

WEST BENGAL HANDICRAFTS DEVELOPMENT
CORPORATION LTD. (WBHDCL)



PRELIMINARY INFORMATION MEMORANDUM
(PIM)

April 2008

PRICEWATERHOUSECOOPERS 

Disclaimer

M/s. PricewaterhouseCoopers Pvt. Limited (“**PwC**”) has prepared this Preliminary Information Memorandum (PIM) on the basis of information provided by West Bengal Handicrafts Development Corporation Ltd (WBHDCL). The sole purpose of this PIM is to assist the recipients interested in being the ‘Strategic Partner’ to participate in the process leading to the proposed acquisition of an equity stake in WBHDCL of up to 74% through sale of existing shares by the Government of West Bengal (“**GoWB**”).

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Accordingly, interested parties are advised to carry out their own due diligence, investigations and analysis of any information contained or referred to herein or made available at any stage in the process of inviting external investment.

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1. Submission of expression of interest (EoI)

1.1. Introduction

West Bengal Handicrafts Development Corporation Ltd. (WBHDCL) was established in 1976 under the provisions of the Companies Act, 1956, under the administrative control of the then Cottage and Small Scale Industries Department (C&SSI), Government of West Bengal (currently known as the Micro & Small Scale Enterprises and Textiles (MSSET) Department).

WBHDCL has the primary objective of promoting the interests of the handicraft artisans of West Bengal and facilitating the marketing of handicrafts. Handicrafts are marketed through its network of 19 showrooms under the 'Manjusha' brand. Currently, apart from selling handicrafts, WBHDCL is also involved in selling handloom products procured from handloom cooperatives and other SSI units.

Besides handicrafts and handloom products, WBHDCL is also engaged in wholesale supplies of uniforms, liveries & accessories to various state government departments & schools and the supply of relief material in drought & flood affected regions.

As part of its programme for restructuring WBHDCL by attracting external investment through a Joint Venture Transformation programme, the Government of West Bengal ("GoWB") intends to induct a Strategic Partner with a stake of up to 74%, to be identified based on a transparent and competitive bidding process, through sale of existing shares in WBHDCL.

PricewaterhouseCoopers Private Limited ("PwC") has been appointed as advisors to GoWB through the Department of Public Enterprises (DPE) for inviting expressions of interest for the proposed external investment and matters relating thereto.

GoWB is in-principle agreeable to the operationalization of a manpower restructuring exercise involving an Early Retirement Scheme (ERS) for employees of WBHDCL, which shall be implemented only if GoWB can successfully conclude the process of induction of a Strategic Partner. The details of the restructuring package have been provided in Section 3.

1.2. Underlying objective

In consonance with its thrust on industrial development in the State, GoWB's primary objective behind the proposed joint venture transformation is to ensure maximum utilization of WBHDCL's assets and workforce for sustained value creation as part of an ongoing enterprise.

1.3. Invitation for EoIs

An advertisement has been issued in select newspapers inviting interested parties to submit their 'Expression of Interest' to participate in the external investment process, a copy of which is enclosed as Annexure I.

Expressions of Interest may be submitted by interested parties, either individually or as a consortium, for holding up to 74% equity of WBHDCL. In case of consortium bids, a lead bidder would need to be identified.

1.4. Qualification criteria

Indian companies/partnerships/proprietorship firms, Overseas Corporate Bodies (OCBs), Foreign Companies (subject to such foreign companies obtaining all statutory approvals from Government of India, FIPB, RBI etc. by themselves) must seek to achieve the underlying objective of GoWB explained in Clause 1.2 above and meet the following criteria (based on audited results):

- a. At least 3 years of marketing & selling experience in any industry/ experience in the services sector OR at least 2 years experience in marketing & selling of handicraft/ handloom products
- b. For entities incorporated anytime during the last 2 years, their promoters must satisfy the criteria outlined in (a) above
- c. Net worth (excluding revaluation reserves) of at least Rs. 40 million as on March 31, 2008¹

In case of a consortium (incorporated or unincorporated) bid, at least one of the members of the consortium should meet criteria (a) or (b) and the combined net worth of the constituent entities of the consortium should meet the above mentioned eligibility criteria no. (c). Also, the leader of the consortium should meet at least 51% of the above mentioned eligibility criteria no. (c). Further, in the case of a consortium bid, the net worth of only those members of the consortium shall be counted who propose to take at least 10 % of the equity stake in the company promoted / to be promoted by the consortium members for acquiring stake in WBHDCL.

Bids by management / employees of WBHDCL, directly and independently or in consortium or Joint Venture or a Special Purpose Vehicle (SPV), along with a bank, venture capitalist or a financial institution, will be considered if the legal entity so formed is qualified as per the criteria laid down in the PIM and the guidelines issued by Ministry of Disinvestment as per Annexure VII.

Where the financial statement is expressed in a currency other than Indian Rupee, the eligible amount as described above shall be computed by taking the equivalent US Dollars at the exchange rates (as stipulated by Foreign Exchange Dealers Association of India) prevailing on the date(s) of such financial statement.

¹ In case the financial accounting year of the interested party follows a separate closing, then net worth criteria will be applicable as per the latest audited accounts available.

Definitions

- Net worth = Paid-up equity share capital (excluding share capital allotted for consideration other than cash) + Free Reserves and Surplus (excluding revaluation reserves) – Deferred Revenue / Miscellaneous Expenditure not written off – Debit Balance in Profit and Loss Account – Cross holding of investments amongst consortium members in case of a consortium.
- “Promoter” refers to the person or persons who own at least 51% of the share capital of the bidding entity/ entities in the event of the entity being a company or whose share is equal to or more than 51% of the total capital in the event of the entity being a partnership firm.

