

## DRAFT LETTER OF OFFER

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer (**LOO**) is sent to you as an equity shareholder of **ARNIT INFOTECH LIMITED**. If you require any clarifications about the action to be taken, you may consult your Stock Broker or Investment Consultant or **SOBHAGYA CAPITAL OPTIONS LIMITED** (hereinafter referred to as “**Manager to the Offer**”) or M/s Aarthi Consultants Private Limited (hereinafter referred to as “**Registrar to the Offer**”). In case you have recently sold your shares in the Company, please hand over this Letter of Offer, the accompanying Form of Acceptance-cum-acknowledgement, Form of Withdrawal and Transfer Deed to the Member of Stock Exchange through whom the said sale was affected.

#### CASH OFFER

by

**MRS. ARUNA R AJJARAPU**

Residential Address: 9120, Rock Rose Drive, Tampa, Florida – 33647 USA,

Tel: – (813) 907 - 8568 and Fax No.: (212) 202 - 3628

&

**MR. KUCHIMANCHI SHRIDHAR**

Residential Address: 22946, Fontwell Sq, Sterling, Virginia 20166-4352,

Phone & Fax No.: -1 – 703 – 953 – 2364

#### “ACQUIRERS” both Non Resident Indians (NRIs)

and **Persons Acting in Concert (PACs)**, Mr. A S Seshagiri Rao, residing at B-93, Indian Airlines Colony, opp. Airport, Begumpet, Hyderabad. – 500 016. Phone No.: 040 – 2790 8461 & Fax No. 040 - 2307 4914 and Mrs. Anuradha Azzarapu, residing at Plot no.175,Road no.3, Threemurthy Colony, Mahendra Hills, Secunderabad – 500 026. Phone No. 040 – 6569 4769 & Fax No. 040 – 2773 5873 (**though not participating in this Open Offer**) herein after referred to as “PACs”

To acquire upto **6,00,000** fully paid up equity shares representing upto **20%** of the total voting capital of

#### ARNIT INFOTECH LIMITED (“AIL” or “Target Company”)

Regd. Off.: Level V, Venkat Plaza, Punjagutta, Hyderabad – 500 082. Ph. 040 – 2341 2070, Fax No.: 040 – 2341 2225.

(It was originally incorporated on 9<sup>th</sup> December, 1991 by name M/s Janvi Finstock Private Limited and became a Limited company on 17.04.1996. Subsequently the company’s name was changed to M/s Chitalia Infotech (India) Ltd., on 24<sup>th</sup> December 1998. M/s Chitalia Infotech (India) Ltd was a Bombay based company and taken over by the present management in the year 1999-2000 and the name was changed to Arnit Infotech Limited on 22.03.2000. The Registered Office of the company was shifted to the State of Andhra Pradesh from the State of Maharashtra, w.e.f., 14.11.2000)

**At Rs. 3/- per equity share in cash**

| MANAGER TO THE OFFER   | REGISTRAR TO THE OFFER   |
|--|--|
| <b>SOBHAGYA</b><br>CAPITAL OPTIONS LTD.<br>7-1-32/4, P – 1, Leelanagar, Begumpet,<br>Hyderabad – 500 016.<br>Phone Nos.: 040 –6552 8262<br>Fax No.: 040 – 2374 0419<br>Email: <a href="mailto:sobhagyacapital@yahoo.com">sobhagyacapital@yahoo.com</a><br>Sebi Regn. No. INM000008571<br>Name of Contact person: Ms. Lavanya Chandra | <b>M/s Aarthi Consultants Private Limited,</b><br><br>Regd. Off.: 1-2-285,<br>Domalguda,<br>Hyderabad – 500 029<br>Phone Nos.: 040 – 2763 8111, 2764 2217<br>Fax: 040 – 2763 2184<br>Email: <a href="mailto:info@arthiconsultants.com">info@arthiconsultants.com</a><br>SEBI Regn. No.: INR000000379<br>Name of contact person: Mr. Bhaskar, |

#### NOTES:

- (1) This offer is being made by **Mrs. Aruna R Ajjarapu & Mr. Kuchimanchi Shridhar** (“Acquirers”) along with Persons Acting in Concert Mr. A S Seshagiri Rao and Mrs. Anuradha Azzarapu (**though not participating in this Open Offer**) pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (“SEBI (SAST) Regulations”) and subsequent amendments thereof.
- (2) This offer is not subject to a minimum level of acceptance.
- (3) Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement/ Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of closure of the Offer (i.e. Thursday 17<sup>th</sup> May 2007.), in terms of Regulations 22 (5A) of the SEBI (SAST) Regulations.

- (4) The Acquirers can revise the Offer Price upwards up to 7 (seven) working days prior to the date of closure of the Offer (i.e., Friday 11<sup>th</sup> May 2007). If there is any upward revision in the Offer Price by the Acquirers till the last date for revising the Offer Price i.e. Friday 11<sup>th</sup> May 2007, or if the Offer is withdrawn, the same would be communicated by a public announcement in the same newspapers in which the Public Announcement appeared. The Acquirers would pay such revised Offer Price for all the equity shares validly tendered any time during the Offer and accepted under the Offer.
- (5) As on the date of this Letter of Offer, no approvals are required to acquire the Equity Shares that are tendered pursuant to the Offer. However, the Offer would be subject to all statutory approvals that may become applicable at a later date
- (6) **There is no competitive bid**
- (7) A copy of the Public Announcement and Letter of Offer (including form of acceptance-cum-acknowledgement and form of withdrawal) is also available at the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in)

## Schedule of the Major Activities of the Offer

| No. | Activity   | Day & Date                               | Revised Schedule                         |
|-----|--|--|--|
| 1   | Public Announcement  | Thursday, 1 <sup>st</sup> February 2007  | Thursday, 1 <sup>st</sup> February 2007  |
| 2   | Specified Date   | Thursday, 1 <sup>st</sup> March 2007     | Thursday, 1 <sup>st</sup> March 2007     |
| 3   | Last Date for a competitive bid  | Thursday, 22 <sup>nd</sup> February 2007 | Thursday, 22 <sup>nd</sup> February 2007 |
| 4   | Date by which Letter of Offer will be dispatched to the shareholders   | Tuesday, 13 <sup>th</sup> March 2007     | Saturday, 28 <sup>th</sup> April 2007    |
| 4   | Offer Opening date   | Monday, 26 <sup>th</sup> March 2007      | Friday, 4 <sup>th</sup> May 2007         |
| 5   | Last Date for revising offer price / number of shares  | Wednesday, 4 <sup>th</sup> April 2007    | Friday, 11 <sup>th</sup> May 2007        |
| 6   | Last Date for withdrawal of acceptance by shareholders   | Tuesday, 10 <sup>th</sup> April 2007     | Thursday, 17 <sup>th</sup> May 2007      |
| 7   | Offer Closing Date   | Saturday, 14 <sup>th</sup> April 2007    | Wednesday, 23 <sup>rd</sup> May 2007     |
| 8   | Date by which the acceptance/rejection would be intimated and the corresponding payment for the acquired shares and/or the share certificates for the rejected shares will be dispatched | Saturday, 28 <sup>th</sup> April 2007    | Thursday, 7 <sup>th</sup> June 2007      |

## RISK FACTORS

- The risk factors set forth below pertain to the Offer and are not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for analysing all the risks with respect to their participation in the Offer.
- The sale transaction (the acquisition of 6,00,000 equity shares) depends upon the successful completion of the offer. In case the Acquirers are not able to implement the offer, the sale will not be effective.
- In the event of regulatory approvals not being received in a timely manner or litigation leading to stay on the Offer, or SEBI instructing that the Offer should not proceed, the Offer process may be delayed beyond the Schedule of the Major Activities indicated in this Letter of Offer.
- The tendered shares will lie to the credit of a designated escrow account until the completion of the Offer formalities.

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Encl: (i) Form of Acceptance cum Acknowledgement  
(ii) Form of Withdrawal  
(iii) Blank Transfer Deed.

