

September 03, 2019

To
General Manager
Listing Operations
BSE Ltd.
Ground Floor, P. J. Towers,
Dalal Street, Fort,
Mumbai 400 001

Scrip Name: Rapicut Carbides Limited

Dear Sirs,

Sub: Draft Letter of Offer dated September 03, 2019 under Regulation 18(1) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 in connection with the Open Offer to be made to the public shareholders of Rapicut Carbides Limited.

On behalf of Mr. Abhishek Gami, (hereinafter referred to as "the Acquirer") together with Mrs. Shruti Gami, in her capacity as person acting in concert with the Acquirer, we, Pantomath Capital Advisors Private Limited, the Manager to the Open Offer, hereby enclose the copy of Draft Letter of Offer in connection with the Open Offer to be made to the Public Shareholders of Rapicut Carbides Limited.

The Open Offer is being made pursuant to and in compliance with Regulations 3(1) and 4 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and subsequent amendments thereto (the "**SEBI (SAST) Regulations**").

We request you to kindly upload the Draft Letter of Offer on your website at the earliest.

Capitalized terms used in this letter unless defined herein shall have the same meanings as ascribed to them in the attached Draft Letter of Offer.

Thanking You,

For Pantomath Capital Advisors Private Limited

Unmesh Zagade
Manager
SEBI Reg No. INM000012110



Progress with Values...

DRAFT LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The letter of offer (“**Letter of Offer**”) will be sent to you as an Equity Shareholder of Rapicut Carbides Limited (“**Target Company**”). If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or Manager to the Offer or Registrar to the Offer. In case you have recently sold your equity shares in the Target Company, please hand over the Letter of Offer (as defined hereinafter) and the accompanying Form of Acceptance cum Acknowledgement (“**Form of Acceptance**”) to the Member of Stock Exchange through whom the said sale was effected.

OPEN OFFER (“OFFER”) BY

ABHISHEK GAMI

Residence: 117, Bhavana Park Society, Punagam, Choryasi, Bombay Market, Surat – 395 010 Gujarat, India;
Tel.: +91 9228833168; **Fax:** NA; **E-mail:** abhishekgami@gmail.com;
(hereinafter referred to as the “**Acquirer**”)

ALONG WITH

SHRUTI GAMI

Residence: 117, Bhavana Park Society, Punagam, Choryasi, Bombay Market, Surat – 395 010 Gujarat, India;
Tel.: +919228833168; **Fax:** NA **E-mail:** shrutiagami@gmail.com

MAKE A CASH OFFER TO ACQUIRE UP TO 13,96,524 (THIRTEEN LAC NINETY SIX THOUSAND FIVE HUNDRED TWENTY FOUR ONLY) FULLY PAID UP EQUITY SHARES, HAVING FACE VALUE OF INR 10 (INDIAN RUPEES TEN ONLY) EACH (“EQUITY SHARES”), REPRESENTING 26% (TWENTY SIX PERCENT ONLY) OF THE VOTING SHARE CAPITAL OF THE TARGET COMPANY (AS HEREINAFTER DEFINED), FROM THE PUBLIC SHAREHOLDERS OF

RAPICUT CARBIDES LIMITED

Corporate Identification Number: L28910GJ1977PLC002998

Registered Office: 119 GIDC Industrial Area, Ankleshwar, Gujarat, 393002

Tel: 02646-251118 / 251721 / 221071; **Fax:** 02646-251019; **Website:** www.rapicutcarbides.com



Email: investors@rapicutcarbides.com

(hereinafter referred to as the “**Target Company**”)

AT A PRICE OF INR 42/- (INDIAN RUPEES FORTY TWO ONLY) PER EQUITY SHARE (“OFFER PRICE”), PAYABLE IN CASH, IN ACCORDANCE WITH THE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011, AS AMENDED FROM TIME TO TIME (“SEBI (SAST) REGULATIONS, 2011”)

- This Offer is being made by the Acquirer along with PAC pursuant to and in compliance with Regulation 3(1) & 4 and other applicable Regulations of the SEBI (SAST) Regulations, 2011.
- This Offer is not conditional upon any minimum level of acceptance in terms of Regulation 19(1) of the SEBI (SAST) Regulations, 2011.
- This Offer is not a competing offer in terms of Regulation 20 of the SEBI (SAST) Regulations, 2011.
- The Offer is subject to the compliance of the terms and conditions as set out under the Share Purchase Agreement. As on date, to the best of the knowledge and belief of the Acquirer and PAC, there are no statutory approvals required to acquire equity shares that are validly tendered pursuant to this Offer. However, the Offer would be subject to all the statutory approvals that may become applicable at a later date but before the completion of the Offer.
- The Acquirer shall complete all procedures relating to this Open Offer within 10 (Ten) Working Days from the date of closure of the Tendering Period (as defined below), including payment of consideration to Public Shareholders.

- If there is any upward revision in the Offer Price and/or Offer Size at any time prior to the commencement of 1 (One) Working Day before the commencement of the Tendering Period i.e. up to October 15, 2019 (Tuesday) in terms of the SEBI (SAST) Regulations, 2011, the same would also be informed by way of an announcement in the same newspapers where the Detailed Public Statement (“DPS”) was published. Such revised Offer Price would be payable to all the Public Shareholders, who have validly tendered their Equity Shares anytime during the Tendering Period to the extent of such Equity Shares having been verified and accepted under the Offer, by the Acquirer.
- **As per the information available with the Acquirer and PAC and the Target Company, there has been no competing offer as on date of this Draft Letter of Offer.**
- **If there are competing offers, the public offers under all the subsisting bids shall open and close on the same date.**
- A copy of the Public Announcement (“PA”), the DPS are available on the website of Securities and Exchange Board of India (‘SEBI’) at <http://www.sebi.gov.in> and copies of Draft Letter of Offer and Letter of Offer, including Form of Acceptance cum Acknowledgment will be available on website of SEBI at <http://www.sebi.gov.in>.
- All future correspondence, if any, should be addressed to the Manager to the Offer/ Registrar to the Offer at the addresses mentioned below:

Manager to the Offer	Registrar to the Offer
 <p>Pantomath Capital Advisors Private Limited 406-408, Keshava Premises, Behind Family Court, Bandra Kurla Complex, Bandra East – 400 051 Tel: +91 22 61946700/750 Fax: +91 22 26598690 Website: www.pantomathgroup.com E-mail: unmesh.zagade@pantomathgroup.com Contact Person: Unmesh Zagade SEBI Registration No: INM000012110</p>	 <p>Link Intime India Private Limited C-101, 1st Floor, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai – 400 083, Maharashtra, India Tel: +91 22 4918 6200 Fax: + 91 22 49186195 Website: www.linkintime.co.in Email: rapicut.offer@linkintime.co.in Contact Person: Mr. Sumeet Deshpande SEBI Registration Number: INR000004058</p>

SCHEDULE OF MAJOR ACTIVITIES OF THE OFFER IS GIVEN BELOW:

Activity	Day and Date*	
Date of Public Announcement	Monday	August 19, 2019
Date of Detailed Public Statement	Monday	August 26, 2019
Last date for filing of the Draft Letter of Offer with SEBI	Tuesday	September 3, 2019
Last date for a Competitive Bid, if any	Wednesday	September 18, 2019
Date of receipt of the comments on Draft Letter of Offer from SEBI	Wednesday	September 25, 2019
Identified Date#	Friday	September 27, 2019
Date by which Letter of Offer will be dispatched to the Shareholders	Monday	October 7, 2019
Last date for Revising the Offer Price / Number of Equity Shares	Friday	October 11, 2019
Last Date of announcement containing reasoned recommendation by committee of independent directors of TC	Friday	October 11, 2019
Date of Advertisement announcing the schedule of activities for the open offer, status of statutory & other approvals, status of unfulfilled conditions (if any), Procedure for tendering acceptances etc.	Monday	October 14, 2019
Date of opening of the Tendering Period	Tuesday	October 15, 2019
Date of closing of the Tendering Period	Tuesday	October 29, 2019
Date by which the acceptance/ rejection would be intimated and the corresponding payment for the acquired shares and/or share certificate for the rejected shares will be dispatched	Wednesday	November 13, 2019
Date of post offer advertisement	Wednesday	November 20, 2019
Date of Post Offer Report	Wednesday	November 20, 2019

**The above timelines are indicative (prepared on the basis of timelines provided under the SEBI (SAST) Regulations) and are subject to receipt of statutory/ regulatory approvals and may have to be revised accordingly. Accordingly, the dates for the above mentioned activities, wherever mentioned in this Draft Letter of Offer, are subject to change.*

#The Identified Date is only for the purpose of determining the names of the eligible shareholders of the Target Company as on such date to whom the Letter of Offer would be dispatched. It is clarified that all Public Shareholders, whether registered or unregistered, are eligible to participate in this Offer at any time during the Tendering Period.

RISK FACTORS:

Set forth below are the risk factors relating to the Underlying Transaction, the Offer and the probable risks involved in associating with the Acquirer and PAC and are not in relation to the present or future business operations of the Target Company or any other related matters. These risk factors are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation or otherwise by the Public Shareholders in this Offer, but are merely indicative. The Public Shareholders are advised to consult their stock broker or legal, financial, tax or investment advisors/ consultants, if any, for analysing and understanding all the risks with respect to their participation in this Offer and related sale and transfer of Equity Shares.

Relating to underlying transaction:

1. Acquisition of Sale Shares in the Underlying Transaction is subject to the applicable provisions of the SEBI (SAST) Regulations, 2011, and the Share Purchase Agreement (as hereinafter defined). In case the provisions of SEBI (SAST) Regulations, 2011 or the Share Purchase Agreement are not satisfactorily complied with for reasons beyond reasonable control of the Acquirer and the PAC; and consequently the Share Purchase Agreement is rescinded, the Acquirer shall not be able to act upon acquisition of Equity Shares under the Offer.

