashi (69 years) residing at 703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400006 is a B.S. (Tech), M.S. (U.S.A). He is the whole-time director of KCL and has an experience of 50 yrs in trading in steel and development of property.
- b) M/s D.V.Vora & Co., Chartered Accountants (Membership No. 30013, Tel No. 22019741, Fax No. 22077945) having their office at 4, Bhangwadi Shopping Arcade, Kalabadevi Road, Mumbai – 400 002 have certified vide certificate dated 12/11/2003 that the networth of Shri Sevantilal S. Kapashi as on 31/10/2003 is Rs.1672.66 lacs and he has immediate access to liquid assets of atleast a sum of Rs. 588.00 lacs.
- c) Shri Sevantilal S. Kapashi is currently holding 96902 equity shares of KCL individually and through an HUF account where he is the Karta. He is not a director in any listed company.

Shri Paresh S. Kapashi

- a) Shri Paresh S. Kapashi (37 years) residing at 703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400006 is a B.E. (Civil), MBA. He is one of the directors of KCL and has an experience of 10 years in trading in steel.
- b) M/s D.V.Vora & Co., Chartered Accountants (Membership No. 30013, Tel No. 22019741, Fax No. 22077945) having office at 4, Bhangwadi Shopping Arcade, Kalabadevi Road, Mumbai – 400 002 vide certificate dated 12/11/2003 certified that the networth of Shri Paresh S. Kapashi as on 31/10/2003 is Rs.1234.30 lacs and he has immediate access to liquid assets of atleast a sum of Rs. 452.00 lacs.
- c) Shri Paresh S. Kapashi is currently holding 1,03,400 equity shares of Rs. 10/- each of KCL individually and through an HUF account where he is the Karta. He is not a director in any listed company.

Shri Indubhai S. Kapashi

- a) Shri Indubhai S. Kapashi (67 years) residing at 503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400006 is S.S.C. He is the whole-time director of KCL and has an experience of 48 years in trading in steel and development of property.
- b) M/s D.V.Vora & Co., Chartered Accountants (Membership No. 30013, Tel No. 22019741, Fax No. 22077945) having office at 4, Bhangwadi Shopping Arcade, Kalabadevi Road, Mumbai – 400 002 vide certificate dated 12/11/2003 certified that the networth of Shri Indubhai S. Kapashi as on 31/10/2003 is Rs.1622.76 lacs and he has immediate access to liquid assets of atleast a sum of Rs. 490.00 lacs.
- c) Shri Indubhai S. Kapashi is currently holding 1,09,844 equity shares of Rs. 10/- each of KCL individually and through an HUF account where he is the Karta. He is not a director in any listed company.

Shri Nimish I. Kapashi

- a) Shri Nimish I. Kapashi (33 years) residing at 503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006 is B, Sc. He is one of the directors of KCL and has an experience of 7 years.
- b) M/s D.V.Vora & Co., Chartered Accountants (Membership No. 30013, Tel No. 22019741, Fax No. 22077945) having office at 4, Bhangwadi Shopping Arcade, Kalabadevi Road, Mumbai – 400 002 vide certificate dated 12/11/2003 certified that the networth of Shri Nimish I. Kapashi as on 31/10/2003 is Rs.1292.76 lacs and he has immediate access to liquid assets of atleast a sum of Rs. 368.00 lacs.
- c) He is currently holding 95,900 equity shares of Rs. 10/- each of KCL. He is not a director in any listed company.

Acquirers are a part of the promoter group of KCL. Other persons in the promoter group namely Mrs. Sushila Sevantilal Kapashi, Mrs. Mona Snehal Kothari, Mrs. Nandini Paresh Kapashi, Miss Riah Paresh Kapashi, Mrs. Nitina Indukumar Kapashi & Ms. Sejal Indukumar Kapashi are holding 2,00,800 equity shares forming 20.08% of the paid up capital of the company. Other persons in the promoter group are not acquiring any shares under the voluntary offer.