### DEFINITIONS/ ABBREVIATIONS

The following definitions apply throughout this Letter of Offer unless the context requires otherwise:

| Terms                                  | Definitions   |
|--|---|
| Acquirers                              | Mrs. Aruna R Ajjarapu & Mr. Kuchimanchi Shridhar  |
| AIL/Company/Target Company             | Arnit Infotech Limited  |
| ASE                                    | The Stock Exchange Limited, Ahmedabad   |
| Closing Date                           | Date of closing of the Open Offer, Wednesday 23 <sup>rd</sup> May 2007  |
| Companies Act                          | The Companies Act, 1956   |
| Date of Public Announcement            | Thursday 1 <sup>st</sup> February 2007  |
| CDSL                                   | Central Depository Services Limited   |
| DP                                     | Depository Participant  |
| Escrow Account                         | Escrow account under the name and title of "Open Offer Escrow Account – Arnit Infotech Limited", established in accordance with Regulation 28 of the SEBI SAST Regulations by the Acquirers |
| Escrow Amount                          | Amount being not less than 25% of the maximum purchase consideration payable under the Offer in favour of the Manager to the Offer  |
| Escrow Bank                            | HDFC Bank Limited, Lakdi-ka-pool, Hyderabad – 500 004   |
| Form of Acceptance                     | Form of Acceptance-cum-Acknowledgment enclosed with this Letter of Offer  |
| HSE                                    | Hyderabad Stock Exchange Association Limited, Hyderabad   |
| INR or Rupees or Rs.                   | Indian National Rupees  |
| Letter of Offer/ LOO                   | This Letter of Offer dated 13/02/2007   |
| Manager to the Offer/ Merchant Banker  | <b>SOBHAGYA CAPITAL OPTIONS LIMITED</b>   |
| NSDL                                   | National Securities Depository Limited  |
| Offer/Public Offer/Open Offer          | This Offer by the Acquirers to acquire upto 6,00,000 fully paid up equity shares of face value Rs.10/- each at Rs.3/- per equity share for cash.  |
| Offer Price                            | Rs. 3/- per Equity Share  |
| Offer Period                           | The date of Public Announcement to the date of completion of offer formalities i.e., 01.02.2007 to 07.06.2007   |
| Opening Date                           | Date of opening of the Open Offer, being 26 <sup>th</sup> March 2007  |
| PACs                                   | Persons Acting in Concert for the purpose of the Open Offer are 1. Mr. A S Seshagiri Rao and Mrs. Anuradha Azzarapu ( <b>though not participating in this Open Offer</b> )                  |
| PSE                                    | Pune Stock Exchange, Pune   |
| Persons eligible to apply in the Offer | All owners of the shares, registered or unregistered (except the Parties to the Share Purchase Agreement dated:25 <sup>th</sup> January, 2007)  |

|  |  |
|--|--|
| Public Announcement or PA                | The Public Announcement relating to the Offer as appeared in the newspapers on Thursday 1 <sup>st</sup> February 2007  |
| RBI                                      | Reserve Bank of India  |
| Registrars to the Offer                  | Aarthi Consultants Private Limited   |
| Regulation(s) or SEBI (SAST) Regulations | SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereof.  |
| SEBI                                     | Securities and Exchange Board of India   |
| SEBI Act                                 | Securities and Exchange Board of India Act, 1992   |
| SPA                                      | Share Purchase Agreement dated 25 <sup>th</sup> January, 2007 between the Acquirers and the Promoter Group Sellers of AIL for the sale upto 18,53,000 shares of Rs. 10/- each of the Company at a price of Rs. 2.50 per share  |
| Shareholder(s)                           | All owners (registered or unregistered) of Equity Shares of Arnit Infotech Limited, whose names appear in the Register of Members of Arnit Infotech Limited at the close of business hours on the Specified Date (1 <sup>st</sup> March 2007) and also the persons who own the Equity Shares at anytime before the Closure of the Offer, but may not be included in the Register of Members (but does not include the parties to the Share Purchase Agreement and PACs). |
| Specified Date                           | Date specified in the Public Announcement for the purpose of determining the names of the shareholders to whom the Letter of Offer is to be sent being Thursday 1 <sup>st</sup> March 2007   |
| Stock Exchanges                          | ASE, HSE and PSE   |
| Valuation Report                         | Valuation Report dated 13 <sup>th</sup> November 2006 of M/s. R. Satyanarayana Raju & Co., Chartered Accountants   |

## 1. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF ARNIT INFOTECH LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRERS OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRERS DULY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER M/s. SOBHAGYA CAPITAL OPTIONS LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 13/02/2007 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRERS FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

## 2. DETAILS OF THE OFFER

### 2.1 Background of the Offer

2.1.1 Mrs. Aruna R Ajarapu & Mr Kuchimanchi Shridhar, ('Acquirers'), both Non Resident Indians (NRIs) having addresses: at: 9120, Rock Rose Drive, Tampa, Florida – 33647, USA & 22946, Fontwell Sq, Sterling, Virginia 20166-4352, USA, respectively are making an offer pursuant to Regulation 10 & 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ('Regulations') to acquire upto 6,00,000 equity shares of face value of Rs.10/- each representing upto 20% of the issued and paid up equity share capital of Arnit Infotech Limited, from the equity shareholders (other than the parties to the Share Purchase Agreement and PACs), at a price of Rs.3/- per share in cash. The offer is being made by the Acquirers for substantial acquisition of shares and voting rights accompanied with change in control in the company of AIL.

#### 2.1.2

- (a) The acquirers do not hold any shares in the target company as on the date of Public Announcement. The Acquirers have entered into a Share Purchase Agreement (SPA) on 25-01-2007 with the Promoter Group of Arnit Infotech Ltd, through their duly constituted attorney for Mrs. Aruna R Ajarapu, Mr. A S Seshagiri Rao and for Mr. Kuchimanchi Shridhar Mr. A S N Murty respectively, to acquire 18,53,000 equity shares of Rs.10/- each, being 61.77% of the issued and paid up equity share capital and voting rights of M/s Arnit Infotech Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office Level V, Venkat Plaza, Punjagutta, Hyderabad – 500 083 (hereinafter referred to as "AIL/the Target Company") from the promoter group, comprising of only M/s. Fortuna Technologies (India) Private Limited and M/s Fortuna Technologies Inc. (USA), (hereinafter collectively referred to as Sellers) (11,33,000 and 7,20,000 equity shares respectively), at a price of Rs. 2.50 (Rupees Two and Paise Fifty only) per fully paid up equity share payable in cash ("Negotiated Price"). The total consideration for the shares to be acquired as mentioned above is Rs.46,32,500/- (Rupees Forty Six Lacs Thirty Two Thousand Five Hundred Only) and that has resulted in triggering of SEBI (SAST) Regulation 1997. The Offer is not as a result of global acquisition resulting in indirect acquisition of the target company.
- (b) The Persons Acting in Concert are Mr. A S Seshagiri Rao & Mrs. Anuradha Azzarapu, (**though not participating in this Open Offer**) who are holding 1,07,824 & 83,471 shares amounting to 6.37 % which were acquired in the months November, 06 to Jan,07 at the rate of Rs. 2.50 per share through off market transactions .

2.1.3 The promoter group sellers of the company selling their shareholding is as below

| SL. No | Name of the Promoter Group Sellers   | Shares agreed to be acquired under the SPA | % Of Holding |
|--------|--|--|--------------|
| 1      | M/s Fortuna Technologies (India) Pvt. Ltd,<br>Level 2, Sri Nilaya Cyber Spazio,<br>Road No. 2, Banjara Hills, Hyderabad – 500 033.<br>Ph.: 040 – 6684 4545 Fax : 040 – 6684 2525 | 11,33,000                                  | 37.77        |

|       |  |                  |              |
|-------|--|------------------|--------------|
| 2     | M/s Fortuna Technologies Inc. (USA)<br>1270A, Lowrence St. Road, Sunnybale,<br>CA -0 94089 USA<br>Ph.: + 1 – 408 – 541 – 0200<br>Fax: + 1 – 408 – 541 – 0300 | 7,20,000         | 24.00        |
| TOTAL |  | <b>18,53,000</b> | <b>61.77</b> |

The summary of the major terms of the Share Purchase Agreement are:

- i. The Acquirers shall comply with all the obligations of acquirers under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations and also obtain the requisite permission from the Govt. of India if necessary due to the Acquirers non- resident Indian status. In case of non-compliance with the provisions of the SEBI guidelines or non-receipt of approval from the Government, this SPA shall not be acted upon by the parties.
  - ii. The Acquirers shall bear the stamp duty and other charges payable on the transfer of shares.
  - iii. Upon the Acquirers purchasing the shares, the Sellers shall cooperate with the Acquirers in restructuring the Board of Directors of the Target Company.
  - iv. "If the acquisition made in pursuance of the public offer results in the public shareholding in Target Company, being reduced below the minimum level required as per the Listing Agreement, the Acquirers undertake that they shall take necessary steps to facilitate compliance by the Target Company, with the relevant provisions thereof, within the time period mentioned therein as per Regulation 21 (2) of SEBI (SAST) Regulations, and any amendments thereof"
- 2.1.4 The Proposed change in control will take place on completion of the formalities according to Takeover Regulations
- 2.1.5 The Acquirers and PACs have not acquired any more shares of the target company after the date of Public Announcement upto the date of letter of offer.
- 2.1.6 The Acquirers, Promoter group and the target company are not included in the list of persons/entities debarred from dealing in securities under Section 11B of the SEBI Act, 1992 or under any other regulation.
- 2.1.7 The Acquirers shall change the composition of the Board of Directors of AIL on completion of the Open Offer and for such a change the current promoter group of AIL shall co-operate with them for the re-structuring as per the terms of the SPA.

## 2.2 Details of the proposed offer

- 2.2.1 As per Regulation 15(1) of the Regulations, the Public Announcement was published on 1<sup>st</sup> February, 2007 in the following newspapers:

| News Paper        | Language | Editions |
|-------------------|----------|----------|
| Financial Express | English  | All      |
| Jansatta          | Hindi    | All      |
| Prajashakti       | Telugu   | All      |

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

Any decision for an upward revision in the Offer Price by the Acquirers till the last date of revision i.e. Friday 11<sup>th</sup> May 2007, or withdrawal of the Offer would be communicated by way of a Public Announcement in the same newspapers in which the Public Announcement had appeared. In case of an upward revision in the Offer Price, the Acquirers would pay such revised price for all the Shares validly tendered any time during the Offer and accepted under the Offer.