1.5. Format and submission of EoIs

The interested parties should submit the Expression of Interest (“**EoI**”), which shall comprise the Expression Letter (Annexure II), Statement of Legal Capacity (the “**SLC**” in Annexure III) and Request for Qualification (the “**RFQ**” in Annexure IV). The Expression Letter, SLC and RFQ should be duly signed by the interested party/designated lead bidder of the consortium. However, the SLC and RFQ will have to be submitted by each member of the consortium duly signed by an authorised official of the member. The RFQ should be duly filled in and accompanied by the following details:

- **In case of a sole bidder**
 - The Audited Balance Sheet and Profit & Loss Account of the sole bidder (Indian company, partnership or proprietorship firm /OCB/Foreign company) for the last 3 financial years
 - Write up on:
 - Profile of the sole bidder
 - Stake (up to 74%) proposed to be acquired
 - A statement of reasons for strategic interest in WBHDCL and how it meets GoWB’s objectives detailed in Section 1.2
 - Certificate (on the letterhead of the interested party) stating that there has been no indictment by any income tax, sales tax, customs, excise or any other regulatory authorities{Please give details of individual cases of indictment, if any}. Kindly refer format given in Appendix V.
 - A certificate from a chartered accountant/auditor certifying the Net Worth as on March 31, 2007 and March 31, 2008.
 - Any other information considered material.
- **In case of a consortium bid**
 - The Audited Balance Sheet and the Profit & Loss Account of the lead bidder and other members associated in the bid for the last 3 financial years.
 - Write up on:
 - Name of the lead bidder and its profile
 - Profiles of other members the consortium
 - Stake (up to 74%) proposed to be acquired
 - A statement of reasons for strategic interest in WBHDCL and how it meets GoWB’s objectives detailed in Section 1.2

- Certificate (on the respective letterheads of each member of the consortium submitting the EoI) stating that there has been no indictment by any income tax, sales tax, customs, excise or any other regulatory authorities{ Please give details of individual cases of indictment, if any}. Kindly refer format given in Appendix V.
- A certificate, in respect of each member of the consortium, from a chartered accountant/auditor certifying their respective Net Worth as on March 31, 2007 and March 31, 2008.
- Any other information considered material.

Any change by way of withdrawal/ substitution of any member of the consortium or any change affecting the composition of the consortium may be permitted up to the stage of submission of the bid. GoWB has the sole discretion to determine the impact of the change in membership on the structure and quality of the consortium and reject a proposal without assigning any reasons whatsoever.

The EoI Package must be submitted in duplicate. It must be in English and each copy shall be bound in a separate volume. **Submission of the aforesaid documents by fax, e-mail or any other electronic means will not be acceptable.** The EoI, SLC and RFQ duly completed along with the details should be submitted not later than **1700 Hours (IST) on June 09, 2008** in a sealed envelope superscribed “**Private and Confidential – Expression of Interest for WBHDCL**” at the following address, marked to the attention of the under-mentioned person:

Mr. Hari Sridhar, PricewaterhouseCoopers Pvt. Limited DN-56 & 57 Sector V Salt Lake Kolkata- 700091 Tel +91 033 2357 9101, 033 2341 3033 Fax +91 033 2357 2754

It is the responsibility of the interested party (ies) alone to ensure that its EoI Package with required documents is delivered at the above mentioned address by the stated time and date. On submission of the EoI package, the bidder(s) will be provided with a receipt marked “Contents Not Verified.” WBHDCL/GoWB/PwC shall not be responsible for non-receipt of any correspondence.

1.6. Disqualifications

1. GoWB shall not consider for the purpose of qualification, an EoI that in its considered opinion does not seek to achieve the underlying objective stated at Clause 1.2 above.
2. An EoI that is found to be incomplete in content or attachments or authenticity shall not be considered for the purpose of qualification.

3. Without prejudice, an interested party/ consortium may be disqualified and its EoI dropped from further consideration for any of the reasons listed below:

- Material misrepresentation by such party/ member of consortium in the EoI, RFQ, SLC or indictment statement.
- Failure by such party/ member of consortium to provide the information required to be provided in the EoI, RFQ, SLC and indictment statement
- Submission of EoI, RFQ, SLC and indictment statement in respect of any party/ member of consortium, where such party or member had already submitted an EoI or is a member of a consortium, which has already submitted an EoI.

If any information becomes known after the interested party has been qualified to receive the Confidential Information Memorandum, which would have entitled Government of West Bengal/WBHDCL to reject or disqualify the relevant party/consortium, Government of West Bengal/WBHDCL reserves the right to reject the interested party at the time or at any time after such information becomes known to GoWB or WBHDCL.

Further, Government of India (GOI) has issued guidelines for disqualification of bidders seeking to acquire any public sector enterprises through the process of disinvestment vide Department of Disinvestment Office Memorandum (O.M) No.6/4/2001-DD-II dated 13th July 2001, a copy of which is enclosed as Annexure-VI. Entities interested in participating in the proposed process of inviting external investment should not have been convicted by a Court of Law or indicted/ have any adverse order passed against them by any court of law or any other regulatory authority which casts a doubt on their ability to manage WBHDCL or which relates to a grave offence. Further, such persons or corporate entities and/ or their sister concern(s) should not have any charge sheet against them by an agency of GOI/conviction by a Court of law for an offence in regard to matters concerning the security and integrity of India. The final decision in this regard will be taken by GoWB.

