

## LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as shareholder(s) of Vardhman Holdings Limited. If you require any clarification(s) about the action to be taken, you may consult your stock broker or investment consultant or Manager to the Offer/ Registrar to the Offer. In case you have sold your shares in the Company, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the purchaser of the Equity Shares or the Member of Stock Exchange through whom the sale was effected.

### **Pradeep Mercantile Company Private Limited**

(hereinafter referred to as the "Acquirer" or "PMCPL")

*A private limited company incorporated on March 31, 1987 under the provisions of the Companies Act, 1956*

*Registered Office: Vardhman Complex, Chandigarh Road, Ludhiana- 141010*

*Tel. No.: +91 161 6701406, Fax. No.: +91 161 5013336*

**MAKES A CASH OFFER AT RS. 223.00 (RUPEES TWO HUNDRED AND TWENTY THREE ONLY)**

**PER FULLY PAID UP EQUITY SHARE**

**TO ACQUIRE**

252,163 (Two Lacs. Fifty Two Thousand One Hundred and Sixty Three Only) equity shares of Face Value of Rs. 10/- each (Rupees Ten Only), representing 7.9% of the Fully Paid-up Equity Share Capital

of

### **Vardhman Holdings Limited**

(hereinafter referred to as the "Target" or "VHL")

*A public limited company incorporated on December 27, 1962 under the provisions of the Companies Act, 1956*

*Registered Office: Chandigarh Road, Ludhiana- 141010*

*Tel. No.: +91 161 2222615, Fax. No.: +91 161 2222447*

#### **Note:**

- The Offer is being made pursuant to and in accordance with the provisions of Regulation 11(2A) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto [hereinafter referred to as "SEBI (SAST) Regulations" or the "Regulations"].**
- The Acquirer will make the requisite application, if applicable, to RBI to obtain permission under FEMA for the acquisition of Shares under this Offer.
- There are no other statutory approvals required for the purpose of this Offer. However, the Offer would be subject to all statutory approvals as may become applicable even at a later date.
- The procedure for acceptance of this Offer is set out in this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and transfer deed, if applicable, along with Form of Withdrawal is enclosed with this Letter of Offer.
- If there is any upward revision of the Offer Price by the Acquirer, such upward revision will be made in terms of Regulation 26 of the SEBI (SAST) Regulations not later than Wednesday, December 16, 2009 and the same would be notified by way of a Public Announcement in the same newspapers in which the original Public Announcement ("PA") appeared. Such revised offer price would be payable to all shareholders who have accepted this Offer and tendered their shares at any time during the term of the Offer to the extent to which their acceptances and tenders have been found valid and accepted by the Acquirer.
- The Acquirer may withdraw the Offer in accordance with the conditions specified in Regulation 27 of the SEBI (SAST) Regulations. In the event of such withdrawal, the same would be notified by way of a Public Announcement in the same newspapers in which the original Public Announcement appeared.
- Shareholders who have accepted the Offer by tendering the requisite documents in accordance with the procedures set forth in the Public Announcement and this Letter of Offer can withdraw the same up to 3 (Three) working days (i.e. Tuesday, December 22, 2009) prior to the Offer Closing Date (i.e., Tuesday, December 29, 2009).
- A copy of the Public Announcement and a copy of this Letter of Offer (including Form of Acceptance-cum Acknowledgement and the Form of Withdrawal) is expected to be available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)) during the period the Offer is open. The Form of Acceptance-cum-Acknowledgement may be downloaded and used to accept the Offer only in jurisdictions where legally permissible.
- This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements.
- If there is a competitive bid:**
  - The public offers under all the subsisting bids shall close on the same date.**
  - As the Offer Price cannot be revised during the 7 (seven) working days prior to the closing date of the Offers/ bids, it would, therefore, be in the interest of the shareholders to wait till the commencement of that period to know the final Offer Price of each bid and tender their acceptance accordingly.**
- This Offer is not a competitive bid. There has been no competitive bid as of the date of this Letter of Offer.**
- All future correspondence, if any, should be addressed to the Manager to the Offer or the Registrar to the Offer, as shown below:

#### **LEAD MANAGER TO THE ISSUE**



#### **SOBHAGYA CAPITAL OPTIONS LIMITED**

**SEBI Regn. No.:** MB/INM000008571

**Regd. Off.:** B-206, Okhla Industrial Area,  
Phase- I, New Delhi- 110020.

**Tel. No.:** +91 11 40777000 (30 Lines).

**Fax No.:** +91 11 2681 9439, 40777069

**Contact Person:** Mr. Ankit Jain/ Mr. Amit Kumar

**Email id:** [vhl\\_openoffer@sobhagyacapital.com](mailto:vhl_openoffer@sobhagyacapital.com)

**Website:** [www.sobhagyacapital.com](http://www.sobhagyacapital.com)

#### **REGISTRAR TO THE OFFER**



#### **SKYLINE FINANCIAL SERVICES PRIVATE LIMITED**

**SEBI Regn. No.:** INR000003241

**Office:** 246, First Floor, Sant Nagar,  
East of Kailash, New Delhi – 110 065

**Tel No.:** +91 11 2629 2680-82-83,

**Fax No.:** +91 11 2629 2681

**Contact Person:** Mr. Virender Rana

**Email id:** [vhl\\_openoffer@skylinerta.com](mailto:vhl_openoffer@skylinerta.com)

**Website:** [www.skylinerta.com](http://www.skylinerta.com)

**SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER**

| Activity   | Original Schedule  |           | Revised Schedule   |           |
|--|--------------------|-----------|--------------------|-----------|
|  | Date               | Day       | Date               | Day       |
| Public Announcement ("PA") Date  | September 25, 2009 | Friday    | September 25, 2009 | Friday    |
| Specified Date (1)   | October 09, 2009   | Friday    | October 09, 2009   | Friday    |
| Last date for a competitive bid (if any)   | October 16, 2009   | Friday    | October 16, 2009   | Friday    |
| Date by which individual Letter of Offer will be dispatched to the shareholders                    | November 06, 2009  | Friday    | December 05, 2009  | Saturday  |
| Offer Opening Date   | November 11, 2009  | Wednesday | December 10, 2009  | Thursday  |
| Last date for revising the Offer Price   | November 19, 2009  | Thursday  | December 16, 2009  | Wednesday |
| Last date for withdrawal of acceptances by the shareholder   | November 25, 2009  | Wednesday | December 22, 2009  | Tuesday   |
| Offer Closing Date   | November 30, 2009  | Monday    | December 29, 2009  | Tuesday   |
| Last date of communicating rejection/ acceptance and payment of consideration for accepted tenders | December 15, 2009  | Tuesday   | January 13, 2010   | Wednesday |

(1) Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer would be sent and all owners (registered or unregistered) of the Shares are eligible to participate in the Offer anytime before the Closure of the Offer.

## **RISK FACTORS associated with the Offer**

- 1) In the event that a) there is any litigation leading to a “stay” of the Offer; or b) SEBI instructs the Acquirer not to proceed with the Offer; or c) a statutory approval is not received in a timely manner, then in each such case, the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to shareholders of the Target whose Shares have been accepted in the Offer as well as the return of Shares not accepted by the Acquirer, may be delayed. In case of delay due to non-receipt of statutory approval(s), SEBI may, as per Regulation 22(12) of the Regulations, if satisfied that the non-receipt of approval(s) was not due to willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approval(s), grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay beyond 15 days.
- 2) The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27 of the Regulations in the event that any of the statutory approval contemplated above are refused. In the event the Acquirer is allowed not to proceed with the Offer, in terms of Regulation 27 of the Regulations, the amount deposited in the Escrow Account - Cash shall be released to the Acquirer.
- 3) The Acquirer makes no assurance with respect to the market price of the Shares during / after the Offer.
- 4) The Shares tendered in the Offer will lie to the credit of the Depository Escrow Account till the completion of the Offer formalities, and the shareholders will not be able to trade such Shares. During such period there may be fluctuations in the market price of the Shares. Accordingly, the Acquirer makes no assurance with respect to the market price of the Shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by any shareholder on whether or not to participate in the Offer.
- 5) The Acquirer does not make any assurance with respect to the continuation of the past trend in the financial performance of the Target.
- 6) In the event of oversubscription in the Offer, the acceptance of the tendered Shares will be on a proportionate basis and will be contingent on the level of oversubscription.

The risk factors set forth above are not intended to cover a complete analysis of all risks as perceived in relation to the Offer or in association with the Acquirer, but are only indicative. They do not relate to the present or future business or operations of the Target or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by shareholder(s) in the Offer. The shareholders are advised to consult their stock broker, investment consultant or tax advisor, if any, for further risks with respect to their participation in the Offer.

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1. DEFINITIONS / ABBREVIATIONS:

|   |   |
|---|---|
| <b>Acquirer/ PMCPL</b>                          | Pradeep Mercantile Company Private Limited  |
| <b>Promoter Group/ PG</b>                       | Consists of the Vardhman Textiles Limited, Ramaniya Finance & Investment Company Limited, Flamingo Finance & Investment Company Limited, Santon Finance & Investment Company Limited, Srestha Holdings Limited, VTL Investments Limited, Devakar Investment & Trading Company Private Limited, Anklesh Investments Private Limited, Marshall Investment & Trading Company Private Limited, Plaza Trading Company Private Limited, Syracuse Investment & Trading Company Private Limited, Mahavir Spinning Mills Private Limited, Adinath Investment & Trading Company, Adinath Syndicate, Amber Syndicate, Paras Syndicate, Eastern Trading Company, Northern Trading Company, Shri Paul & Sons (HUF), Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain, Mrs. Suchita Jain, Ms. Soumya Jain and Ms. Sagrika Jain |
| <b>BSE</b>                                      | Bombay Stock Exchange Limited   |
| <b>CDSL</b>                                     | Central Depository Services Limited   |
| <b>Depository Escrow Account</b>                | The depository account called "Skyline- PMCPL- VHL Open Offer Escrow Account", opened by the Registrar ("Skyline Financial Services Private Limited") at National Securities Depository Limited (NSDL). The Depository Participant ID is IN300468 and the Beneficiary Client ID is 10076606.  |
| <b>Depository Participant/ DP</b>               | K K Securities Limited  |
| <b>Eligible Person(s)</b>                       | All owners (registered and unregistered) of the Shares of the Target other than the Acquirer and Promoter Group are eligible to participate in the Offer any time before the Offer Closing Date.  |
| <b>FEMA</b>                                     | Foreign Exchange Management Act, 1999   |
| <b>HUF</b>                                      | Hindu Undivided Family  |
| <b>Public Announcement / PA</b>                 | The Public Announcement relating to the Offer made by the Acquirer as appeared in the newspapers on Friday, September 25, 2009  |
| <b>Manager to the Offer / SCOL</b>              | Sobhagya Capital Options Limited  |
| <b>NSDL</b>                                     | National Securities Depository Limited  |
| <b>NSE</b>                                      | National Stock Exchange of India Limited  |
| <b>Offer/ Open Offer</b>                        | Cash offer being made by the Acquirer to acquire up to 252,163 Shares of the Target, representing 7.9% of the total paid-up equity share capital of the Target at a price of Rs. 223.00 (Rupees Two hundred and twenty three only) per Share  |
| <b>Offer Opening Date</b>                       | Thursday, December 10, 2009   |
| <b>Offer Closing Date/ Closure of the Offer</b> | Tuesday, December 29, 2009  |
| <b>Offer Price</b>                              | Rs. 223.00 (Rupees Two hundred and twenty three only) per Share   |
| <b>PAC/ PACs</b>                                | Person(s) acting in concert   |
| <b>RBI</b>                                      | Reserve Bank of India   |
| <b>Registrar to the Offer</b>                   | Skyline Financial Services Private Limited  |
| <b>SEBI (SAST) Regulations/ Regulations</b>     | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto  |
| <b>SEBI/ Board</b>                              | Securities and Exchange Board of India  |
| <b>SEBI Act</b>                                 | Securities and Exchange Board of India Act, 1992  |
| <b>Share(s)</b>                                 | Fully paid-up equity shares of face value Rs. 10/- each of the Target   |
| <b>Specified Date</b>                           | Friday, October 09, 2009  |
| <b>Target/ VHL</b>                              | Vardhman Holdings Limited   |

This Letter of Offer is being issued by Sobhagya Capital Options Limited (hereinafter referred to as the “SCOL” or the “**Manager to the Offer**”), on behalf of the Acquirer pursuant to Regulation 11(2A) (Consolidation of holdings) and other applicable provisions of the Regulations.