- 2.2.2 The Acquirers hereby announces an offer under Regulation 10 & 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereof to acquire on tender upto 6,00,000 fully paid up equity shares of Rs.10/- each of AIL representing upto 20% of its paid up equity share capital from the equity shareholders of AIL (other than the parties to the Share Purchase Agreement and PACs) on the terms and subject to the conditions set out in this Letter of Offer ('**LOO**'), at a price of Rs.3/- (Rupees Three only) per fully paid up equity share ('**offer price**') payable in cash ['**Offer**']. There are no partly paid shares of AIL.

- 2.2.3 The equity shares of AIL are listed on the Hyderabad Stock Exchange Association Limited, ('HSE'), the Pune Stock Exchange Ltd., Pune ('PSE'), and the Ahmedabad Stock Exchange Limited, Ahmedabad ('ASE'). The equity shares of the company are not traded in terms of explanation (i) to Regulation 20(5) of the Regulations on any Stock Exchange for more than six months. The offer price of Rs.3/- per share has been determined as per Regulation 20(5) of the Regulations.
- 2.2.4 The equity shares of AIL to be acquired, pursuant to this Offer, shall be free from all liens, charges and encumbrances and together with all rights attached thereto, including the rights to all dividends or other distributions hereinafter declared, made or paid.
- 2.2.5 This is not a Conditional Offer
- 2.3 **Object of the Acquisition/Offer**  
The offer has been made pursuant to Regulation 10 & 12 in compliance of the Regulations. The acquisition is for substantial acquisition of shares and voting rights accompanied with change in control/ management. The Acquirers want to continue the same business of Export of Software development.  
The Acquirer Mr. Shridhr Kunchimanchi is in the business of computer consultants.

### 3. BACK GROUND OF THE ACQUIRERS,

- 3.1 The Acquirer, Mrs Aruna R Ajjarapu, an Non Resident Indian (NRI) aged 31 years, residing at 9120, Rock Rose Dr, Tampa, Florida 33647, USA, Ph.: (813) 907 – 8568 Fax No.: (212) 202 – 3628, is working in Global Information Technology, Inc., as Accounts Executive since 2003. The Acquirer, Mr. Kuchimanchi Shridhar, an Non Resident Indian (NRI) aged 34 years, residing at 22946 Fontwell Sq, Sterling, Virginia, USA, Phone & Fax No (703) 953 – 2364, owns 100% of the common stock of Socius Solutions Inc., a local Internal Technical Consulting Company which specialises in computer consultations.

Persons Acting in Concert are 1. Mr A S Seshagiri Rao, 65 years, residing at: B – 93, Indian Airlines Colony, Opp. Airport, Begumpet, Secunderabad – 500 003, Ph.: 040 – 2790 8461 Fax No.: 040 – 2307 4914 and Mrs. Anuradha Azzarapu, 31, years, residing at: Plot No. 175, Road No. 3, Threemurthy Colony, Mahendra Hills, Secunderabad – 500 026 Ph.: 040 – 65694769 Fax No.: 040 – 2773 5873 (**though not participating in this Open Offer**).

- 3.1.1 The Acquirers and the PACs are relatives. Mrs. Aruna R Ajjarapu is the sister-in-law of Mr. Kuchimanchi Shridhar. Mr A S Seshagiri Rao is father-in-law of Mrs. Aruna R Ajjarapu, Mr. Kuchimanchi Shridhar and Mrs. Anuratha Azzarapu
- 3.1.2 The Acquirers entered into a Share Purchase Agreement (SPA) 25<sup>th</sup> January 2007 with the Promoter Group Sellers of the Target Company for acquisition of 18,53,000 shares of Rs. 10/- aggregating to 61.77% of the paid up capital of the Company. The SPA triggered the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and as per the said Regulations they are required to make a Public Announcement for the acquisition of at least 20% of the total equity share capital of the Target Company and comply with all the relevant provisions of the aforesaid SEBI Regulations.
- 3.1.3 If the acquisition made in pursuance of the public offer results in the public shareholding in Target Company, being reduced below the minimum level required as per the Listing Agreement, the Acquirers undertake that they shall take necessary steps to facilitate compliance by the Target Company, with the relevant provisions thereof, within the time period mentioned therein as per Regulation 21 (2) of SEBI (SAST) Regulations, and any amendments thereof"
- 3.1.4 Mr. Kuchimanchi Shridhar is an honors graduate of VJTI, Bombay University with a degree in Electronics Engineering He has a Post Graduate Diploma in Computer Science from NCST, Bombay. He also holds a PMP certificate from PMI ([www.pmi.org](http://www.pmi.org)). He is the founder and Director of Socius Solutions, Inc, incorporated in February 28, 2006 in Virginia, a project management / technology consulting firm based in the state of Virginia, US was incorporated (S Corp) in February 28, 2006. The initial paid-up Capital was US\$ 10,000. Prior to founding Socius, he held various positions within technology management. Overall, he has over 13 years of experience in information technology management and implementations
- Mrs. Aruna R. Ajjarapu is a Non Resident Indian since 1998 and working for Global Information Technology, Inc. USA as Accountant/Controller since 2003. She is also into investments of stocks, bonds and real Estate.
- Mrs. Anuradha Ajjarapu, PAC, she is an Insurance Adviser for SBI Life Insurance Company Limited and also runs a proprietrix concern Noria Enterprises which is in to trading of General Merchandise.
- Shri A S Seshagiri Rao, PAC he has been a director with M/S. Connor Information Technology Limited since 1999.
- 3.1.5 Mr. Timothy M. Griffiths (AICPA Membership No. 01009842 and FICPA Membership No. 4164), M/s. TMG Certified Public Accountants, having their office at: 904, W. Waters Avenue, Suite D, Tampa, Florida 33604, Ph.



No.: (813) 932 - 8907, Fax No. (813) 932-9749 has certified Mrs Aruna R Ajjarapu's Networth as on 15-11-2006, to be US\$ 16,346,854, (Rs.70.29 crores) vide their certificate dated: November 27, 2006.

Mr. Timothy M. Griffiths (AICPA Membership No. 01009842 and FICPA Membership No. 4164), M/s. TMG Certified Public Accountants, having their office at: 904, W. Waters Avenue, Suite D, Tampa, Florida 33604, Ph. No.: (813) 932 - 8907, Fax No. (813) 932-9749 has certified Mr. Kuchimanchi Shridhar's Networth as of 04-12-2006 to be US\$ 612,436 (Rs. 2.63 crores) vide their certificate dated: December 7, 2006.

- 3.1.6 Since the Acquirers do not hold any shares in the Target Company, the provisions of Chapter II of the regulations do not apply to them. The PACs and the company have complied with the provisions of Chapter II for the year ended 31<sup>st</sup> March, 2007.
- 3.1.7 The Acquirers do not hold any shares in the Target Company and have not acquired any shares in the Target Company before, but the PACs Mr. A S Seshagiri Rao and Mrs. Anuradha Azzarapu, are holding 1,07,824 & 83,471 shares respectively amounting to 6.37 % which were acquired in the months of November, 06 to Jan,07, at the rate of Rs. 2.50 per share.

The Acquirer Mr. Kuchimanchi Shridhar has promoted Socious details of which are provided in point 3.1.4 above. The PAC Mr. A S Sehsagiri Rao has a Promoter director of M/s. Connor Information Technology Limited, Hyderabad, the details given below.

|                                  |                               |
|----------------------------------|-------------------------------|
| Name of Company                  | Connor Information Tech. Ltd. |
| Date of Incorporation            | 18/6/1997                     |
| Nature of Business               | Software Development          |
| Equity Capital, Reserves         | Rs. 6,00,00,000               |
| Total Income                     | Rs.66,32,602                  |
| Profit After Tax (PAT) 31/3/2006 | Rs. (12,550,159)              |
| Earnings per Share (EPS)         | (2.27) Basic/ (2.22) Diluted  |
| Net Asset Value (NAV)            | -                             |

### 3.2 Disclosure in terms of Regulation 16 (ix)

- a. The Acquirers do not have any plans to dispose off or otherwise encumber any assets of AIL in the succeeding two years from the date of closure of this offer except in the ordinary course of business of AIL.
- b. Further, the Acquirers undertake not to sell, dispose off or otherwise encumber any substantial asset of AIL, except with the prior approval of the shareholders. The Board of Directors of AIL would take appropriate decisions in these matters, as per the requirements of business and in line with opportunities or changes in the economic scenario, from time to time.

## 4. RATIONALE FOR THE OFFER

The Acquirers have entered into a SPA with the Promoter group of AIL to acquire upto 18,53,000 equity shares of Rs.10/- each aggregating to 61.77% of the paid up capital and voting rights of AIL which has triggered the SEBI Takeover Regulations. This offer to the shareholders of AIL is being made under Regulation 10 & 12 of the Regulations to acquire 6,00,000 shares of Rs. 10/- each aggregating to 20% of the paid up capital of AIL from the public shareholders. The Acquirers plans to change the Management and take control of AIL on completion of this open offer and also restructure the Board of Directors.