The interested party (ies) are required to read the guidelines and satisfy themselves that they are qualified to bid for the stake in WBHDCL through the process of invitation of external investments and give an undertaking to the effect that they are qualified to bid for the stake in WBHDCL in the Expression of Interest (EoI) to be submitted by them. Further, interested parties would be required to provide the information on the criteria, laid down in the above mentioned GOI guidelines of 13th July, 2001 along with their EoI. The bidders shall be required to provide with their EoI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also relating to matters concerning the security and integrity of India, a similar undertaking shall be provided along with EoI.

Where the interested party is a consortium, GoWB may disqualify the entire consortium for any of the reasons specified above, even if it applied to only one member of the consortium.

The interested parties/ consortia not satisfying the eligibility and requisite qualification criteria specified in the above sections are not eligible.

1.7. Other terms

This document constitutes no form of commitment on the part of the GoWB or PwC other than to provide further information on WBHDCL. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed process of inviting external investment.

GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any /all offer(s) at any stage of the process and/or modify the process or any part thereof or to vary any terms without assigning any reasons. No financial obligations will accrue to GoWB or PwC in such an event. Neither GoWB nor PwC shall be responsible for non-receipt of correspondence sent by post / e-mail / courier /fax.

The bidder shall bear all costs associated with the preparation and submission of the EoI. GoWB, PwC or WBHDCL shall not, under any circumstances, be responsible or liable for any such costs, whether direct, incidental or consequential.

1.8. Further Process

The EoI submitted by interested parties shall be evaluated on the basis of GoWB's underlying objective for the joint venture transformation as detailed in Section 1.2 together with the criteria specified elsewhere in this document. GoWB reserves the right to reject, without assigning any reason whatsoever, any EoI which, in its sole judgement, does not meet the underlying objective detailed in Section 1.2.

If at any time during the evaluation process, GoWB/ PwC require any clarification, they reserve the right to request such information from any or all of the interested parties/ consortia and the parties/ consortia will be obliged to provide the same within a reasonable timeframe.

Based on an evaluation of EoIs received, interested parties, which are deemed fit ("qualified interested parties" or "QIP"), will be qualified to participate in the subsequent selection process (without conferring any right or expectation whatsoever to QIPs). All QIPs will be required to execute a Confidentiality Undertaking. Only on execution of the Confidentiality Undertaking, QIPs will be provided with the Confidential Information Memorandum (CIM) and shall be invited to participate further in the process described in detail in the CIM. QIPs will get an opportunity to conduct a due diligence and take up plant visits and will also have access to data rooms and hold discussions with the management of WBHDCL/officials of Department of Public Enterprises/officials of Micro & Small Scale Enterprises and Textiles (MSSET) Department, Government of West Bengal. The rules regarding access to information in the data rooms will be provided to QIPs later. QIPs will be

invited to submit proposals detailing their technical, financial and commercial capabilities and a binding price bid.

1.9. Enquiries

GoWB/ PwC reserve the right not to respond to questions raised or provide clarifications sought, in their sole discretion, if it is considered that it would be inappropriate to do so. Nothing in this document shall be taken or read as compelling or requiring GoWB/ PwC to respond to any question or to provide any clarification. No extension of any time and date referred to in this PIM shall be granted on the basis or grounds that GoWB/ PwC has not responded to any question/ provided any clarification.

1.10. Governing Laws/ Jurisdiction

The laws of Union of India shall govern all matters relating to the joint venture formation process and the bidding procedure. Only Courts at Kolkata (with exclusion of all other Courts) shall have the jurisdiction to decide or adjudicate on any matter, which may arise out of or in connection with the joint venture participation process and the bidding procedure.

2. Brief Profile of West Bengal Handicrafts Development Corporation Limited(WBHDCL)

2.1. Introduction

West Bengal Handicrafts Development Corporation Ltd. (WBHDCL) was established in 1976 under the provisions of the Companies Act, 1956, under the administrative control of the then Cottage and Small Scale Industries Department (C&SSI), currently Micro & Small Scale Enterprises and Textiles (MSSET) Department, GoWB.

WBHDCL has the principle mandate of promoting the interests of the handicraft artisans of West Bengal by facilitating the marketing of handicrafts and providing infrastructural & technical support for the development of handicrafts in West Bengal. Handicrafts of affiliated artisans are marketed through its current network of 19 showrooms under the 'Manjusha' brand.

Apart from selling handicrafts, WBHDCL presently also undertakes sale of handloom products procured from handloom cooperatives and other SSI units.

Besides handicrafts and handloom products, WBHDCL is also involved in wholesale supplies of uniforms, liveries and accessories to various state government departments and schools and the supply of relief material meant for drought & flood affected regions.