2. The Underlying Transaction is subject to completion risks as would be applicable to similar transactions.

Relating to the proposed Offer:

1. As on the date of this Draft Letter of Offer, to the best of knowledge and belief of the Acquirer and PAC, no statutory approvals are required by the Acquirer to acquire the equity shares that are validly tendered pursuant to this Offer. However, in case of any other statutory approvals are required or become applicable at a later date before the completion of the Offer, the Offer would be subject to the receipt of such other statutory approvals and the Acquirer shall make the necessary applications for such approvals. In the event of non-receipt of any of the statutory approvals, which may become applicable for acquisition of equity shares the Acquirer shall have the right to withdraw the Offer in accordance with the provisions of Regulation 23(1) of the SEBI (SAST) Regulations, 2011. In the event of such a withdrawal of the Offer, the Acquirer shall, through the Manager to the Offer, within two Working Days of such withdrawal, make an announcement of such withdrawal stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations, 2011.
2. In the event that either: (a) there is any order of a governmental authority or litigation leading to a stay or injunction on the Offer or that restricts or restrains the Acquirer and PAC from performing their obligations hereunder; or (b) SEBI instructing the Acquirer and PAC not to proceed with this Offer, then this Offer process may be delayed beyond the schedule of activities indicated in this Draft Letter of Offer. Consequently, the payment of consideration to the Shareholders, whose Equity Shares are validly accepted in this Offer as well as the return of the Equity Shares not accepted in this Offer, may be delayed beyond the schedule of activities indicated in this Draft Letter of Offer.
3. In case of delay in receipt of any statutory approval that may be required by the Acquirer and PAC at a later date, SEBI may, if satisfied that such delay in receipt of the requisite statutory approval(s) was not attributable to any wilful default, failure or neglect on the part of the Acquirer and PAC to diligently pursue such approval, and subject to such terms and conditions as may be specified by SEBI, including payment of interest, if any, in accordance with Regulation of the SEBI (SAST) Regulations, 2011, grant an extension of time to the Acquirer to make the payment of the consideration to the Public Shareholders whose Offer Shares have been accepted in the Offer. Where any statutory approval extends to some but not all of the Public Shareholders, the Acquirer shall have the option to make payment to such Public Shareholders in respect of whom no statutory approvals are required in order to complete this Offer.
4. In the case of the number of Equity Shares validly tendered by the Public Shareholders under this Offer is more than the number of Offer Shares, acceptance will be determined by the Acquirer, as per the SEBI (SAST) Regulations, 2011, in consultation with the Manager to the Offer, on a proportionate basis and hence there is no certainty that all the Equity Shares tendered by the Public Shareholders in this Offer will be accepted.
5. The Equity Shares tendered in the Offer and documents will be held in the pool account of the broker/ in trust by the Clearing Corporation of the Stock Exchange/Registrar to the Offer, till the process of acceptance of tenders and the payment of consideration is completed.
6. Public Shareholders who have lodged their acceptance to this Offer shall not be entitled to withdraw such acceptance during the Tendering Period, even if the acceptance of the Equity Shares in this Offer and dispatch of consideration are delayed. During such period, there may be fluctuations in the market price of the equity shares and the shareholders will not be able to trade in such equity shares, thereby restricting the ability of such Shareholders to take advantage of any favourable price movements. It is understood that the shareholders will be solely responsible for their decisions regarding their participation in this Offer.
7. This Draft Letter of Offer has not been filed, registered or approved in any jurisdiction outside India. Recipients of the Letter of Offer, resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements. This Offer is not directed towards any person or entity in any jurisdiction or country where the same would be contrary to the applicable laws or regulations or would subject the Acquirer and PAC or the Manager to the Offer to any new or additional registration requirements.

8. The Public Shareholders are advised to consult their respective tax advisors for assessing the tax liability pursuant to this Offer, or in respect of other aspects such as the treatment that may be given by their respective assessing officers in their case, and the appropriate course of action that they should take. The Acquirer, PAC and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of the tax provisions set forth in this Draft Letter of Offer.
9. This Offer is subject to completion risks as would be applicable to similar transactions.

Relating to the Acquirer and PAC:

1. The Acquirer and PAC make no assurance with respect to their investment or divestment decisions relating to their proposed shareholding in the Target Company.
2. The Acquirer and PAC make no assurances with respect to the continuation of the business of the Target Company or continuation of past trends in the financial performance or of the future performance of the Target Company.
3. The Acquirer and PAC make no assurances with respect to the market price of the Equity Shares before, during or after this Offer and expressly disclaim any of their responsibility or obligation of any kind (except as required under applicable law) with respect to any decision by any Public Shareholder on whether or not to participate in this Offer.
4. The Acquirer, PAC and the Manager to the Offer accept no responsibility for statements made and information pertaining to the Target Company, which has been provided or published by Target Company or obtained from publicly available sources. Any person placing reliance on any other source of information will be doing so at his / her / its own risk.
5. For the purpose of disclosures in the PA or DPS or this Draft Letter of Offer in relation to the Target Company and/or the Sellers, the Acquirer, PAC and Manager have relied on the information published or provided by the Target Company and/or the Sellers, as the case may be, or publicly available sources and have not independently verified the accuracy of details of the Target Company and/or the Sellers. The Acquirer and PAC do not accept any responsibility with respect to any misstatement by the Target Company and/or the Sellers in relation to such information.

Currency of Presentation:

1. In this Draft Letter of Offer, all references to 'Rs.' / 'Rupees' / 'INR' / '' are references to Indian Rupee(s), the official currency of India.
2. In this Draft Letter of Offer, any discrepancy in any table between the total and sums of the amounts listed are due to rounding off and/or regrouping.

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1. ABBREVIATIONS / DEFINITIONS

Term	Definition
Acquirer	Mr. Abhishek Gami
Board/ Board of Directors	The Board of Directors of the Target Company
BSE	BSE Limited
Buying Broker	Pantomath Stock Brokers Private Limited, the broker appointed by the Acquirer for the Offer, through whom the purchases and settlement of Offer Shares shall be made
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
Clearing Corporation	Indian Clearing Corporation Limited
Companies Act	The Companies Act, 1956, as amended and/or The Companies Act, 2013, as amended, as the case may be
Depositories	CDSL and NSDL
Designated Stock Exchange	BSE Limited
DIN	Director Identification Number
DP	Depository Participant
DPS / Detailed Public Statement	The Detailed Public Statement, issued by the Manager to the Offer, on behalf of the Acquirer and PAC in relation to this Offer and published on August 26, 2019
Draft Letter of Offer/ DLoF	This Draft Letter of Offer dated September 03, 2019
Equity Shares	Fully paid-up equity shares of the Target Company of the face value of INR 10 (Indian Rupees Ten only) each
Equity Shareholders / Shareholders	All the owners of the Equity Shares
Escrow Agreements	Escrow Agreement dated August 19, 2019 entered among the Acquirer, Escrow Bank and Manager to the Offer
Escrow Bank	IndusInd Bank Limited
FEMA	Foreign Exchange Management Act, 1999, as amended and the rules and regulations thereunder
FII	Foreign Institutional Investor registered with SEBI under applicable laws in India
Form of Acceptance / FoA	Form of Acceptance cum Acknowledgement, accompanying with the Letter of Offer
FPI	Foreign Portfolio Investor, as defined under Regulation 2(h) of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended
FY	Financial Year
Identified Date	September 27, 2019 i.e. date falling on the 10th (Tenth) Working Day prior to the commencement of Tendering Period, for the purposes of determining the Shareholders to whom the Letter of Offer shall be sent
IFSC	Indian Financial System Code
Income Tax Act	Income Tax Act, 1961, as amended from time to time

Term	Definition
ISIN	International Securities Identification Number
Letter of Offer / LoF	The Letter of Offer to be issued pursuant to the Offer, duly incorporating SEBI's comments on this Draft Letter of Offer, including the Form of Acceptance-cum-Acknowledgement
Manager to the Offer	Pantomath Capital Advisors Private Limited
Maximum Consideration	The total funding requirement for the Offer of INR 5,86,54,008 (Indian Rupees Five Crore Eighty Six Lakh Fifty Four Thousand Eight only) assuming full acceptance of the Offer
NA/N.A.	Not Applicable
Non-Resident Shareholder(s)	Persons resident outside India, as defined under FEMA, holding equity shares of the Target Company
NRI	Non-Resident Indians as defined under the Foreign Exchange Management (Deposit) Regulations, 2000
NSDL	National Securities Depositories Limited
OCBs	Overseas Corporate Bodies as defined under the Foreign Exchange Management (Deposit) Regulations, 2000
Offer/Open Offer	The open offer made by the Acquirer and PAC to the Public Shareholders to acquire up to 13,96,524 Equity Shares, representing 26% of the Voting Share Capital of Target Company
Offer Period	Period from the date of release of Public Announcement to the date of payment of consideration
Offer Price	INR 42.00/- (Indian Rupees Forty Two only) per Equity Share
Offer Size	13,96,524 Equity Shares representing 26% of the Voting Share Capital of the Target Company
PA / Public Announcement	Public Announcement dated August 19, 2019, issued by the Manager to the Offer, on behalf of the Acquirer and PAC, in relation to this Offer
PAN	Permanent Account Number
Persons Acting in Concert	Mrs. Shruti Gami
Promoter and Promoter Group	Promoter and Promoter Group of Rapicut Carbides Limited
Public Shareholders	All the Equity Shareholders of the Target Company who are eligible to tender their Equity Shares in the Offer, other than the Sellers, who are parties to the Share Purchase Agreement and persons deemed to be acting in concert with Sellers in terms of Regulation 7(6) of the SEBI (SAST) Regulations; other promoters and members of the promoter group of the Target Company; the Acquirer; PAC; and persons deemed to be acting in concert with the Acquirer and PAC
RBI	Reserve Bank of India
Registrar / Registrar to the Offer	Link Intime India Private Limited
INR	Indian Rupees, the legal currency of India
Sale Shares	14,91,451 Equity Shares having face value of INR 10 (Indian Rupees Ten only) each, constituting 27.77% (Twenty Seven Point Seventy Seven percent only) of the total voting share capital of the Target Company, to be sold by the Sellers to the Acquirer and PAC, in terms of the SPA
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India