## 5. OPTION IN TERMS OF REGULATION 21(3)

"If the acquisition made in pursuance of the public offer results in the public shareholding in Target Company, being reduced below the minimum level required as per the Listing Agreement, the Acquirers undertake that they shall take necessary steps to facilitate compliance by the Target Company, with the relevant provisions thereof, within the time period mentioned therein as per Regulation 21 (2) of SEBI (SAST) Regulations, and any amendments thereof"

## 6. BACKGROUND OF TARGET COMPANY

- 6.1 M/s. Arnit Infotech Limited having its Registered Office at Level 5, Venkat Plaza, Punjagutta, Hyderabad – 500 082, Phone No.: 040 – 2341 2070, Fax No.: 040 – 2341 2227
- 6.2 M/s. Arnit Infotech Limited was originally incorporated on December 9, 1991 with the Registrar of Companies, Maharashtra, as M/s Janvi Finstock Private Limited and was converted into a Limited company on 17.04.1996. Subsequently the company's name was changed to M/s Chitalia Infotech (India) Ltd., on December 24, 1998.
- 6.3 M/s Chitalia Infotech (India) Ltd was a Bombay based company and taken over by the present management in the year 1999-2000 by making an open offer under the SEBI (SAST) Regulations, 1997, and thereafter the name was changed to Arnit Infotech Limited on 22.03.2000. The Registered Office of the company was shifted to the State of Andhra Pradesh from the State of Maharashtra w.e.f., 14.11.2000.

The Company is registered with Software Technology Parks of India, Hyderabad on 2<sup>nd</sup> March, 2000, as it is in the activity of Export of Software development.

- 6.4 The authorised share capital of the Company is Rs. 3,50,00,000/- comprising of 35,00,000 Equity shares of Rs. 10/-, each. The issued, subscribed and paid up capital of the company as on the date of this public Announcement is Rs. 3,00,00,000/- divided into 30,00,000 Equity shares of Rs.10/-, each fully paid up. There are no partly paid up shares.

|   |                               |                             |
|---|-------------------------------|-----------------------------|
| Paid up equity share capital of the company | No. of shares / voting rights | % of shares / voting rights |
| Fully paid up equity shares                 | 30,00,000                     | 100                         |
| Partly paid up equity shares                | Nil                           | Nil                         |
| Total paid up equity shares                 | 30,00,000                     | 100                         |
| Total voting rights in AIL –Target Company  | 30,00,000                     | 100                         |

- 6.5 The build-up of the current share capital structure of AIL since inception and the disclosure status of compliance with applicable provisions of SEBI (SAST) Regulations/ other applicable regulations under the SEBI Act 1992 and other statutory requirements as applicable, is given as under:

| Allotment Date | No Of Equity Shares allotted |        | Face Value | Cumulative paid up capital (Rs.) | Mode of allotment                 | Identity of Allottees | Status Of Compliance |
|----------------|------------------------------|--------|------------|----------------------------------|-----------------------------------|-----------------------|----------------------|
|                | No.                          | %      |            |                                  |                                   |                       |                      |
| 9-12-1991      | 20                           | 0.01%  | Rs. 100/-  | 2,000                            | Initial Subscription              | Promoters             | Complied             |
| 31-03-1997     | 29,99,800                    | 99.99% | Rs. 10/-   | 2,41,34,250                      | Public Issue                      | Promoters / Public    | Complied             |
| 31-03-2000     | 30,00,000                    | 100%   | - do -     | 3,00,00,000                      | Partly paid-up made fully paid-up |                       |                      |

The Company has not issued any Preferential Shares.

- 6.6 There are no partly paid up equity shares in AIL. There are no outstanding instruments in the nature of warrants/fully convertible debentures/partly convertible debentures etc., which are convertible into equity at any later date. There are no shares under lock-in period. The shares of the company are listed in the Hyderabad Stock Exchange Association (HSE), Pune Stock Exchange, Pune (PSE) and Ahmedabad Stock Exchange, Ahmedabad (ASE). But there was no trading of the shares in any of the stock exchanges since more than six months.
- 6.7 The company has complied with all the listing requirements of the stock exchanges and no punitive action has been taken by any of the stock exchanges.
- 6.8 The Target Company and Promoter Group have complied with Chapter II of SEBI (SAST) Regulations, 1997 as confirmed by the company. The present management took over the company through an MOU and Open Offer under SEBI (SAST) Regulations, 1997, in 1999 – 2000. The company has not received any notice from SEBI or any Stock Exchanges for non – compliances. In case of any non-compliance of Chapter II by the promoters and the target company appropriate action may be initiated by SEBI.
- 6.9 The composition of the Board of Directors as on the date of issue of the Public Announcement (1st February 2007) is as follows:

| Name                      | Address  | Qualifications / Experience   | Designation / Date of appointment      |
|---------------------------|--|---|--|
| Mr. A.MOHANA RAO          | 2-14-109,3 <sup>RD</sup> LANE SHAMALANAGAR GUNTUR DISTRICT ANDHRA PRADESH  | <b>Qualification:</b> B E CIVIL<br><b>Experience:</b> Around 16 years of experience in Civil Construction, exports and Running of Cold storage units. | Director<br>30 <sup>th</sup> July 2005 |
| Mr. R JAYARAMAN           | NO.5 AISHWARYA APTS, PLOT NO.3 LEELA NAGAR, AMEERPET, HYDERABAD-16   | <b>Qualification:</b> B. Com<br><b>Experience:</b> Around 30 years of experience in Information Technology EDP and finance (in house) & Systems       | Director<br>30 <sup>th</sup> July 2005 |
| Mr. A M SHARATH CHANDRA   | 379/4, P-2, 'ALUNGOOR GROVE' 23 <sup>RD</sup> MAIN 16 <sup>TH</sup> CROSS , J P NAGAR, VTH PHASE, BANGALORE-560078 | <b>Qualification:</b> B. Arech MBEM<br><b>Experience:</b> Around 10 years of Engineering and construction activities                                  | Director<br>30 <sup>th</sup> July 2005 |
| Mr. CH. S. V. S. J. SARMA | 3-128, HASTINAPURI SAINIKPURI(PO) SECUNDERABAD-94  | <b>Qualification:</b> MBA<br><b>Experience:</b> Around 15 years of experience in administration   | Director<br>30.12.2005                 |
| *Mr. PHANINDRA GOTETY     | PLOT NO. 31, SUNDAR NAGAR, S R NAGAR,  | <b>Qualification:</b> LME (Licenciate Diploma) in Mechanical Engineer   | Director<br>03/10/2006                 |

|  |                     |  |  |
|--|---------------------|--|--|
|  | HYDERABAD – 500 038 | <b>Experience:</b> Around 20 years of Industry Experience and working as a partner with Revathi Engineering. |  |
|--|---------------------|--|--|

\* Mr. Phanindra Gotety was appointed on 03-10-2006 and represents the Acquirers

6.10 There has been no merger/de-merger or spin off in the company during the past 3 years prior to the date of the PA.

6.11 The audited financials of AIL for the last three years are as follows:

**Profit & Loss Account**

(Rs. In Lakhs)

| Particulars   | Year ended<br>March 31,<br>2004<br>(Audited) | Year ended<br>March 31,<br>2005<br>(Audited) | Year ended<br>March 31,<br>2006<br>(Audited) | 9 months<br>ended Dec.31,<br>2006<br>(Certified*) |
|---|--|--|--|---|
| <b>Income from Operations</b>                       |  |  |  | 10.00   |
| Other Income  | .17  | 9.18   | 16.65  | 6.00  |
| Total Income  | .17  | 9.18   | 16.65  | 16.00   |
| Total Expenditure (Before Depreciation)             | 128.06                                       | 8.78   | 3.06   | 6.86  |
| Profit/(Loss) before interest, depreciation and tax | -127.89                                      | .40  | 13.59  | 9.14  |
| Depreciation  | 28.46  | 31.91  | 31.17  | 20.23   |
| Interest  | 0  | 0  | 0  | 0   |
| Profit/(Loss) before tax                            | -156.35                                      | -31.51                                       | -17.58                                       | -11.09  |
| Provision for taxation                              | 0  | 0  | 0  | 0   |
| Profit/(Loss) after tax                             | -156.35                                      | -31.51                                       | -17.58                                       | -11.09  |