Acquirers as well as other persons in the promoter group have been complying with the provisions of Chapter II of the Regulations. The Acquirers and other persons in the promoter group are not included in the list of persons / entities debarred from accessing the capital market under Section 11 B of the SEBI Act, 1992 and no action has been taken by SEBI against them under any other Regulation.

4. RATIONALE FOR THE OFFER

- a) Acquirers along with other persons in promoter group are holding 6,06,846 equity shares forming 60.68% of the paid-up equity share capital of KCL. The acquirers forming part of promoter group wish to consolidate their holding beyond the percentage limit as prescribed in Regulation 11(1). Hence the present offer under the Regulations is being made by the Acquirers.
- b) Acquirers do not have any plan to dispose off or otherwise encumber any of the assets of KCL in the two years from the date of closure of the offer except in the ordinary course of business of KCL. Acquirers shall not dispose off, sell or otherwise encumber any substantial assets of KCL except with prior approval of the shareholders.

5. DELISTING OPTION TO KCL

As a consequence of the offer the public shareholding in KCL will not be reduced to 10% or less of the voting capital of the Company. Hence provision of Reg. 21(3) of the regulations are not applicable.

Acquirers have undertaken that they would not be acquiring any shares of KCL from the open market or otherwise during the offer period over and above the offer of 29.31%.

6. BACKGROUND OF KCL

- a) Kapashi Commercial Limited was incorporated as a Public Limited company on 11/09/1985 under the Companies Act, 1956. The Company has its registered office at 'NISHUVI', 4th Floor, 75, Dr. Annie Besant Road, Worli, Mumbai - 400 018. The Company is presently engaged in the business of trading in metal and metal products like Tisco Rebar, Hot Rolled Steel Plate and Aluminum Alloys Ingots.
- b) The company made its first public issue of 4,99,993 equity shares of Rs. 10/- each at par in the year 1986. Thereafter the company made a bonus issue of shares in the ratio of 1:1 (One equity share for every equity share held) in 1995. The company has complied with applicable provisions of SEBI Act, 1992 in this regard. Other than this the company has not made any public/ rights/preferential allotment of equity shares.

The issued and subscribed share capital of the Company comprises of 10,00,000 equity shares of Rs. 10/- each aggregating to Rs. 100.00 lacs. There are no partly paid up shares in the Company. There has been no merger/demerger/spin off in the company during the past three years.

Paid up equity share capital of the Company	No. of shares / voting rights	% of shares / voting rights
Fully paid up equity shares	10,00,000	100
Partly paid up equity shares	NIL	NIL
Total paid up equity shares	10,00,000	100
Total voting rights in the Target Company	10,00,000	100

- c) The equity shares of KCL are listed on BSE and have not been traded since the last three years. There are no outstanding instruments in the nature of warrants / fully convertible debentures / partly convertible debentures etc. which are convertible into equity at any later date. There are no equity shares under lock-in period. The equity shares of the company are included by BSE in the list of securities to be traded in compulsory dematerialised mode. However the company has not entered into any agreement with the depositories for getting the equity shares of the company dematerialised. Hence the equity shares of the Company are included in 'Z' category by BSE.
- d) The composition of the Board of Directors as on the date of Public Announcement (19/12/2003) is as follows:

Name	Designation	Address
Mr. Sevantilal Kapashi	Whole Time Director	703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006.
Mr. Indubhai Kapashi	Whole Time Director	503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006.
Mr. Paresh S. Kapashi	Director	703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006.
Mr. Nimish I. Kapashi	Director	503, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006.