## 2. **DISCLAIMER CLAUSE:**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF VARDHMAN HOLDINGS LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER OR THE TARGET WHOSE SHARES/ CONTROL ARE/ 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 ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY, AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES IT’S RESPONSIBILITIES ADEQUATELY.**

**IN THIS BEHALF, AND TOWARDS THIS PURPOSE, SOBHAGYA CAPITAL OPTIONS LIMITED, THE MANAGER TO THE OFFER HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED OCTOBER 05, 2009 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 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 to the Offer:**

- 3.1.1 The Acquirer, as a part of the Promoter Group of the Target, is desirous of consolidating its holding in the Target, while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with the Bombay Stock Exchange Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”). Therefore, pursuant to Regulation 11(2A) and other applicable provisions of the Regulations, the Acquirer is making an Open Offer (hereinafter referred to as the “**Offer**” or the “**Open Offer**”) to the shareholders of the Target to acquire up to 252,163 fully paid up equity shares of Rs. 10/- each of the Target, representing 7.9% of the total paid-up equity share capital of the Target as on the date of Public Announcement. Upon completion of the Offer, assuming full acceptances to the Offer, the Promoter Group along with the Acquirer will hold 2,393,652 Shares in the Target representing 75.00% of the fully paid-up equity share capital of the Target.
- 3.1.2 This Offer is pursuant to the Acquirer’s desire to consolidate its holding in the Target under Regulation 11(2A) of the Regulations. The Offer is not pursuant to any agreement entered into by the Acquirer with any person to acquire any Share in the Target, which would have triggered the requirement to make a PA of an Open Offer under the Regulations.
- 3.1.3 The present promoter of the Target is Mr. Shri Paul Oswal and the promoter’s shareholding in the Target is held by the Acquirer along with other promoter group entities. Such other promoter group entities are Vardhman Textiles Limited, Ramaniya Finance & Investment Company Limited, Flamingo Finance & Investment Company Limited, Santon Finance & Investment Company Limited, Srestha Holdings Limited, VTL Investments Limited, Devakar Investment & Trading Company Private Limited, Anklesh Investments Private Limited, Marshall Investment & Trading Company Private Limited, Plaza Trading Company Private Limited, Syracuse Investment & Trading Company Private Limited, Mahavir Spinning Mills Private Limited, Adinath Investment & Trading Company, Adinath Syndicate, Amber Syndicate, Paras Syndicate, Eastern Trading Company, Northern Trading Company, Shri Paul & Sons (HUF), Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain, Mrs. Suchita Jain, Ms. Soumya Jain and Ms. Sagrika Jain (hereinafter collectively referred to as “**Promoter Group**” or “**PG**”). The Acquirer is a part of the Promoter Group of the Target. The Promoter Group’s shareholding in the Target is 2,141,489 Shares equivalent to 67.10% of the fully paid up equity share capital of the Target as on the date of Public Announcement.
- 3.1.4 There is no Person acting in concert (hereinafter referred to as “**PAC**” or “**PACs**”) with the Acquirer in relation to this Open Offer. All purchases in this Open Offer will be made by the Acquirer only.
- 3.1.5 The Offer is being made at a price of Rs. 223.00 (Rupees Two hundred and twenty three only) for each Share (the “**Offer Price**”), to be paid in cash, in accordance with the provisions of the Regulations and subject to the terms and conditions mentioned in this Letter of Offer in relation to the Offer.
- 3.1.6 The Acquirer or its directors have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B or any other regulations made under the SEBI Act. Based on the information currently available, the Target has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B or any other regulations made under the SEBI Act.
- 3.1.7 The Acquirer does not propose to make any change in the Board of Directors after the Offer except in the ordinary course.

### **3.2 The Offer:**

- 3.2.1 Pradeep Mercantile Company Private Limited, a Company incorporated under the Companies Act, 1956, having its registered office at Vardhman Complex, Chandigarh Road, Ludhiana- 141010, is making an Offer to acquire up to 252,163 Shares, representing 7.9% of the fully paid-up equity share capital of the Target at the Offer Price of Rs. 223.00 (Rupees Two hundred and twenty-three only) per Share, to all shareholders of the Target (except the Acquirer and the Promoter Group), who tender their shares and whose shares are acquired by the Acquirer. There are no partly paid Shares in the Target or any instruments convertible into Shares of the Target at a future date.
- 3.2.2 The Public Announcement of the Offer appeared on September 25, 2009 in the following newspapers in accordance with Regulation 15(1) of the Regulations:

| <b>Newspapers</b>        | <b>Language</b> | <b>Editions</b> |
|--------------------------|-----------------|-----------------|
| <b>Business Standard</b> | English         | All Editions    |
| <b>Business Standard</b> | Hindi           | All Editions    |
| <b>Nav Shakti</b>        | Marathi         | Mumbai          |
| <b>Desh Sewak</b>        | Punjabi         | Punjab          |

A copy of the Public Announcement is also available on SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in))

- 3.2.3 The Offer Price will be payable in cash, subject to the terms and conditions mentioned in this Letter of Offer.
- 3.2.4 The Offer is not conditional upon any minimum level of acceptance by the shareholders. Accordingly, the Acquirer will accept all Shares tendered by the shareholders pursuant to the Offer at the Offer Price subject to the Shares tendered not exceeding 252,163 Shares. In case the number of Shares tendered for sale by the shareholders are more than the Shares agreed to be acquired by the Acquirer under the Offer, the Acquirer shall accept the offers received from the shareholders on a proportionate basis as per Regulation 21(6) of the Regulations 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.
- 3.2.5 Neither the Acquirer, nor the Promoter Group has acquired any shares of the Target since the date of the Public Announcement and up to the date of this Letter of Offer.
- 3.2.6 Any decision for the upward revision in the Offer Price by the Acquirer before the last date of revision (i.e., Wednesday, December 16, 2009), would be informed by way of a Public Announcement in the same newspapers in which the original Public Announcement had appeared. In case of an upward revision in the Offer Price by the Acquirer, the revised offer price will be payable to all shareholders who have accepted this Offer and tendered their Shares at any time during the tenure of the Offer to the extent their Shares are acquired by the Acquirer. The acquisition of Shares, which are validly tendered, by the Acquirer under this Offer will take place on or before Wednesday, January 13, 2010, in accordance with the Schedule of events set out in this Letter of Offer.
- 3.2.7 There has been no competitive bid to this Offer as on the date of this Letter of Offer.
- 3.2.8 Shares that are subject to any charge, lien or encumbrance are liable to be rejected in the Offer. Applications in respect of Shares that are the subject matter of litigation wherein the shareholders may be prohibited from transferring the Shares during the pendency of such litigation are liable to be rejected if the directions/ orders permitting transfer of these Shares are not received along with the Shares tendered under the Offer.

### **3.3 Object of the acquisition / Offer:**

- 3.3.1 The Offer to the shareholders of the Target is made in accordance with Regulation 11(2A) of the Regulations for consolidating the Promoter Group's holding in the Target while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with BSE and NSE.
- 3.3.2 The main business activity of the Target is investing and financing and in order to justify greater commitment and support, the Acquirer (part of the Promoter Group of the Target) wishes to consolidate and enhance its stake in the Target to the extent that the holding of the Promoter Group does not exceed 75.00%.

## **4. BACKGROUND OF THE ACQUIRER:**

### **4.1 Pradeep Mercantile Company Private Limited ("Acquirer")**

PMCPPL was incorporated under the Companies Act, 1956 on March 31, 1987. PMCPPL is registered as a Non-Banking Financial Company with the Reserve Bank of India (hereinafter referred to as the "RBI") vide its registration no. 06.00043 dated March 09, 1998. The registered and corporate office of PMCPPL is located at Vardhman Complex, Chandigarh Road, Ludhiana- 141010, Tel No.: +91 161 6701406, Fax. No.: +91 161 5013336.

- 4.2 The main business activity of PMCPPL is Investing and Financing. The securities of PMCPPL are not listed on any stock exchange.
- 4.3 PMCPPL is a part of the Promoter Group of the Target.
- 4.4 The Promoter of PMCPPL is Mr. Shri Paul Oswal. All the equity shares of the PMCPPL are held directly or indirectly by promoter as per details given below:

| S. No.                                    | Name of the Shareholders                               | No. of shares held (Face Value Rs. 10 each) | Percentage of shares (in %) |
|---|--|---|-----------------------------|
| a)  | Mr. Shri Paul Oswal                                    | 133,100                                     | 30.56                       |
| b)  | Shri Paul & Sons (HUF)*                                | 121,000                                     | 27.78                       |
| c)  | Syracuse Investment & Trading Company Private Limited* | 181,500                                     | 41.67                       |
| <b>Total Paid up Equity Share Capital</b> |  | <b>435,600</b>                              | <b>100.00</b>               |

\* b) and c) are controlled by Mr. Shri Paul Oswal

- 4.5 The issued and paid up share capital of Syracuse Investment & Trading Company Private Limited constitutes 20,004 equity shares of Rs. 10 each aggregating Rs. 200,040. The shareholding pattern of Syracuse Investment & Trading Company Private Limited as on date of the PA is as follows:

| S. No.                                    | Name of the Shareholders  | No. of shares held (Face Value Rs. 10 each) | Percentage of shares (in %) |
|---|---|---|-----------------------------|
|   | Direct holding by natural persons   |   |                             |
| a)  | Mr. Shri Paul Oswal   | 3,204                                       | 16.02                       |
| b)  | Mrs. Shakun Oswal   | 800   | 4.00                        |
| c)  | Mrs. Suchita Jain   | 6,000                                       | 29.99                       |
| d)  | Indirect holding through Devakar Investment and Trading Company Private Limited through the following natural persons:-<br>i. Mr. Shri Paul Oswal<br>ii. Mrs. Shakun Oswal<br>iii. Mrs. Suchita Jain<br>iv. Mr. Sachit Jain<br>v. Ms. Soumya Jain (n/g Mr. Sachit Jain)<br>vi. Ms. Sagrika Jain (n/g Mr. Sachit Jain) | 10,000                                      | 49.99                       |
| <b>Total Paid up Equity Share Capital</b> |   | <b>20,004</b>                               | <b>100.00</b>               |

- 4.6 As on the date of the Public Announcement, the Acquirer holds 120 Shares, representing 0.004% of the fully paid up equity share capital of the Target.

4.7 **Compliance with Chapter II of the SEBI (SAST) Regulations:**

The Acquirer has duly complied with the applicable provisions of the Regulations including Chapter II from time to time.

4.8 **The details of the Board of Directors of PMCPL as on date of the Public Announcement are as follows:**

| S. No. | Name (Designation)                | Residential Address  | Qualification   | Nature of Experience                                     | Date of Appointment |
|--------|-----------------------------------|--|---|--|---------------------|
| 1.     | Mr. Shri Paul Oswal<br>(Director) | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Masters Degree in Commerce                              | 42 years of experience in Textile Industry               | December 16, 1997   |
| 2.     | Mrs. Shakun Oswal<br>(Director)   | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Graduate  | 15 years of experience of handling Investment Activities | June 01, 2002       |
| 3.     | Mr. Sachit Jain<br>(Director)     | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Electrical Engineer & Master in Business Administration | 20 years of experience in Textile Industry               | December 16, 1997   |
| 4.     | Mrs. Suchita Jain<br>(Director)   | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Masters Degree in Commerce                              | 19 years of experience in Textile Industry               | June 01, 2002       |



Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain and Mrs. Suchita Jain, directors of the Acquirer are also the directors on the Board of the Target. They have not participated in any matter(s) concerning or relating to the Offer including any preparatory steps leading to the Offer and have undertaken that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.