**Balance Sheet**

(Rs. lakhs)

| Particulars   | Year ended<br>March 31,<br>2004<br>(Audited) | Year ended<br>March 31,<br>2005<br>(Audited) | Year ended<br>March 31,<br>2006<br>(Audited) | 9 months<br>ended Dec.31,<br>2006<br>(Certified*) |
|---|--|--|--|---|
| <b>Sources of Funds</b>                               |  |  |  |   |
| Paid up share capital                                 | 300.00                                       | 300.00                                       | 300.00                                       | 300.00  |
| Reserves and Surplus (Excluding revaluation reserves) | 153.40                                       | 119.22                                       | 101.64                                       | 90.55   |
| Net worth   | 453.40                                       | 419.22                                       | 401.64                                       | 390.55  |
| Secured Loans   | 0  | 0  | 0  | -   |
| Un-secured Loans                                      | 0  | 0  | 0  | -   |
| <b>Total</b>  | 453.40                                       | 419.22                                       | 401.64                                       | 390.55  |
| <b>Uses of Funds</b>                                  |  |  |  |   |
| Net fixed assets                                      | 123.81                                       | 93.50  | 63.17  | 30.65   |
| Investments   | 0  | 0  | 0  | -   |
| Net current assets                                    | 328.94                                       | 325.42                                       | 338.47                                       | 359.90  |
| Total misc. expenditure not written off.              | .65  | .30  | 0  | -   |
| <b>Total</b>  | 453.40                                       | 419.22                                       | 401.64                                       | 390.55  |

| Other Financial Data       | Year ended<br>March 31, 2004<br>(Audited) | Year ended<br>March 31, 2005<br>(Audited) | Year ended<br>March 31, 2006<br>(Audited) |
|----------------------------|---|---|---|
| Dividend (%)               | 0   | 0   | 0   |
| Earning per Share (Rs.)    | (-)5.21                                   | (-)1.05                                   | (-) 0.59                                  |
| Return on Net worth (%)    | (-) 34.48%                                | (-) 7.52 %                                | (-) 4.38 %                                |
| Book Value per Share (Rs.) | 15.11                                     | 13.97                                     | 13.39                                     |

\* The un-audited financial results as on 31<sup>st</sup> December, 2006 have been certified by the Statutory Auditors.

The formulas for the financial ratios given above are as follows

a) Dividend (%) = Dividend per share/ Face value per share

b) Earnings/(Loss) per share = Profit or Loss after tax / Number of equity shares in the Company's share capital

c) Networth = Share Capital + Reserves & Surplus

d) Return on Networth = Profit after tax / Networth

e) Book Value per fully paid up Share = Networth / Number of equity shares in the Company's share capital

#### 6.12 Reasons for the fall/ rise in the total income and profit after tax in the relevant years:

##### Upto 31<sup>st</sup> December, 2006

During this this period the company has revived its activities and started domestic activity in the area of software development resulting in the sudden rise in the income.

##### 2005-2006

During this year the company could not carry on any business. The company has earned leased revenue of Rs.12.00 lacs, which together with the interest income and exchange fluctuations aggregated to a total revenue of Rs.16.65 lacs during the year. There were no additions of fixed assets during the period between 2004 – 06 which resulted in decrease in net fixed assets.

##### 2004-2005

During this year the company could not carry on any business due to competition from big and leading companies. In view of that the company has given part of the equipment on lease and earned revenue of Rs.9.00 lacs during the year. The operations of the company resulted in an operating profit of Rs.0.40 lacs against the previous year's loss of Rs.1.26 cores. Since there was no activity in the period 2004 – 05 it resulted in a decrease in expenditure.

##### 2003-2004

During this year the software development, on-site consulting lost further ground and the focus particularly of the Indian software companies was towards business process outsourcing. The company pursued its aggressive marketing in South Asian countries and incurred huge expenditure towards infrastructure and personnel expenses with the expectation of receiving large projects. However, due to emerging stiff competition from various other countries the assured orders did not materialise. The operations of the company resulted in huge net loss of Rs.1.55 crores against the previous year's profit of Rs.20.30 lacs.

#### 6.13 Pre & Post Offer Equity Shareholding pattern of the Target Company is as follows:

| Shareholder Category   | Shareholding / Voting rights prior to the agreement / acquisition and offer |         | Shares/voting rights agreed to be acquired which triggered off the Regulations |       | Shares/voting rights to be acquired in open offer (assuming full acceptances) |       | Shareholding / voting rights, post offer acquisition |               |
|--|---|---------|--|-------|---|-------|--|---------------|
|  | (A)   |         | (B)  |       | (C)   |       | (D)  |               |
|  | No.   | %       | No.  | %     | No.   | %     | No.  | %             |
| <b>1. Promoter Group</b>   |   |         |  |       |   |       |  |               |
| a) Parties to agreement, if any  | 18,53,000   | 61.77   |  |       |   |       | 0  | 0             |
| b) Promoters other than (a) above                                      | 3,00,000  | 10.00** |  |       |   |       | 0  | 0             |
| <b>Total 1 (a+b)</b>   | 21,53,000   | 71.77   |  |       |   |       | 0  | 0             |
| <b>2. Acquirers</b>  |   |         | *  | *     |   |       |  |               |
| a) Main Acquirers  | 0   | 0       | 18,53,000  | 61.77 | 6,00,000  | 20.00 | 24,53,100  | 81.77         |
| b) PACs  | 1,91,295  | 6.37    |  |       |   |       | 1,91,295   | 6.37          |
| <b>Total 2(a+b)</b>  | 1,91,295  | 6.37    | 18,53,000  | 61.77 | 6,00,000  | 20.00 | 26,44,395  | 88.14         |
| <b>3. Parties to agreement other than 1(a) &amp; 2 above</b>           |   |         |  |       |   |       |  |               |
| <b>4. Public (other than parties to agreement acquirers&amp; PACs)</b> |   |         |  |       |   |       |  |               |
| a) FI's/ MFs/ FIIs/ Banks/ SFIs  | -   | -       |  |       |   |       | -  | -             |
| b) Others  | 6,55,705  | 21.86   |  |       |   |       | 3,55,605   | 11.86         |
| <b>Total 4 (a + b)**</b>   | 6,55,705  | 21.86** |  |       |   |       | <b>3,55,605</b>                                      | <b>11.86</b>  |
| <b>Grand Total (1+2+3+4)</b>   | 30,00,000   | 100     |  |       |   |       | <b>30,00,000</b>                                     | <b>100.00</b> |

Note: The present management took over the company through an MOU and Open Offer under SEBI (SAST) Regulations, 1997, in 1999 – 2000.

\*Total shares agreed to be acquired is a maximum of 18,53,000 shares being 61.77 % of the paid up equity capital. Since there is a likelihood of the shareholding increasing to 81.14 % as per Regulation 21 (2) the Acquirers have given the following Undertaking

"If the acquisition made in pursuance of the public offer results in the public shareholding in Target Company, being reduced below the minimum level required as per the Listing Agreement, the Acquirers undertake that they shall take necessary steps to facilitate compliance by the Target Company, with the relevant provisions thereof, within the time period mentioned therein as per Regulation 21 (2) of SEBI (SAST) Regulations, and any amendments thereof"

\*\* The number of shareholders in the public category is 68.

#### 6.14 Pre and post acquisition shareholding of Acquirer and PACs

| Shareholder Category             | Shareholding & voting rights prior to the acquisition of shares |             | Shares/voting rights which triggered off the Regulations |              | Shares/voting rights to be acquired in open offer (assuming full acceptances) |              | Shareholding / voting rights after the acquisition and offer. |               |
|----------------------------------|---|-------------|--|--------------|---|--------------|---|---------------|
|                                  | (A)   |             | (B)  |              | (C)   |              | =(A) + (B) + (C)  |               |
|                                  | No.   | %           | No.  | %            | No.   | %            | No.   | %             |
| <b>Acquirer</b>                  |   |             |  |              |   |              |   |               |
| Mrs. Aruna R Ajjarapu            | 0   | 0           | 9,60,900   | 42.40        | 3,11,100  | 10.37        | 12,72,000   | 42.40         |
| Mr. Kuchimanchi Shridhar         | 0   | 0           | 8,92,100   | 39.37        | 2,88,900  | 9.63         | 11,81,000   | 39.36         |
| <b>Persons acting in Concert</b> |   |             |  |              |   |              |   |               |
| Mr. A S Seshagiri Rao            | 1,07,824  | 3.59        | 0  | 0            | 0   | 0            | 1,07,824  | 3.59          |
| Mrs. Anuradha Azzarapu           | 83,471  | 2.78        | 0  | 0            | 0   | 0            | 83,471  | 2.78          |
| <b>Grand Total</b>               | <b>1,80,295</b>   | <b>6.37</b> | <b>18,53,000</b>   | <b>61.77</b> | <b>6,00,000</b>   | <b>20.00</b> | <b>26,44,295</b>  | <b>88.13*</b> |

\* **Note:** "If the acquisition made in pursuance of the public offer results in the public shareholding in Target Company, being reduced below the minimum level required as per the Listing Agreement, the Acquirers undertake that they shall take necessary steps to facilitate compliance by the Target Company, with the relevant provisions thereof, within the time period mentioned therein as per Regulation 21 (2) of SEBI (SAST) Regulations, and any amendments thereof"

#### 6.15 Status of Chapter II Compliance of the promoters:

The Target Company and the Promoter Group has complied with Chapter II of SEBI (SAST) Regulations, 1997 as confirmed by the company.

#### 6.16 Details of Pending Litigation by/against the Company:

There is no pending Litigation by or against the Company except the disputed demand from Income Tax, for assessment year 2001 – 02 is Rs.8,94,606/-, out of this an amount of Rs. 2,20,157/-, is recovered by the Department the balance of Rs. 6,74,449/- is not provided for in the books.