Name	Designation	Address
Mr. Atul V. Vora	Director	165/6, Vardhaman Nagar, 1 st Floor, Sion West, Mumbai – 400 022.
Mr. M. P. Shah	Director	17, Sharda, 'A' Road, Churchgate, Mumbai – 400 020

- e) The Company has been regular in complying with the provisions of the listing agreement entered into with BSE and has complied with the provisions of Chapter II of the SEBI (SAST) Regulations, 1997. KCL has complied with Regulation 6(2), 6(4) and 8(3) for the year 1999 under the SEBI Regularization Scheme, 2002. No action has been taken by SEBI against the company under any regulation made under the SEBI Act, 1992.
- f) The brief audited financials of the Target Company for the past three years & un-audited financial results for six months ended 30/09/2003 are as follows:

Profit & Loss Account

(Rs. in lacs)

Particulars (for the period ended 31 st March)	2000-01	2001-02	2002-03	Unaudited Results for 6 months Ended 30/09/2003*
Income from operations	562.19	561.38	275.44	7.55
Other income	110.81	111.26	336.28	76.97
Decrease in stock in trade	16.63	(9.64)	(6.99)	-
Total	689.62	663.25	604.73	84.52
Expenditure	589.68	565.13	342.61	25.84
Profit/ (Loss) before Interest, Depreciation & Tax	99.94	98.12	262.12	58.68
Interest	91.85	105.19	116.26	1.59
Depreciation	6.56	3.72	1.92	1.02
Add (Less) Other items	(12.29)	(2.54)	(59.09)	-
Profit / (Loss) Before Tax	(10.76)	(13.33)	84.85	56.07
Provision for Taxation				
Add: Excess provision for tax	3.19	1.34	0.08	-
Less: Provision for tax	(1.75)	-	-	-
Profit / (Loss) After Tax	(9.32)	(11.99)	84.93	56.07

* The unaudited financial results for the half year ended 30/09/2003 have been certified by the statutory auditors M/s D. V. Vora & Co.

Notes:

- During the year 2001-02 the company has incurred a loss of Rs. 13.33 lacs as against a loss of Rs. 10.76 Lacs in the previous year. There is a nominal increase in loss due to lower sales realisation. During the year 2002-2003 the company has reported a profit of Rs. 84.92 lacs. This is primarily due to an increase in the Other Income by Rs. 225.02 Lacs.
- The sources of other income as stated in the P&L Account for the period ended 31/03/2003 include Interest Income (Rs. 16.19 Lacs), Dividend Income (Rs. 2.67 Lacs), Interest received on Income Tax refund (Rs. 1.07 Lacs), commission received (Rs. 32.27 Lacs), Profit on Sale of Vehicles (Rs. 0.39 Lacs), Short Term Profit (Rs. 4.89 Lacs) and share of profit from firms (Rs. 278.80 Lacs).

(Rs. in Lacs)

Balance Sheet As on 31st March (Audited)	2000-01	2001-02	2002-03
Sources of funds			
Paid up share capital	100.00	100.00	100.00
Reserves and Surplus (excluding revaluation reserves)	60.15	60.15	114.44
Networth	160.15	160.15	214.44
Secured loans	157.62	161.45	81.36
Unsecured loans	545.31	696.83	765.61
Deferred Tax Liability	-	-	-
Total	863.09	1018.43	1061.41
Use of funds			
Net fixed assets	122.10	115.63	44.16
Investments	375.79	424.73	569.07
Net current assets	346.56	447.44	448.18
Total miscellaneous expenditure not written off	-	-	-
P&L A/c	18.64	30.63	-
Total	863.09	1018.43	1061.41

Other Financial Data	2000-01	2001-02	2002-03
Dividend (%)	-	-	-
Earning Per Share (Rs.)	-	-	8.49
Return on Networth (%)	-	-	35.18
Book Value Per Share (Rs.)	14.15	12.95	21.44

g) Pre and Post- Offer equity shareholding pattern of the Target Company is as follows:

Shareholder's category	Shareholding & voting rights prior to the offer.		Shares / voting rights agreed to be acquired which triggered off the Regulations. (B)		Shares/voting rights to be acquired in open offer (Assuming full acceptances) (C)		Share holding / voting rights after the acquisition and offer (D)	
	No.	%	No.	%	No.	%	No.	%
1. Promoter Group								
a) Acquirers								
Shri Sevantilal S. Kapashi	96,902	9.69	N.A.	N.A.				
Shri Paresh S. Kapashi	1,03,400	10.34						
Shri Indubhai S. Kapashi	1,09,844	10.98			2,93,100	29.31	6,99,146	69.91
Shri Nimish I. Kapashi	95,900	9.59						
b) Others*	2,00,800	20.08			-	-	2,00,800	20.08
Sub Total 1(a + b)	6,06,846	60.68					8,99,946	89.99
2. Parties to agreement other than (1) (a)	NOT APPLICABLE							
3. Public (other than Acquirers and other persons in promoter group)								
a) FIs/MFs/FIIs/ Banks, SFIs	-	-					-	-
b) Others (No. of shareholders: 316)	3,93,154	39.32					1,00,054	10.01
Sub-total 3 (a + b)	3,93,154	39.32					1,00,054	10.01
Total (1+2+3)	10,00,000	100.00	--	--	2,93,100	29.31	10,00,000	100.00

*Promoters other than the acquirers holding 20.08% of the equity share capital of KCL would be deemed PACs for the purpose of this offer and they will not be eligible to participate in the offer.

7. OFFER PRICE

Justification of Offer Price:

The equity shares of KCL are listed on The Stock Exchange, Mumbai (BSE) The annualised trading turnover of the equity shares of the Company on the on the Stock Exchange, Mumbai (BSE) is as shown below:

Name of stock exchange	Total no. of shares traded during the 6 calendar months prior to the month in which PA was made.	Total no. of listed Shares	Annualized Trading turnover (in terms of % to total listed shares)
BSE	NIL	10,00,000	NIL

The equity shares of KCL are infrequently traded on the BSE in terms of explanation (i) to Regulation 20(5) of the SEBI (SAST) Regulations, 1997.

The offer price of Rs. 22/- per share, has been determined in terms of Regulation 20(5) taking into account the following factors:

- Acquirers have not acquired equity shares of KCL through any agreement.
- The Acquirers have not acquired any equity shares of KCL during the twenty-six weeks period prior to the date of public announcement including by way of allotment in public or rights or preferential issue.
- As per the audited accounts for the year ended 31/03/2003 the company has reported a Profit After Tax (PAT) of Rs. 84.92lacs and an Earnings Per Share of Rs. 8.49. The Return on Networth is 39.60% and the Book Value of the shares is Rs. 21.44 per share. As per the unaudited financials for the half-year ended 30/09/2003 the company reported a net profit of Rs. 56.07lacs and an Earnings per share of Rs. 5.61.

The equity shares of KCL have not been traded on BSE since past three years.

The price of Rs. 22/- represents a price to book value (PBV) of 1.03 times which is 119.14 % more than the average PBV ratio of the industry segment in which the company operates (source capital market Nov. 24 – Dec.7, 2003: Sector- “Trading”)

In view of the above the price of Rs. 22/- per share being more than the Book Value is justified. The Acquirers and other persons in the promoter group have not acquired any equity shares of KCL during the 12 months period prior to the date of Public Announcement.

If the Acquirers acquire any equity share of KCL after the date of the 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 will be payable for all the shares tendered in the offer and accepted under the offer.

8. FINANCIAL ARRANGEMENT

- a) The total funds required to implement the offer are Rs. 64,48,200/-(Rupees Sixty Four Lacs Forty Eight Thousand Two Hundred Only). The Acquirers have deposited the sum of Rs.16.50 lacs being more than 25% of the of the total consideration in an Escrow Account in terms of Regulation 28 with Global Trust Bank, Opera House, Mumbai in the form of Fixed Deposit. The Acquirers have duly authorized the Manager to the Offer to realise the value of the Escrow Account in terms of the Regulations.
- b) The Manager to the Offer is satisfied about the ability of the Acquirers to implement the offer as firm financial arrangement through verifiable means is in place to fulfill the offer obligation. Funds for implementing the said offer will be from internal resources of the Acquirers and not through any banks / financial institutions or through foreign resources i.e. from Non-resident Indians or otherwise.