As per the undertaking received from the Board of Directors of the Acquirer, they have confirmed that they shall not participate in the Open Offer made to the shareholders of the Target.

- 4.9 The audited financial results of PMCPL for the last three financial years as certified by M/s. Anil Sanjay & Associates, Chartered Accountants (Mr. Sanjay Aggarwal: Partner, Membership No.: 94717) are as below:

| <i>(Figures in Rupees Lacs.)</i>                      |   |               |             |
|---|---|---------------|-------------|
| <b>Profit &amp; Loss Statement</b>                    | <b>12 Months period ending March 31</b> |               |             |
|   | <b>2009</b>                             | <b>2008</b>   | <b>2007</b> |
| Income from Operations                                | -                                       | -             | -           |
| Other Income  | 0.26                                    | 0.72          | 0.95        |
| <b>Total Income</b>                                   | <b>0.26</b>                             | <b>0.72</b>   | <b>0.95</b> |
| Total Expenditure                                     | 0.67                                    | 1.61          | 0.59        |
| <b>Profit before Depreciation, Interest &amp; Tax</b> | <b>(0.41)</b>                           | <b>(0.89)</b> | <b>0.36</b> |
| Depreciation  | -                                       | -             | -           |
| Interest  | -                                       | -             | -           |
| <b>Profit before Tax &amp; Extra Ordinary Items</b>   | <b>(0.41)</b>                           | <b>(0.89)</b> | <b>0.36</b> |
| Extra Ordinary Items                                  | -                                       | -             | -           |
| <b>Profit Before Tax</b>                              | <b>(0.41)</b>                           | <b>(0.89)</b> | <b>0.36</b> |
| Provision for Tax                                     | -                                       | -             | 0.11        |
| <b>Profit After Tax</b>                               | <b>(0.41)</b>                           | <b>(0.89)</b> | <b>0.25</b> |

| <i>(Figures in Rupees Lacs.)</i>                   |                                  |                                  |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>Balance Sheet Statement</b>                     | <b>Year ended<br/>31.03.2009</b> | <b>Year ended<br/>31.03.2008</b> | <b>Year ended<br/>31.03.2007</b> |
| <b>Sources of Funds</b>                            |                                  |                                  |                                  |
| Equity Share Capital                               | 43.56                            | 43.56                            | 43.56                            |
| Preference Share Capital                           | 1.00                             | 1.00                             | 1.00                             |
| <b>Paid up Share Capital</b>                       | <b>44.56</b>                     | <b>44.56</b>                     | <b>44.56</b>                     |
| Reserves & Surplus (Excluding Revaluation Reserve) | 85.95                            | 86.35                            | 87.25                            |
| Secured Loan                                       | -                                | -                                | -                                |
| Unsecured Loan                                     | -                                | -                                | -                                |
| Current Liabilities                                | 6.06                             | 6.91                             | 6.86                             |
| Deferred Tax Liability                             | -                                | -                                | -                                |
| <b>Total</b>                                       | <b>136.57</b>                    | <b>137.82</b>                    | <b>138.67</b>                    |
| <b>Uses of Funds</b>                               |                                  |                                  |                                  |
| Net Fixed Assets                                   | -                                | -                                | -                                |
| Investments  | 128.46                           | 119.46                           | 116.67                           |
| Net Current Assets                                 | 7.93                             | 18.00                            | 21.46                            |
| Miscellaneous Expenses not written off             | 0.18                             | 0.36                             | 0.54                             |
| <b>Total</b>                                       | <b>136.57</b>                    | <b>137.82</b>                    | <b>138.67</b>                    |

| <b>Other Financial Data</b>         | <b>Year ended<br/>31.03.2009</b> | <b>Year Ended<br/>31.3. 2008</b> | <b>Year Ended<br/>31.03.2007</b> |
|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net Worth (in Rs. Lacs.)            | 130.33                           | 130.55                           | 131.27                           |
| Dividend (in %)                     | -                                | -                                | -                                |
| Earning Per Share (in Rs. per hare) | -                                | -                                | 0.06                             |
| Return on Net worth (in %)          | -                                | -                                | 0.19                             |
| Book Value (in Rs. per share)       | 29.69                            | 29.74                            | 29.91                            |

#### **4.10 Reasons for fall/rise in total income and Profit after Tax**

##### **Financial Year 2008-09 vis-à-vis Financial Year 2007-08**

The Total Income of the Acquirer decreased by 63.89% to Rs. 0.26 Lacs in 2008-09 compared to Rs. 0.72 Lacs in 2007-08. The Company has incurred net loss of Rs. 0.41 Lacs after providing for extra-ordinary and prior period items and taxation as against a net loss of Rs. 0.89 Lacs in the 2007-08. The Acquirer had suffered a capital loss of Rs. 0.96 lacs in the financial year 2007-08 and so, the net loss was higher in the said financial year.

##### **Financial Year 2007-08 vis-à-vis Financial Year 2006-07**

The Total Income of the Acquirer decreased by 24.21% to Rs. 0.72 Lacs in 2007-08 compared to Rs. 0.95 Lacs in 2006-07. The Acquirer incurred a net loss of Rs. 0.89 Lacs after providing for extra-ordinary and prior period items and taxation as against a net profit of Rs. 0.25 Lacs in the 2006-07. The losses in the financial year 2007-08 were mainly on account of a capital loss of Rs.0.96 lacs.

**4.11** PMCPL has no contingent liability except in connection with the Offer.

#### **4.12 Disclosure of earlier acquisition(s) made in the Target**

PMCPL had purchased 600 shares in Vardhman Holdings Limited (formerly known as Vardhman Spinning & General Mills Limited) on February 13, 2004 at an approximate price of Rs. 130.08 per Share aggregating to Rs. 78,045.82 from the open market. Pursuant to the Scheme of Arrangement and Demerger between Vardhman Holdings Limited (formerly known as "Vardhman Spinning and General Mills Limited") and Vardhman Textiles Limited (formerly known as "Mahavir Spinning Mills Limited") as sanctioned by the Hon'ble High Court of Punjab and Haryana vide its Order dated March 04, 2005, PMCPL was allotted 120 equity shares of Vardhman Holdings Limited and 480 equity shares of Vardhman Textiles Limited. Since then, PMCPL is holding 120 equity shares in Vardhman Holdings Limited.

#### **4.13 Significant accounting policies of the Acquirer**

4.13.1 Previous Year Figures have been recast/ regrouped, wherever necessary, to make them comparable with current year figures.

4.13.2 Dividends are accounted for on accrual basis.

4.13.3 Investments are stated at cost.

4.13.4 Accounts have been prepared on Accrual (Mercantile) basis; consistently under historical cost convention as a going concern in accordance with the generally accepted accounting practices and applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 except where otherwise stated.

4.13.5 Market Value of Quoted Investments as on 31st March, 2009 have been calculated from nearest Quotations available to 31st March, 2009.

**4.14** PMCPL has not acquired any shares of the Target during the last 12 (Twelve) months.

**4.15** PMCPL is an unlisted private limited company and therefore, the provisions of corporate governance are not applicable to it.

**4.16** There has been no merger/ demerger, spin-off in PMCPL during the last 3 (Three) years.

**4.17** PMCPL has not promoted any Company/ firm since its inception.

### **5. CONSTITUTION OF PROMOTER GROUP OF VARDHMAN HOLDINGS LIMITED (THE TARGET):**

**5.1** Promoter Group of the Target comprises of corporate entities and non-corporate entities. A few of the corporate entities are NBFCs registered with the RBI.

**5.2** Corporate entities registered with the RBI as NBFC and also listed with Delhi Stock Exchange Limited are Ramaniya Finance & Investment Company Limited, Flamingo Finance & Investment Company Limited and Santon Finance & Investment Company Limited. The main business activity of these Companies is Investing and Financing.

**5.3** Other corporate entities forming part of the Promoter Group, registered with the RBI as NBFC and not listed at any stock exchange are Srestha Holdings Limited, Devakar Investment & Trading Company Private Limited, Anklesh Investments Private Limited, Marshall Investment & Trading Company Private Limited, Plaza Trading Company Private Limited, Syracuse Investment & Trading Company Private Limited, VTL Investments Limited (formerly known as "Vardhman Threads Limited") and Adinath Investment & Trading Company (a Company incorporated with unlimited liability). The main business activity of all these Companies is Investing and Financing.

**5.4** Other corporate entity forming part of the Promoter Group is Vardhman Textiles Limited (formerly known as "Mahavir Spinning Mills Limited"). The main business activity of Vardhman Textiles Limited is manufacturing of textile products. The equity shares of Vardhman Textiles Limited are listed on BSE and NSE.

**5.5** Other corporate entity not listed on any stock exchange and forming part of the Promoter Group is Mahavir Spinning Mills Private Limited (formerly known as "Vardhman Textile Processors Private Limited"). The main business activity of the said company is trading.

**5.6** Non-corporate entities forming part of the Promoter Group comprise of Adinath Syndicate, Amber Syndicate, Paras Syndicate, Eastern Trading Company, Northern Trading Company and Shri Paul & Sons (HUF).

5.7 Individuals forming part of the Promoter Group are Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain, Mrs. Suchita Jain, Ms. Soumya Jain and Ms. Sagrika Jain.

**6. DISCLOSURE IN TERMS OF REGULATIONS 16(ix):**

6.1 The Acquirer and the PG presently do not have any plans to dispose off or otherwise encumber any assets of the Target in the following two years from the date of Closure of the Offer, except in the ordinary course of business of the Target.

6.2 The Acquirer and the PG undertake not to dispose off or otherwise encumber any assets of the Target (except in the ordinary course of business) in the following two years from the date of Closure of the Offer, without the prior approval of the shareholders. The Target's future policy for disposal of its existing business or assets after the aforesaid period of two years, if any, will be decided by its Board of Directors in accordance with the applicable laws and regulations.

**7. FUTURE PLANS/ STRATEGIES OF THE ACQUIRER WITH REGARD TO THE TARGET:**

7.1 The main business activity of the Target is investing and financing and in order to justify greater commitment and support, the Acquirer (part of the Promoter Group of the Target) wishes to consolidate and enhance its stake in the Target to the extent that the holding of the Promoter Group does not exceed 75.00%.

7.2 The Acquirer and the PG presently do not have any plans to dispose off or otherwise encumber any assets of the Target in the following two years from the date of Closure of the Offer, except in the ordinary course of business. Further, in the following two years, the Acquirer and the PG undertake not to dispose off or otherwise encumber any assets of the Target (except in the ordinary course of business), without the prior approval of the shareholders. The Target's future policy for disposal of its existing business or assets after the aforesaid period of two years, if any, will be decided by its Board of Directors in accordance with the applicable laws and regulations.

**8. DISCLOSURE IN TERMS OF REGULATIONS 21(2) & 21(3):**

8.1 The Offer to the shareholders of the Target is made in accordance with Regulation 11(2A) of the Regulations for consolidating the Promoter Group's holding in the Target while ensuring that the public shareholding in the Target does not fall below 25%, the minimum level of public shareholding required to be maintained under the Listing Agreements entered into by the Target with BSE and NSE.

8.2 Pursuant to this Offer, the provisions of Regulation 21(2) of the Regulations are not attracted. Accordingly, this Open Offer is being made in terms of Regulation 11(2A) read with Regulation 21(3) of the SEBI (SAST) Regulations.

**9. BACKGROUND OF THE TARGET:**

**9.1 Address of Corporate and Registered Office (with phone nos.)**

| Particulars       | Details  |
|-------------------|--|
| Corporate Office  | <b>Address:</b> Chandigarh Road, Ludhiana- 141010<br><b>Tel No.:</b> +91 161 2222615<br><b>Fax. No.:</b> +91 161 2222447 |
| Registered Office | <b>Address:</b> Chandigarh Road, Ludhiana- 141010<br><b>Tel No.:</b> +91 161 2222615<br><b>Fax. No.:</b> +91 161 2222447 |

**9.2 Brief History and Main areas of Operation**

9.2.1 Vardhman Holdings Limited (the "Target") was incorporated on December 27, 1962 under the Companies Act, 1956 in the name of Vardhman Spinning and General Mills Limited ("VSGML") with the object of carrying on Textile Business.