Term	Definition
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI Delisting Regulations	Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended
SEBI (LODR) Regulations, 2015	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEBI (SAST) Regulations, 2011	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
Sellers	Chetan Gopaldas Cholera, Shashidhar Jagdish Bhatia, Chandrashekhar Jagdish Bhatia, Jagdish Chetandas Bhatia, Dayawanti Jagdish Bhatia, Pragma Equities Private Limited and Girish Jagdish Bhatia
Selling Broker	The respective stock brokers of the Public Shareholders through whom Equity Shares shall be tendered under this Offer
Share Purchase Agreement/ SPA / Agreement	Share purchase agreement dated August 19, 2019 entered into amongst the Acquirer, PAC and the Sellers
Stock Exchange	BSE Limited
STT	Securities Transaction Tax
Target Company	Rapicut Carbides Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at 119 GIDC Industrial Area, Ankleshwar, Gujarat, 393002
Tendering Period	Period commencing from October 15, 2019 to October 29, 2019 both days inclusive
TRS	Transaction Registration Slip generated by the Designated Stock Exchange bidding system
Underlying Transaction	The acquisition of Sale Shares under the Share Purchase Agreement
Voting Share Capital	INR 5,37,12,450 (Indian Rupees Five crore Thirty Seven Lakh Twelve Thousand Four Hundred and Fifty only) consisting of 53,71,245 (Fifty Three Lakh Seventy One Thousand Two Hundred and Forty Five only) Equity Shares carrying voting rights, being the fully diluted equity voting share capital of the Target Company as of the 10th working day from the Closure of the Tendering Period of the Offer
Working Day	A working day of SEBI, as defined under the SEBI (SAST) Regulations, 2011

2. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE 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 SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011. THIS REQUIREMENT IS TO FACILITATE THE PUBLIC SHAREHOLDERS OF RAPICUT CARBIDES LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER, PAC 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 ACQUIRER AND PAC ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER AND PAC DULY DISCHARGES THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MANAGER TO THE OFFER, PANTOMATH CAPITAL ADVISORS PRIVATE LIMITED, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 03, 2019 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER AND PAC FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

3. DETAILS OF THE OFFER

3.1. BACKGROUND OF THE OFFER

- a. This Offer is a mandatory offer, being made by the Acquirer and PAC to all the Public Shareholders, in compliance with Regulations 3(1) & 4 and other applicable provisions of the SEBI (SAST) Regulations, 2011, pursuant to the Share Purchase Agreement dated August 19, 2019 entered into by and amongst the Sellers, who are part of Promoter and Promoter Group of the Target Company, the Acquirer and PAC for acquisition of 14,91,451 fully paid up Equity Shares having face value of INR 10 (Indian Rupees Ten only) each (“**Sale Shares**”) constituting 27.77% of the Voting Share Capital of the Target Company at a price of INR 42/- (Indian Rupees Forty Two only) per fully paid-up Equity Share (“**Negotiated Price**”) aggregating to INR 6,26,40,942/- (Indian Rupees Six Crore Twenty Six Lakh Forty Thousand Nine Hundred and Forty Two only) (“**Purchase Consideration**”) payable in cash. The Acquirer and PAC do not hold any shares in the Target Company.
- b. The key terms and conditions of the Share Purchase Agreement are as follows:
 - i. Pursuant to the SPA, the Acquirer and PAC, relying on the representations and warranties of the Sellers, agreed to purchase the Sale Shares constituting 27.77% of the Voting Share Capital of the Target Company at the Negotiated Price for the Purchase Consideration.
 - ii. As a consequence of the SPA, the Sellers shall cease to be the Promoter of the Company and the Acquirer and PAC shall become the Promoter of the Company under the provisions of the SEBI (SAST) Regulations, 2011.
 - iii. The SPA is subject to the compliance of provisions of the SEBI (SAST) Regulations, 2011.
 - iv. The SPA contains mutual customary representations and warranties between the Acquirer and PAC and the Sellers, including in relation to compliance with applicable laws.

For some of the above terms more specifically defined in the SPA and other details of the SPA, shareholders of the Target Company may refer the SPA which would be available to them for inspection during the period between the Tendering Period at the office of the Manager to the Offer.

- c. As per Regulations 26(6) and 26(7) of SEBI (SAST) Regulations, 2011, the Board of Directors of the Target Company is required to constitute a committee of independent directors, to provide its written reasoned recommendation on the Offer to the Shareholders of the Target Company and such recommendations shall be published at least two working days before the commencement of the Tendering Period in the same newspaper where the DPS of the Offer was published. A copy whereof shall be sent to SEBI, BSE and Manager to the Offer and in case of a competing offer/s to the Manager/s to the Offer for every competing offer.
- d. This Offer is not pursuant to any global acquisition resulting in an indirect acquisition of Equity Shares.

3.2. DETAILS OF THE PROPOSED OFFER

- a. The Public Announcement in connection with the Offer, in accordance with the Regulations 3(1) & 4 read with Regulation 15(1) of the SEBI (SAST) Regulations, 2011 was made by the Manager to the Offer on behalf of Acquirer and PAC on August 19, 2019 and filed with BSE and also filed with SEBI and the Target Company at its Registered Office.
- b. In accordance with Regulations 13(4) and 14(3) of the SEBI (SAST) Regulations, 2011, the Detailed Public Statement was published on August 26, 2019 in the following newspapers:

Publication	Language	Edition
Business Standard	English	All
Business Standard	Hindi	All
Lakshadeep	Marathi	Mumbai
Loksatta - Jansatta	Gujarati	Vadodara

A copy of the PA and DPS are available on the SEBI website at <http://www.sebi.gov.in>.

- c. Simultaneously with the publication of DPS in the newspapers, a copy of the DPS was mailed and filed through the Manager to the Offer with SEBI, BSE and the Target Company.
- d. The Offer is being made by the Acquirer and PAC to the Public Shareholders, in terms of Regulation 7(6) of the SEBI (SAST) Regulations, 2011, to acquire up to 13,96,524 (Thirteen Lac Ninety Six Thousand Five Hundred Twenty Four only) fully paid up Equity Shares, representing 26.00% (Twenty six percent only) of the Voting Share Capital, at a price of INR 42/- (Indian Rupees Forty Two only) per Equity Share, payable in cash, in accordance with Regulation 9(1)(a) of the SEBI (SAST) Regulations, 2011 subject to the terms and conditions mentioned in the PA, DPS and this Draft Letter of Offer.
- e. As on date, there are no partly paid up Equity Shares in the Target Company. Further, there is no differential pricing for the Offer.
- f. This Offer is not a competing offer in terms of Regulation 20 of the SEBI (SAST) Regulations, 2011 and there has been no competing offer as on the date of this Draft Letter of Offer.
- g. This Offer is unconditional and not subject to any minimum level of acceptance from the Public Shareholders, in terms of Regulation 19(1) of the SEBI (SAST) Regulations, 2011.
- h. The Acquirer will accept the Equity Shares, which are validly tendered in terms of this Offer, up to a maximum of 13,96,524 (Thirteen Lac Ninety Six Thousand Five Hundred Twenty Four only) Equity Shares constituting 26.00% (Twenty six percent only) of the Voting Share Capital of the Target Company. If the aggregate valid responses to this Offer by the public shareholders are more than the Offer Size, then the acceptance would be determined on a proportionate basis,

in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner.

- i. The Acquirer and PAC have not acquired any shares of the Target Company after the date of PA i.e. August 19, 2019, up to the date of this Draft Letter of Offer.
- j. The Equity Shares of the Target Company acquired by the Acquirer and PAC shall be free from all liens, charges and encumbrances together with all rights attached thereto, including the right to all dividends, bonus and rights offer declared hereafter.
- k. As on date, the Manager to the Offer, Pantomath Capital Advisors Private Limited, does not hold any Equity Shares in the Target Company. The Manager to the Offer further declares and undertakes that they will not deal on their own account in the Equity Shares of the Target Company during the Offer Period.
- l. The acquisition of the Offer Shares shall not result in the public shareholding in the Target Company falling below the minimum level required for continued listing under Regulation 38 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 19A of the Securities Contract (Regulation) Rules, 1957.

3.3. OBJECT OF THE OFFER

- a. The Offer is being made to the Public Shareholders in accordance with regulations 3(1) and 4 of the SEBI (SAST) Regulations pursuant to the substantial acquisition of shares, of the Target Company by the Acquirer and PAC in accordance with and subject to the terms of the Share Purchase Agreement.
- b. In terms of regulation 25(2) of the Regulations, the Acquirer and the PAC do not currently have any intention to alienate any material assets of the Target or any of its subsidiaries in the succeeding 2 (two) years from the completion of this Offer save and except:
 - i. in the ordinary course of business; or
 - ii. on account of regulatory approvals or conditions, or compliance with any law that is binding on or applicable to the operations of the Target Company; or
 - iii. as has already been disclosed by the Target Company in the public domain.
- c. After the completion of this Offer and pursuant to the transfer of the Sale shares so acquired, the Acquirer and PAC will hold the majority of the Equity Shares by virtue of which they will be in a position to exercise effective management and control over the Target Company.
- d. The Acquirer and PAC reserves the right to streamline/ restructure, pledge/ encumber their holding in the Target Company and/ or the operations, assets, liabilities and/ or businesses of the Target Company through arrangements, reconstructions, restructurings, mergers, demergers, sale of assets or undertakings and/ or re-negotiation or termination of existing contractual/ operating arrangements, at a later date in accordance with applicable laws. Such decisions will be taken in accordance with procedures set out under applicable law, pursuant to business requirements and in line with opportunities or changes in economic circumstances, from time to time.

4. BACKGROUND OF THE ACQUIRER / PAC

- 4.1. Mr. Abhishek Gami (“**Acquirer**”) is an individual aged 30 years and is a resident of 117, Bhavana Park Society, Punagam, Choryasi, Bombay Market, Surat – 395 010 Gujarat, India; Telephone Number: +91 9228833168; Fax Number: NA; Email ID: abhishekvgami@gmail.com.

He holds a master’s degree in science from Sardar Patel University. He began his career as a trainee in production department with RPG Life Sciences Limited. Thereafter he joined Navin Fluorine International Limited, where he worked for 2 years. Later he started his own business

in the year 2013. In the form of partnership firm namely M/s. United Wolfram, focussing on purchase-sale and manufacturer of metal powders, tools and intermediates of tungsten, cobalt and related products.