9. TERMS AND CONDITIONS OF THE OFFER

- a) **Eligibility for accepting the Offer:** The offer is being made to the equity shareholders of KCL (other than ‘Acquirers’ and ‘other persons in promoter group’) whose names appear on the Register of the Members of KCL at the close of business hours on 17/01/2004 (the “**Specified Date**”) and also to those persons who own the equity shares at any time prior to the closure of the offer, but are not the registered equity shareholders.

Promoters other than the acquirers holding 20.08% of the equity share capital of KCL would be deemed PACs for the purpose of this offer and they will not be eligible to participate in the offer.

- b) **Statutory Approvals:** Approval of RBI will be required for transfer of equity shares received from NRI shareholders. Other than this as on the date of this Announcement no approvals, statutory or otherwise, are required under the Companies Act 1956, Monopolies and Restrictive Trade Practices Act, 1969, the Foreign

Exchange Management Act, 1999 and /or any other applicable laws and from any bank and/ or financial institutions for the said acquisition.

In case of non receipt of the approval stated above, SEBI may, if satisfied that non receipt of the requisite approvals was not due to any wilfull default or neglect of the Acquirers or failure of the Acquirers to diligently pursue the application for the approval, grant extension of time for the purpose, subject to the Acquirers agreeing to pay interest to the shareholders for delay beyond 30 days, as may be specified by SEBI from time to time.

- c) Subject to the conditions governing this Offer as mentioned in the Letter of Offer, the acceptance of this offer by the equity shareholders of KCL must be absolute and unqualified. Any acceptance to this offer which is conditional and incomplete in any respect will be rejected without assigning any reason whatsoever.

10. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT.

10.1 Procedure for accepting the offer by eligible persons

The equity shareholders of KCL who qualify and who wish to avail of this Offer (hereinafter referred to as "Acceptor") will have to deliver the relevant documents as mentioned below to the Manager to the offer, Keynote Corporate Services Limited at their address mentioned on the cover page of this Letter of Offer by hand delivery or Registered Post between 10.30 am. to 4.30 pm.

a) For equity shares held in physical form

Registered equity shareholders should enclose:

- i. Form of Acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein, by all equity shareholders whose name appears on the share certificates.
- ii. Original share certificate(s)
- iii. Valid share transfer form(s) duly signed as transferors by all registered equity shareholders (in case of joint holdings), in the same order and as per the specimen signatures registered with and duly witnessed at the appropriate place.

b) Unregistered owners of equity shares should enclose:

All shareholders other than those mentioned in (a) above, who own the equity shares of KCL anytime before the closure of the offer ("unregistered owner") are eligible to participate in the offer. Unregistered owners should enclose:

- i. Form of acceptance cum acknowledgement duly completed and signed in accordance with the instructions contained therein.
- ii. Original share certificate(s)
- iii. Original broker contract note of a registered broker of a recognized stock exchange.
- iv. Valid share transfer form(s) as received from the market. The details of the buyer should be left blank. If the details of the buyer are filled in, the tender will not be valid under the offer. Acquirer's name will be subsequently filled in upon verifying the validity of the share transfer form.

No indemnity is needed from unregistered equity shareholders.

NO DOCUMENT SHOULD BE SENT TO THE ACQUIRERS OR TO KCL (THE COMPANY)

10.2 OFFER PERIOD

Offer period is the period between the date of Public announcement and the date of completion of offer formalities relating to the offer.

This Offer will remain open on all working days (excluding Public Holidays) between 16/02/2004 to 16/03/2004 (both days inclusive). The equity shareholders of KCL who wish to avail this offer shall be required to send their acceptance in the manner stated above so as to reach the Manager to the Offer on or before 16/03/2004.

The form of acceptance alongwith the Share Certificate(s) and other documents delivered shall become acceptance on the part of the shareholder, but will become a fully valid and binding contract between shareholder and Acquirers only upon the fulfillment of all conditions mentioned herein.