9.2.2 Pursuant to the Scheme of Arrangement and Demerger between the Target and Vardhman Textiles Limited (formerly known as "Mahavir Spinning Mills Limited") as sanctioned by the Hon'ble High Court of Punjab and Haryana vide its Order dated March 04, 2005, the textile business of the Target was demerged to Vardhman Textiles Limited with effect from April 01, 2004. Pursuant to the said demerger, the Company was left with assets other than that related to textile business, which mainly comprised of investments in the securities of group companies. The name of VSGML was, therefore, changed from "Vardhman Spinning and General Mills Limited" to "Vardhman Holdings Limited" with effect from March 27, 2006. The object clause of the Memorandum of Association was also amended so as to delete the objects pertaining to textile business and to adopt the objects relating to Financial and Investment activities. The Target is registered as a Non-Banking Financial Company with the RBI vide its registration no. N-06.00587 dated July 20, 2007.

9.2.3 The main business activity of the Target is Investing and Financing.

**9.3 Details of Locations**

In addition to the above mentioned Registered and Corporate Office, the Target has one branch office at S.C.O. 1-2-3, Sector 17 B, Chandigarh – 160017, Tel. No.: +91 172 2727007, Fax No.: +91 172 2704305.

**9.4 Equity Share capital structure of the Target:**

| Issued and Paid up Equity share Capital | No. of shares/ voting rights (Face value Rs. 10 per share) | % of Equity shares/ Voting rights |
|---|--|-----------------------------------|
| Fully paid up Equity shares             | 3,191,536  | 100%                              |
| Partly paid up Equity shares            | Nil  | Nil                               |
| Total paid up Equity shares             | 3,191,536  | 100%                              |
| Total voting rights in Target           | 3,191,536  | 100%                              |

**9.5 Build up of the current capital structure since inception**

| Date of Allotment | No. & (% age) of Shares issued | Cumulative paid-up capital | Mode of Allotment                                      | Identity of allottees  | Status of Compliance | Remarks, if any  |
|-------------------|--------------------------------|----------------------------|--|--|----------------------|--|
| 1962-65           | 120,000<br>(100%)              | 3,000,000                  | Cash   | Subscribers to the Memorandum of Association and others                                | Complied with        |  |
| July 19, 1971     | 300,000<br>(100%)              | 3,000,000                  | Not Applicable (Change in the face value)              | Existing shareholders  | Complied with        | Face Value changed from Rs. 25 per Share to Rs. 10 per Share   |
| May 23, 1972      | 57,000<br>(15.97%)             | 3,570,000                  | Cash   | Allotted to Directors, friends and their associates                                    | Complied with        |  |
| August 14, 1972   | 343,000<br>(49.00%)            | 7,000,000                  | Cash   | Initial Public Offer   | Complied with        |  |
| December 01, 1973 | (1,200)<br>(0.17%)             | 6,988,000                  | Not Applicable   | Forfeiture of shares held by those public shareholders who had not paid the call money | Complied with        |  |
| June 14, 1975     | 180,000<br>(20.48%)            | 8,788,000                  | Conversion of loan into shares                         | IDBI and IFCI (Public Financial Institutions)  | Complied with        | Conversion of loan into shares   |
| November 10, 1976 | 439,400<br>(33.33%)            | 13,182,000                 | Bonus  | Existing shareholders  | Complied with        | Bonus Issue (1:2)  |
| December 16, 1982 | 1,318,200<br>(50.00%)          | 26,364,000                 | Bonus  | Existing shareholders  | Complied with        | Bonus Issue (1:1)  |
| January 03, 1983  | 4,00,000<br>(13.17%)           | 30,364,000                 | Conversion of Debentures into shares and bonus thereon | Debenture holders  | Complied with        | Conversion of Debentures into Equity and issue of bonus shares (1:1) against such equity shares allotted on conversion of debentures |
| August 03, 1993   | 1,591,800<br>(34.39%)          | 46,282,000                 | Conversion of Partly Convertible Debentures            | Debenture holders  | Complied with        | Equity shares issued on conversion of Partly Convertible Debentures  |

|                    |                       |                   |   |   |                |  |
|--------------------|-----------------------|-------------------|---|---|----------------|--|
| November 22, 1994  | 9,256,400<br>(66.67%) | 138,846,000       | Bonus   | Existing shareholders                                   | Complie d with | Bonus Issue (2:1)  |
| September 30, 1995 | 690,000<br>(4.73%)    | 145,746,000       | Cash  | Promoters and their associates and associated companies | Complie d with | Allotment of shares in exchange for warrants   |
| September 30, 1995 | 1,380,000<br>(8.65%)  | 159,546,000       | Bonus   | Promoters and their associates and associated companies | Complie d with | Issue of bonus shares in the ratio of (2:1) against the shares allotted in exchange for warrants   |
| May 14, 2005       | (12,763,064)          | 31,915,360        | Fresh equity shares issued by the Target pursuant to the Scheme of Arrangement and Demerger | Existing shareholders                                   | Complie d with | In terms of the Scheme of Arrangement and Demerger as sanctioned by the Hon'ble Punjab and Haryana High Court vide its Order dated March 04, 2005, for every ten Shares of the Target, eight shares of the transferee company were issued and accordingly the same were extinguished in the Target. For the remaining two shares, fresh shares were issued by the Target |
| <b>Total</b>       |                       | <b>31,915,360</b> |   |   |                | <b>Total Equity Paid up capital as on September 25, 2009</b>   |

**9.6** There has been no suspension of trading in shares of the Target.

**9.7** Shares of the Target are currently listed on the BSE and NSE. The equity shares of the Target had been listed on the Bombay Stock Exchange Limited ("BSE") from October 03, 1972 and on National Stock Exchange Limited ("NSE") from September 12, 2003.

Apart from aforesaid stock exchanges, the equity shares of the Target were also listed at The Delhi Stock Exchange Limited ("DSE") and at The Ludhiana Stock Exchange Limited ("LSE"). However, the Target applied for voluntary delisting of equity shares from the aforesaid stock exchanges under the SEBI (Delisting of Securities) Guidelines, 2003 and delisting approvals were accorded by the DSE, vide their letter no. DSE/DELIST/277 dated March 31, 2004 and LSE, vide their letter no. Listing/2005/2866 dated October 05, 2005.

**9.8** There are no outstanding convertible instruments (warrants/ FCDs/ PCDs), etc.

**9.9 Compliance with Chapter II of the SEBI (SAST) Regulations:**

The Target has duly complied with the applicable provisions of the Regulations including Chapter II from time to time.

**9.10** There is no punitive action imposed by SEBI under SEBI (SAST) Regulations on the Target as on the date of the Letter of Offer.

**9.11** The Target has conformed to the listing requirements at all times and there is no punitive action(s) imposed by the Stock Exchanges on the Target as on the date of the Letter of Offer.

**9.12** On scrutiny of books of account of the Target Company by RBI under section 45N of the RBI Act, 1934, it was observed that the Company had invested Rs. 7249.03 lacs. in the shares of M/s. Vardhman Textiles Limited, a group company. The amount invested in excess of the prescribed limit, was Rs. 5728.00 lacs. The company had not adhered to credit concentration norms prescribed in NBF (Non-accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The matter is being followed by RBI with the Company for regularization of excess investment.

The Target has made representation to RBI on the above matter.

**9.13 Composition of the Board of Directors:**

| S. No. | Name (Designation)                      | Residential Address  | Qualification   | Nature of Experience                                     | Date of Appointment |
|--------|---|--|---|--|---------------------|
| 1.     | Mr. Shri Paul Oswal<br>(Chairman)       | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Masters Degree in Commerce                              | 42 years of experience in Textile Industry               | April 12, 1971      |
| 2.     | Mrs. Shakun Oswal<br>(Director)         | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Graduate  | 15 years of experience of handling Investment Activities | July 23, 2005       |
| 3.     | Mr. Sachit Jain<br>(Director)           | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Electrical Engineer & Master in Business Administration | 20 years of experience in Textile Industry               | March 30, 2005      |
| 4.     | Mrs. Suchita Jain<br>(Director)         | "Auro Mirra" Bhawan, 2722, Gurdev Nagar, Pakhowal Road, Ludhiana Punjab-141001 | Masters Degree in Commerce                              | 19 years of experience in Textile Industry               | March 30, 2005      |
| 5.     | Shri Surinder Singh Bagai<br>(Director) | G-14, Masjid Moth, Greater Kailash III, New Delhi-110048                       | M.A., L.L.B   | 50 years of experience in Taxation and Company Law       | February 18, 1971   |
| 6.     | Mr. Chaman Lal Jain<br>(Director)       | House No. 41, Sector 7A, Faridabad- 121006                                     | M.Sc.   | 34 years of experience in Chemical Industry              | August 28, 1978     |
| 7.     | Mr. Jagdish Rai Singal<br>(Director)    | 610-11 B, Agar Nagar, Ludhiana- 141001   | B.A.  | 39 years of experience in International Trade            | October 17, 2005    |
| 8.     | Mr. Sat Pal Kanwar<br>(Director)        | 433/I-C, Basant Road, Civil Lines, Ludhiana                                    | Undergraduate   | Experience in Trading & Manufacturing in Textiles        | May 13, 2008        |
| 9.     | Mr. Bal Krishan Arora<br>(Director)     | B-36/19, Vikas Nagar, Pakhowal Road, Ludhiana-141001                           | B.Com, L.L.B  | 31 years of experience in legal and secretarial fields   | May 13, 2008        |
| 10.    | Mr. Om Prakash Sharma<br>(Director)     | C-9A, MIG DDA Flats, Maya Puri, New Delhi- 110064                              | M.A.  | 38 years experience of working in textile sector         | July 24, 2009       |

As on the date of the Public Announcement, Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain and Mrs. Suchita Jain, directors of the Target are also the directors on the Board of the Acquirer. They have not participated in any matter(s) concerning or relating to the Offer including any preparatory steps leading to the Offer and have undertaken that they will abstain from all proceedings related to this Offer as per Regulation 22(9) of the Regulations.

**9.14** No merger/ demerger/ spin offs have taken place in the Target during the last 3 (Three) years.

**9.15 Change of name since Incorporation:**

Vardhman Holdings Limited was incorporated as Vardhman Spinning & General Mills Limited on December 27, 1962 and was subsequently renamed Vardhman Holdings Limited on March 27, 2006.