#### 6.17 Status of Corporate Governance

Clause 49 of the Listing Agreement relating to Corporate Governance is applicable to Arnit Infotech Limited since the paid up capital & net worth is more than Rs. 3 crores, which is the minimum requirement for complying with the Corporate Governance clause.

The Company has a total of five Directors on the Board, out of whom three are Non-Executive and Independent Directors, Mr. R. Jayaraman, Mr A M Sharath Chandra, Mr Ch. S V S J Sarma are independent Directors and Mr. A Mohan Rao is Director. Mr. Phanindra Gotety was appointed as Director on 03-10-2006 representing the Acquirers. Thus more than 50% of the Board comprises of independent Directors. The Company has also constituted the Audit Committee and Investor Grievance Committee as below:

##### **Audit Committee:**

Chairman – Mr Ch S V S J Sarma  
Member – Mr. R. Jayaraman  
Member - Mr. A. M Sharath Chandra

##### **Investor Grievance Committee**

Chairman – Mr R Jayaraman  
Member – Mr. Ch S V S J Sarma  
Member - Mr. A M Sharath Chandra

The Company has complied with the requirements of Clause 49 of the Listing Agreement.

## 6.18 Details of the compliance officer

Mr. Ch. S. V. S. J. Sarma  
Director,  
Office: Level 5, Venkat Plaza, Punjagutta, Hyderabad – 500 083.  
Residence: 3-128, Hastinapuri Colony, Sainikpuri, Secunderabad – 500 094  
Tel.: Off. : 040 – 2341 2070  
Res.: 040 – 2710 0711

## 7. OFFER PRICE AND FINANCIAL ARRANGEMENTS

### 7.1 Justification of Offer Price

7.1.1 The equity shares of Arnit Infotech Limited are listed on The Hyderabad Stock Exchange Limited, Hyderabad (HSE), Pune Stock Exchange, Pune (PSE) and Ahmedabad Stock Exchange Limited, Ahmedabad, (ASE).

7.1.2 The annualised trading turnover of the equity shares of AIL on the stock exchanges is as shown below:

| Name of Stock Exchanges | Total No. of shares traded during the 6 calendar months prior to the month in which PA was made* | Total No. of listed shares | Annualised Trading Turnover (in terms of % to total listed shares) |
|-------------------------|--|----------------------------|--|
| HSE                     | Nil  | 30,00,000                  | 0.00   |
| PSE                     | Nil  | 30,00,000                  | 0.00   |
| ASE                     | Nil  | 30,00,000                  | 0.00   |

Source : Based on the letters received from HSE & ASE.

The equity shares of AIL are deemed to be infrequently traded in terms of explanation (i) to Regulation 20(5) of the Regulations.

7.1.3 The Offer Price of Rs.3/- per share is justified in terms of Regulation 20(5) of the Regulations as it is the highest in view of the following:

|         |   |                    |
|---------|---|--------------------|
| 7.1.3.1 | The negotiated price under the agreement  | Rs. 2.50 per Share |
| 7.1.3.2 | Highest price paid by the PACs for 1,91,295 acquisition of equity shares through off market transactions during the month of November' 06 to January' 07. | Rs. 2.50 per share |
| 7.1.3.3 | Other parameters (as on 31.03.2006)   |                    |
|         | i) Return on Networth (%)   | Nil                |
|         | ii) Earning per share (Rs.)   | Nil                |
|         | iii) P/E multiple (at offer price)  | Nil                |
|         | iv) Book Value per share (Rs.)  | 13.39              |

Since the shares of the company are infrequently traded on the above mentioned stock exchanges, the fair value of the share has been arrived at based on the decision of the Supreme Court judgement in the case of **Hindustan Lever Employees Union vs. Hindustan Lever Ltd., 1995 (83 com case 30)** and has been calculated taking weighted average of three methods as below:

| Method   | Amount (Rs.) (X) | Weightage (Y) | Weighted Amount (Rs.) (X*Y) |
|--|------------------|---------------|-----------------------------|
| Value of Shares as per Net Assets Method (NAV)                     | 13.16            | 1             | 13.16                       |
| Value of Shares as per Profit Earning Capacity Value (PECV) method | Nil              | 2             | 0                           |
| Value of Shares as per imputed market price method                 | Nil              | 2             | 0                           |
| <b>TOTAL</b>   |                  | <b>5</b>      | <b>13.16</b>                |
| <b>Fair Value per Fully Paid up Equity Share</b>                   |                  |               | <b>2.64</b>                 |

The above NAV, PECV and Market Value is certified by Mr. V S K Rao, Partner, Satyanarayana Raju & Co. (Membership No.206132), Chartered Accountants having their office at No. H. No. 8-2- 120/86/9/A/34, Plot No. 34, Rao & Raju Colony, L V Prasad Marg, Road No. 2, Banjara Hills, Hyderabad – 500 034, Ph.: 040 – 2354 8331 / 32, Fax No.: 040 – 2354 1367, vide their Certificate dated November 13, 2006.

Based on the above information, in the opinion of the Manager to the Offer, **SOBHAGYA CAPITAL OPTIONS LIMITED**, the offer price of Rs.3/- (Rupees Three Only) is justified in terms of Regulation 20 (5) of the Regulations.

7.1.4 The Acquirers shall not acquire any shares during the Offer period in AIL.

## **7.2 Financial Arrangements**

7.2.1 The Acquirers have adequate and firm financial resources to fulfil the obligations under this offer. The sources of funds shall be through internal resources of the Acquirers. No borrowings from bank/financial institution is being made for the purpose.

7.2.2 The maximum purchase consideration payable by the Acquirers in case of full acceptance of the offer i.e., 6,00,000 shares is Rs.18,00,000/- (Rupees Eighteen Lakhs Only).

7.2.3 In accordance with Regulation 28 of the Regulations, Acquirers has opened an Escrow Account in favour of the Manager to the Offer **SOBHAGYA CAPITAL OPTIONS LIMITED**, with HDFC Bank Limited, Saeed Plaza, Lakdi-Ka-Pool, Hyderabad – 500 004, and deposited Rs.4,60,000/- (Rupees Four Lakhs Sixty Thousand Only) being more than 25% of the total consideration payable under the offer.

7.2.4 The Manager to the Offer has been duly authorized by the Acquirers to operate and realize the value of the Escrow Account in terms of the Regulations.

7.2.5 Mr. Timothy M Griffiths, (AICPA Membership No. 01009842 and FICTA Membership No.4164), TMG Certified Public Accountants, having their office at 904 W, Waters Avenue, Suite D, Tampa, Florida - 33604, Tel: (813) 932 8904 vide their certificates dated 06-02-2007 & 07-12-2006 of both the Acquirers Mrs. Aruna R Ajjarapu & Mr Kuchimanchi Shridhar respectively, have certified the adequacy of financial resources of Acquirers for fulfilling all the obligations under the Offer.

7.2.6 The Manager to the Offer confirms that firm arrangements for funds and money for payment through verifiable means are in place to fulfil the offer obligations.

## **8. TERMS & CONDITIONS OF THE OFFER**

### **8.1 Eligibility for accepting the Offer:**

The Offer is being made to all owners (registered or unregistered) of Equity Shares of AIL, whose names appear in the Register of Members of AIL at the close of business hours on the Specified Date (1<sup>st</sup> March 2007 and also the persons who own the Equity Shares at anytime before the Closure of the Offer, but may not be included in the Register of Members (but does not include the parties to the Share Purchase Agreement and PACs).

### **8.2 Statutory Approvals:**

8.2.1 The Offer is subject to the acquirers obtaining the approval(s) from the Govt. of India / Reserve Bank of India (RBI), wherever applicable, under the Foreign Exchange Management Act, 1999.

8.2.2 No approval is required from any bank or financial institutions, for the purpose of this Offer, to the best of the knowledge of the Acquirer.

8.2.3 As on the date of Public Announcement, to the best of the Acquirer's knowledge, no other statutory approvals are required to be obtained for the purpose of this Offer.

8.2.4 The offer would be subject to all other statutory approvals that may become applicable at a later date before the completion of offer.

8.2.5 In case of delay in receipt of statutory approval, SEBI has power to grant extension of time to the Acquirer for payment of consideration to shareholders, subject to Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the Regulations. Further, if the delay occurs on account of willful default by Acquirer in obtaining the requisite approval, Regulation 22(13) of the Regulations will also become applicable.

8.2.6 If the Acquirer fails to obtain the requisite approvals in time due to wilful default or neglect or inaction or non-action on his part, the amount lying in the Escrow Account shall be forfeited in the manner provided in the Regulation 28(12)(e) of SEBI(SAST) Regulations.

8.2.7 The Acquirers reserve the right to withdraw the Offer, in terms of Regulation 27 of SEBI (SAST) Regulations, in the event of the Requisite Statutory Approvals are being refused. In the event of withdrawal, a Public Announcement will be made in the same newspapers in which this original Public Announcement is being made.