WBHDCL's product portfolio consists of a wide variety of handicrafts and handloom products, which include the following key items:

- Handicrafts: Shola, copper items, dokra, clay products, terracotta goods, ceramics, jute merchandise, different types of bags, jewellery, chikan ware, cane furniture etc.
- Handloom: Cotton handloom, silk handloom, garments & dress materials

WBHDCL retails its products through a network of 19 showrooms. The details of the showrooms, as made available to us by WBHDCL, are presented in the table below:

Location of showroom	Owned/ Rented	Area in square feet
New Delhi *	Owned	3425(including store & office)
Dhakuria –Kolkata(two showrooms)	Owned	964 & 650.5
Lake Market-Kolkata	Rented	480
Maniktala Civic Centre-Kolkata	Owned	700
Camac Street-Kolkata **	Govt. owned	590
Salt Lake –Kolkata	Owned	900
DumDum Airport-Kolkata	Rented	124

Location of showroom	Owned/ Rented	Area in square feet
Darjeeling - Darjeeling district	Rented	2182(including store area)
Haldia-Purba Medinipur district	Rented	452
Bolpur- Birbhum district	Rented	485
Raiganj- Uttar Dinajpur district	Owned	374 (including store area)
Malda	Rented	265
Siliguri- Darjeeling district	Rented	357
Balurghat- Dakshin Dinajpur district	Rented	800
Behrampore- Murshidabad district	Owned	400
Asansol-Burdwan district	Rented	415
Burdwan	Rented	400
Suri-Birbhum district	Owned	414

* Under the possession of MSSET Dept., GoWB

** Under the ownership of PWD, GoWB

The company's registered office is located at Salt Lake City, Kolkata.

WBHDCL does not have a dedicated manufacturing unit and procures its goods through a network of empanelled/MSSET Department certified artisan cooperatives/units throughout the state of West Bengal.

The address of its Registered Office is indicated below:

Registered Office:

Karu Angan, IB-181, Sector-III, Salt Lake City, Kolkata-700 106

The employee strength of the WBHDCL as on December 31, 2007 was 159. The employee mix of WBHDCL is presented in the following table:

Categories	Manpower
Officers (including Managing Director, who is on deputation)	6
Supervisory staff	24
Clerical staff	85
Workmen	44
Total	159

Additionally, the enterprise employed 5 casual staff and a sweeper on government deputation.

WBHDCL does not have any subsidiaries.

2.2. Attractiveness of WBHDCL

Product portfolio and brand recall

- The “Manjusha” brand of handicraft and handloom products enjoys good brand recall and awareness among consumers across West Bengal. The brand could be leveraged by the potential strategic partner for increasing the range and reach of WBHDCL’s products, thereby enhancing the enterprise’s revenues.
- The enterprise deals in a wide range of handicraft and handloom items, with a focus on handicraft items specific to the state of West Bengal. The prospective strategic partner could capitalize on this range of merchandise to improve the company’s top line.

Procurement and marketing network

- WBHDCL has established linkages with select empanelled/ MSSET Department registered artisan units & cooperatives, from which handicraft articles and handlooms are being procured. This relationship could be utilized by the prospective strategic partner to expand the range of the enterprise’s products.
- The company has a network of 18 showrooms across the state and one in New Delhi, with some of the outlets strategically located in areas such as Camac Street, Dhakuria, Dum Dum Airport etc. in Kolkata frequented by retail customers. This network of sales outlets could be leveraged by the potential private sector partner in attempts to maximize enterprise revenues.

Infrastructure

- As indicated by WBHDCL management, the enterprise owns showroom space at select locations across West Bengal, which could be used for expansion of operations/diversification into related areas of business. For example, the showrooms at Dhakuria, Maniktala Civic Centre, Salt Lake and Camac Street in Kolkata, apart from the New Delhi outlet, are operated from premises owned by the enterprise/select Government departments. Moreover, the administrative office of WBHDCL is housed on land owned by the enterprise at Salt Lake, Kolkata. Additionally, the enterprise also holds office space at Park Plaza, Kolkata on a 99 year lease.

Financial position

- WBHDCL currently has relatively limited amount of loans (around Rs. 21 million), thereby reducing future debt servicing requirements. This could improve the future prospects of raising funds from the market on competitive terms, with a view to finance future expansion/diversification projects.

- WBHDCL's operating loss margin declined from 20% in FY03 to 7% in FY07, thereby indicating the organization's improved capacity to cover its operating costs.

2.3. Financials

1. WBHDCL's authorised capital as on March 31, 2007 was Rs. 120 million comprising 12,00,000 equity shares of Rs. 100 each. The issued and paid up capital of the company as on March 31, 2007 was Rs. 86.5 million comprising 8,65,000 equity shares of Rs. 100 each, of which 7,87,000 shares were held by West Bengal Small Industries Corporation Ltd. (WBSIC) and 78,000 equity shares by the All India Handicrafts Board. Deposits against share capital amounted to Rs. 42.44 million as on March 31, 2007.

As part of the current exercise, GoWB intends to offer an equity stake up to 74% to a Strategic Partner, to be inducted through a transparent and competitive bidding process.

2. The highlights of the profit and loss statement and balance sheet of the company for the 5 year period FY2003 to FY2007 are indicated overleaf.