- 4.2. Mrs. Shruti Gami (“PAC”) is an individual aged 29 years and is a resident of 117, Bhavana Park Society, Punagam, Choryasi, Bombay Market, Surat – 395 010 Gujarat, India; Tel. No: +91 9228833168; Fax No.: NA; Email ID: shrutiagami@gmail.com
- 4.3. Save and except for the PAC, no other person is acting in concert with the Acquirer for the purposes of this Offer.
- 4.4. The net worth of Acquirer is INR 10.64 crores as on August 16, 2019 as certified vide certificate dated August 16, 2019 issued by RAYS & Associates, Chartered Accountants (Membership No. 141619) having office at 201-203, 2nd Floor, Centre Square, Opp Dr Back Company, Ankleshwar - 393002. The net worth of PAC is INR 61.00 Lakhs as on August 16, 2019 as certified vide certificate dated August 16, 2019 issued by RAYS & Associates, Chartered Accountants (Membership No. 141619) having office at 201-203, 2nd Floor, Centre Square, Opp Dr Back Company, Ankleshwar - 393002. The Acquirer is the husband of PAC.
- 4.5. The Acquirer and PAC are neither the Promoters nor a part of the Promoter Group of the Target Company as on the date of this Draft Letter of Offer. Further, the Acquirer and PAC are not related to the directors, key employees and promoters of the Target Company in any manner whatsoever.
- 4.6. As on the date of this Draft Letter of Offer, the Acquirer neither holds any Equity Share in the Target Company nor has previously acquired any equity share of the Target Company. Therefore the provisions of Chapter V of SEBI (SAST) Regulations, 2011 and/or Chapter II of the SEBI (SAST) Regulations, 1997 are not applicable to him. Further, the Acquirer and PAC have not acquired any Equity Shares of the Target Company after the date of the PA.
- 4.7. The Acquirer and PAC have not entered into any formal agreement with respect to the acquisition of shares through this Offer and are acting together under an informal understanding.
- 4.8. As on the date of this Draft Letter of Offer, the Acquirer and PAC do not hold any position on the board of directors of any listed Company.
- 4.9. The Acquirer and PAC have confirmed that they are not categorized as a ‘wilful defaulter’ in terms of Regulation 2(1) (ze) of the SEBI (SAST) Regulations, 2011 and have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act or under any other regulations made under the SEBI Act.
- 4.10. The Acquirer and PAC have confirmed that they have not been declared as fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018.

5. BACKGROUND OF TARGET COMPANY

- 5.1 The Target Company is a public limited company which was incorporated under the provisions of the Companies Act, 1956 on April 05, 1977, at Gujarat. The name of the Target Company has not undergone any change in the last 3 years.
- 5.2 The registered office of the Target Company is situated at 119 GIDC Industrial Area, Ankleshwar, Gujarat, 393002. The Corporate Identity Number (CIN) of the Target Company is L28910GJ1977PLC002998.
- 5.3 the authorised share capital of the Target Company is INR 8,00,00,000 (Indian Rupees Eight Crores only) comprising of 80,00,000 (Eighty Lakhs only) equity shares of INR 10 (Indian Rupees Ten only) each. The issued, subscribed and fully paid-up equity share capital of the Target Company is INR 5,37,12,450 (Indian Rupees Five crore thirty seven lakh twelve thousand four hundred and fifty only) comprising of 53,71,245 (Fifty three lakh seventy one

thousand two hundred and forty five only) equity shares of INR 10 (Indian Rupees Ten only) each. The Target Company does not have partly paid-up equity shares.

- 5.4 As on date, the Target Company does not have any partly paid-up equity shares and there are no outstanding convertible securities, depository receipts, warrants, options or similar instruments, issued by the Target Company, convertible into equity shares at a later stage. As on date, none of the Equity Shares are under lock-in period.
- 5.5 The Equity Shares are presently listed on BSE (Scrip Code: 500360). The ISIN of the Equity Shares of the Target Company is INE350D01015.

5.6 **Share Capital Structure:**

The Equity Share capital structure of the Target Company is as follows:

Paid-up Equity Shares	No. of Equity Shares/Voting Rights	% Equity Shares/Voting Rights
Fully paid-up Equity Shares	53,71,245	100%
Partly paid-up Equity Shares	Nil	Nil
Total paid-up Equity Shares	53,71,245	100%
Total Equity Shares/Voting Rights in Target Company	53,71,245	100%

- 5.7 All the outstanding Equity Shares of the Target Company are admitted for trading at BSE.
- 5.8 As on date, the trading in Equity Shares of Target Company is not suspended on BSE.
- 5.9 As on date, no Equity Shares of the Target Company are under lock-in.
- 5.10 **Details of the Board of Directors of Target Company:**

As on date, the Directors representing the Board of Target Company are:

Name of Director	Designation	Date of Appointment	(DIN)
Gayatri Vinay Parikh	Independent Director	07/02/2015	00045529
Chetan Gopaldas Cholera	Director	28/04/2009	00131143
Jagdish Chandra Bhatia	Managing Director	05/04/1977	00250737
Lalit Mohan Bijlani	Director	30/03/1984	01382116
Bhumitra Vinodchandra Dholakia	Independent Director	15/06/2011	01871816
Dhananjay Digambar Kanitkar	Independent Director	15/06/2011	03523774

None of the above Directors are representative of the Acquirer and PAC.

- 5.11 There has been no merger / de-merger or spin off in the Target Company during the past three years.
- 5.12 The Key Financial Information of the Target Company, based on audited financial statements for the Financial Year(s) ended March 31, 2019, March 31, 2018 and March 31, 2017 are as follows:

Profit & Loss Statements

(INR in lakhs, except per share data)

Particulars	Financial Year ended March 31, 2019	Financial Year ended March 31, 2018	Financial Year ended March 31, 2017
Income from Operations	4,625	4,253.51	4,731.91

Particulars	Financial Year ended March 31, 2019	Financial Year ended March 31, 2018	Financial Year ended March 31, 2017
Other Income	3	4.60	17.94
Total Income	4,628	4,258.11	4,749.85
Total Expenditure	4,146	3,723.51	4,212.40
Profit before Depreciation Interest and Tax	482	534.6	537.45
Depreciation	86	81.07	66.14
Interest	23	23.55	33.90
Profit/(loss) before Tax	373	429.98	437.41
Provision for Tax	89	113.60	139.79
Profit/ (Loss) after Tax	284	316.38	297.62

Balance Sheet Statement

(INR in lakhs, except per share data)

Particulars	Financial Year ended March 31, 2019	Financial Year ended March 31, 2018	Financial Year ended March 31, 2017
Sources of fund			
Paid-up share capital	537	537.12	537.12
Reserves & Surplus (excluding revaluation reserves)	2,016	1,867.35	1,703.37
Net Worth	2,553	2,404.47	2,240.49
Long Term borrowings	11	7.41	32.88
Other Non-Current Liabilities	145	129.91	83.14
Short Term borrowings	323	106.13	-180.37
Other current liability and provisions	547	807.24	660.6
Total	3,579	3,455.16	2,836.74
Uses of funds			
Fixed assets	483	535.85	576.65
Other Non-Current assets	47	45.15	44.67
Current Assets	3,049	2,874.16	2,215.42
Total miscellaneous expenditure not written off	-	-	-
Total	3,579	3,455.16	2,836.74
Other Financial Data			
Dividend (%)	15%	18%	15%
Earnings Per Share	4.95	4.86	5.54

Note: Figures for Financial year 2016-17 have been taken from comparatives of Annual Report of the Target Company for the Financial Year 2017-18 as the Target Company adopted Ind AS for the first time in the Financial Year 2017-18. Following the said policy, the Target Company prepared financial statements for Financial Year 2017-18 (including 2016-17) as adoption of Ind AS became applicable for periods beginning on or after April 01, 2018.

5.13 Pre and Post-Offer Shareholding Pattern of the Target Company as on date is as follows:

Shareholders' category	Shareholding & voting rights prior to the SPA/ acquisition and Offer.		Shares and voting rights acquired pursuant to the SPA		Shares and voting rights to be acquired in the Offer (assuming full acceptance)		Shareholding / voting rights after the acquisition and Offer.	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No.	%	No.	%	No.	%	No.	%
(1) Promoter group								
a. Parties to agreement, if any	14,91,451	27.77	-	-	-	-	Nil	Nil
b. Promoters other than (a) above	2,80,706	5.22	-	-	-	-	2,80,706	5.22

Shareholders' category	Shareholding & voting rights prior to the SPA/ acquisition and Offer.		Shares and voting rights acquired pursuant to the SPA		Shares and voting rights to be acquired in the Offer (assuming full acceptance)		Shareholding / voting rights after the acquisition and Offer.	
	(A)		(B)		(C)		(A)+(B)+(C) =(D)	
	No.	%	No.	%	No.	%	No.	%
Total 1(a+b)	17,72,157	32.99	-	-	-	-	2,80,706	5.22
(2) Acquirer and PAC								
a. Acquirer – Mr. Abhishek Gami	-	-	13,42,811	25.00	13,96,524	26.00	27,39,335	51.00
b. PAC – Mrs. Shruti Gami	-	-	1,48,640	2.77	-	-	1,48,640	2.77
Total 2(a+b)	-	-	14,91,451	27.77	13,96,524	26.00	28,87,975	53.77
(3) Parties to agreement other than(1) (a) & (2)	-	-	-	-	-	-	-	-
(4) Public (other than parties to SPA, Acquirer and PAC)	35,99,088	67.01	-	-	(13,96,524)	(26.00)	22,02,564	41.01
GRAND TOTAL (1+2+3+4)	53,71,245	100	-	-	-	-	53,71,245	100

5.14 Details of Compliance Officer:

Mr. Kamlesh M Shinde
119 GIDC Industrial Area, Ankleshwar, Gujarat, 393002
Tel.: +02646-251118 / 251721 / 221071
E-mail: investors@rapicutcarbides.com

6. OFFER PRICE AND FINANCIAL ARRANGEMENTS

6.1. JUSTIFICATION OF OFFER PRICE

- This Offer is not pursuant to any global acquisition resulting in an indirect acquisition of Equity Shares of the Target Company.
- The Offer is made pursuant to the execution of the SPA for the acquisition of more than 25% (Twenty Five percent only) of the Equity Shares and voting rights, accompanied with a change in control of the Target Company.
- The Equity Shares of the Target Company are presently listed and permitted to trade on BSE (Security ID: RAPICUT; Security Code: 500360). The International Securities Identification Number ('ISIN') of the Equity Shares of the Target Company is INE350D01015.
- The trading turnover in the Equity Shares based on the trading volume during the twelve calendar months prior to the calendar month in which the PA was made (August 01, 2018 to July 31, 2019) is as under:

Name of Stock Exchange	No. of Equity Shares Traded (A)	Number of Listed Equity Shares (B)	Trading Turnover (in terms of % to listed equity shares) (A/B)
BSE	6,80,523	53,71,245	12.67

(Source: www.bseindia.com)

Based on the above, the Equity Shares are frequently traded on the BSE, in terms of Regulation 2(1)(j) of the SEBI (SAST) Regulations, 2011.