8.2.8 The Acquirer shall complete all procedure relating to the offer within a period of 15 days from the date of closing of the offer.

### **8.3 Other Conditions:**

- 8.3.1 All owners of fully paid up equity shares, registered or unregistered and beneficial owners of the shares (except parties to the SPA and PACs) who own the shares at any time prior to the closure of the offer are eligible to participate in the offer as per procedure set out in Section 10. Unregistered owners /shareholders who have not received the LOO can send their application in accordance with procedure for acceptance and settlement as given below, so as to reach the Registrar on or before Wednesday 23<sup>rd</sup> May 2007. No indemnity is required from the unregistered owners.
- 8.3.2 Accidental omission to dispatch this LOO or the non-receipt or delayed receipt of this LOO will not invalidate this offer in any way.
- 8.3.3 Shares, if any, that are subject matter of litigation wherein, the shareholder(s) may be precluded from transferring the shares during the pendency of the said litigation are liable to be rejected in case directions / orders regarding these shares are not received together with the shares tendered under the offer. The LOO in some of these cases, wherever possible, would be forwarded to the concerned statutory authorities for further action at their end.
- 8.3.4 The acceptance of the offer made by the Acquirers is entirely at the discretion of the shareholders of the Target Company. The Acquirers will not be responsible in any manner for any loss of share certificates and offer acceptance documents during transit and the shareholders of the target company are advised to adequately safeguard their interest in this regard.
- 8.3.5 Incomplete applications including non-submission of necessary enclosures, if any, are liable to be rejected.
- 8.3.6 Shares that are subject to any lien, charge or encumbrance are liable to be rejected.
- 8.3.7 The instructions and provisions contained in the Form of Acceptance-cum-Acknowledgement and Form of Withdrawal constitute an integral part of the terms of this offer.
- 8.3.8 Shareholders should note that after 4.00 P.M. on the last date of withdrawal i.e., Tuesday, 10<sup>th</sup> April 2007, shareholders who have lodged their acceptance would not be able to withdraw them even if the acceptance of shares under the offer and dispatch of consideration gets delayed. The validly tendered shares and documents would be held by the Registrars to the Offer in trust, till such time as the process of acceptance of tenders and the payment of consideration is completed.
- 8.3.9 In case the shares tendered in the open offer are more than the shares agreed to be acquired by the Acquirers, the Acquirers shall accept all valid applications received from the shareholders on a proportional basis, in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lots. The marketable lot of the equity shares of the company is one share.
- 8.3.10 The Acquirers is confident of completing all the formalities pertaining to the acquisition of the said shares, within 15 days from the date of closure of this offer including payment of consideration to the shareholders who have accepted the offer and for the purpose open a Special Account as provided under Regulation 29.
- Provided where the Acquirers is unable to make payment to the shareholders before the said period of 15 days due to non-receipt of the requisite statutory approvals, SEBI may, if satisfied that non-receipt of requisite statutory approval was not due to any wilful default or neglect of the Acquirers or the failure of the Acquirers to diligently pursue the application for such approval, grant extension of time for the purpose subject to the Acquirers agreeing to pay interest to the shareholders for delay beyond 15 days as may be specified by SEBI from time to time.
- 8.3.11 Subject to the conditions governing this offer, as mentioned in this LOO, the acceptance of this offer by the shareholders must be absolute and unqualified. Any acceptance to the offer, which is conditional or incomplete, is liable to be rejected without assigning any reason whatsoever.
- 8.3.12 The Acquirers can revise the price upwards up to 7 working days prior to closure of the offer and revision, if any, in the offer price, would appear in the same newspapers the PA has appeared. The same price would be paid to all shareholders who tendered their shares in the offer.
- 8.3.13 Shareholders may note that if there is a competitive bid, the public offers under all the subsisting bids shall close on the same date. As the offer price cannot be revised during 7 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. For queries regarding the offer, the shareholders / applicants may contact the Registrar at the address mentioned in this LOO.

## **9. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT**

### **9.1 Procedure for accepting the Offer by eligible persons:**



The equity shareholders of AIL who qualify and who wish to avail of this Offer will have to deliver the relevant documents mentioned hereinafter as applicable, to the Registrar as follows

| <b>Name and Address of the Registrar to whom the shares should be sent</b>   | <b>Working days and timings</b>  | <b>Mode of Delivery</b>   |
|--|--|---|
| M/s. Aarthi Consultants Pvt. Limited,<br>Regd. Off.: 1-2-285, Domalguda,<br>Hyderabad – 500 029<br>Tel.: 040 – 2763 8111 / 2763 4445<br>Fax: 040 – 2763 2184<br>E-mail: <a href="mailto:info@aarthicconsultants.com">info@aarthicconsultants.com</a> | Monday to Friday, 11.00 A.M. to 4.00 P.M. (excluding Saturdays, Sundays and Bank Holidays) | Hand Delivery / Courier / Registered Post on or before the close of the offer, i.e., Wednesday 23 <sup>rd</sup> May 2007. |

## **9.2 For equity shares held in physical form**

### **Registered equity shareholders should send the following documents:**

- 9.2.1 Form of Acceptance – cum - Acknowledgement duly completed and signed in accordance with the instructions contained therein by all equity shareholders whose names appear on the share certificate.
- 9.2.2 Original share certificate(s).
- 9.2.3 Valid share transfer deed(s) duly signed by all registered equity shareholders (in case of joint holdings) in the same order and as per the specimen signatures registered with AIL and duly witnessed at the appropriate place. The details of the buyer should be left blank in the share transfer deed(s). Acquirers name will be subsequently filled in upon verifying the validity of the share transfer deed.

## **9.3 For unregistered holders of equity shares**

- 9.3.1 Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein.
- 9.3.2 Original share certificate(s).
- 9.3.3 Valid share transfer deed(s) as received from the market. The details of the buyer should be left blank. If the details of the buyer are filled in, the tender will not be valid under the Offer. Acquirers's name will be subsequently filled in upon verifying the validity of the share transfer deed.
- 9.3.4 No indemnity is needed from unregistered equity shareholders.
- 9.3.5 Persons who have sent their shares for transfer should enclose the Form of Acceptance-cum-Acknowledgement duly completed and signed along with the copy of letter sent to AIL for transfer of shares and valid share transfer deed(s) as mentioned in (iii) above.

## **9.4 For shares held in demat form**

- 9.4.1 Beneficial owners should send Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all the beneficial owners whose names appear in the Beneficiary Account as per the respective Depository.
- 9.4.2 Photocopy of the Delivery instruction in 'Off Market' mode or counterfoil of the delivery instruction in 'Off Market' mode duly acknowledged by the DP in favour of the Special Depository Account (as defined herein below) should be attached.
- 9.4.3 The Registrar has opened a Special Depository Account as under:

|              |   |
|--------------|---|
| DP Name      | The Hyderabad Stock Exchange Limited                    |
| DP Client ID | 1302380000197832  |
| Account Name | Aarthi – Arnit Infotech Ltd – Open Offer Escrow Account |
| Depository   | CDSL  |

For each delivery instruction, the beneficial owner should submit separate Form of Acceptance-cum-Acknowledgement. The shareholders are advised to ensure that their shares are credited in favour of the Special Depository Account, not later than 4.00 P.M. on the close of business hours on Wednesday 23<sup>rd</sup> May 2007.

- 9.4.4 The Forms of Acceptance of such demat shares not credited in favour of the Special Depository Account on Wednesday 23<sup>rd</sup> May 2007 will be rejected.

- 9.4.5 Shareholders should also provide all relevant documents which are necessary to ensure transferability of the shares in respect of which the application is being sent, failing which the application would be considered invalid and would be liable as rejected.
- 9.4.6 The minimum marketable lot for the purpose of acceptance, for both physical and demat share would be one share.
- 9.4.7 In case of non-receipt of LOO, the eligible person may obtain the copy of the same from any of the Registrar on providing suitable documentary evidence of acquisition of shares. The LOO and Form of Acceptance – cum – Acknowledgement will be available on SEBI website i.e., [www.sebi.gov.in](http://www.sebi.gov.in) from the offer opening date i.e., Saturday, 4<sup>th</sup> May 2007. The eligible persons desirous of participating in the offer can download the documents from the SEBI website. Alternatively they may send by delivery or registered post their acceptance to the Registrar on 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 on or before the closure of the offer i.e., Wednesday 23<sup>rd</sup> May 2007.

Unregistered shareholders should not sign the transfer deed. The transfer deed should be valid for transfer.

Beneficial owners may send their name, address, number of shares held, number of shares offered, DP name, DP id, Beneficial Account number and the photo copy of the Delivery Instruction in 'Off Market' mode, duly acknowledged by the DP in favour of the Special Depository Account so as to reach the Registrar to the offer not later than 4.00 P.M. on Wednesday 23<sup>rd</sup> May 2007. The application should be signed by all the shareholders as per the registration details available with the company and should be sent to the Registrar in an envelope clearly marked 'Arnit Infotech Limited-Offer for acquisition of shares'.