**9.16** The audited financial results of the Target for the last three financial years as certified by M/s. S.C. Vasudeva & Company, Chartered Accountants (Mr. Sanjiv Mohan: Partner, Membership No.: 86066) are as below:

| <i>(Figures in Rupees Lacs.)</i>                      |   |               |                 |
|---|---|---------------|-----------------|
| <b>Profit &amp; Loss Statement</b>                    | <b>12 Months period ending March 31</b> |               |                 |
|   | <b>2009</b>                             | <b>2008</b>   | <b>2007</b>     |
| Income from Operations                                | 861.14                                  | 148.60        | 1,334.59        |
| Other Income  | 70.01                                   | 92.32         | 61.05           |
| <b>Total Income</b>                                   | <b>931.15</b>                           | <b>240.92</b> | <b>1,395.64</b> |
| Total Expenditure                                     | 70.83                                   | 29.71         | 16.72           |
| <b>Profit before Depreciation, Interest &amp; Tax</b> | <b>860.32</b>                           | <b>211.21</b> | <b>1,378.92</b> |
| Depreciation  | 1.58                                    | 1.58          | 1.58            |
| Interest  | 0.15                                    | 0.05          | 0.03            |
| <b>Profit before Tax &amp; Extra-Ordinary Items</b>   | <b>858.59</b>                           | <b>209.58</b> | <b>1,377.31</b> |
| Extra-Ordinary Items                                  | -                                       | -             | -               |
| <b>Profit Before Tax</b>                              | <b>858.59</b>                           | <b>209.58</b> | <b>1,377.31</b> |
| Provision for Tax                                     | 51.00                                   | 72.02         | 55.89           |
| <b>Profit After Tax</b>                               | <b>807.59</b>                           | <b>137.56</b> | <b>1,321.42</b> |

| <i>(Figures in Rupees Lacs.)</i>                   |                                  |                                  |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>Balance Sheet Statement</b>                     | <b>Year ended<br/>31.03.2009</b> | <b>Year ended<br/>31.03.2008</b> | <b>Year ended<br/>31.03.2007</b> |
| <b>Sources of Funds</b>                            |                                  |                                  |                                  |
| Paid-up Share Capital                              | 319.24                           | 319.24                           | 319.24                           |
| Reserves & Surplus (Excluding Revaluation Reserve) | 10,553.85                        | 9,820.93                         | 9,758.33                         |
| Secured Loan                                       | -                                | -                                | -                                |
| Unsecured Loan                                     | -                                | -                                | -                                |
| Deferred Tax Liability                             | -                                | -                                | -                                |
| <b>Total</b>                                       | <b>10,873.09</b>                 | <b>10,140.17</b>                 | <b>10,077.57</b>                 |
| <b>Uses of Funds</b>                               |                                  |                                  |                                  |
| Net Fixed Assets                                   | 24.14                            | 25.72                            | 529.98                           |
| Investments  | 10,350.33                        | 9,428.56                         | 7,292.81                         |
| Net Current Assets                                 | 498.62                           | 685.89                           | 2,254.78                         |
| Miscellaneous Expenses not written off             | -                                | -                                | -                                |
| <b>Total</b>                                       | <b>10,873.09</b>                 | <b>10,140.17</b>                 | <b>10,077.57</b>                 |

| <b>Other Financial Data</b>          | <b>Year ended<br/>31.03.2009</b> | <b>Year Ended<br/>31.3. 2008</b> | <b>Year Ended<br/>31.03.2007</b> |
|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net Worth (in Rs. Lacs.)             | 10,873.09                        | 10,140.17                        | 10,077.57                        |
| Dividend (in %)                      | 20.00                            | 20.00                            | 20.00                            |
| Earning Per Share (in Rs. per Share) | 25.30                            | 4.31                             | 41.40                            |
| Return on Networth (in %)            | 7.43                             | 1.36                             | 13.11                            |
| Book Value (in Rs. per Share)        | 340.69                           | 317.72                           | 315.76                           |

**9.17 Reasons for fall/rise in Total Income and Profit after Tax:**

**Financial Year 2008-09 vis-à-vis Financial Year 2007-08**

The Total Income of the Target increased by 286.50% to Rs. 931.15 lacs in 2008-09 compared to Rs. 240.92 lacs. in 2007-08. The Target earned a net profit of Rs. 807.59 lacs after providing for extra-ordinary and prior period items and taxation as against a net profit of Rs. 137.56 lacs. in the financial year 2007-08. The main investment of the Target is in the shares of Vardhman Textiles Limited. The Target had not received any dividend on the shares of Vardhman Textiles Limited during the financial year 2007-08. However, dividend was received @ 40 percent during the financial year 2008-09. This was the main reason of the rise in total income and net profit during the financial year 2008-09 as compared to the financial year 2007-08.

**Financial Year 2007-08 vis-à-vis Financial Year 2006-07**

The Total Income of the Target decreased by 82.74% to Rs. 240.92 lacs. in 2007-08 compared to Rs. 1395.64 lacs. during the year 2006-07. The Target earned a net profit of Rs. 137.56 lacs. after providing for extraordinary and prior period items and taxation as against a net profit of Rs. 1321.42 lacs. in the financial year 2006-07. The main investment of the Target is in the shares of Vardhman Textiles Limited. During the financial year 2006-07, the Target had received dividend twice, one being the final dividend for the financial year 2005-06 and the other being the interim dividend for the financial year 2006-07 as declared by Vardhman Textiles Limited. However, no final dividend was declared by Vardhman Textiles Limited for the financial year 2006-07 and hence, there was no major dividend income in the Target Company during the financial year 2007-08. This resulted in the fall in the total income and profits during the financial year 2007-08 as against the total income and profits during the financial year 2006-07.

**9.18 Pre and post offer shareholding pattern:**

| S. No.   | Shareholder Category                             | Shareholding/ Voting rights prior to Offer (September 25, 2009) |               | Shares/Voting rights to be acquired in the Offer (Assuming full acceptances) |            | Shareholding/ Voting rights after the Offer |               |
|--|--|---|---------------|--|------------|---|---------------|
|  |  | (A)   | (B)           | (B)  | (A+B)= (C) |   |               |
|  |  | No.   | In %          | No.  | In %       | No.   | In %          |
| 1  | <i>Promoter Group</i>                            |   |               |  |            |   |               |
| 1.1  | Promoters other than the Acquirer                | 2,141,369   | 67.10         | Nil  | Nil        | 2,141,369                                   | 67.10         |
|  | Total 1  | 2,141,369   | 67.10         | Nil  | Nil        | 2,141,369                                   | 67.10         |
| 2  | Acquirer   |   |               |  |            |   |               |
| 2.1  | Pradeep Mercantile Company Private Limited       | 120   | 0.00          | 252,163  | 7.9        | 252,283                                     | 7.90          |
|  | Total 2  | 120   | 0.00          | 252,163  | 7.9        | 252,283                                     | 7.90          |
| <b>Total (1+2)</b>   |  | <b>2,141,489</b>  | <b>67.10</b>  | <b>252,163</b>   | <b>7.9</b> | <b>2,393,652</b>                            | <b>75.00</b>  |
| 3  | <i>Public (Other than Acquirer and Promoter)</i> |   |               |  |            |   |               |
| 3.1  | Mutual Funds/ Unit Trust of India                | 2,020   | 0.06          | Nil  | Nil        | Will depend on response to the Offer        |               |
| 3.2  | Financial Institutions/ Banks                    | 1,362   | 0.04          | Nil  | Nil        |   |               |
| 3.3  | Insurance Companies                              | 32,865  | 1.03          | Nil  | Nil        |   |               |
| 3.4  | Foreign Institutional Investors                  | 70  | 0.00          | Nil  | Nil        |   |               |
| 3.5  | Body Corporate(s)                                | 329,182   | 10.31         | Nil  | Nil        |   |               |
| 3.6  | Public (Indian)                                  | 675,864   | 21.18         | Nil  | Nil        |   |               |
| 3.7  | Non Resident Indian                              | 8,684   | 0.27          | Nil  | Nil        |   |               |
| <b>Total Public (Other than the Acquirer and Promoter) (3.1+3.2+3.3+3.4+3.5+3.6+3.7)</b> |  | <b>1,050,047</b>  | <b>32.90</b>  | <b>Nil</b>   | <b>Nil</b> | <b>797,884</b>                              | <b>25.00</b>  |
| <b>Total (1+2+3)</b>   |  | <b>3,191,536</b>  | <b>100.00</b> |  |            | <b>3,191,536</b>                            | <b>100.00</b> |

The total number of shareholders (other than the Acquirer and the Promoter Group) as on September 25, 2009 is 9,522.



**9.19 Details of changes in shareholding of the Promoters:**

| Particulars              | No. of shares acquired (Net) | Capital as on date of acquisition | Resultant shareholding Percentage (in %) | Status of Compliance with provisions of Chapter II of the Regulations |
|--------------------------|------------------------------|-----------------------------------|--|---|
| Financial year 1996-97   | 1,600                        | 15,954,600                        | 59.35                                    | Complied with   |
| Financial year 1998-99   | 155,650                      | 15,954,600                        | 60.33                                    | Complied with   |
| Financial year 1999-2000 | 26,754                       | 15,954,600                        | 60.49                                    | Complied with   |
| Financial year 2000-01   | 359,520                      | 15,954,600                        | 62.75                                    | Complied with   |
| Financial year 2003-04   | 164,766                      | 15,954,600                        | 62.11                                    | Complied with   |
| Financial year 2008-09   | 159,464                      | 3,191,536*                        | 67.10                                    | Complied with   |

\*In terms of the Scheme of Arrangement and Demerger between the Target (“Transferor Company”) and Vardhman Textiles Limited (formerly known as “Mahavir Spinning Mills Limited”) (“Transferee Company”) as sanctioned by the Hon’ble Punjab and Haryana High Court vide its Order dated 4<sup>th</sup> March, 2005, for every ten shares held in the Target, eight shares of Vardhman Textiles Limited and two shares of the Target were issued. As a result, there was a change in the total capital of the Target from Rs. 159,546,000 to Rs. 31,915,360.

The Target has complied with all provisions of the Regulations, other regulations under the SEBI Act and other statutory requirement(s) as applicable to the changes in the shareholding of the Promoter Group.

**9.20** The Target has complied with all the provisions under Clause 49 of the Listing Agreement relating to Corporate Governance.

**9.21 Details of Pending Litigation**

Following is the detail of pending litigation filed by Vardhman Holdings Limited:

| <b>Vardhman Holdings Limited V/s Vardhman Properties Limited</b>  |
|---|
| A Delhi based Real Estate Company by the name of “Vardhman Properties Limited” started giving advertisement under the name of “Vardhman” and “Vardhman Group”. The Target filed a Civil Suit against the said Company in Delhi High Court for injunction, damages, passing off and infringement. After hearing the parties, the Hon’ble Delhi High Court passed an Order restraining “Vardhman Properties Limited” from using the expression “Vardhman Group” and by extension “Vardhman Group of Companies” in any of its advertisements. Injunction Order dated September 09, 2000 passed by the Delhi High Court has become final as the opponents have not filed any appeal against the order passed by the High Court. The case is pending before the Hon’ble Delhi High Court for adjudication of other issues. |

Following is the detail of pending litigation filed against Vardhman Holdings Limited:

| <b>Ranbir Singh &amp; Others V/s Vardhman Holdings Limited &amp; Others</b>  |
|--|
| Vardhman Holdings Limited had taken accommodation on lease for setting up its office at Chandigarh in the year 1996. The Textile Business of the Target was de-merged to Vardhman Textiles Limited (formerly known as Mahavir Spinning Mills Limited) in terms of the Scheme of Arrangement and Demerger as sanctioned by the Hon’ble Punjab and Haryana High Court vide its Order dated March 04, 2005. Thereafter, Vardhman Textiles Limited had made payment of lease rentals to the landlord on behalf of Vardhman Holdings Limited for some time. On this, the landowners, Mr. Ranbir Singh and others filed a case alleging sub-letting of the leased building in the Court before the Rent Controller, Chandigarh. This case is fixed for evidence. |

**9.22** The Target has no contingent liability as on March 31, 2009.

**9.23 Name and details of the Compliance Officer**

| Particulars        | Details  |
|--------------------|--|
| <b>Name</b>        | Mr. Neeraj Gupta   |
| <b>Designation</b> | Executive, Compliance Officer  |
| <b>Address</b>     | Vardhman Holdings Limited, Chandigarh Road, Ludhiana– 141 010          |
| <b>Tel No.:</b>    | +91 161 2222615  |
| <b>Fax No.:</b>    | +91 161 2222447  |
| <b>Email id.:</b>  | <a href="mailto:neerajgupta@vardhman.com">neerajgupta@vardhman.com</a> |

## 10. OFFER PRICE AND FINANCIAL ARRANGEMENT:

### 10.1 Justification for the Offer Price:

10.1.1 The Shares of the Target are listed on BSE and NSE. The annualised trading turnover in the shares of the Target on BSE and NSE, based on trading volume during the period March 01, 2009 to August 31, 2009 (six calendar months preceding the month in which the PA is made), is as given below:

| Stock Exchange | Shares Traded (March 01, 2009 – August 31, 2009) | Total Listed Shares | Annualised Trading Turnover (in % of the total Shares listed) |
|----------------|--|---------------------|---|
| BSE            | 68,430   | 3,191,536           | 4.29  |
| NSE            | 105,559  | 3,191,536           | 6.61  |

(Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com))

10.1.2 The Offer Price of Rs. 223.00 (Rupees Two hundred and twenty three only) per fully paid equity Share is justified in terms of Regulation 20(4) of the Regulations being the highest of the following:

| S. No. | Particulars  | Price per share (in Rupees only) |
|--------|--|----------------------------------|
| 1      | The Negotiated Price   | Not Applicable                   |
| 2      | Highest Price paid by the Acquirer, if any for 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                   |
| 3      | The Average of the weekly high and low of the closing prices of the Shares on NSE during the 26 weeks preceding the date of Public Announcement.   | 167.36                           |
| 4      | The Average of the daily high and low prices of the Shares on NSE during the 2 weeks preceding the date of Public Announcement.  | 216.15                           |

(Source: [www.nseindia.com](http://www.nseindia.com))

### Calculation of Average Price as per Regulation 20(4)(c):

#### 26 Weeks weekly high and low

| Week No. | Week ending on     | Weekly Closing High (Price per Share in Rs.) | Weekly Closing Low (Price per Share in Rs.) | Average (Price per Share in Rs.) | Volume during the week (in number of shares) |
|----------|--------------------|--|---|----------------------------------|--|
| 1.       | September 18, 2009 | 221.00                                       | 217.00                                      | 219.00                           | 1,710  |
| 2.       | September 11, 2009 | 221.80                                       | 211.45                                      | 216.63                           | 3416   |
| 3.       | September 04, 2009 | 203.00                                       | 193.90                                      | 198.45                           | 5,521  |
| 4.       | August 28, 2009    | 209.00                                       | 189.40                                      | 199.20                           | 25,444                                       |
| 5.       | August 21, 2009    | 200.00                                       | 193.00                                      | 196.50                           | 4,686  |
| 6.       | August 14, 2009    | 204.15                                       | 195.00                                      | 199.58                           | 1,427  |
| 7.       | August 07, 2009    | 201.25                                       | 200.10                                      | 200.68                           | 178  |
| 8.       | July 31, 2009      | 205.05                                       | 191.55                                      | 198.30                           | 1,605  |
| 9.       | July 24, 2009      | 188.55                                       | 184.20                                      | 186.38                           | 9,519  |
| 10.      | July 17, 2009      | 179.75                                       | 162.00                                      | 170.88                           | 898  |
| 11.      | July 10, 2009      | 177.50                                       | 166.00                                      | 171.75                           | 507  |
| 12.      | July 03, 2009      | 190.70                                       | 180.00                                      | 185.35                           | 1,467  |
| 13.      | June 26, 2009      | 187.10                                       | 179.00                                      | 183.05                           | 18,371                                       |
| 14.      | June 19, 2009      | 180.60                                       | 172.00                                      | 176.30                           | 3,017  |
| 15.      | June 12, 2009      | 185.00                                       | 171.55                                      | 178.28                           | 22,897                                       |
| 16.      | June 05, 2009      | 174.45                                       | 163.00                                      | 168.73                           | 1,516  |
| 17.      | May 29, 2009       | 159.20                                       | 152.80                                      | 156.00                           | 3,659  |
| 18.      | May 22, 2009       | 152.80                                       | 138.60                                      | 145.70                           | 148  |
| 19.      | May 15, 2009       | 137.10                                       | 130.55                                      | 133.83                           | 139  |
| 20.      | May 08, 2009       | 143.15                                       | 130.00                                      | 136.58                           | 356  |
| 21.      | May 01, 2009       | 132.00                                       | 125.90                                      | 128.95                           | 842  |
| 22.      | April 24, 2009     | 133.35                                       | 125.90                                      | 129.63                           | 313  |
| 23.      | April 17, 2009     | 126.30                                       | 119.90                                      | 123.10                           | 367  |
| 24.      | April 10, 2009     | 120.00                                       | 115.05                                      | 117.53                           | 851  |
| 25.      | April 03, 2009     | 116.85                                       | 116.85                                      | 116.85                           | 2  |
| 26.      | March 27, 2009     | 117.05                                       | 111.25                                      | 114.15                           | 102  |

(Source: [www.nseindia.com](http://www.nseindia.com))

## 2 Weeks daily high and low

| Day No. | Date               | High (Price per Share in Rs.) | Low (Price per Share in Rs.) | Average (Price per Share in Rs.) | Volume (in Shares) |
|---------|--------------------|-------------------------------|------------------------------|----------------------------------|--------------------|
| 1.      | September 18, 2009 | 222.00                        | 221.00                       | 221.50                           | 145                |
| 2.      | September 17, 2009 | 217.25                        | 211.20                       | 214.23                           | 286                |
| 3.      | September 16, 2009 | Not Traded                    | Not Traded                   | Not Traded                       | -                  |
| 4.      | September 15, 2009 | 220.95                        | 211.20                       | 216.08                           | 55                 |
| 5.      | September 14, 2009 | 221.00                        | 211.10                       | 216.05                           | 1,224              |
| 6.      | September 11, 2009 | 223.85                        | 202.00                       | 212.93                           | 512                |
| 7.      | September 10, 2009 | 225.00                        | 210.00                       | 217.50                           | 784                |
| 8.      | September 09, 2009 | 220.00                        | 212.60                       | 216.30                           | 740                |
| 9.      | September 08, 2009 | 233.35                        | 212.00                       | 222.68                           | 290                |
| 10.     | September 07, 2009 | 218.95                        | 197.20                       | 208.08                           | 1,090              |

(Source: [www.nseindia.com](http://www.nseindia.com))

- 10.1.3 The Target does not have any partly paid up equity shares or other instruments convertible into Shares of the Target at a future date.
- 10.1.4 In the opinion of the Manager to the Offer, the Offer Price of Rs. 223.00 (Rupees Two hundred and twenty three only) per fully paid up equity Share of the Target is justified in terms of Regulation 20 (11) of the Regulations.
- 10.1.5 The Acquirer or the Promoter Group has not acquired any Share of the Target from the date of the PA up to the date of the Letter of Offer.
- 10.1.6 In compliance with Regulation 20(7) of the Regulations, the Acquirer and/or PG shall not, during the Offer Period, acquire any additional Shares in the open market or through negotiation or in any other manner otherwise than under this Offer.
- 10.1.7 The Offer Price shall not be less than the highest price paid by the Acquirer for any acquisition of Equity Shares of Target from the date of the Public Announcement up to 7 (Seven) working days prior to the date of Closure of the Offer. Upon any such acquisition by the Acquirer, the highest price paid for such acquisition shall be payable for all the valid applications received under the Offer.

### 10.2 Financial Arrangement for the Offer:

- 10.2.1 The Acquirer has adequate liquid funds available to meet the financial requirements of the Offer in terms of the Regulations and to meet its obligations in full under the Offer and no borrowing from any banks and/or financial institutions is envisaged.
- 10.2.2 The total funds requirement for the Offer is Rs. 56,232,349 (Rupees Five crores sixty two lacs. thirty two thousand three hundred and forty-nine only), assuming full acceptances of the Offer.
- 10.2.3 M/s. Anil Sanjay & Associates (Mr. Sanjay Aggarwal, Partner, Membership No. 94717), having its office at 157-27, Old Cinema Road, Khanna- 141401, Punjab; Tel. No.: +91 1628 226669, the statutory auditors for the Acquirer, have, vide their certificate dated September 22, 2009, certified that the Acquirer has sufficient ready liquid funds available to fulfill its obligations arising out of the Offer.
- 10.2.4 The Networth of the Acquirer as on the date of Public Announcement was Rs. 832.60 lacs. that includes the preference share capital of the Acquirer subscribed by Promoter Group entities namely:  
(i) Adinath Investment & Trading Company  
(ii) Devakar Investment & Trading Company Private Limited  
The Networth is sufficient to support the required funds for acquiring shares under the Offer of the Target.
- 10.2.5 The Acquirer has vide a certificate dated September 22, 2009, given an undertaking to the Manager to the Offer to meet its financial obligations under the Offer.
- 10.2.6 By way of security for performance of the Acquirer's obligations under the Regulations, the Acquirer has created an Escrow Account ("PMCPL- VHL Open Offer Escrow Account") with the HDFC Bank Limited (Surya Kiran Building, Connaught Place, New Delhi- 110001), and has deposited a sum of Rs. 14,060,000 (Rupees One crore forty lacs. sixty thousand only) in the said Escrow Account- Cash, being in excess of 25% of the Offer Size required under Regulation 28(2) of the Regulations.
- 10.2.7 SCOL, as Manager to the Offer, has been duly authorized by the Acquirer to realize the value of the Escrow Account in terms of the provisions of the Regulations.
- 10.2.8 The Manager to the Offer is satisfied about the ability of the Acquirer to implement the terms of the Offer in accordance with the Regulations as firm financial arrangements are in place to fulfill the obligations under the Regulations.

## 11. TERMS AND CONDITIONS OF THE OFFER:

- 11.1** The Letter of Offer together with a Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will be mailed on or before Saturday, December 05, 2009 to all shareholders of the Target whose names appear in the Register of Members of the Target and the beneficial owners of the Shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on Friday, October 09, 2009, (the "Specified Date").
- 11.2** The Offer shall open on Thursday, December 10, 2009 (the "Offer Opening Date") and will remain open until Tuesday, December 29, 2009 (the "Offer Closing Date").
- 11.3 Shareholders holding Shares in physical form:** Shareholders holding shares in physical form and who wish to accept this Offer and tender their Shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and duly signed transfer deed(s) to the Registrar to the Offer, Skyline Financial Services Private Limited, (Address: 246, First Floor, Sant Nagar, East of Kailash, New Delhi- 110065; Tel. No.: +91 11 26292680-82-83; Fax No.: +91 11 26292681; E-mail id.: vhl\_openoffer@skylinerta.com; Contact Person: Mr. Virender Rana) (hereinafter referred to as the "Registrar to the Offer") either by hand delivery on weekdays or by registered post, on or before the Offer Closing Date, i.e. no later than Tuesday, December 29, 2009 so as to reach the Registrar to the Offer on or before the close of business hours, i.e. no later than 5.30 p.m. in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance-cum-Acknowledgement.
- 11.4 Shareholders holding shares in dematerialised form:** Beneficial Owners who wish to accept this Offer and tender their Shares will be required to send their Form of Acceptance-cum-Acknowledgement to the Registrar to the Offer in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance-cum-Acknowledgement, along with a photocopy of the delivery instruction slips in "Off-market" mode or counterfoil of the delivery instructions in "Off-market" mode, in favour of "Skyline- PMCPL- VHL Open Offer Escrow Account" duly acknowledged by their respective depository participant (the "DP").

The Registrar to the Offer has opened a special depository account with National Securities Depository Limited ("NSDL") called "Skyline- PMCPL- VHL Open Offer Escrow Account". The Beneficial Owners are requested to fill the following details in the delivery instruction slips for the purpose of crediting their equity shares in the special depository account:

|  |   |
|--|---|
| <b>Depository Participant ("DP") Name:</b> | K K Securities Limited                        |
| <b>DP Id.:</b>                             | IN300468                                      |
| <b>Client Id.:</b>                         | 10076606                                      |
| <b>Account Name:</b>                       | Skyline- PMCPL- VHL Open Offer Escrow Account |
| <b>Depository:</b>                         | NSDL  |

Shareholders having their beneficiary account in Central Depository Services (India) Limited ("CDSL") shall have to use an inter-depository delivery instruction slips for crediting their equity shares in the special depository account with NSDL.

- 11.5** Shareholders who have sent their shares for dematerialization need to ensure that the process of getting their shares dematerialised is completed well in time so that the credit in the special depository account is received on or before the Offer Closing Date (i.e., no later than Tuesday, December 29, 2009), else their application would be rejected.
- 11.6** Locked in shares: There are no locked in shares in the Target.