On fulfillment of the conditions herein mentioned, the Acquirers will pay the Offer price by crossed Account Payee Pay Orders/ Demand Drafts which will be sent by Registered Post to the equity shareholders of KCL, whose acceptance to the offer are accepted by the Acquirers, at the address registered with the Company. The Pay Orders/ Demand Drafts will be drawn in the name of first named shareholder in case of joint shareholding. In case of unregistered owners of the shares, payment will be made as per mandate given by such owner. The unregistered owner may give a mandate for drawing the pay order / demand draft in the name of the person whose bank details may be furnished by him in the Form of Acceptance for incorporating in the Pay Order / Demand Draft.

10.3 WITHDRAWAL OPTION

- a) The equity shareholders who are desirous of withdrawing their acceptances tendered in the offer, can do so upto three working days prior to the date of the closure of the offer i.e. on or before 11/03/2004. The withdrawal option can be exercised by submitting the 'Form of Withdrawal' (separately enclosed with Letter of Offer) to the Manager to the Offer so as to reach them on or before 11/03/2004.
- b) In case of non-receipt of 'Form of withdrawal', the withdrawal option can be exercised by making an application on plain paper giving details of Name, Address, distinctive numbers, folio nos., number of shares tendered/withdrawn.

The form of Withdrawal can also be downloaded from SEBI's website www.sebi.gov.in or obtained from the Manager to the Offer.

10.4 Procedure for acceptance of the offer by the equity shareholders who do not receive the Letter of Offer and procedure for settlement

In case of non-receipt of the offer document, the equity shareholders who wish to accept the offer should communicate their acceptance in writing on a plain paper stating the name, address, no. of shares held, distinctive numbers, folio number, no. of shares offered to the Manager to the Offer together with relevant share certificate(s), the transfer deed(s) and the original contract note issued by share broker of a recognized stock exchange through whom they acquired the equity shares before the close of the Offer, i.e. 16/03/2004. Such equity shareholders may also download a copy of the form of acceptance cum acknowledgement from SEBI's website at www.sebi.gov.in and use the same.

11. GENERAL

- a) Acquirers can revise the price upwards upto seven working days prior to closure of the offer and revision if any in the offer price would appear in the same news papers where the Public Announcement has appeared. The same price would be paid to all shareholders who tender their shares in the offer.
- b) **Shareholders may note that if there is competitive bid, the public offers under all the subsisting bids shall close on the same date. As the offer price can not be revised during 7 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.**

- c) The Acquirers shall upto 14/04/2004 complete all procedure relating to the offer including payment of consideration to the equity shareholders who have accepted the offer and for the purpose open a Special Account as provided under Regulation 29 of SEBI (SAST) Regulations 1997.
- d) The instruction, authorization and provisions contained in the form of acceptance cum acknowledgement constitute part of the terms of the Offer.
- e) The Manager to the Offer will hold in trust the Share certificates, Form of Acceptance cum Acknowledgement, if any, and the transfer form/s on behalf of the shareholders of KCL who have accepted the Offer, till the drafts / pay orders for the consideration and/ or the unaccepted share certificates are despatched/ returned. Equity Shares not accepted under the offer will be sent to the shareholders/applicants at their own risk by registered post.
- f) Acquirers shall acquire the equity shares from the shareholders of the Company who have validly tendered the equity shares under the Offer (i.e. equity shares and other documents are in order and in accordance with the terms of the Offer) and remit the consideration in respect thereof on or before 14/04/2004 in cash by Account Payee Pay Order / Demand Draft. Any delay will attract interest in terms of Regulation 22(12) of SEBI (SAST) Regulations 1997. The information as to whether the equity shares tendered by them have been accepted (in full or in part) or rejected and consideration payable would be sent by Registered Post.
- g) The equity shares of KCL are available for trading in **physical form** and not in dematerialised form. The marketable lot of KCL is 50 {Fifty}. Where the number of shares offered for sale by the shareholders are more than the shares agreed to be acquired by Acquirers, Acquirers will accept the offers received from the share holders on a proportionate basis, in consultation with the Manager to the Offer taking care to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lots, provided that acquisition of shares from a shareholder shall not be less than the minimum marketable lot or the entire holding if it is less than the marketable lot. Shares not accepted under the offer will be sent to the shareholders / applicants at their sole risk by Registered post.
- h) For any queries regarding the Offer the shareholders / applicants may contact the Manager to the Offer at the address mentioned on the cover page of this Letter of Offer.
- i) Acquirers would be severally and jointly responsible for ensuring compliance with the Regulations.