- The Offer Price determined in terms of Regulations 8(1) and 8(2) of the SEBI (SAST) Regulations, 2011, considering the following:

Sr. No.	Particulars	Price
1.	Negotiated Price under the SPA	42.00
2.	The volume weighted average price paid or payable for acquisitions by the Acquirer during 52 weeks immediately preceding the date of PA	Not Applicable

Sr. No.	Particulars	Price
3.	The highest price paid or payable for acquisitions by the Acquirer during 26 weeks immediately preceding the date of PA	Not Applicable
4.	The volume weighted average market price per equity share for a period of sixty trading days immediately preceding the date of the PA as traded on the Stock Exchange (in case of frequently traded shares only)	41.73
5.	Where the shares are not frequently traded, the price determined by Acquirer and the Manager taking into account valuation parameters including book value, comparable trading multiples and such other parameters as are customary for valuation of shares of such companies	Not Applicable
6.	The per equity share value computed under Regulation 8(5), if applicable.	Not Applicable

- f. In view of the parameters considered and presented in table above, in the opinion of the Acquirer and PAC and Manager to the Offer, the Offer Price of INR 42.00 (Indian Rupees Forty Two only) per share is justified in terms of Regulation 8 of the SEBI (SAST) Regulations, 2011.
- g. There have been no corporate actions by the Target Company warranting adjustment of the relevant price parameters under Regulation 8 of the SEBI (SAST) Regulations, 2011. The Offer Price may be revised in the event of any corporate actions like bonus, rights, split etc. where the record date for effecting such corporate actions falls within 3 Working Days prior to the commencement of Tendering period.
- h. In the event of further acquisition of Equity Shares of the Target Company by the Acquirer and PAC during the Offer Period, at a price higher than the Offer Price, the Offer Price will stand revised equal to or more than the highest price paid for such acquisition in terms of Regulation 8(8) of the SEBI (SAST) Regulations, 2011. However, the Acquirer and PAC will not be acquiring any Equity Shares of the Target Company after the third Working Day prior to the commencement of the Tendering Period and until the expiry of the Tendering Period.
- i. If the Acquirer and PAC acquire Equity Shares of the Target Company during the period of twenty-six (26) weeks after the Tendering Period at a price higher than the Offer Price, they will pay the difference between the highest acquisition price and the Offer Price, to all shareholders whose shares have been accepted in Offer within 60 (Sixty) days from the date of such acquisition. However, no such difference shall be paid in the event that such acquisition is made under another open offer under the SEBI (SAST) Regulations, 2011 or pursuant to Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, or open market purchases made in the ordinary course on the Stock Exchange, not being negotiated acquisition of Equity Shares whether by way of bulk deals, block deals or in any other form.
- j. As on date, there has been no revision in Offer Price and/or Offer Size.
- k. The Offer Price is subject to upward revision, if any, pursuant to the SEBI (SAST) Regulations or at the discretion of the Acquirer and/or PAC at any time prior to the commencement of 1 (one) working day prior to the commencement of the Tendering Period, in accordance with Regulation 18(4) of the SEBI (SAST) Regulations. In the event of such revision, the Acquirer and/or the PAC shall make corresponding increases to the escrow amounts in accordance with Regulation 18(5) of the SEBI (SAST) Regulations and the Acquirer and the PAC shall (i) make a public announcement in the same newspapers in which this DPS is published; and (ii) simultaneously with the issue of such announcement, inform SEBI, the Stock Exchanges and the Target Company at its registered office of such revision.

6.2. DETAILS OF FIRM FINANCIAL ARRANGEMENTS

- a. Assuming full acceptance of the Offer, the total consideration for the Offer i.e for the acquisition of up to 13,96,524 (Thirteen Lac Ninety Six Thousand Five Hundred Twenty Four only) Equity Shares at the Offer Price of INR 42.00 (Indian Rupees Forty Two only) per Equity Share, is

INR 5,86,54,008 (Indian Rupees Five Crore Eighty Six Lakh Fifty Four Thousand Eight only) (“**Maximum Consideration**”).

- b. In terms of Regulation 25(1) of the SEBI (SAST) Regulations the Acquirer has adequate financial resources and has made firm financial arrangements for the implementation of the Offer in full out of his own sources/ net worth and borrowings in the normal course of business.
- c. The Acquirer has confirmed that he has adequate financial resources to meet the obligations under the Offer. The Acquirer, the Manager and IndusInd Bank Limited, a banking corporation incorporated under the laws of India, acting through its branch office at Premises no. 61, Sonawala Building, Mumbai Samachar Marg, Fort, Mumbai – 400 001, have entered into an escrow agreement dated August 19, 2019 for the purpose of the Offer (“**Escrow Agreement**”). Pursuant to the Escrow Agreement and in compliance with Regulation 17(1) of the SEBI (SAST) Regulations the Acquirer has opened an escrow account named “RAPICUT CARBIDES LIMITED-OPEN OFFER ESCROW ACCOUNT” (the “**Open Offer Escrow Account**”) bearing account number 250556043776. The Acquirer has on August 20, 2019 made a cash deposit of a sum of INR 5,86,54,008 (Indian Rupees Five Crore Eighty Six Lakh Fifty Four Thousand Eight only) in the Open Offer Escrow Account (“**Cash Escrow**”) which is an equivalent to 100% of the value of the Maximum Consideration, as confirmed by IndusInd Bank Limited by way of letter dated August 20, 2019. The Manager is duly authorised by the Acquirer to realise the value of the Escrow Account and operate the Escrow Account in terms of the SEBI (SAST) Regulations.
- d. The Acquirer has confirmed that he has adequate financial resources to meet the obligations under the Offer and have made firm financial arrangements for financing the acquisition of the Offer Shares, in terms of Regulation 25(1) of the SEBI (SAST) Regulations, 2011.
- e. RAYS & Associates, Chartered Accountants (Membership No. 141619) having office at 201-203, 2nd Floor, Centre Square, Opp Dr Back Company, Ankleshwar - 393002 have certified vide certificate dated August 16, 2019 that sufficient resources, based on the net-worth position, are available with the Acquirer for fulfilling his obligations under this Offer in full.
- f. Based on the above, the Manager to the Offer is satisfied that firm arrangements have been put in place by the Acquirer to fulfil his obligations in relation to this Offer through verifiable means in accordance with the SEBI (SAST) Regulations, 2011.
- g. In case of any upward revision in the Offer Price or the Offer Size, the Acquirer shall deposit additional funds in the Escrow Account as required under the Regulation 17(2) of the SEBI (SAST) Regulations, 2011.

7. TERMS AND CONDITIONS OF THE OFFER

7.1. OPERATIONAL TERMS AND CONDITIONS

- a. This Offer is being made by the Acquirer and PAC to the Public Shareholders of the Target Company, other than the Sellers, who are parties to the Share Purchase Agreement and persons deemed to be acting in concert with Sellers in terms of Regulation 7(6) of the SEBI (SAST) Regulations; other promoters and members of the promoter group of the Target Company; the Acquirer; PAC; and persons deemed to be acting in concert with the Acquirer and PAC.
- b. This Offer is not conditional upon any minimum level of acceptance in terms of Regulation 19 of the SEBI (SAST) Regulations, 2011.
- c. This Offer is not a competing offer in terms of Regulation 20 of the SEBI (SAST) Regulations, 2011.
- d. This Offer is subject to the terms and conditions set out in the Letter of Offer, this Draft Letter of Offer, the PA, the DPS, and any other Public Announcements that may be issued with respect to the Offer.

- e. The Eligible Public Shareholders of the Target Company who tender their Equity Shares in this Offer shall ensure that the Equity Shares are clear from all liens, charges and encumbrances and will be acquired by the Acquirer, in accordance with the terms and conditions set forth in the DPS, this Draft Letter of Offer and the terms and conditions which will be set out in the Letter of Offer to be sent to all the Eligible Public Shareholders in relation to this Offer, the relevant provisions of the SEBI SAST Regulations, and applicable laws.
- f. Accidental omission to dispatch the Letter of Offer to any member entitled to this Offer or non-receipt of the Letter of Offer by any member entitled to this Offer shall not invalidate the Offer in any manner whatsoever.
- g. Public Shareholders can write to the Registrar to the Offer/ Manager to the Offer requesting for the Letter of Offer along with the Form of Acceptance cum acknowledgement. Alternatively, the Letter of Offer along with the Form of Acceptance cum acknowledgement would also be available on the website of SEBI i.e. <http://www.sebi.gov.in>, and shareholders can also apply by downloading such forms from the website.
- h. This Offer is subject to the receipt of the statutory and other approvals as mentioned under paragraph 'Statutory Approvals' of this Draft Letter of Offer. In terms of Regulation 23(1) of the Regulations, if the statutory approvals are refused, the Offer would stand withdrawn.
- i. The Acquirer and PAC reserve the right to revise the Offer Price and/or the Offer Size upwards at any time prior to the commencement of 1 (one) working day prior to the commencement of the tendering period, in accordance with the SEBI (SAST) Regulations, 2011 and the revision, if any, in the Offer Price and/or the Offer Size would be announced in the same newspapers where the DPS was published. The Acquirer and PAC would pay such revised price for all the Shares validly tendered at any time during the Offer and accepted under the Offer in accordance with the terms of the DPS and the Letter of Offer.
- j. The Public Shareholders to whom the Offer is being made are free to offer their Equity Shares in the Target Company in whole or in part while accepting the Offer. The acceptance of the Offer must be unconditional, absolute and unqualified.
- k. The Equity Shares tendered under this Offer shall be fully paid-up, free from all liens, charges, equitable interests and encumbrances and shall be tendered together with all rights attached thereto, including all rights to dividends, bonuses and rights offers, if any, declared hereafter, and the tendering Public Shareholder shall have obtained any necessary consents for it to sell the Equity Shares on the foregoing basis.
- l. Any Equity Shares that are subject matter of litigation or are held in abeyance due to pending court cases/attachment orders/ restriction from other statutory authorities wherein the shareholder maybe precluded from bidding of such Equity Shares during pendency of the said litigation are liable to be rejected if directions/orders regarding the free transferability of such equity shares tendered under the Offer are not received prior to the date of closing of the Offer.
- m. In terms of Regulation 18(9) of the SEBI (SAST) Regulations, 2011, the Public Shareholders who tender their Equity Shares in acceptance of the Offer shall not be entitled to withdraw such acceptance.
- n. In the event that the Equity Shares tendered in this Offer by the Public Shareholders are more than the Equity Shares to be acquired in this Offer, the acquisition of the Equity Shares from each Shareholder will be on a proportionate basis.