**NO DOCUMENTS SHOULD BE SENT TO THE ACQUIRERS OR TO TARGET COMPANY OR TO THE MANAGER TO THE OFFER.**

**The Registrar will hold in trust the Share Certificate(s), Form of Acceptance cum Acknowledgement and the Transfer Deed(s) on behalf of the shareholders of AIL who have accepted the offer till the Draft/Pay Orders for the consideration and/or the unaccepted Share Certificate(s) are dispatched or returned at their own risk by Registered Post latest by Saturday 28<sup>th</sup> April 2007.**

## **9.5 Procedure for withdrawal of application/ acceptance**

In accordance with Regulation 22 (5) (A) of the Regulations, shareholders who have tendered requisite documents in terms of PA and LOO shall have option to withdraw acceptance tendered up to 3 working days prior to the offer closing date i.e., Thursday 17<sup>th</sup> May 2007.

- 9.5.1 The withdrawal option can be exercised, as per the instruction given below, so as to reach the Registrar not later than 4.00 P.M. on Thursday 17<sup>th</sup> May 2007.
- 9.5.2 The withdrawal option can be exercised by submitting the Form of Withdrawal attached to this LOO duly completed together with Acknowledgement Slip in original / copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered Post.
- 9.5.3 In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making an application on plain paper along with the following details. The Form of Withdrawal shall be delivered to the Registrar either by Hand Delivery or by Registered Post:
- 9.5.4 **In case of physical shares:** Name, Address, Distinctive Number, Folio Number, Number of shares tendered/withdrawn
- 9.5.5 **In case of dematerialised shares:** Name, Address, Number of shares tendered/withdrawn, DP Name, DP ID, Beneficiary Account Number, photo copy for delivery instruction in 'Off Market' mode or counterfoil of the delivery instruction in 'Off Market' mode, duly acknowledged by the DP in favour of the Special Depository Account.
- 9.5.6 Shareholders, who have tendered shares in physical form and wish to partially withdraw their tender, should also enclose valid share transfer forms for the remaining equity shares i.e. (shares not withdrawn) duly signed as Transferors by all registered shareholders in the same order and as per specimen signature registered with the company and duly witnessed at the appropriate places.
- 9.5.7 The withdrawal of shares will be available only for the share certificates/shares that have been received by the Registrar/Special Depository Account.
- 9.5.8 The intimation of returned shares to the shareholders will be at the address as per the records of the company or the DP as the case may be.
- 9.5.9 The Form of Withdrawal should be sent to the Registrar only.

- 9.5.10 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 certificate from the company.
- 9.5.11 Partial withdrawal of shares tendered 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.
- 9.5.12 Shareholders holding shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
- 9.5.13 Unaccepted share certificates, transfer forms and other documents, if any, will be returned by Registered Post at the shareholder's/unregistered owner's sole risk to the sole/first shareholder.
- 9.5.14 Shares held in demat form to the extent not accepted will be credited back to the beneficial owner's depository account, with their respective DP as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement. Shareholders holding shares in the dematerialised form are requested to issue the necessary standing instruction for receipt of credit, if any, in the DP account. It will be responsibility of the shareholders to ensure that unaccepted shares are accepted by their respective DP while transferred by the Registrar. Shareholders should ensure that their Depository Account is maintained till the offer formalities are completed.
- 9.5.15 In case any person has lodged shares for transfer and such transfer has not yet been effected, the concerned person may apply as per instruction contained in 8.3 above together with the Acknowledgement for the lodgement of shares for transfer. Such person should also instruct the company and its Registrar and Transfer Agent to send the transferred share certificates directly to the Registrar to the Offer. The applicant should ensure that the certificate reach the Registrar to the Offer not later than Wednesday 23<sup>rd</sup> May 2007.
- 9.5.16 In case any person has tendered physical shares for dematerialization and such dematerialization has not yet been effected, the concerned shareholder may apply in the offer as per the instruction mentioned in 8.3 above together with a photocopy of the completed dematerialization request form acknowledged by the shareholders DP. Such shareholders should ensure the credit of the shares to the Special Depository Account on or before the offer closing date i.e., Wednesday 23<sup>rd</sup> May 2007. A copy of delivery instruction acknowledged by the DP in favour of the Special Depository Account should be forwarded to the Registrar not later than 4.00 P.M. on Wednesday 23<sup>rd</sup> May 2007.

## **9.6 Payment of consideration**

- 9.6.1 The payment of consideration shall be made to those shareholders whose share certificates and / or other documents are found valid and in order by the Acquirers, and the same shall be through a crossed Account Payee Cheque/Demand Draft/Pay Order. The intimation regarding the acquisition (in part or full) or rejection of the shares tendered by the shareholders in acceptance of this offer and the corresponding payment for the acquired shares and/or share certificates for the rejected shares will be dispatched to the shareholders for value over Rs.1, 500/- by Registered Post and for value up to Rs.1, 500/- by Ordinary Post under Certificate of Posting, as the case may be, at the shareholder's/unregistered owner's sole risk within 15 days from the date of the closure of the offer i.e., Saturday 28<sup>th</sup> April 2007.
- 9.6.2 All Cheques/Demand Drafts will be drawn in the name of the first holder, in case of joint holders. 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 in the Cheque/Demand Draft.
- 9.6.3 If the Acquirers is unable to make the payment to the shareholders within 15 days due to non-receipt of any statutory approval to which the offer may be subject, SEBI may, if it is satisfied that non-receipt of requisite statutory approval was not due to any wilful default or neglect of the Acquirers or failure of the Acquirers to diligently pursue the applications for such approvals, grant extension of time for the purpose, subject to payment of interest to the shareholders at such rate for delay beyond 15 days, as may be specified by the Board.

## **10 DOCUMENTS FOR INSPECTION**

- 10.1** The following documents are regarded as material documents and are available for inspection at the office the Manager to the Offer i.e. **SOBHAGYA CAPITAL OPTIONS LIMITED**, between 11.00 A.M. to 3.00 P.M. on any working day except Saturdays, Sundays and Public / Bank holidays until the closure of the offer:
  - 10.1.1 Copy of MOU dated 25<sup>th</sup> January 2007 between **SOBHAGYA CAPITAL OPTIONS LIMITED**, Manager to the Offer and the Acquirers.
  - 10.1.2 Memorandum and Articles of Association of the Target Company.
  - 10.1.3 Copies of Annual Report of AIL for the financial years, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and Certified financials for the 9 months ended Dec 31, 2006.
  - 10.1.4 Certificate from Mr. Timothy M. Griffiths (AICPA Membership No. 01009842 and FICPA Membership No. 4164), M/s. TMG Certified Public Accountants, having their office at: 904, W. Waters Avenue, Suite D, Tampa, Florida 33604, Ph. No.: (813) 932 - 8907, Fax No. (813) 932-9749, vide their certificates dated: November 27, 2006 and December 7, 2006. Has confirmed the Networth of the Acquirers.

- 10.1.5 Financial Adequacy Certificates dated: February 6, 2007 and December 7, 2006 of the Acquirers from Mr. Timothy M. Griffiths (AICPA Membership No. 01009842 and FICPA Membership No. 4164), M/s. TMG Certified Public Accountants, having their office at: 904, W. Waters Avenue, Suite D, Tampa, Florida 33604, Ph. No.: (813) 932 - 8907, Fax No. (813) 932-9749,
- 10.1.6 NAV/PECV Certificate of the shares of AIL as certified by Mr. V S K Rao of M/s Satyanarayana Raju & Co. (Membership No.206132), Chartered Accountants having their office at H. No.: 8-2-120/86/9/A/34, Plot No. 34, Rao & Raju Colony, L V Prasad Marg, Road No. 2, Banjara Hills, Hyderabad – 500 034, Tel.: 040 – 2354 8331 / 2354 8332 vide their Certificate dated 13<sup>th</sup> November 2006.
- 10.1.7 Copy of Public Announcement of offer dated 1<sup>st</sup> February 2007.
- 10.1.8 Letter dated: 31<sup>st</sup> January 2007, from HDFC Bank Limited, 6-1-73, Saeed Plaza, Lakdi-ka-pul, Hyderabad – 500 004, confirming deposit of Rs. 4,60,000/- (Rupees Four Lakhs Sixty Thousand Only) being 25% of the total consideration, in the Escrow Account and lien marked in favour of the Merchant Banker to the Offer.
- 10.1.9 Due diligence certificate dated: 13-02-2007
- 10.1.10 Copy of Share Purchase Agreement.
- 10.1.11 Observation letter Ref. CFD/DCR/HB/TO/91381/07 dated 17<sup>th</sup> April, 2007 issued by SEBI.

## **11 DECLARATION BY THE ACQUIRERS**

The Acquirers Mrs Aruna R Ajjarapu and Mr. Kuchimanchi Shridhar, accept full responsibility for the information contained in this Letter of Offer and would be responsible for ensuring compliance with the obligations of the Acquirers as laid down in the Regulations and subsequent amendments thereto.

Sd/-

(Mrs. Aruna R Ajjarapu & Mr. Kuchimanchi Shridhar)

Place: Hyderabad

Date: 26-04-2007

Attached: Form of Acceptance – cum - Acknowledgement.  
Form of Withdrawal  
Transfer deed for Shareholders holding shares in physical form.