12. DOCUMENTS FOR INSPECTION

The following documents are regarded as material documents and are available for inspection at 703, Pleasant Palace, 16, Narayan Dabholkar Road, Mumbai – 400 006 from 11.00 a.m. to 3.00 p.m. on any working day until the Offer closes.

1. Copy of MOU dated 01/10/2003 between Keynote Corporate Services Ltd., Manager to the Offer and Acquirers
2. Memorandum and Articles of Association of KCL.
3. Copies of Annual Report of KCL for the financial years 2000-01, 2001-02 and 2002-03.
4. Provisional results of KCL for six months period ended 30/09/2003 as published in the newspapers and certified by the statutory auditor.
5. Copy of shareholding pattern of the Company as on 11/11/2003.
6. Biodata of Directors of KCL.
7. Copy of certificate dated 12/11/2003 issued by M/s D.V.Vora & Co., Chartered Accountant, regarding network of Shri Indubhai Kapashi.
8. Copy of certificate dated 12/11/2003 issued by M/s D.V.Vora & Co., Chartered Accountant, regarding network of Shri Sevanthilal Kapashi.
9. Copy of certificate dated 12/11/2003 issued by M/s D.V.Vora & Co., Chartered Accountant, regarding network of Shri Nimish Kapashi.

10. Copy of certificate dated 12/11/2003 issued by M/s D.V.Vora & Co., Chartered Accountant, regarding networth of Shri Paresh Kapashi.
11. Copies of undertaking from Acquirers & Target Company.
12. Copy of Public Announcement as published in the newspaper on 19/12/2003.
13. Copy of Fixed Deposit Receipt issued by Global Trust Bank, Opera House, Mumbai for deposit of Rs.16.50 Lacs in terms of the Escrow requirements.
14. Letter No. DCR/AG/1230/04 dated 19/01/2004 received from Securities and Exchange Board of India in terms of provisions of Regulation 18(2) of the Regulations.

13. DECLARATION BY THE ACQUIRERS

Acquirers accept full responsibility for the information contained in the Public Announcement and Letter of Offer and would be severally and jointly responsible for ensuring compliance with the obligations of Acquirers as laid down in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto.

For and on behalf of Acquirers

Sd/-
Indubhai Kapashi
(Authorised Signatory for Acquirers)

Place : Mumbai

Date : 23/01/2004

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 : MONDAY, 16TH FEBRUARY, 2004
CLOSES ON : TUESDAY, 16TH MARCH, 2004

Tel No.

Fax No.:

E-mail:

To,
Keynote Corporate Services Limited
307, Regent Chambers,
Nariman Point,
Mumbai – 400 021.

Sub : **Public offer for acquisition of 29.31% of the equity share capital of KAPASHI COMMERCIAL LIMITED (KCL) by Shri Sevantilal S. Kapashi, Shri Indubhai S. Kapashi , Shri Paresh S. Kapashi and Shri Nimish I. Kapashi under the SEBI (SAST)Regulations, 1997**

Dear Sir,

I/We refer to the Letter of Offer dated 23/01/2004 for acquiring the equity shares held by me/us in Kapashi Commercial 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 accept the Offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares as detailed below:

Sr. No.	Certificate No.	Distinctive No(s)		No. of Shares
		From	To	
<i>(In case the space provided is inadequate, please attach a separate sheet with the details)</i>				
Total number of equity shares				

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 Manager to the offer until the time the Acquirers pay the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirers will pay the purchase consideration only after verification of the documents and signatures.