## 12. STATUTORY APPROVALS:

The Offer is subject to the receipt of the following statutory and regulatory approval(s) and clearances required by the Acquirer to acquire Shares tendered pursuant to the Offer:

- 12.1** The Offer is subject to receiving the necessary approvals, if any, from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the subsequent amendments thereto, for acquiring equity Shares, if tendered by its non- resident shareholders.
- 12.2** As on the date of the PA, no other statutory or regulatory approval(s) are required to implement this Offer or acquire the Shares tendered pursuant to this Offer, other than those contemplated above. However, the Offer will be subject to all statutory approval(s) that may be applicable. If any other statutory approvals become applicable, the Offer would be subject to such statutory approval(s). The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27 of the SEBI (SAST) Regulations in the event that any of the statutory approval(s) contemplated above are refused.
- 12.3** Subject to the receipt of statutory and other approval(s), the Acquirer shall complete all procedures relating to the Offer including payment of consideration within a period of 15 days from the Offer Closing Date to those shareholders whose Share certificates and/or other documents are found valid and in order and are approved for acquisition by

the Acquirer. In case of delay due to the non-receipt of statutory approval(s), SEBI may, as per Regulation 22(12) of the Regulations, if satisfied that the non-receipt of approval(s) was not due to the willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approval(s), grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay beyond 15 days.

**12.4** However, if the delay occurs on account of the willful default or negligence of the Acquirer in obtaining the requisite approval(s), the amount held in the escrow account shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the Regulations.

**12.5** The Acquirer does not require any approval(s) from any financial institutions or banks for the Offer.

### 13. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT:

**13.1** The Shareholders who wish to avail of and accept the Offer can deliver the Form of Acceptance-cum-Acknowledgement along with all the relevant documents at the collection centre specified below in accordance with the procedure as set out in the Letter of Offer on or before the Offer Closing Date, i.e., no later than Tuesday, December 29, 2009. The centre mentioned herein below would be open as follows:

**Timings:** Monday to Saturday: 10.00 a.m. to 5.30 p.m.

| Contact Person    | Address  | Tel. No.                 | Fax. No.         | Mode of Delivery                  |
|-------------------|--|--------------------------|------------------|-----------------------------------|
| Mr. Virender Rana | 246, First Floor, Sant Nagar, East of Kailash, New Delhi- 110065 | +91 11 2629 2680- 82- 83 | +91 11 2629 2681 | Registered Post/<br>Hand Delivery |

**13.2** All owners (registered or unregistered) of Shares are eligible to participate in the Offer anytime before the Closure of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer on a plain paper stating the name, address, number of Shares held, number of Shares offered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deed(s) and the original contract note(s) issued by the broker through whom they acquired their shares so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e., no later than Tuesday, December 29, 2009. No indemnity is required from the unregistered owners. In case of unregistered owners, all other requirements for valid transfers will be a pre-condition for acceptance.

**13.3** 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 the name, address, number of Shares held, distinctive numbers, folio number, number of Shares offered along with documents as mentioned above so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e., no later than Tuesday, December 29, 2009, or in case of beneficial owners, they may send the application in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction slips in "Off-market" mode or counterfoil of the delivery instruction slips in "Off-market" mode, duly acknowledged by the DP, in favour of "Skyline- PMCPL- VHL Open Offer Escrow Account", so as to reach the Registrar to the Offer, on or before the Offer Closing Date, i.e., no later than Tuesday, December 29, 2009.

**13.4** Shareholders can also download the Letter of Offer and Form of Acceptance-cum-Acknowledgement placed on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) and send in their acceptance by filling the same.

**13.5** The share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the Registrar to the Offer and not to the Manager to the Offer, Acquirer or the Target.

**13.6** In accordance with Regulation 22(5A) of the Regulations, shareholders who have accepted the offer by tendering the requisite documents in terms of the PA and the Letter of Offer can withdraw the same up to 3 (Three) working days prior to the Offer Closing Date. 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 the collection centre mentioned above as per the mode of delivery indicated therein on or before Tuesday, December 22, 2009.

- o The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with the Letter of Offer.
- o In case of non-receipt of Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application along with the following details:
  - In respect of physical shares: names, address, distinctive numbers, folio number, number of Shares tendered.
  - In respect of dematerialised shares: name, address, number of Shares tendered, DP name, DP ID, beneficiary account number, photocopy of the delivery instruction slips in "Off Market" mode duly acknowledged by the DP.
- o Shareholders can also download the Form of Withdrawal placed on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) and send in their withdrawal by filling the same.
- o Partial withdrawal of tendered shares can be done only by the registered shareholders/ beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance-cum-Acknowledgement will stand revised to that effect.

- o In case of partial withdrawal, valid share transfer deed(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 the Target and duly witnessed at the appropriate place.
  - o 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.
  - o The Form of Withdrawal should be sent only to the Registrar to the Offer.
- 13.7** The Registrar to the Offer will hold in trust the Shares/ Share certificates, Shares lying in credit of the special depository account and the transfer form(s), until the Acquirer completes its obligations under the Offer in accordance with the Regulations.
- 13.8** If the aggregate of the valid responses to the Offer exceeds the Offer size of 252,163 Shares, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations.
- 13.9** Unaccepted Share certificates, transfer forms and other documents, if any, will be returned by registered post at the shareholders'/ unregistered owners' sole risk to the sole/ first shareholder. Unaccepted Shares held in dematerialized 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.
- 13.10 Compliance with tax and other regulatory requirements:**
- 13.10.1 While tendering Shares under the Offer, Non-resident Indians (NRIs), Overseas Corporate Bodies (OCBs) and other non-resident shareholders will be required to submit the RBI's approval (specific or general) that they would have obtained for acquiring the Shares of the Target. In the event that the previous RBI approval(s) (if any) are not submitted, the Acquirer reserves the right to reject such tendered Shares.
- 13.10.2 While tendering their Shares under the Offer, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate ("NOC") or Tax Clearance Certificate or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.
- 13.10.3 As per the provisions of Section 196D (2) of the Income Tax Act, 1961, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act, 1961 to a Foreign Institutional Investor as defined in Section 115AD of the Income Tax Act, 1961. However, the interest payment for delay in payment of consideration, if any, will not be governed by this provision. For interest payments, if any, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate or Tax Clearance Certificate ("TCC") or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder. In case of resident shareholders, tax will be deducted on the interest component exceeding Rs. 5,000/- at the applicable current prevailing rates. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, such shareholders will be required to submit a No Objection Certificate or Tax Clearance Certificate ("TCC") or Certificate for Deduction of Tax at Lower Rate from the Income Tax Authorities under the Income Tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer or a self-declaration in form 15G or Form 15H as may be applicable.
- 13.10.4 All resident shareholders would be required to submit their Permanent Account Number ("PAN") for Income Tax purposes, as applicable.
- 13.10.5 Clauses relating to payment of interest will become applicable only if the Acquirer becomes liable to pay interest for delay in release of purchase consideration.
- 13.10.6 Payment to those shareholders whose Share certificates and/or other documents are found valid and in order and are approved by the Acquirer will be made by way of a crossed account payee cheque/ demand draft/ pay order. The decision regarding the acquisition (in part or full), or rejection of, the Shares tendered pursuant to this Offer and (i) any corresponding payment for the acquired Shares and/or (ii) Share certificates for any rejected Shares or Shares withdrawn, will be dispatched to the shareholders by registered post or by ordinary post as the case may be [\*], at the shareholder's sole risk. Shares held in dematerialised form to the extent not acquired or shares withdrawn will be credited back to the respective beneficiary account with their respective DP as per the details furnished by the beneficial owners in the Form of Acceptance-cum-Acknowledgement.
- [\*] Dispatches involving payment of a value in excess of Rs. 1,500/- will be made by registered post at the shareholder's sole risk. All other dispatches will be made by ordinary post at the shareholder's sole risk.
- 13.11** All cheques/ demand drafts/ pay orders will be drawn in the name of the first holder, in case of joint holder(s). In case of unregistered owners of shares, payment will be made in the name of the person stated in the contract note. It will

be desirable if the shareholders provide bank account details in the Form of Acceptance-cum-Acknowledgement for incorporation in the cheque/ demand draft/ pay order.

**13.12** The Acquirer reserves the right to withdraw the Offer pursuant to Regulation 27 of the Regulations. Any such withdrawal will be notified in the form of a Public Announcement in the same newspapers in which the original PA appeared.

#### **14. DOCUMENTS FOR INSPECTION:**

The following documents are regarded as material documents and are available for inspection at the office of Sobhagya Capital Options Limited, B- 206, Okhla Industrial Area, Phase-I, New Delhi- 110020 from 10.00 am to 5.00 pm on any day except Saturdays, Sundays, and Public/ Bank Holidays, until the Offer Closing Date.

- 14.1** Certificate of Incorporation and Memorandum & Articles of Association of the Acquirer.
- 14.2** Certificate dated September 22, 2009 from statutory auditors of the Acquirer, M/s. Anil Sanjay & Associates (Mr. Sanjay Aggarwal, Partner, Membership No. 94717), certifying the financial data of the Acquirer.
- 14.3** Certificate dated September 22, 2009 from statutory auditors of the Acquirer, M/s. Anil Sanjay & Associates (Mr. Sanjay Aggarwal, Partner, Membership No. 94717) certifying that the Acquirer has sufficient ready liquid funds available to fulfill its obligations arising out of the Offer.
- 14.4** Annual reports of the Acquirer for the financial years ending March 31, 2009, 2008 and 2007.
- 14.5** Certificate of Incorporation and Memorandum & Articles of Association of the Target.
- 14.6** Certificate dated September 22, 2009 from statutory auditors of the Target, M/s. S.C. Vasudeva & Co., Chartered Accountants (Mr. Sanjiv Mohan, Partner, Membership No.: 86066), certifying the financial data of the Target.
- 14.7** Annual reports of the Target for the financial years ending March 31, 2009, 2008 and 2007.
- 14.8** Copy of Escrow Agreement dated September 22, 2009 entered between Pradeep Mercantile Company Private Limited (the "Acquirer"), Sobhagya Capital Options Limited ("Manager to the Offer") and HDFC Bank Limited.
- 14.9** Letter from Escrow Bank dated September 23, 2009 confirming cash deposit of 14,060,000 (Rupees One crore forty lacs. sixty thousand only) made in the Escrow Account ("PMCP- VHL Open Offer Escrow Account") and lien marked in favor of the Manager to the Offer.
- 14.10** Copy of agreement with the Depository Participant for opening a special depository account for the purpose of the Offer.
- 14.11** Copy of the Public Announcement dated September 25, 2009.
- 14.12** Copy of Agreement between the Acquirer and the Registrar to the Offer for the purpose of the Offer
- 14.13** Copy of Memorandum of Understanding between the Acquirer and Manager to the Offer.
- 14.14** Networth Certificate dated November 16, 2009 from statutory auditors of the Acquirer, M/s. Anil Sanjay & Associates (Mr. Sanjay Aggarwal, Partner, Membership No. 94717), certifying the networth of the Acquirer.

#### **15. DECLARATION BY THE ACQUIRER:**

The Acquirer accepts full responsibility for the information contained in this Letter of Offer and for their obligations under SEBI (SAST) Regulations. The Acquirer alongwith the other promoters of the target company would be severally and jointly responsible for ensuring compliance with the Takeover Regulations.