Profit & Loss Statement

(Rs. In million)

Particulars	31-Mar-03 (Provisional & Unaudited)	31-Mar-04 (Provisional & Unaudited)	31-Mar-05 (Provisional & Unaudited)	31-Mar-06 (Provisional & Unaudited)	31-Mar-07 (Provisional & Unaudited)
Income from Operations:					
Net Sales	86.85	87.13	60.79	76.27	111.84
Total Operating Income (A)	86.85	87.13	60.79	76.27	111.84
Expenditure					
(Accretion)/Decretion to Stock	1.48	1.46	5.67	4.02	2.78
Material Costs & Consumable Stores	66.44	65.55	42.19	53.93	85.64
Employee Remuneration	20.86	20.81	21.74	23.55	24.60
Electricity & Water Charges	0.83	1.00	1.05	0.55	0.64
Rent	1.27	1.70	0.39	0.34	0.45
Selling Expenses	9.71	7.91	5.03	4.42	4.20
Other Expenses	3.54	2.22	2.43	1.77	1.63
Total (B)	104.12	100.63	78.51	88.58	119.94
Add: Other Income (C)	2.50	6.62	0.77	9.61	3.60
Profit Before Depreciation Interest & Tax (A+B+C)	(14.76)	(6.88)	(16.95)	(2.70)	(4.50)
Interest	1.00	1.04	0.93	0.82	2.09
Profit Before Depreciation & Tax	(15.76)	(7.92)	(17.88)	(3.52)	(6.59)
Depreciation	0.96	0.99	0.91	0.83	0.76
Profit Before Tax	(16.72)	(8.92)	(18.79)	(4.35)	(7.35)
Prior Period Adjustment (Net)	-	-	(0.11)	-	-
Tax for the year	-	-	-	-	-
Profit/(Loss) After Tax	(16.72)	(8.92)	(18.90)	(4.35)	(7.35)

Balance Sheet

Rs. In million

Particulars	31-Mar-03 (Provisional & Unaudited)	31-Mar-04 (Provisional & Unaudited)	31-Mar-05 (Provisional & Unaudited)	31-Mar-06 (Provisional & Unaudited)	31-Mar-07 (Provisional & Unaudited)
Sources of Funds					
Share Capital	88.50	88.50	86.50	86.50	86.50
Deposit against share capital	-	10.00	18.00	27.50	42.44
Reserves	0.87	0.87	0.87	0.87	0.87
Shareholders' Funds	89.37	99.37	105.37	114.87	129.81
Secured Loans	15.18	15.30	15.35	14.63	14.59
Unsecured Loans	5.69	5.85	6.01	6.17	6.33
Loan Funds	20.86	21.14	21.36	20.80	20.92
Total Sources of Funds	110.23	120.51	126.73	135.67	150.73
Application of Funds					
Fixed Assets					
Gross Block	25.08	25.11	25.11	25.11	25.12
Less: Depreciation	9.54	10.53	11.44	12.27	13.03
Net Block	15.54	14.58	13.68	12.85	12.09
Capital Work in Progress	-	-	-	-	-
Investments	0.05	0.05	0.05	0.05	0.05
Current Assets, Loans & Advances					
Inventories	21.87	20.41	14.74	10.72	7.94
Sundry Debtors	27.25	26.66	15.82	13.05	49.96
Cash & Bank balances	6.53	8.12	4.27	4.79	7.78
Loans & Advances	28.70	30.01	25.78	13.34	11.59
Total Current Assets, Loans & Advances	84.35	85.20	60.61	41.89	77.26
Less: Current Liabilities & Provisions	69.57	68.13	55.30	31.16	58.07
Net Current Assets	14.78	17.08	5.31	10.72	19.19
Profit & Loss Account	79.86	88.80	107.70	112.05	119.40
Total Application of Funds	110.23	120.51	126.73	135.67	150.73

3. The enterprise's revenues have displayed a significant improvement during the period FY03 to FY07, growing at a compounded annual rate of 6.5%.
4. WBHDCL's operating loss margin has declined from 20% in FY03 to 7% in FY07, primarily due to the increase in revenues and marked decline in selling expenses.
5. WBHDCL's net loss margin has decreased from 19% in FY03 to 7% in FY07, mainly on account of the declining operating loss margin
6. The extent of GoWB financial support to the enterprise as on March 31, 2007 stood at around Rs.147 million, with the equity component of the government budgetary support being around Rs. 129 million. The balance amount of about Rs.18 million represented outstanding GoWB debt.
7. The debt equity ratio of WBHDCL improved marginally from 2.2 in FY03 to 2 in FY07, primarily on account of the aggregate equity infusion of around Rs.40 million (including deposit against share capital) by GoWB during the period.
8. There was a significant decline in inventory days from 92 in FY03 to 26 in FY07 mainly due to increased sales, coupled with a reduction in inventory during the period.

3. Proposed Restructuring Package

As part of the overall restructuring exercise, GoWB is open to considering a manpower restructuring exercise through an ERS programme, with the outlay on ERS being jointly funded by GoWB and the Department for International Development (DFID), Government of United Kingdom. However, manpower restructuring shall be implemented only if the exercise of inducting a Strategic Partner into the company is successfully concluded.

Any measures towards manpower restructuring will be undertaken in consultation with the proposed Strategic Partner and definitive agreements / steps initiated prior to the consummation of the transaction.

However, it should be noted that GoWB is committed to ensuring overall economic prosperity in the state through protecting existing employment and creation of additional employment opportunities.

Hence, a final decision on the preferred bidder will, in addition to other technical and commercial parameters, also factor in the level of manpower restructuring agreed to by individual bidders.

4. Annexures

ANNEXURE-I: PUBLIC ADVERTISEMENT



GOVERNMENT OF WEST BENGAL
DEPARTMENT OF PUBLIC ENTERPRISES

JOINT VENTURE TRANSFORMATION THROUGH INDUCTION OF STRATEGIC PARTNER

NOTIFICATION FOR SUBMISSION OF EXPRESSIONS OF INTEREST (EOIs) FOR WEST BENGAL HANDICRAFTS DEVELOPMENT CORPORATION LIMITED (WBHDCL)

(This announcement is neither a prospectus nor an offer/invitation to the public for sale of shares, securities, or debentures)

Continuing with its efforts to restructure its loss making Public Sector enterprises, the Government of West Bengal (GoWB) is desirous of inducting a strategic partner in “West Bengal Handicrafts Development Corporation Limited (WBHDCL)”. GoWB will allow transfer of equity stake in WBHDCL up to 74 % with management control, to the selected Strategic Partner.