I/We authorise the Acquirers to accept the shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and

I/We authorise the Acquirers or the Manager to the Offer to send by registered post the draft/payorder, in settlement of the amount to the sole/first holder at the address mentioned below :

Yours faithfully,

Signed and Delivered:

	FULL NAME(S)	SIGNATURE(S)
First/Sole Shareholder		
Second Shareholder		
Third Shareholder		

Address of First/Sole Shareholder

Place:

Date:

Note: In case of joint holdings, all holders must sign. A corporation must affix its common seal.

So as to avoid fraudulent encashment in transit, the shareholder(s) may provide details of bank account of the first/sole shareholder and the consideration pay-order or demand draft will be drawn accordingly.

Name of the Bank _____

Branch _____

Account Number _____ Savings/Current/Others (please specify) _____

-----TEAR HERE-----

Folio No.:

Sr. No.:

Keynote Corporate Services Limited
307, Regent Chambers, Neriman Point – 400 021

(Acknowledgement Slip)

Received from Mr./Ms. _____
Address : _____

Signature of Official and Date of Receipt	Stamp of Collection center

Form of acceptance cum acknowledgement, # _____ Number of Share Certificates for _____ shares

**PLEASE USE THIS FORM ONLY IF YOU HAVE TENDERED THE SHARES AND WISH TO WITHDRAW YOUR APPLICATION
FORM OF WITHDRAWAL**

You have an 'OPTION TO WITHDRAW' the acceptance tendered in response to the offer any time upto three working days prior to the date of closure of offer i.e. on or before Thursday, 11/03/2004. In case you wish to withdraw your acceptance please use this form.	OFFER SCHEDULE	
	OFFER OPENS ON	: Monday, 16/02/2004
	LAST DATE OF WITHDRAWAL	: Thursday, 11/03/2004
	OFFER CLOSSES ON	: Tuesday, 16/03/2004

From:

Tel No.

Fax No.:

E-mail:

To,
Keynote Corporate Services Limited
307, Regent Chambers,
Nariman Point,
Mumbai – 400 021.

Sub : Public offer for acquisition of 29.31% of the equity share capital of KAPASHI COMMERCIAL LIMITED (KCL) by Shri Sevantilal S. Kapashi, Shri Indubhai S. Kapashi , Shri Paresh S. Kapashi and Shri Nimish I. Kapashi under the SEBI (SAST)Regulations, 1997

Dear Sir,

I/We refer to the Letter of Offer dated 23/01/2004 for acquiring the equity shares held by me/us in Kapashi Commercial 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 wish to withdraw our acceptance tendered in response to the said offer. We had deposited/sent our 'Form of Acceptance' to you on _____ alongwith original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares as detailed below: **(Please enclose the Xerox copy of Acknowledgement received for 'Form of Acceptance')**

Sr. No.	Certificate No.	Distinctive No(s)		No. of Shares
		From	To	
Total number of equity shares				
<i>(In case the space provided is inadequate, please attach a separate sheet with the details)</i>				

I/We note and understand the terms of withdrawal of acceptance and request you to return the original share certificate(s) and valid share transfer deed and **authorize you not to remit** the consideration as mentioned in the Letter of Offer. I/We authorise the Acquirers to reject the shares so offered which it may decide in consultation with Manager to the Offer and in terms of the Letter of Offer and, I/We authorise the Acquirers or the Manager to the Offer to send by registered post the original share certificate(s), transfer deed(s) and other documents tendered by me/us to the sole/first holder at the address mentioned below :

Yours faithfully,

Signed

	FULL NAME(S)	SIGNATURE(S)
First/Sole Shareholder		
Second Shareholder		
Third Shareholder		

Address of First/Sole Shareholder

Place:

Date:

Note: Incase of joint holdings, all holders must sign. A corporation must affix its common seal.

-----TEAR HERE-----

Folio No.:

Sr. No.:

Keynote Corporate Services Limited
307, Regent Chambers, Neriman Point – 400 021

(Acknowledgement Slip)

Received from Mr./Ms. _____
 Address _____

Signature of Official and Date of Receipt	Stamp of Registrar to the Offer

Form of withdrawal in respect of _____ Number of Share Certificates representing _____ number of shares.