7.2. **LOCKED-IN SHARES**

Locked-in shares shall be accepted subject to the continuation of the residual lock -in period in the hands of the Acquirer along with PAC. There shall be no discrimination in the acceptance of locked-in and not locked-in shares.

7.3. **ELIGIBILITY FOR ACCEPTING THE OFFER**

All the Public Shareholders registered or unregistered, who own fully paid equity shares of the Target Company any time before the closure of the Open Offer are eligible to participate in the Open Offer. However, the Letter of Offer will be dispatched / mailed to those Shareholders whose names appear on the Register of Members of the Target Company at the close of business hours on the Identified Date i.e. September 27, 2019.

7.4. STATUTORY APPROVALS

- a. As on date, to the best of the knowledge and belief of the Acquirer and PAC, there are no statutory or other approvals required to complete the acquisition of the Equity Shares that are tendered pursuant to the Offer. If, however, any statutory or other approval becomes applicable prior to completion of the Offer, the Offer would also be subject to such other statutory or other approval(s) and the Acquirer and PAC shall make the necessary applications for such approvals.
- b. All Public Shareholders, including non-resident holders of Equity Shares, must on its own obtain all requisite approvals required, if any, to tender the Offer Shares (including without limitation, the approval from the RBI) and submit such approvals, along with the other documents required to accept this Offer. In the event such approvals are not submitted within the Tendering Period, the Acquirer and the PAC reserve the right to reject such Equity Shares tendered in this Offer. Further, if the holders of the Equity Shares who are not persons resident in India had required any approvals (including from the RBI, or any other regulatory body) in respect of the Equity Shares held by them, they will be required to submit such previous approvals, that they would have obtained for holding the Equity Shares, to tender the Offer Shares, along with the other documents required to be tendered to accept this Offer. In the event such approvals are not submitted, the Acquirer and the PAC reserve the right to reject such Offer Shares. The acquisition of the Equity Shares tendered by NRI and OCB are subject to approval/exemption, if applicable, from RBI.
- c. In case of delay in receipt of any statutory approval that may be required by the Acquirer and PAC at a later date, SEBI may, if satisfied that such delay in receipt of the requisite statutory approval(s) was not attributable to any wilful default, failure or neglect on the part of the Acquirer and PAC to diligently pursue such approval, and subject to such terms and conditions as may be specified by SEBI, including payment of interest in accordance with Regulation 18(11) of the SEBI (SAST) Regulations, 2011, grant an extension of time to the Acquirer to make the payment of the consideration to the Public Shareholders whose Offer Shares have been accepted in the Offer. Where any statutory approval extends to some but not all of the Public Shareholders, the Acquirer and PAC shall have the option to make payment to such Public Shareholders in respect of whom no statutory approvals are required in order to complete this Offer.
- d. In terms of Regulation 23(1) of the SEBI (SAST) Regulations, 2011, in the event that the approvals which may become applicable prior to completion of the Offer are not received, the Acquirer and PAC shall have the right to withdraw the Offer. In the event of such a withdrawal of the Offer, the Acquirer and PAC (through the Manager to the Offer) shall, within 2 (Two) Working Days of such withdrawal, make an announcement of such withdrawal stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations, 2011.

8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT OF OFFER

- 8.1. The Offer will be implemented by the Acquirer through a Stock Exchange Mechanism made available by BSE Limited in the form of a separate window ("Acquisition Window"), as provided under the SEBI (SAST) Regulations, 2011 and SEBI Circular CIR/CFD/POLICYCELL/1/ 2015 dated April 13, 2015 read with SEBI Circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016 issued by SEBI and notices / guidelines issued by Designated Stock Exchange and the Clearing Corporation in relation to the mechanism / process for acquisition of shares through stock exchange pursuant to the tender offers under takeovers as amended and updated from time to time.

8.2. BSE shall be the designated stock exchange (“Designated Stock Exchange”) for the purpose of tendering the Equity Shares in the Offer.

8.3. The Acquirer have appointed Pantomath Stock Brokers Private Limited (“Buying Broker”) as their broker for the Offer through whom the purchases and settlement of the Offer Shares tendered in the Offer will be made. The contact details of the Buying Broker are as mentioned below:

PANTOMATH STOCK BROKERS PRIVATE LIMITED

CIN: U74110MH2014PTC254979 **Address:** 108, Madhava Premises, Behind Family Court, Bandra Kurla Complex, Bandra East, Mumbai-400051 **Contact Person:** Mahavir Toshniwal
Tel.: 022-42577000; Email: mahavir.toshniwal@pantomathgroup.com

8.4. All the owners of Equity Shares, who desire to tender their Equity Shares under the Offer, would have to approach and intimate their respective stock brokers (“Selling Broker”) during the normal trading hours of the secondary market, during the Tendering Period.

8.5. The Acquisition Window will be provided by the Designated Stock Exchange to facilitate placing of sell orders. The Selling Members can enter orders for demat Shares.

8.6. The details of settlement number for early pay-in of Equity Shares shall be informed in the issue opening circular that will be issued by BSE/Clearing Corporation, before the opening of the Offer.

8.7. Modification/cancellation of orders will not be allowed during the tendering period of the Offer.

8.8. The cumulative quantity tendered shall be displayed on the exchange website throughout the trading session at specific intervals by the stock exchange during Tendering Period.

8.9. The Equity Shareholders are requested to note that trading account is mandatory to participate in the Offer irrespective of the Equity Shares are in dematerialised form.

8.10. The Equity Shareholders can tender their shares only through a broker with whom the shareholder is registered as client (Know Your Customer/Client (KYC) Compliant).

8.11. In the event Selling Broker of the shareholder is not registered with BSE then that shareholder can approach the Buying Broker and tender his/ her Equity Shares through the Buying Broker viz. Pantomath Stock Brokers Private Limited to tender his/ her Equity Shares under the Offer.

8.12. **Procedure for tendering Equity Shares held in dematerialised form:**

- i. The Equity Shareholders who are holding the Equity Shares in electronic/ dematerialised form and who desire to tender their Equity Shares in this Offer shall approach their respective Stock Broker (“**Selling Broker**”) indicating details of Shares they wish to tender in the Offer.
- ii. The Equity Shareholders are required to transfer, through their respective depository participants, the Equity Shares intended to be tendered to the early pay-in account of the Clearing Corporation. Such Equity Shareholders shall provide early pay-in of demat Equity Shares (except for custodian participant orders) to the Clearing Corporation using the settlement number provided in the Offer opening circular before their respective Selling Broker places the bids / orders on their behalf and the same shall be validated at the time of order entry.
- iii. Shareholders will have to submit Delivery Instruction Slips (“**DIS**”) duly filled in specifying market type as ‘Open Offer’ and execution date along with other details to their respective Stock Broker so that Equity Shares can be tendered in Offer.
- iv. For Custodian participant order for demat Equity Shares, early pay-in is mandatory prior to confirmation of order by the Custodian. The Custodians shall either confirm

or reject orders not later than the close of trading hours on the last day of the offer period. Thereafter, all unconfirmed orders shall be deemed to be rejected. For all confirmed Custodian Participant orders, order modification shall revoke the custodian confirmation and the revised order shall be sent to the custodian again for confirmation.

- v. Upon placing the bid, the Selling Broker(s) shall provide Transaction Registration Slip (“**TRS**”) generated by the Exchange Bidding System to the Shareholders. TRS will contain details of order submitted like Bid ID No., DP ID, Client ID, No of Shares tendered, etc.
- vi. In case of receipt of Equity Shares in the Special Account of the Clearing Corporation and a valid bid in the exchange bidding system, the Offer shall be deemed to have been accepted, for demat Shareholders.
- vii. The Equity Shareholders will have to ensure that they keep the DP Account active and unblocked to receive credit in case of return of Equity Shares due to rejection or due to prorata acceptance in the Offer.
- viii. The Equity Shareholders holding Equity Shares in demat mode are not required to fill any Form of Acceptance.**

8.13. Procedure for tendering Equity Shares held in Physical Form:

As per the proviso to Regulation 40(1) of the SEBI (LODR) Regulations (notified by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018) read with SEBI notification No. SEBV LADNRO/GN/2018/49 dated November 30, 2018, and the press releases dated December 03, 2018 and March 27, 2019 issued by SEBI, effective from April 01, 2019, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository. Hence, Public Shareholders desirous of tendering their Equity Shares held in physical form can do so only after the shares are dematerialized and are advised to approach the concerned depository participant to have their Equity Shares dematerialized.

8.14. Procedure for tendering the shares in case of non-receipt of Letter of Offer:

Persons who have acquired Equity Shares but whose names do not appear in the register of members of the Target Company on the Identified Date, or unregistered owners or those who have acquired Equity Shares after the Identified Date, or those who have not received the Letter of Offer, may also participate in this Offer.

In case the Equity Shares are in dematerialised form:

A Shareholder, who are holding the Equity Shares in electronic / dematerialised form and who desire to tender their Equity Shares in this Offer, may participate in the Offer by approaching their broker/Selling Broker and tender Shares in the Offer as per the procedure mentioned in the Letter of Offer.