GoWB’s primary objective underlying this exercise is to ensure maximum utilization of the assets and workforce of WBHDCL, for sustained value creation as an ongoing undertaking. The said equity stake is proposed to be offered through sale of existing shares.

As part of the proposed restructuring exercise for WBHDCL through this joint venture transformation, GoWB is open to consider *settlement of outstanding financial liabilities* as may be necessary for ensuring its sustainable viability.

Highlights of WBHDCL have been summarized in the table given below.

Products / Services	Location of Facilities	Total revenue* (Rs. Mn.)	Net Profit/(Loss)* (Rs. Mn.)	Interest Expenses* (Rs. Mn.)
Handicrafts & handloom products	Head Office at Sector-III, Salt Lake, Kolkata Showrooms: 1 in New Delhi, 18 in different locations in West Bengal	111.84	(7.35)	2.09

* Financials are based on unaudited (provisional) results for the financial year ended March 31, 2007

Expressions of Interest may be submitted by Indian Companies, Partnership / Proprietorship firms, Overseas Corporate Bodies (OCBs), Foreign Companies (subject to such foreign companies obtaining all statutory approvals from GoI /FIPB /RBI etc. by themselves), either individually or as a consortium (incorporated or unincorporated), for holding up to 74% equity of the enterprise.

Interested Parties are requested to submit their EOI along with a Request for Qualification (RFQ) and other necessary documents **in duplicate** in the prescribed format specified in the **Preliminary Information Memorandum (PIM)** at the under-mentioned address of our advisors, **not later than 1700 hrs (IST) on June 09, 2008.**

The PIM containing further information about the enterprise, eligibility criteria, formats of EoI, SLC and RFQ, etc. can be obtained from the under-mentioned person or downloaded from **www.peir.in**. All queries related to the EOI may be addressed to our advisors: **M/s. PricewaterhouseCoopers Private Limited (PwC), DN-56 & 57, Sector V, Salt Lake, Kolkata – 700091, India; Phone No. +91-33-2357 9101, +91-33-2341 3033; Fax No. +91-33-2357 2754 with the message being marked to the attention of Mr. Hari Sridhar (Email: hari.sridhar@in.pwc.com).**

Only the parties that are found eligible in the sole discretion of GoWB will be informed of the same and provided further information. GoWB is entitled to ask the parties for any further information that they may deem fit in this regard. This advertisement does not constitute and will not be deemed to constitute, any commitment on the part of GoWB. Furthermore, this advertisement confers neither any right nor expectation on any party to participate in the process of the joint venture transformation of WBHDCL.

GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any or all offers/ expressions of interest/ bids at any stage of the process and/or modify the process or any part thereof or to vary terms at any time without assigning any reason whatsoever, even if GoWB finds a party/parties eligible to bid. No financial or any other obligation will accrue to GoWB or PwC in such an event.

Further, GoWB or PwC or WBHDCL shall not be responsible for non-receipt of correspondence sent by post/courier/e-mail/fax.

This advertisement shall not be deemed to modify or supersede the PIM in any manner and shall be subject to the PIM

ANNEXURE-II: EXPRESSION OF INTEREST

(To be forwarded on the letterhead of the interested party/lead bidder of the consortium submitting the EoI)

Reference No. _____

Date _____

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57, Block DN
Sector V, Salt Lake
Kolkata- 700091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UP TO 74% EQUITY STAKE IN WEST BENGAL HANDICRAFTS DEVELOPMENT CORPORATION LIMITED

Sir,

This is with reference to the advertisement dated May 12, 2008 inviting Expressions of Interest for West Bengal Handicrafts Development Corporation Limited (WBHDCL).

As specified in the advertisement, we have read and understood the contents of the Preliminary Information Memorandum (PIM) and are desirous of participating in the above process for invitation of external investment, and for this purpose:

We propose to submit our EoI in individual capacity as _____ (insert name of interested party)

OR

We have formed/propose to form a consortium comprising ____ members as follows:

1. _____ (Insert name of Interested Party) (LEAD BIDDER)
2. _____ (Insert name of Interested Party)
3. _____ (Insert name of Interested Party)

We believe that we/our consortium/proposed consortium satisfies the eligibility criteria set out in relevant sections of the PIM including the guidelines for qualification of bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment issued by the Government of India, vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July 2001 and clarifications issued on 10th January, 2002.

We certify that we have not been convicted by a Court of law or indicted or adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the public sector unit when it is disinvested or which relates to a grave offence that outrages the moral sense of the community.

We further certify that no investigation by a regulatory authority is pending either against any of us or against our sister concerns or against any of our CEOs or any of our Directors/Managers/ employees.

We undertake that in case due to any change in facts or circumstances during the pendency of the process for invitation of external investment, we are attracted by the provisions of disqualification in terms of the subject guidelines, we would intimate the GoWB of the same immediately.

The Statement of Legal Capacity, Request for Qualification and Statement as regards to any indictment by any regulatory authorities, as per formats indicated hereinafter, duly signed by us/respective members, who jointly satisfy the eligibility criteria, are enclosed.