By Order of the Board,  
For Pradeep Mercantile Company Private Limited (the "Acquirer")

Sd/-  
(Sachit Jain)  
Director

Dated: December 02, 2009  
Place: New Delhi

Enclosed:

1. Form of Acceptance-cum-Acknowledgement
2. Form of Withdrawal
3. Transfer deed for shareholders holdings shares in physical form

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**OFFER**

Opens on: Thursday, December 10, 2009

Closes on: Tuesday, December 29, 2009

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**  
(Please send this form with enclosures to the Registrar to the Offer)

**FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT**

**From:**

**Name:** \_\_\_\_\_ **Status:** Resident / Non-resident

**Full Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Tel No.** \_\_\_\_\_ **Fax No.** \_\_\_\_\_ **E-mail:** \_\_\_\_\_

To,  
**Skyline Financial Services Private Limited**  
246, First Floor, Sant Nagar,  
East of Kailash,  
New Delhi- 110065  
Telephone: +91 11 26292680-82-83  
Facsimile: +91 11 26292681  
E-mail: vhl\_openoffer@skylinerta.com

**Sub: Open Offer under Regulation 11(2A) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to acquire upto 252,163 shares being 7.9% of fully paid up equity share capital of Vardhman Holdings Limited ("Target") by Pradeep Mercantile Company Private Limited ("Acquirer") at a price of Rs. 223.00 (Rupees Two Hundred and twenty three only) per fully paid up equity share**

Dear Sir,

I/We, refer to the Letter of Offer dated December 02, 2009 constituting an offer to acquire the equity shares held by me/us in Vardhman Holdings Limited. Capitalized terms used but not defined herein have the meaning ascribed to them in the Letter of Offer.

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

**For equity shares held in physical form**

I/We hold equity shares in the physical form, accept the Offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our equity shares as detailed below:

| Sr. No.                       | Ledger Folio No. | Certificate No. | Distinctive Nos. | No. of equity shares |
|-------------------------------|------------------|-----------------|------------------|----------------------|
| 1                             |                  |                 |                  |                      |
| 2                             |                  |                 |                  |                      |
| 3                             |                  |                 |                  |                      |
| Total Number of equity shares |                  |                 |                  |                      |

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

I/We, confirm that the Offer is hereby accepted by me/us and that the equity shares 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 by the Registrar to the Offer until the time the Acquirer makes payment of the Offer Price as mentioned in the Letter of Offer.

I/We, also note and understand that the Acquirer will pay the consideration only after documents are found valid and approved by the Acquirer.

**For equity shares held in dematerialised form**

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

| DP Name | DP ID | Client ID | Name of the Beneficiary | No. of equity Shares |
|---------|-------|-----------|-------------------------|----------------------|
|         |       |           |                         |                      |
|         |       |           |                         |                      |

**Acknowledgement Receipt – Vardhman Holdings Limited Open Offer**

Received from Mr./Ms./M/s. \_\_\_\_\_

Form of Acceptance cum Acknowledgement for Vardhman Holdings Limited Open Offer as per details below:-

Folio No. \_\_\_\_\_ No. of Certificates Enclosed \_\_\_\_\_ Certificate No. \_\_\_\_\_

Total No. of equity shares enclosed \_\_\_\_\_ Copy of Delivery Instruction to DP \_\_\_\_\_  
(Delete whichever is not applicable)

Date of Receipt: \_\_\_\_\_

Stamp of collection center: \_\_\_\_\_ Signature of Official: \_\_\_\_\_

I/We, have done an off market transaction for crediting the equity shares to the “Skyline- PMCPL- VHL Open Offer Escrow Account” whose particulars are:

DP ID: **IN300468**

Client ID: **10076606**

We note and understand that the equity shares would remain in the said account i.e. “Skyline- PMCPL- VHL Open Offer Escrow Account” until the Acquirer makes payment of the Offer Price as mentioned in the Letter of Offer.

If my/our equity shares are held in a beneficiary account with CDSL, I/we enclose a copy of the 'Inter-Depository Delivery Instruction Slips' for the transfer of my/our equity shares to the Special Depository Account with NSDL.

I/We authorise the Acquirer:

1. To acquire the equity shares so tendered by me/us in acceptance of the Offer in terms of and subject to the Letter of Offer.
2. To the extent that the equity shares tendered by me/us are not acquired (in terms of and subject to the Letter of Offer), to return to me/us share certificate(s) and in the case of dematerialised equity shares to credit such equity shares to my/our depository account, in each case at my/our sole risk and specifying the reasons thereof.
3. If the equity shares so tendered are withdrawn by me/us (in terms of and subject to the Letter of Offer), to return to me/us share certificate(s) and in the case of dematerialised equity shares to credit such equity shares to my/our depository account, in each case at my/our sole risk.

I/We authorise the Acquirer or the Manager to the Offer or the Registrar to the Offer to send by Registered post / ordinary post (as described in the Letter of Offer) the crossed account payee cheque / demand draft / pay order as purchase consideration to the sole/first holder at the address mentioned above and if full address not given the same will be forwarded at the address registered with Vardhman Holdings Limited.

Yours faithfully  
Signed and delivered

|  | 1st Shareholder | 2nd Shareholder | 3rd Shareholder |
|--|-----------------|-----------------|-----------------|
| <b>Full Name</b>                               |                 |                 |                 |
| <b>PAN allotted under Income Tax Act, 1961</b> |                 |                 |                 |
| <b>Signature</b>                               |                 |                 |                 |

Note: In case of joint holdings, all shareholders must sign. A body corporate must affix its company stamp.

Place:

Date:

In order to avoid fraudulent encashment of cheque / demand draft/pay order in transit, the applicants are requested to provide details of bank account of the sole/first shareholder and the crossed account payee cheque / demand draft/pay order will be drawn accordingly.

|                          |  |
|--------------------------|--|
| <b>Name of Bank</b>      |  |
| <b>Branch Address</b>    |  |
| <b>Type of Account</b>   |  |
| <b>Account Number</b>    |  |
| <b>9 digit MICR code</b> |  |

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

**Skyline Financial Services Private Limited**  
246, First Floor, Sant Nagar,  
East of Kailash,  
New Delhi- 110065  
Telephone: +91 11 26292680-82-83  
Facsimile: +91 11 26292681  
Contact Person: Mr. Virender Rana  
E-mail: vhl\_openoffer@skylinerta.com

## 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. **Shareholders holding Shares in dematerialized 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 slips in "Off-market" mode or counterfoil of the delivery instruction slips in "Off-market" mode, duly acknowledged by the DP.
- For each Delivery Instruction Slips, the beneficial owner should submit separate Form of Acceptance-cum-Acknowledgement.

*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. **Shareholders holding Shares 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 deed(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 **Vardhman Holdings Limited** and duly witnessed at the appropriate place. A blank Share Transfer deed is enclosed along with this Letter of Offer.

*In case of registered shareholders, non-receipt of the aforesaid documents, but receipt of the share certificates along with the duly completed transfer deed, 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 deed(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-cum-Acknowledgement and the same being found valid. All other requirements for valid transfers will be a pre-condition for valid acceptance.

3. The share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the Registrar to the Offer and **not** to the Manager to the Offer or the Acquirer or **Vardhman Holdings Limited**.
4. **Shareholders having their beneficiary account in CDSL have to use "INTER-DEPOSITORY DELIVERY INSTRUCTION SLIPS" for the purpose of crediting their shares in the favour of the special depository account with NSDL.**
5. **Non resident shareholders should enclose a copy of the permission received from RBI for the equity shares held by them in Vardhman Holdings 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 maximum marginal rate as may be applicable to the category of the shareholder on the consideration payable by the Acquirer.**

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**OFFER**

Opens on: Thursday, December 10, 2009  
Last date of Withdrawal: Tuesday, December 22, 2009  
Closes on: Tuesday, December 29, 2009

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**  
(Please send this form with enclosures to the Registrar to the Offer)

**FORM OF WITHDRAWAL**

**From:**

**Name:** \_\_\_\_\_ **Status:** Resident / Non-resident  
**Full Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To,  
**Skyline Financial Services Private Limited**  
246, First Floor, Sant Nagar,  
East of Kailash,  
New Delhi- 110065  
Telephone: +91 11 26292680-82-83  
Facsimile: +91 11 26292681  
E-mail: vhl\_openoffer@skylinerta.com

**Sub: Open Offer under Regulation 11(2A) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to acquire upto 252,163 shares being 7.9% of fully paid up equity share capital of Vardhman Holdings Limited ("Target") by Pradeep Mercantile Company Private Limited ("Acquirer") at a price of Rs. 223.00 (Rupees Two Hundred and twenty three only) per fully paid up equity share**

Dear Sir,

I/We, refer to the Letter of Offer dated December 02, 2009 constituting an offer to acquire the equity shares held by me/us in Vardhman Holdings Limited. Capitalised terms used but not defined herein have the meaning ascribed to them in the Letter of Offer.

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

I/We, hereby consent unconditionally and irrevocably to withdraw my/our equity shares from the Offer and I/We further authorize the Acquirer to return to me/us, the tendered Share Certificate(s)/share(s) at my/our sole risk.

I/We, note that upon withdrawal of my/our equity shares from the Offer, no claim or liability shall lie against the Acquirer/Manager to the Offer/Registrar to the Offer.

I/We, note that this Form of Withdrawal should reach the Registrar to the Offer on or before the last date of withdrawal i.e. Tuesday, December 22, 2009.

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

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

**For equity shares held in physical form**

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

| Sr. No.                       | Ledger Folio No. | Certificate No. | Distinctive Nos. | No. of equity shares |
|-------------------------------|------------------|-----------------|------------------|----------------------|
| 1                             |                  |                 |                  |                      |
| 2                             |                  |                 |                  |                      |
| 3                             |                  |                 |                  |                      |
| Total Number of equity shares |                  |                 |                  |                      |

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

**Acknowledgement Receipt – Vardhman Holdings Limited Open Offer**

Received from Mr./Ms./M/s. \_\_\_\_\_  
Form of Withdrawal for Vardhman Holdings Limited Offer as per details below:-

Copy of depository instruction slips from DP ID \_\_\_\_\_ Client ID \_\_\_\_\_  
Copy of acknowledgement slip issued when depositing dematerialized equity shares  
Copy of acknowledgement slip issued when depositing physical equity

Date of Receipt: \_\_\_\_\_  
Stamp of collection center: \_\_\_\_\_

Signature of Official: \_\_\_\_\_

**For equity shares held in dematerialised form**

I/We hold equity shares in dematerialized form and had executed an off-market transaction for crediting the equity shares to the “**Skyline-PMCPPL- VHL Open Offer Escrow Account**”. Please find enclosed a photocopy of the depository delivery instruction slips duly acknowledged by the DP. The particulars of the account from which my/our equity shares have been tendered are as follows:

| DP Name | DP ID | Client ID | Name of the Beneficiary | No. of equity Shares |
|---------|-------|-----------|-------------------------|----------------------|
|         |       |           |                         |                      |
|         |       |           |                         |                      |

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

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

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

Yours Faithfully,  
Signed and delivered

|   | 1st Shareholder | 2nd Shareholder | 3rd Shareholder |
|---|-----------------|-----------------|-----------------|
| Full Name                               |                 |                 |                 |
| PAN allotted under Income Tax Act, 1961 |                 |                 |                 |
| Signature                               |                 |                 |                 |

Note: In case of joint holdings, all shareholders must sign. A body corporate must affix its company stamp.

Place:

Date:

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

**Skyline Financial Services Private Limited**  
246, First Floor, Sant Nagar,  
East of Kailash,  
New Delhi- 110065  
Telephone: +91 11 26292680-82-83  
Facsimile: +91 11 26292681  
Contact Person: Mr. Virender Rana  
E-mail: vhl\_openoffer@skylinerta.com

## INSTRUCTIONS

1. **Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at the Collection Centre mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date for withdrawal i.e. no later than 5.30 p.m. on Tuesday, December 22, 2009.**
2. Shareholders should enclose the following:-
  - i. **Shareholders holding Shares in dematerialized 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 slips in "Off-market" mode or counterfoil of the delivery instruction slips in "Offmarket" mode, duly acknowledged by the DP.
  - ii. **Shareholders holding Shares 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 deed(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 Vardhman Holdings Limited and duly witnessed at the appropriate place.

**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 account.
4. The intimation of returned Shares to the shareholders will be at the address as per the records of Vardhman Holdings Limited / 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 Vardhman Holdings Limited. 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(s) for receipt of the credit in their DP account.
8. The Form of Withdrawal and other related documents should be submitted at the collection centre mentioned in the Letter of Offer.

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