In case the Equity Shares are in physical form:

As per the proviso to Regulation 40(1) of the SEBI (LODR) Regulations (notified by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018) read with SEBI notification No. SEBV LADNRO/GN/2018/49 dated November 30, 2018, and the press releases dated December 03, 2018 and March 27, 2019 issued by SEBI, effective from April 01, 2019, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository. Hence, Public Shareholders desirous of tendering their Equity Shares held in physical form can do so only after the shares are dematerialized and are advised to approach the concerned depository participant to have their Equity Shares dematerialized.

In case of non-receipt of the Letter of Offer, such Equity Shareholders of the Target Company may download the same from the website of SEBI i.e. www.sebi.gov.in or obtain a copy of the same from the Registrar to the Offer on providing suitable documentary evidence of holding of the Equity Shares of the Target Company.

8.15. Acceptance of Shares:

Registrar to the Offer shall provide details of order acceptance to Clearing Corporation within specified timelines.

In the event that the number of Equity Shares validly tendered by the Public Shareholders under this Offer is more than the number of Offer Shares, the Acquirer and PAC shall accept those Equity Shares validly tendered by the Public Shareholders on a proportionate basis in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lots, provided that acquisition of Equity Shares from a Public Shareholder shall not be less than the minimum marketable lot.

8.16. Settlement Process:

- i. On closure of the Tendering Period, reconciliation for acceptances shall be conducted by the Manager to the Offer and the Registrar to the Offer and the final list shall be provided to the Designated Stock Exchange to facilitate settlement on the basis of Shares transferred to the Clearing Corporation.
- ii. The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market.
- iii. Once the basis of acceptance is finalised, the Clearing Corporation would facilitate clearing and settlement of trades by transferring the required number of Equity Shares to the demat account which will be provided by the Acquirer and PAC.
- iv. Excess demat Equity Shares or unaccepted demat Equity Shares, if any, tendered by the Equity Shareholders would be returned to them by the Clearing Corporation.
- v. In case of partial or non-acceptance of orders the balance demat Equity Shares shall be returned directly to the demat accounts of the Public Shareholders. However, in the event of any rejection of transfer to the demat account of the Public Shareholder for any reason, the demat Equity Shares shall be released to the securities pool account of their respective Selling Broker and the Selling Broker will thereafter transfer the balance Equity Shares to the respective Public Shareholders.
- vi. The Shareholders will have to ensure that they keep the DP account active and unblocked to receive credit in case of return of Equity Shares, due to rejection or due to non-acceptance of the shares under the Offer.

8.17. Settlement of Funds / Payment Consideration:

- i. The Buying Broker will transfer the funds pertaining to the Offer to the Clearing Corporation's bank account as per the prescribed schedule.
- ii. The funds received from Buyer Broker by the Clearing Corporation will be released to the Shareholder/Selling Broker(s) as per secondary market pay out mechanism.
- iii. For Equity Shares accepted under the Offer, Clearing Corporation will make direct funds pay-out to respective Equity Shareholders. If shareholder's bank account details are not available or if the funds transfer instruction is rejected by RBI/Bank, due to any reason, then such funds will be transferred to the concerned Selling Broker settlement bank account for onward transfer to their respective shareholders. The Equity

Shareholders will be required to independently settle fees, dues, statutory levies or other charges (if any) with their Selling Brokers.

- iv. The payment will be made to the Buying Broker for settlement. For Equity Shares accepted under the Offer, the Equity Shareholder / Selling Broker / custodian participant will receive funds payout in their settlement bank account.
- v. Shareholders who intend to participate in the Offer should consult their respective Selling Broker for payment to them of any cost, charges and expenses (including brokerage) that may be levied by the Selling Broker upon the selling shareholders for tendering Equity Shares in the Offer (secondary market transaction). The consideration received by the selling shareholders from their respective Selling Broker, in respect of accepted Equity Shares, could be net of such costs, charges and expenses (including brokerage) and the Acquirer accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage) incurred solely by the selling Shareholder.
- vi. In case of delay in receipt of any statutory approval(s), SEBI has the power to grant extension of time to Acquirer for payment of consideration to the shareholders of the Target Company who have accepted the Offer within such period, subject to Acquirer agreeing to pay interest for the delayed period if directed by SEBI in terms of Regulation 18 (11) of the SEBI (SAST) Regulations, 2011.

9. COMPLIANCE WITH TAX REQUIREMENTS

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE INCOME-TAX ACT, 1961 AND THE REGULATIONS THEREUNDER. THE LEGISLATIONS, THEIR JUDICIAL INTERPRETATION AND THE POLICIES OF THE REGULATORY AUTHORITIES ARE SUBJECT TO CHANGE FROM TIME TO TIME, AND THESE MAY HAVE A BEARING ON THE IMPLICATIONS LISTED BELOW.

ACCORDINGLY, ANY CHANGE OR AMENDMENTS IN THE LAW OR RELEVANT REGULATIONS WOULD NECESSITATE A REVIEW OF THE BELOW. THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT INCOME-TAX IMPLICATIONS. THIS NOTE ON TAXATION SETS OUT THE PROVISIONS OF LAW IN A SUMMARY MANNER ONLY AND IS NOT A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX CONSEQUENCES OF THE DISPOSAL OF EQUITY SHARES.

THE IMPLICATIONS ARE ALSO DEPENDENT ON THE SHAREHOLDERS FULFILLING THE CONDITIONS PRESCRIBED UNDER THE PROVISIONS OF THE RELEVANT SECTIONS UNDER THE RELEVANT TAX LAWS. IN VIEW OF THE PARTICULARISED NATURE OF INCOME-TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE ACQUIRER DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY OF INCOME-TAX IMPLICATIONS, RELATING TO THE TREATMENT OF INCOME-TAX IN THE CASE OF TENDERING OF LISTED EQUITY SHARES IN OPEN OFFER ON THE RECOGNISED STOCK EXCHANGES IN INDIA, AS SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

9.1. General:

- a) The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to income-tax in India on his worldwide income, subject to certain tax exemptions, which are provided under the Income Tax Act. A person who is treated as a non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India-sourced income (i.e. income which accrues or arises or deemed to accrue or arise in India) as also income received by such persons in India. In case of shares of a company, the source of income from shares will depend on the "situs" of

such shares. As per judicial precedents, generally the “situs” of the shares is where a company is “incorporated” and where its shares can be transferred.

- b) Accordingly, since the Target Company is incorporated in India, the Target Company’s shares should be deemed to be “situated” in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the Income Tax Act.
- c) Further, the non-resident shareholder can avail benefits of the Double Taxation Avoidance Agreement (“DTAA”) between India and the respective country of which the said shareholder is tax resident subject to satisfying relevant conditions including non-applicability of General Anti-Avoidance Rule (“GAAR”) and providing and maintaining necessary information and documents as prescribed under the Income Tax Act.
- d) The Income Tax Act also provides for different income-tax regimes/ rates applicable to the gains arising from the tendering of shares under the Offer, based on the period of holding, residential status, classification of the shareholder and nature of the income earned, etc.
- e) The summary of income-tax implications on tendering of listed equity shares on recognised stock exchanges in India is set out below. All references to equity shares herein refer to listed equity shares unless stated otherwise.

9.2. **Classification of Shareholders: Shareholders can be classified under the following categories:**

- a) Resident Shareholders being:
 - i. Individuals, Hindu Undivided Family (“HUF”), Association of Persons (“AOP”) and Body of Individuals (“BOI”)
 - ii. Others
- b) Non-Resident Shareholders being:
 - i. Non-Resident Indians (NRIs)
 - ii. Foreign Institution Investors (FIIs) / Foreign Portfolio Investors (FPIs)
 - iii. Others:
 - Company
 - Other than company

9.3. **Classification of Income: Shares can be classified under the following two categories**

- a) Shares held as investment (Income from transfer taxable under the head “Capital Gains”)
- b) Shares held as stock-in-trade (Income from transfer taxable under the head “Profits and Gains from Business or Profession”)

Gains arising from the transfer of shares may be treated either as “capital gains” or as “business income” for income-tax purposes, depending upon whether such shares were held as a capital asset or trading asset (i.e. stock-in-trade).

9.4. **Shares held as investment:** As per the provisions of the Income Tax Act, where the shares are held as investments (i.e. capital asset), income arising from the transfer of such shares is taxable under the head “Capital Gains”. Capital Gains in the hands of shareholders will be computed as per provisions of Section 48 of the Income Tax Act.

9.5. **Period of holding:** Depending on the period for which the shares are held, the gains will be taxable as “short term capital gain” or “long-term capital gain”:

- a) In respect of equity shares held for a period less than or equal to 12 (Twelve) months prior to the date of transfer, the same should be treated as a “short-term capital asset”, and accordingly the gains arising therefrom should be taxable as “short term capital gains” (“STCG”).
- b) Similarly, where equity shares are held for a period more than 12 (Twelve) months prior to the date of transfer, the same should be treated as a “long-term capital asset”, and accordingly the gains arising therefrom should be taxable as “long-term capital gains” (“LTCG”).

9.6. **Tendering of Shares in the Offer through a Recognized Stock Exchange in India: Where a transaction for transfer of such equity shares (i.e. acceptance under an open offer) is transacted through recognised stock exchanges and is chargeable to Securities Transaction Tax (“STT”), then the taxability will be as under (for all categories of shareholders):**

- a) The Finance Act, 2018 has withdrawn the exemption under section 10(38) for LTCG arising from transfer of equity shares on or after 1 April 2018. Section 112A of the Income Tax Act provides for taxation of income arising from the transfer of such shares, which is explained in the following paragraphs.
- b) The gain accrued on such equity shares till 31 January 2018 has been exempted by providing that for the purpose of computing LTCG the cost of shares acquired before 1 February 2018 shall be the higher of the following:
 - i. Actual cost of acquisition; or
 - ii. Lower of: (A) fair market value, and (B) full value of consideration received or accruing as a result of the transfer of the shares.

Fair market value has been defined to mean the highest price of the equity share quoted on any recognized stock exchange on 31 January 2018.