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorised Signatory
For and on behalf of the party/lead bidder of consortium

Enclosure:

1. Statement of Legal Capacity
2. Request for Qualification
3. Statement as regards to any indictment by any regulatory authorities.

ANNEXURE–III: STATEMENT OF LEGAL CAPACITY

(To be forwarded on the letterhead of the interested party / each member of the consortium submitting the EoI)

Reference No. _____

Date _____

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57, Block DN
Sector V, Salt Lake
Kolkata- 700091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UP TO 74% EQUITY STAKE IN WEST BENGAL HANDICRAFTS DEVELOPMENT CORPORATION LIMITED (WBHDCL)

Sir,

This is with reference to the advertisement dated May 12, 2008 inviting Expressions of Interest for West Bengal Handicrafts Development Corporation Limited (WBHDCL).

We have read and understood the contents of the PIM and the advertisement and pursuant to this hereby confirm that:

- We satisfy the eligibility criteria laid out in the PIM.
- We are a member of the consortium (constitution of which has been described in the Expression of Interest) which jointly satisfies the eligibility criteria as detailed in the PIM.*
- We have agreed that _____ (insert member's name) will act as the lead member of our consortium.*
- We have agreed that _____ (insert individual's name) will act as our representative on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit this letter. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.*
- We have agreed that _____ (insert the name of the individual) has been chosen as representative of our consortium on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit the EoI. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.

Yours faithfully,

Authorised Signatory
For and on behalf of (party/member of consortium)

**Strike off whichever clause is not applicable*

*** Please attach a certified true copy of the extract of the relevant Board Resolution or equivalent in case interested party is not a company*

ANNEXURE-IV: REQUEST FOR QUALIFICATION

(To be submitted in respect of interested party/each member of the consortium)

Name of the interested party/Member _____

1. Constitution (Tick, wherever applicable)

- i) Public Limited Company
- ii) Private Limited Company
- iii) Others, if any (Please specify)

If the interested party is a foreign company, specify list of statutory approvals from GoI/ RBI/ FIPB applied for/ obtained/ awaiting:

2. Sector (Tick, wherever applicable)

- i) Public Sector
- ii) Joint Sector
- iii) Private Sector
- iv) Others, If any (Please specify)

3. Details of Shareholding :

4. Role/ Interest of each Member in the Consortium (if applicable) :

5. Nature of business/products dealt with :

6. Date & Place of incorporation :

7. Date of commencement of business :

8. Full address including phone number/fax number :

i) Registered Office :

ii) Head Office :

9. Address for correspondence :

10. Basis of eligibility for participation in the process (Please mention details of your eligibility) as under (whichever is applicable):

- a. Percentage stake proposed to be acquired, up to 74%
- b. Reason for wanting to acquire a strategic stake in WBHDCL and how this meets the GoWB objective for joint venture transformation as outlined in Section 1.2
- c. Brief description of marketing & selling operations in any sector / operations in the services sector engaged in by the interested party / its promoters

(Please furnish necessary details of self/ member of consortium with marketing & selling experience / experience in services sector of past 3 years or more/ experience in marketing & selling of handicraft/ handloom products for past 2 years or more)

11. Please attach most recent Audited Statement of Accounts/Annual Report. Please provide a chartered accountant/auditor certificate certifying the Net Worth as on March 31, 2007 and March 31, 2008.

12. Please provide details of all contingent liabilities that, if materialized, have or would reasonably be expected to have a material adverse effect on the business, operations (or results of operations), assets, liabilities and/or financial condition of the interested party/member of consortium

13. Contact Person(s):

- i) Name:
- ii) Designation:
- iii) Phone No.:
- iv) Mobile No.:
- v) Fax No.:
- vi) Email:

Yours faithfully,

Authorised Signatory
For and on behalf of the
(party/member)
Place:
Date:

Authorised Signatory
For and on behalf of the
consortium

Note: Please follow the order adopted in the Format provided. If the interested party is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words "No response given" against it.

**ANNEXURE - V: STATEMENT AS REGARDS ANY
INDICTMENT BY ANY REGULATORY AUTHORITIES**

(To be forwarded on the letterhead of the interested party/ each member of the consortium
submitting the EoI)

Date:

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57, Block DN
Sector V, Salt Lake
Kolkata – 700 091

We certify that there has been no indictment by any income tax, sales tax, customs,
excise or any other regulatory authorities{except as stated below:}¹

Yours faithfully,

Authorized Signatory
For and on behalf of (party/member)

Name:
Designation:

¹ Delete, if not applicable.

ANNEXURE-VI: GOVERNMENT OF INDIA'S DISQUALIFICATION GUIDELINES

No. 6/4/2001-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 13th July, 2001

OFFICE MEMORANDUM

Sub: Guidelines for qualification of Bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment

Government has examined the issue of framing comprehensive and transparent guidelines defining the criteria for bidders interested in PSE-disinvestment so that the parties selected through competitive bidding could inspire public confidence. Earlier, criteria like net worth, experience etc. used to be prescribed. Based on experience and in consultation with concerned departments, Government has decided to prescribe the following additional criteria for the qualification/ disqualification of the parties seeking to acquire stakes in public sector enterprises through disinvestment:

- (a) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering the facts of the case and relevant legal principles, by the Government.
- (b) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.
- (c) In both (a) and (b), disqualification shall continue for a period that Government deems appropriate.
- (d) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.