- a) After taking into account the exemption provided above, LTCG arising from transfer of equity shares, exceeding Rs. 100,000, will be taxable at 10% without allowing the benefit of indexation.
- b) However, section 112A of the Income Tax Act shall not apply if such equity shares were acquired on or after 1 October 2004 and securities transaction tax (‘STT under Chapter VII of the Finance (No. 2) Act, 2004’) was not paid. In this regard, the Central Government has issued a notification no. 60/2018/F. No. 370142/9/2017-TPL dated 1st October, 2018, providing certain situations wherein section 112A of the Income Tax Act will continue to be applicable even if STT is not paid at the time of acquisition of equity shares. The notification provides for the following situations:
 - i. Where acquisition of existing listed equity share in a company, whose equity shares are not frequently traded on recognised stock exchanges of India, was made through a preferential issue, subject to certain exceptions;
 - ii. Where transaction for acquisition of existing listed equity share in a company was not entered through recognised stock exchanges of India, subject to certain exceptions;
 - iii. Acquisition of equity share of a company during the period beginning from the date on which the company was delisted from recognised stock exchanges and ending on the date on which the company was again listed on recognised stock exchanges in accordance with the Securities Contracts (Regulation) Act, 1956 read with the SEBI Act and any rules made thereunder.

The notification inter alia provides certain exceptions to the above situations where the provisions of Section 112A will not apply.

- c) Where provisions of section 112A are not applicable, LTCG will be chargeable to tax at 20%. However, for a resident shareholder, an option is available to pay tax on such LTCG under section 112 at either 20% with indexation or 10% without indexation.
- d) STCG arising from such transaction will be subject to tax @ 15% under Section 111A of the Income Tax Act.
- e) Further, in case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is required to be considered while computing tax on such LTCG or STCG taxable under Section 112, 112A or 111A of the Income Tax Act. In addition to the above LTCG or STCG tax, applicable Surcharge, Health and Education Cess are leviable (Please refer to Paragraph 9.9 for rate of surcharge and cess).
- f) Minimum alternate tax (“MAT”) implications will get triggered in the hands of a resident corporate shareholder. Foreign companies will not be subject to MAT if the country of residence of such of the foreign country has entered into a DTAA with India and such foreign company does not have a permanent establishment in India in terms of the DTAA.

- g) Non-resident shareholders can avail beneficial provisions of the applicable DTAA entered into by India subject to fulfilling of the relevant conditions and the documentary compliance prescribed under the Income Tax Act.

9.7. Shares held as Stock-in-Trade: If the shares are held as stock-in-trade by any of the eligible Shareholders of the Target Company, then the gains will be characterized as business income and taxable under the head “Profits and Gains from Business or Profession”.

a) Resident Shareholders:

Profits of:

A. Individuals, HUF, AOP and BOI will be taxable at applicable slab rates.

B. Domestic companies having turnover or gross receipts not exceeding Rs. 400 crore in the relevant financial year as prescribed will be taxable @ 25%.

C. For persons other than stated in (A) and (B) above, profits will be taxable @ 30%.

No benefit of indexation by virtue of period of holding will be available in any case.

b) Non Resident Shareholders

A. Non-resident Shareholders can avail beneficial provisions of the applicable DTAA entered into by India with the relevant shareholder country but subject to fulfilling relevant conditions and maintaining & providing necessary documents prescribed under the Income Tax Act.

B. Where DTAA provisions are not applicable:

- For non-resident individuals, HUF, AOP and BOI, profits will be taxable at slab rates
- For foreign companies, profits will be taxed in India @ 40%
- For other non-resident Shareholders, such as foreign firms, profits will be taxed in India @ 30%.

In addition to the above, applicable Surcharge, Health and Education Cess are leviable for Resident and Non Resident Shareholders.

9.8. Tax Deduction at Source

(a) In case of Resident Shareholders

In absence of any specific provision under the Income Tax Act, the Acquirer is not required to deduct tax on the consideration payable to resident Shareholders pursuant to the said offer.

(b) In case of Non-resident Shareholders

i. In case of FIIs: Section 196D of the Income Tax Act provides for specific exemption from withholding tax in case of Capital Gains arising in hands of FIIs. Thus, no withholding of tax is required in case of consideration payable to FIIs.

ii. In case of other non-resident Shareholders (other than FIIs) holding Equity Shares of the Target Company: Section 195(1) of the Income Tax Act provides that any person responsible for paying to a non-resident, any sum chargeable to tax is required to deduct tax at source (including applicable surcharge and cess). Subject to regulations in this regard, wherever applicable and it is required to do so, tax at source (including applicable surcharge and cess) shall be deducted at appropriate rates as per the Income Tax Act read with the provisions of the relevant DTAA, if applicable. In doing this, the Acquirer will be guided by generally followed practices and make use of data available in the records of the Registrar to the Offer except in cases where the non-resident Shareholders provide a specific mandate in this regard.

Since the Offer is through the stock exchange, the responsibility of discharging the tax due on the gains (if any) is primarily on the non-resident Shareholder. The non-resident Shareholder must compute such gains (if any) on this transaction and immediately pay applicable taxes in India, if applicable, in consultation with their custodians/ authorized dealers/ tax advisors appropriately. The non-resident Shareholders must file their tax return in India inter-alia considering gains arising pursuant to this Offer in consultation with their tax advisors.

The non-resident Shareholders undertake to indemnify the Acquirer if any tax demand is raised on the Acquirer on account of gains arising to the non-resident Shareholders pursuant to this Offer. The non-resident Shareholders also undertake to provide the Acquirer, on demand, the relevant details in respect

of the taxability / non-taxability of the proceeds pursuant to this Offer, copy of tax return filed in India, evidence of the tax paid etc.

9.9. **Rate of Surcharge and Cess**

In addition to the basic tax rate, applicable Surcharge, Health and Education Cess are currently leviable as under:

(a) Surcharge

i. In case of domestic companies: Surcharge @ 12% is leviable where the total income exceeds Rs. 10 crore and @ 7% where the total income exceeds Rs. 1 crore but less than Rs. 10 crore.

ii. In case of companies other than domestic companies: Surcharge @ 5% is leviable where the total income exceeds Rs. 10 crore and @ 2% where the total income exceeds Rs. 1 crore but less than Rs. 10 crore.

iii. In case of individuals, HUF, AOP, BOI: Surcharge @ 37% is leviable where the total income exceeds Rs. 5 crore, @25% is leviable where the total income exceeds Rs. 2 crore but less than Rs. 5 crore , @15% is leviable where the total income exceeds Rs. 1 crore but less than 2 crore and @10% where the total income exceeds Rs. 50 lac but less than Rs. 1 crore.

iv. In case of Firm and Local Authority: Surcharge @12% is leviable where the total income exceeds Rs. 1 crore.

(b) Cess

Health and Education Cess @ 4% is currently leviable in all cases

THE ABOVE NOTE ON TAXATION SETS OUT THE PROVISIONS OF LAW IN A SUMMARY MANNER ONLY AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX CONSEQUENCES OF THE DISPOSAL OF EQUITY SHARES. THIS NOTE IS NEITHER BINDING ON ANY REGULATORS NOR CAN THERE BE ANY ASSURANCE THAT THEY WILL NOT TAKE A POSITION CONTRARY TO THE COMMENTS MENTIONED HEREIN. HENCE, YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISORS FOR THE TAX PROVISIONS APPLICABLE TO YOUR PARTICULAR CIRCUMSTANCES.

10. **DOCUMENTS FOR INSPECTION**

The copies of the following documents shall be available for inspection to the Public Shareholders at the office of the Manager to the Offer, Pantomath Capital Advisors Private Limited, situated at 406-408, Keshava Premises, Behind Family Court, Bandra – Kurla Complex, Bandra – East, 400 051, on any working day (except Saturdays, Sundays and bank holidays) between 10.30 a. m. to 5.00 p.m. during the period from the Date of Commencement of the Tendering Period till the Date of Closing of the Tendering Period.

- i. Copy of Share Purchase Agreement dated August 19, 2019, entered by and among the Acquirer and PAC and the Sellers, which triggered this Offer.
- ii. Certificate of Incorporation, Memorandum and Articles of Association of the Target Company.
- iii. Annual Reports of the Target Company for the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.
- iv. Certificates dated August 16, 2019, issued by RAYS & Associates, Chartered Accountants (Membership No. 141619) having office at 201-203, 2nd Floor, Centre Square, Opp Dr Back Company, Ankleshwar - 393002, certifying the net worth of Acquirer and PAC.
- v. Certificates dated August 16, 2019, issued by RAYS & Associates, Chartered Accountants (Membership No. 141619) having office at 201-203, 2nd Floor, Centre Square, Opp Dr Back Company, Ankleshwar - 393002, certifying that the Acquirer has firm and adequate financial resources to meet the financial obligations under the Offer.
- vi. Escrow Agreement between the Acquirer, Manager to the Offer and the Escrow Bank, IndusInd Bank Limited dated August 19, 2019.

- vii. Letter dated August 20, 2019 from IndusInd Bank Limited confirming the amount deposited in the Escrow Account.
- viii. Public Announcement dated August 19, 2019 and published copy of Detailed Public Statement, which appeared on August 26, 2019, Offer Opening Public Announcement dated [●].
- ix. Copy of the recommendation made by the independent directors of the Board of Directors of the Target Company as required in terms of Regulation 26(7) of SEBI (SAST) Regulations, 2011.
- x. Observation Letter No. [●] dated [●] issued by SEBI.

11. DECLARATION BY THE ACQUIRER AND PAC

The Acquirer and PAC accept full responsibility, jointly and severally, for the information contained in the PA, the DPS and this Draft Letter of Offer other than such information as has been obtained from public sources or provided or confirmed by the Target Company and also for ensuring the compliance with the obligations of the Acquirer and PAC as laid down in terms of the SEBI (SAST) Regulations, 2011.

We, the Acquirer and PAC, have made all reasonable inquiries, accept responsibility jointly and severally, and confirm that this Draft Letter of Offer is in compliance with the SEBI (SAST) Regulations, 2011, and that it contains all information with regard to the Offer, which is material in the context of the Offer, that the information contained in this Draft Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

The Manager to the Offer hereby states that the person(s) signing this Draft Letter of Offer is the Acquirer and PAC or duly and legally authorized person of the Acquirer and PAC to sign this DLoF.

On behalf of the Acquirer

Sd/-

Abhishek Gami

On behalf of the PAC

Sd/-

Shruti Gami

Place: Surat

Date: September 03, 2019