- (e) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.
- (f) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.
- (g) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EoI) from the interested parties. The interested parties would be required to provide the information on the above criteria, along with their Expressions of Interest (EoI). The bidders shall be required to provide with their EoI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be obtained along with EoI.

-sd/-

(A.K. Tewari)

Under Secretary to the Government of India

CLARIFICATION

Note: Vide clarification dated 10/1/2002 to the above guidelines it has been provided that the following offences be treated as grave offences:

- (1) Orders of Securities and Exchange Board of India which directly relates to “fraud” as defined in the Securities and Exchange Board of India Act, 1992 and / or regulations made thereunder;
- (2) Orders of Securities and Exchange Board of India which cast a doubt on the ability of the Strategic Partner to manage the Company after the sale of the Transaction Shares by the Government to the Strategic Partner;
- (3) Any conviction by a Court of Law;
- (4) In cases in which Securities and Exchange Board of India also passes a prosecution order, disqualification of the Strategic Partner should arise only on conviction by the Court of Law.

ANNEXURE-VII: GUIDELINES FOR MANAGEMENT-EMPLOYEE BIDS

No. 4/38/2002-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 25th April, 2003

OFFICE MEMORANDUM

Sub: Guidelines for management-employee bids in a strategic sale

1. Employee participation and protection of employee interests is a key concern of the disinvestment process. The practice of reserving a portion of the equity to be disinvested for allocation to employees, at concessional prices, has been adopted in a number of cases. It is necessary and expedient to evolve and lay down guidelines to encourage and facilitate management-employee participation in the strategic sales and thus to acquire controlling stakes and manage disinvested public sector undertakings. The undersigned is directed to state that the Government has, therefore, decided to lay down the following guidelines for evaluating employee / management bids :
 - a. The term ‘employee’ will include all permanent employees of a PSU and the whole time directors on the board of the PSU. A bid submitted by employees or a body of employees will be called an “employee bid”.
 - b. At least 15% of the total number of the employees in a PSU or 200 employees, whichever ever is lower, should participate in the bid.
 - c. An employee bid would be exempted from any minimum turnover criterion but will be required to qualify in terms of the prescribed net worth criterion. They will be required to follow the procedures prescribed for participation by Interested Parties in the process of strategic sale including, but not limited to, filing the expression of interest along with all details, as applicable to other investors, furnishing of bank guarantee for payment of the purchase price etc.
 - d. Employees can either bid directly and independently or, for the purpose of meeting the financial criteria like net worth, can form a consortium or bid through a joint venture (JV) or a special purpose vehicle (SPV), along with a bank, venture capitalist or a financial institution. However employees will not be permitted to form consortia with other companies.
 - e. If the bidding entity of the employees is a consortium, JV or SPV, employees must have a controlling stake and be in control of the bidding entity.
 - f. If the bid is submitted through a consortium, JV or SPV, employees must contribute at least 10% of the financial bid.

- g. If the employees form a consortium, the consortium partners would be prohibited from submitting individual bids independently.
 - h. If it is not the highest bid, the employee bid shall be considered only if the said bid is within 10% of the highest bid.
 - i. The employee bid shall, subject to fulfilling the conditions above, have the first option for acquiring the shares under offer provided they match the highest bid and the highest bid being equal to or more than the reserve price.
 - j. If the employee bid is not the highest bid and there are more than one employee bids within the 10% band, the highest of the employee bids will have precedence for purchase at the highest bid. If such employee bidder is unwilling or unable to match the highest bid, the option will pass on to the next highest employee bid and so on till all the employee bids, within the 10% band, are exhausted.
 - k. In the event of no employee bidder, within the 10% band, being willing or able to match the highest bid, the shares under offer will be sold to the highest bidding entity.
 - l. There will be a lock in period of three years for the shares disinvested by the Government.
2. All the bidders for the management-employee buy-outs will also have to satisfy the provisions of the 'Guidelines for qualification of bidders seeking to acquire stakes in Public sector Enterprise through the process of disinvestment' issued vide the then Department of Disinvestment's Office Memorandum No.6/4/2001-DD-II dated 13th July 2001, or as amended subsequently along with other qualification criterion as generally applicable and not specifically excluded herein.

-sd-

(T.S. Krishnamachari)
Deputy Secretary to the Government of India

GLOSSARY – LIST OF ABBREVIATIVES USED

WBHDCL	West Bengal Handicrafts Development Corporation Limited.
PIM	Preliminary Information Memorandum
PwC	M/s. PricewaterhouseCoopers Pvt. Limited
GoWB	Government of West Bengal
GoI	Government of India
EoI	Expression of Interest
C&SSI	Cottage & Small Scale Industries Department, GoWB
MSSET	Micro & Small Scale Enterprises and Textiles Department, GoWB
DPE	Department of Public Enterprises, GoWB
ERS	Early Retirement Scheme
OCBs	Overseas Corporate Bodies
FIPB	Foreign Investment Promotion Board
RBI	Reserve Bank of India
SPV	Special Purpose Vehicle
SLC	Statement of Legal Capacity
RFQ	Request for Qualification
QIPs	Qualified Interested Parties
CIM	Confidential Information Memorandum
SSI	Small Scale Industries
PWD	Public Works Department, GoWB
WBSIC	West Bengal Small Industries Corporation Ltd.
DFID	Department for International Development, U.K.
FY	Financial Year
JV	Joint Venture
PSU	Public Sector Undertaking
PSE	Public Sector Enterprise